

**Town of Brookline**

*Actuarial Valuation and Review of Other Postemployment  
Benefits (OPEB) as of June 30, 2006  
In Accordance with GASB Statements Number 43 and 45*

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*August 2, 2006*

*Mr. Stephen E. Cirillo  
Director of Finance  
Town of Brookline, MA  
333 Washington Street  
Town Hall  
Brookline, MA 02445*

*Dear Steve:*

*We are pleased to submit this report on our actuarial valuation of postemployment welfare benefits as of June 30, 2006 under GASB Statements Number 43 and 45. It establishes the liabilities of the postemployment welfare benefit plan in accordance with GASB Statements Number 43 and 45 for the fiscal year beginning July 1, 2006 and summarizes the actuarial data.*

*This report is based on information received from the Town. The actuarial projections were based on the assumptions and methods described in Exhibit II and on the plan of benefits as summarized in Exhibit III.*

*We look forward to discussing this material with you at your convenience.*

*Sincerely,*

*THE SEGAL COMPANY*

*By: \_\_\_\_\_  
Kathleen A. Riley, FSA, MAAA  
Senior Vice President and Actuary*

*257457/04111.004*

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**PURPOSE**

This report presents the results of our actuarial valuation of the Town of Brookline postemployment welfare benefit program as of June 30, 2006. The results are in accordance with the Governmental Accounting Standards (as if they were effective July 1, 2006), which prescribe an accrual methodology for accumulating the value of postemployment welfare benefits over participants' active working lifetimes. The accounting standard supplements cash accounting, under which the expense for postemployment benefits is equal to benefit and administrative costs paid on behalf of retirees and their dependents (*i.e.*, a pay-as-you-go basis).

Actuarial computations under GASB are for purposes of fulfilling certain accounting requirements. The calculations reported in this report have been made on a basis consistent with our understanding of GASB. Determinations for purposes other than meeting the financial accounting requirements of GASB may differ significantly from the results reported here.

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of the valuation and on the pattern of sharing costs between the employer and plan members.

Actuarial calculations reflect a long-term perspective, and the methods and assumptions use techniques designed to reduce short term volatility in accrued liabilities and the actuarial value of assets, if any.

The calculation of an accounting obligation does not, in and of itself, imply that there is any legal liability to provide the benefits valued, nor is there any implication that the Town is required to implement a funding policy to satisfy the projected expense.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

**ACCOUNTING REQUIREMENTS**

The Governmental Accounting Standards Board (GASB) issued Statement Number 43 -- *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement Number 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Under these statements, all state and local government entities that provide other post employment benefits (OPEB) are required to report the cost of these benefits on their financial statements.

The statements include postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are *not* offered as part of a pension plan; and long-term disability insurance for employees. These benefits, referred to as OPEB, are typically financed on a pay-as-you-go basis. The new standard introduces an accrual-basis accounting requirement; thereby recognizing the employer cost of postemployment benefits over an employee’s career. The standards also introduce a consistent accounting requirement for both pension and non-pension benefits.

The total cost of providing postemployment benefits is projected, taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions. This amount is then discounted to determine the actuarial present value of the total projected benefits (APB). The actuarial accrued liability (AAL) is the portion of the present value of the total projected benefits allocated to years of employment prior to the measurement date. The unfunded actuarial accrued liability (UAAL) is the difference between the AAL and actuarial value of assets in the Plan.

Once the UAAL is determined, the Annual Required Contribution (ARC) is determined as the normal cost (the APB allocated to the current year of service) and the amortization of the UAAL. This ARC is compared to actual contributions made and any difference is reported as the net OPEB obligation (NOO). In addition, required supplementary information (RSI) is required. This information includes historical information about the UAAL and the progress in funding the Plan.

**HIGHLIGHTS OF THE VALUATION**

The results of the valuation show a significant increase in expense for OPEB compared to the current accounting method.

The GASB statements provide the method for selecting the investment return assumption (discount rate). If the benefits are pre-funded, the discount rate should be based on the estimated long-term investment yield on the investments expected to be used to finance the payment of benefits. A pre-funded discount rate is used when the Town's funding policy is to contribute consistently an amount at least equal to the ARC. If financing continues to be pay-as-you-go, the discount rate should be based on the expected yield on the assets of the employer. For the purpose of this valuation, we have used 8.25% and 5.25%, respectively, for pre-funded and pay-as-you-go.

Because pay-as-you-go accounting assumes a lower interest rate to discount the liabilities, the liabilities appear larger and the expense allocated to the current fiscal year is higher. The lower expense shown for the pre-funded approach is based on the assumption of a higher rate of investment return, which ultimately means more benefits are provided by investment earnings and fewer benefits are provided by Town contributions.

The GASB statements allow the use of one of six funding methods to determine the actuarial liabilities. For this report, we are calculating the ARC under two methods - the entry age normal cost method (which is the cost method used by the Retirement System) and the projected unit credit cost method (which is the cost method required under Financial Accounting Standards Board Statement No. 106).

To determine the amortization payment on the unfunded actuarial accrued liability (UAAL), an amortization period

and amortization method must be selected. We have used a 30-year amortization of the UAAL (the maximum permitted by the GASB statements).

The GASB statements permit either level dollar or level percentage of payroll amortization. We have calculated three options - amortization payments that increase at 3.5% per year (the same rate of increase as the Retirement System) and, alternatively, at 4% and 4.5% per year.

Assets set aside to fund OPEB liabilities must be held in a trust or equivalent arrangement, through which assets are accumulated and benefits are paid as they come due. Employer contributions to the plan are irrevocable, plan assets are dedicated to providing benefits to retirees and their spouses in accordance with the terms of the plan, and plan assets are legally protected from creditors of the employer.

The Town of Brookline has set aside approximately \$4 million to fund OPEB liabilities. However, because these assets are not in an irrevocable trust, they are not reflected in this valuation report.

During the fiscal year ending June 30, 2007, we project the Town of Brookline will pay claims and expenses (net of retiree contributions) on behalf of all retired employees of about \$8,184,000. Under current accounting rules, this is the Town's "cost" of those benefit programs for retirees. Under the new accounting rules, the annual "cost" is projected to increase significantly, depending on the funding method, the discount rate and the amortization method. On pages 5 and 6 we show the calculation of twelve alternative ARCs which range from \$14,774,000 to \$24,722,000.

## SECTION 2: Valuation Results for the Town of Brookline June 30, 2006 Measurement under GASB

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GASB requires that governments with total annual revenues of \$100 million or more comply with GASB 45 for fiscal years beginning after December 15, 2006. Governments with total annual revenues of more than \$10 million but less than \$100 million comply with GASB 45 for fiscal years beginning after December 15, 2006. Governments with total annual revenues of less than \$10 million comply with GASB 45 for fiscal years beginning after December 15, 2008. For government plans that must also comply with GASB 43, the effective dates for GASB 43 are one year earlier.

**SECTION 2: Valuation Results for the Town of Brookline June 30, 2006 Measurement under GASB**

**SUMMARY OF VALUATION RESULTS**

**ALL DEPARTMENTS \***

*The key results and significant assumptions for the current year are shown on a pre-funded basis and a pay-as-you-go basis.*

	Pre-funded (8.25% interest rate)		Pay-as-you-go (5.25% interest rate)	
	Projected Unit Credit	Entry Age Normal	Projected Unit Credit	Entry Age Normal
<b>Actuarial Accrued Liability by Participant Category</b>				
Current retirees, beneficiaries and dependents	\$80,791,927	\$80,791,927	\$106,296,098	\$106,296,098
Current active members	<u>126,229,480</u>	<u>121,211,363</u>	<u>219,538,841</u>	<u>200,083,980</u>
Total as of July 1, 2006	\$207,021,407	\$202,003,290	\$325,834,939	\$306,380,078
<b>Annual Required Contribution for Fiscal Year Ending June 30, 2007*</b>				
Normal cost as of July 1, 2006	\$3,212,884	\$4,989,770	\$7,140,922	\$11,210,425
Adjustment for timing	<u>129,905</u>	<u>201,749</u>	<u>185,051</u>	<u>290,509</u>
Normal cost adjusted for timing	\$3,342,789	\$5,191,519	\$7,325,973	\$11,500,934
<b>Option 1: Amortization payments increasing at 3.5% per year</b>				
30-year amortization of the unfunded actuarial accrued liability (UAAL) as of July 1, 2006	\$12,279,760	\$11,982,103	\$13,705,601	\$12,887,271
Adjustment for timing	<u>496,503</u>	<u>484,468</u>	<u>355,170</u>	<u>333,964</u>
Amortization payment adjusted for timing	\$12,776,263	\$12,466,571	\$14,060,771	\$13,221,235
Total Annual Required Contribution (ARC) under Option 1	<b>\$16,119,052</b>	<b>\$17,658,090</b>	<b>\$21,386,744</b>	<b>\$24,722,169</b>
<b>Option 2: Amortization payments increasing at 4.0% per year</b>				
30-year amortization of the unfunded actuarial accrued liability (UAAL) as of July 1, 2006	\$11,623,194	\$11,341,452	\$12,846,766	\$12,079,715
Adjustment for timing	<u>469,956</u>	<u>458,564</u>	<u>332,914</u>	<u>313,036</u>
Amortization payment adjusted for timing	\$12,093,150	\$11,800,016	\$13,179,680	\$12,392,751
Total Annual Required Contribution (ARC) under Option 2	<b>\$15,435,939</b>	<b>\$16,991,535</b>	<b>\$20,505,653</b>	<b>\$23,893,685</b>

**SECTION 2: Valuation Results for the Town of Brookline June 30, 2006 Measurement under GASB**

	Pre-funded (8.25% interest rate)		Pay-as-you-go (5.25% interest rate)	
	Projected Unit Credit	Entry Age Normal	Projected Unit Credit	Entry Age Normal
<b>Option 3: Amortization payments increasing at 4.5% per year</b>				
30-year amortization of the unfunded actuarial accrued liability (UAAL) as of July 1, 2006	\$10,986,938	\$10,720,619	\$12,024,833	\$11,306,857
Adjustment for timing	<u>444,230</u>	<u>433,463</u>	<u>311,614</u>	<u>293,008</u>
Amortization payment adjusted for timing	\$11,431,168	\$11,154,082	\$12,336,447	\$11,599,865
<b>Total Annual Required Contribution (ARC) under Option 3</b>	<b>\$14,773,957</b>	<b>\$16,345,601</b>	<b>\$19,662,420</b>	<b>\$23,100,799</b>

\* Adjustment for timing assumes payment in the middle of the year

**SECTION 2: Valuation Results for the Town of Brookline June 30, 2006 Measurement under GASB**

**FUNDING SCHEDULES**

**30 Years (8.25% discount rate), payments increasing at 3.5%\*  
Projected Unit Credit cost method**

<b>Fiscal Year Ended June 30</b>	<b>Projected Benefit Payments</b>	<b>Normal Cost with Interest</b>	<b>Amortization of UAAL</b>	<b>Total Funding Requirement</b>	<b>Additional Funding</b>	<b>Assets at End of Year</b>	<b>AAL at End of Year</b>	<b>UAAL at End of Year</b>
2007	\$8,183,601	\$3,342,789	\$12,776,263	\$16,119,052	\$7,935,451	\$8,256,302	\$219,064,134	\$210,807,833
2008	9,513,010	3,509,928	13,223,432	16,733,361	7,220,351	16,449,735	230,891,124	214,441,389
2009	10,798,096	3,685,425	13,686,252	17,371,677	6,573,581	24,646,206	242,539,387	217,893,180
2010	12,113,820	3,869,696	14,165,271	18,034,967	5,921,147	32,840,073	253,971,431	221,131,358
2011	13,389,581	4,063,181	14,661,056	18,724,237	5,334,656	41,099,729	265,220,583	224,120,854
2012	14,329,859	4,266,340	15,174,193	19,440,533	5,110,674	49,807,768	276,630,868	226,823,100
2013	15,180,937	4,479,657	15,705,289	20,184,946	5,004,009	59,123,243	288,318,954	229,195,711
2014	16,027,162	4,703,640	16,254,974	20,958,614	4,931,452	69,131,754	300,323,906	231,192,152
2015	16,815,964	4,938,822	16,823,899	21,762,720	4,946,756	79,981,891	312,743,262	232,761,371
2016	17,794,709	5,185,763	17,412,735	22,598,498	4,803,789	91,578,415	325,425,823	233,847,407
2017	18,794,808	5,445,051	18,022,181	23,467,232	4,672,424	103,994,977	338,383,931	234,388,954
2018	19,689,299	5,717,304	18,652,957	24,370,261	4,680,962	117,444,787	351,763,685	234,318,898
2019	20,673,764	6,003,169	19,305,811	25,308,979	4,635,215	131,956,611	365,520,424	233,563,812
2020	21,707,452	6,303,327	19,981,514	26,284,841	4,577,389	147,605,497	379,648,905	232,043,408
2021	22,792,825	6,618,494	20,680,867	27,299,361	4,506,536	164,471,697	394,141,638	229,669,941
2022	23,932,466	6,949,418	21,404,697	28,354,116	4,421,650	182,641,040	408,988,607	226,347,567
2023	25,129,089	7,296,889	22,153,862	29,450,751	4,321,662	202,205,323	424,176,964	221,971,641
2024	26,385,544	7,661,734	22,929,247	30,590,980	4,205,437	223,262,736	439,690,702	216,427,965
2025	27,704,821	8,044,820	23,731,770	31,776,591	4,071,770	245,918,314	455,510,279	209,591,965
2026	29,090,062	8,447,061	24,562,382	33,009,444	3,919,382	270,284,427	471,612,226	201,327,798
2027	30,544,565	8,869,414	25,422,066	34,291,480	3,746,915	296,481,305	487,968,701	191,487,396
2028	32,071,793	9,312,885	26,311,838	35,624,723	3,552,930	324,637,597	504,547,009	179,909,412
2029	33,675,383	9,778,529	27,232,752	37,011,282	3,335,899	354,890,977	521,309,071	166,418,095
2030	35,359,152	10,267,456	28,185,899	38,453,355	3,094,202	387,388,792	538,210,851	150,822,059
2031	37,127,110	10,780,829	29,172,405	39,953,234	2,826,124	422,288,758	555,201,716	132,912,958
2032	38,983,465	11,319,870	30,193,439	41,513,309	2,529,844	459,759,713	572,223,751	112,464,038
2033	40,932,639	11,885,864	31,250,210	43,136,073	2,203,435	499,982,415	589,210,999	89,228,584
2034	42,979,270	12,480,157	32,343,967	44,824,124	1,844,853	543,150,410	606,088,634	62,938,224
2035	45,128,234	13,104,165	33,476,006	46,580,171	1,451,937	589,470,961	622,772,061	33,301,099
2036	47,384,646	13,759,373	34,647,666	48,407,039	1,022,393	639,166,047	639,166,047	-

\* Adjustment for timing assumes payment in the middle of the year

**SECTION 2: Valuation Results for the Town of Brookline June 30, 2006 Measurement under GASB**

**30 Years (5.25% discount rate), payments increasing at 3.5%\*  
Projected Unit Credit cost method**

<b>Fiscal Year Ended June 30</b>	<b>Projected Benefit Payments</b>	<b>Normal Cost with Interest</b>	<b>Amortization of UAAL</b>	<b>Total Funding Requirement</b>	<b>Additional Funding</b>	<b>Assets at End of Year</b>	<b>AAL at End of Year</b>	<b>UAAL at End of Year</b>
2007	\$8,183,601	\$7,325,973	\$14,060,771	\$21,386,744	\$13,203,143	\$13,545,292	\$342,061,421	\$328,516,128
2008	9,513,010	7,692,272	14,552,898	22,245,170	12,732,160	27,318,524	358,151,724	330,833,200
2009	10,798,096	8,076,885	15,062,249	23,139,135	12,341,039	41,413,593	374,162,960	332,749,367
2010	12,113,820	8,480,729	15,589,428	24,070,158	11,956,338	55,853,984	390,079,277	334,225,293
2011	13,389,581	8,904,766	16,135,058	25,039,824	11,650,243	70,738,468	405,957,403	335,218,935
2012	14,329,859	9,350,004	16,699,785	26,049,789	11,719,930	86,475,881	422,161,263	335,685,382
2013	15,180,937	9,817,504	17,284,278	27,101,782	11,920,845	103,245,630	438,822,307	335,576,678
2014	16,027,162	10,308,380	17,889,227	28,197,607	12,170,445	121,151,858	455,993,499	334,841,641
2015	16,815,964	10,823,799	18,515,350	29,339,149	12,523,185	140,360,044	473,785,710	333,425,666
2016	17,794,709	11,364,989	19,163,388	30,528,376	12,733,667	160,792,597	492,063,118	331,270,521
2017	18,794,808	11,933,238	19,834,106	31,767,344	12,972,536	182,542,917	510,857,049	328,314,132
2018	19,689,299	12,529,900	20,528,300	33,058,200	13,368,901	205,841,766	530,332,115	324,490,349
2019	20,673,764	13,156,395	21,246,790	34,403,185	13,729,421	230,733,668	550,462,375	319,728,708
2020	21,707,452	13,814,215	21,990,428	35,804,643	14,097,191	257,309,693	571,263,865	313,954,172
2021	22,792,825	14,504,925	22,760,093	37,265,018	14,472,194	285,665,682	592,752,544	307,086,863
2022	23,932,466	15,230,172	23,556,696	38,786,868	14,854,402	315,902,472	614,944,245	299,041,773
2023	25,129,089	15,991,680	24,381,181	40,372,861	15,243,772	348,126,154	637,854,620	289,728,466
2024	26,385,544	16,791,264	25,234,522	42,025,786	15,640,242	382,448,325	661,499,080	279,050,755
2025	27,704,821	17,630,828	26,117,730	43,748,558	16,043,737	418,986,360	685,892,729	266,906,369
2026	29,090,062	18,512,369	27,031,851	45,544,220	16,454,158	457,863,698	711,050,291	253,186,593
2027	30,544,565	19,437,987	27,977,966	47,415,953	16,871,388	499,210,139	736,986,035	237,775,897
2028	32,071,793	20,409,887	28,957,194	49,367,081	17,295,288	543,162,153	763,713,686	220,551,533
2029	33,675,383	21,430,381	29,970,696	51,401,077	17,725,694	589,863,208	791,246,333	201,383,125
2030	35,359,152	22,501,900	31,019,671	53,521,571	18,162,418	639,464,110	819,596,328	180,132,218
2031	37,127,110	23,626,995	32,105,359	55,732,354	18,605,244	692,123,360	848,775,175	156,651,815
2032	38,983,465	24,808,345	33,229,047	58,037,391	19,053,926	748,007,530	878,793,414	130,785,884
2033	40,932,639	26,048,762	34,392,063	60,440,825	19,508,187	807,291,652	909,660,488	102,368,836
2034	42,979,270	27,351,200	35,595,785	62,946,986	19,967,715	870,159,627	941,384,604	71,224,977
2035	45,128,234	28,718,760	36,841,638	65,560,398	20,432,164	936,804,655	973,972,583	37,167,928
2036	47,384,646	30,154,698	38,131,095	68,285,793	20,901,148	1,007,429,684	1,007,429,684	-

\* Adjustment for timing assumes payment in the middle of the year

**SECTION 2: Valuation Results for the Town of Brookline June 30, 2006 Measurement under GASB**

**30 Years (8.25% discount rate), payments increasing at 4.0%\*  
Projected Unit Credit cost method**

<b>Fiscal Year Ended June 30</b>	<b>Projected Benefit Payments</b>	<b>Normal Cost with Interest</b>	<b>Amortization of UAAL</b>	<b>Total Funding Requirement</b>	<b>Additional Funding</b>	<b>Assets at End of Year</b>	<b>AAL at End of Year</b>	<b>UAAL at End of Year</b>
2007	\$8,183,601	\$3,342,789	\$12,093,150	\$15,435,939	\$7,252,338	\$7,545,569	\$219,064,134	\$211,518,566
2008	9,513,010	3,509,928	12,576,876	16,086,804	6,573,794	15,007,668	230,891,124	215,883,455
2009	10,798,096	3,685,425	13,079,951	16,765,376	5,967,280	22,454,354	242,539,387	220,085,033
2010	12,113,820	3,869,696	13,603,149	17,472,845	5,359,025	29,882,542	253,971,431	224,088,888
2011	13,389,581	4,063,181	14,147,275	18,210,456	4,820,875	37,363,648	265,220,583	227,856,935
2012	14,329,859	4,266,340	14,713,166	18,979,506	4,649,647	45,283,793	276,630,868	231,347,075
2013	15,180,937	4,479,657	15,301,693	19,781,350	4,600,413	53,806,125	288,318,954	234,512,829
2014	16,027,162	4,703,640	15,913,760	20,617,400	4,590,238	63,020,964	300,323,906	237,302,942
2015	16,815,964	4,938,822	16,550,311	21,489,133	4,673,169	73,082,310	312,743,262	239,660,952
2016	17,794,709	5,185,763	17,212,323	22,398,086	4,603,377	83,901,105	325,425,823	241,524,718
2017	18,794,808	5,445,051	17,900,816	23,345,867	4,551,059	95,558,016	338,383,931	242,825,914
2018	19,689,299	5,717,304	18,616,849	24,334,152	4,644,853	108,274,209	351,763,685	243,489,476
2019	20,673,764	6,003,169	19,361,523	25,364,692	4,690,928	122,087,426	365,520,424	243,432,998
2020	21,707,452	6,303,327	20,135,984	26,439,311	4,731,859	137,082,818	379,648,905	242,566,087
2021	22,792,825	6,618,494	20,941,423	27,559,917	4,767,092	153,351,989	394,141,638	240,789,650
2022	23,932,466	6,949,418	21,779,080	28,728,498	4,796,032	170,993,476	408,988,607	237,995,131
2023	25,129,089	7,296,889	22,650,243	29,947,132	4,818,043	190,113,287	424,176,964	234,063,678
2024	26,385,544	7,661,734	23,556,253	31,217,986	4,832,443	210,825,464	439,690,702	228,865,238
2025	27,704,821	8,044,820	24,498,503	32,543,323	4,838,502	233,252,700	455,510,279	222,257,578
2026	29,090,062	8,447,061	25,478,443	33,925,504	4,835,442	257,527,000	471,612,226	214,085,226
2027	30,544,565	8,869,414	26,497,581	35,366,995	4,822,430	283,790,391	487,968,701	204,178,310
2028	32,071,793	9,312,885	27,557,484	36,870,369	4,798,576	312,195,693	504,547,009	192,351,316
2029	33,675,383	9,778,529	28,659,783	38,438,313	4,762,930	342,907,345	521,309,071	178,401,726
2030	35,359,152	10,267,456	29,806,175	40,073,631	4,714,478	376,102,298	538,210,851	162,108,553
2031	37,127,110	10,780,829	30,998,422	41,779,250	4,652,141	411,970,977	555,201,716	143,230,740
2032	38,983,465	11,319,870	32,238,359	43,558,229	4,574,763	450,718,315	572,223,751	121,505,436
2033	40,932,639	11,885,864	33,527,893	45,413,757	4,481,118	492,564,877	589,210,999	96,646,122
2034	42,979,270	12,480,157	34,869,009	47,349,165	4,369,895	537,748,061	606,088,634	68,340,573
2035	45,128,234	13,104,165	36,263,769	49,367,934	4,239,700	586,523,398	622,772,061	36,248,663
2036	47,384,646	13,759,373	37,714,320	51,473,693	4,089,047	639,165,956	639,165,956	-

\* Adjustment for timing assumes payment in the middle of the year

**SECTION 2: Valuation Results for the Town of Brookline June 30, 2006 Measurement under GASB**

**30 Years (5.25% discount rate), payments increasing at 4.0%\***  
**Projected Unit Credit cost method**

<b>Fiscal Year Ended June 30</b>	<b>Projected Benefit Payments</b>	<b>Normal Cost with Interest</b>	<b>Amortization of UAAL</b>	<b>Total Funding Requirement</b>	<b>Additional Funding</b>	<b>Assets at End of Year</b>	<b>AAL at End of Year</b>	<b>UAAL at End of Year</b>
2007	\$8,183,601	\$7,325,973	\$13,179,680	\$20,505,653	\$12,322,052	\$12,641,368	\$342,061,421	\$329,420,052
2008	9,513,010	7,692,272	13,706,867	21,399,139	11,886,129	25,499,189	358,151,724	332,652,535
2009	10,798,096	8,076,885	14,255,142	22,332,027	11,533,931	38,670,720	374,162,960	335,492,240
2010	12,113,820	8,480,729	14,825,348	23,306,077	11,192,257	52,183,229	390,079,277	337,896,048
2011	13,389,581	8,904,766	15,418,361	24,323,127	10,933,546	66,139,729	405,957,403	339,817,674
2012	14,329,859	9,350,004	16,035,096	25,385,100	11,055,241	80,953,794	422,161,263	341,207,469
2013	15,180,937	9,817,504	16,676,500	26,494,004	11,313,067	96,810,105	438,822,307	342,012,202
2014	16,027,162	10,308,380	17,343,560	27,651,939	11,624,777	113,818,660	455,993,499	342,174,838
2015	16,815,964	10,823,799	18,037,302	28,861,101	12,045,137	132,151,417	473,785,710	341,634,292
2016	17,794,709	11,364,989	18,758,794	30,123,783	12,329,074	151,737,939	492,063,118	340,325,179
2017	18,794,808	11,933,238	19,509,146	31,442,384	12,647,576	172,679,509	510,857,049	338,177,540
2018	19,689,299	12,529,900	20,289,512	32,819,412	13,130,113	195,215,553	530,332,115	335,116,562
2019	20,673,764	13,156,395	21,101,092	34,257,487	13,583,723	219,400,104	550,462,375	331,062,271
2020	21,707,452	13,814,215	21,945,136	35,759,351	14,051,899	245,334,652	571,263,865	325,929,213
2021	22,792,825	14,504,925	22,822,941	37,327,867	14,535,042	273,126,428	592,752,544	319,626,116
2022	23,932,466	15,230,172	23,735,859	38,966,031	15,033,565	302,888,713	614,944,245	312,055,532
2023	25,129,089	15,991,680	24,685,293	40,676,974	15,547,884	334,741,167	637,854,620	303,113,454
2024	26,385,544	16,791,264	25,672,705	42,463,970	16,078,426	368,810,164	661,499,080	292,688,917
2025	27,704,821	17,630,828	26,699,613	44,330,441	16,625,620	405,229,157	685,892,729	280,663,571
2026	29,090,062	18,512,369	27,767,598	46,279,967	17,189,905	444,139,056	711,050,291	266,911,235
2027	30,544,565	19,437,987	28,878,302	48,316,289	17,771,724	485,688,621	736,986,035	251,297,414
2028	32,071,793	20,409,887	30,033,434	50,443,321	18,371,527	530,034,885	763,713,686	233,678,801
2029	33,675,383	21,430,381	31,234,771	52,665,152	18,989,769	577,343,591	791,246,333	213,902,742
2030	35,359,152	22,501,900	32,484,162	54,986,062	19,626,910	627,789,656	819,596,328	191,806,672
2031	37,127,110	23,626,995	33,783,529	57,410,524	20,283,414	681,557,656	848,775,175	167,217,520
2032	38,983,465	24,808,345	35,134,870	59,943,215	20,959,749	738,842,338	878,793,414	139,951,077
2033	40,932,639	26,048,762	36,540,265	62,589,027	21,656,388	799,849,157	909,660,488	109,811,331
2034	42,979,270	27,351,200	38,001,875	65,353,075	22,373,805	864,794,843	941,384,604	76,589,762
2035	45,128,234	28,718,760	39,521,950	68,240,710	23,112,476	933,907,990	973,972,583	40,064,593
2036	47,384,646	30,154,698	41,102,828	71,257,526	23,872,881	1,007,429,688	1,007,429,688	-

\* Adjustment for timing assumes payment in the middle of the year

**SECTION 2: Valuation Results for the Town of Brookline June 30, 2006 Measurement under GASB**

**30 Years (8.25% discount rate), payments increasing at 4.5%\*  
Projected Unit Credit cost method**

<b>Fiscal Year Ended June 30</b>	<b>Projected Benefit Payments</b>	<b>Normal Cost with Interest</b>	<b>Amortization of UAAL</b>	<b>Total Funding Requirement</b>	<b>Additional Funding</b>	<b>Assets at End of Year</b>	<b>AAL at End of Year</b>	<b>UAAL at End of Year</b>
2007	\$8,183,601	\$3,342,789	\$11,431,168	\$14,773,957	\$6,590,356	\$6,856,821	\$219,064,134	\$212,207,313
2008	9,513,010	3,509,928	11,945,571	15,455,499	5,942,489	13,605,268	230,891,124	217,285,855
2009	10,798,096	3,685,425	12,483,121	16,168,546	5,370,450	20,315,294	242,539,387	222,224,092
2010	12,113,820	3,869,696	13,044,862	16,914,558	4,800,738	26,986,150	253,971,431	226,985,280
2011	13,389,581	4,063,181	13,631,880	17,695,061	4,305,480	33,692,070	265,220,583	231,528,513
2012	14,329,859	4,266,340	14,245,315	18,511,655	4,181,796	40,822,542	276,630,868	235,808,325
2013	15,180,937	4,479,657	14,886,354	19,366,011	4,185,074	48,544,690	288,318,954	239,774,264
2014	16,027,162	4,703,640	15,556,240	20,259,880	4,232,718	56,953,485	300,323,906	243,370,421
2015	16,815,964	4,938,822	16,256,271	21,195,093	4,379,129	66,208,336	312,743,262	246,534,927
2016	17,794,709	5,185,763	16,987,803	22,173,566	4,378,857	76,226,429	325,425,823	249,199,394
2017	18,794,808	5,445,051	17,752,254	23,197,305	4,402,497	87,095,611	338,383,931	251,288,319
2018	19,689,299	5,717,304	18,551,106	24,268,409	4,579,110	99,045,255	351,763,685	252,718,430
2019	20,673,764	6,003,169	19,385,906	25,389,074	4,715,310	112,122,451	365,520,424	253,397,973
2020	21,707,452	6,303,327	20,258,271	26,561,599	4,854,146	126,422,965	379,648,905	253,225,940
2021	22,792,825	6,618,494	21,169,894	27,788,387	4,995,562	142,050,406	394,141,638	252,091,232
2022	23,932,466	6,949,418	22,122,539	29,071,957	5,139,491	159,116,858	408,988,607	249,871,748
2023	25,129,089	7,296,889	23,118,053	30,414,942	5,285,853	177,743,573	424,176,964	246,433,392
2024	26,385,544	7,661,734	24,158,365	31,820,099	5,434,555	198,061,706	439,690,702	241,628,995
2025	27,704,821	8,044,820	25,245,492	33,290,312	5,585,491	220,213,124	455,510,279	235,297,155
2026	29,090,062	8,447,061	26,381,539	34,828,600	5,738,538	244,351,269	471,612,226	227,260,957
2027	30,544,565	8,869,414	27,568,708	36,438,123	5,893,557	270,642,098	487,968,701	217,326,603
2028	32,071,793	9,312,885	28,809,300	38,122,185	6,050,392	299,265,096	504,547,009	205,281,913
2029	33,675,383	9,778,529	30,105,719	39,884,248	6,208,865	330,414,372	521,309,071	190,894,700
2030	35,359,152	10,267,456	31,460,476	41,727,932	6,368,780	364,299,843	538,210,851	173,911,007
2031	37,127,110	10,780,829	32,876,197	43,657,026	6,529,916	401,148,518	555,201,716	154,053,198
2032	38,983,465	11,319,870	34,355,626	45,675,496	6,692,031	441,205,878	572,223,751	131,017,873
2033	40,932,639	11,885,864	35,901,629	47,787,493	6,854,854	484,737,377	589,210,999	104,473,622
2034	42,979,270	12,480,157	37,517,203	49,997,359	7,018,089	532,030,059	606,088,634	74,058,575
2035	45,128,234	13,104,165	39,205,477	52,309,641	7,181,407	583,394,309	622,772,061	39,377,751
2036	47,384,646	13,759,373	40,969,723	54,729,096	7,344,450	639,165,746	639,165,746	-

\* Adjustment for timing assumes payment in the middle of the year

**SECTION 2: Valuation Results for the Town of Brookline June 30, 2006 Measurement under GASB**

**30 Years (5.25% discount rate), payments increasing at 4.5%\*  
Projected Unit Credit cost method**

<b>Fiscal Year Ended June 30</b>	<b>Projected Benefit Payments</b>	<b>Normal Cost with Interest</b>	<b>Amortization of UAAL</b>	<b>Total Funding Requirement</b>	<b>Additional Funding</b>	<b>Assets at End of Year</b>	<b>AAL at End of Year</b>	<b>UAAL at End of Year</b>
2007	\$8,183,601	\$7,325,973	\$12,336,447	\$19,662,420	\$11,478,819	\$11,776,284	\$342,061,421	\$330,285,137
2008	9,513,010	7,692,272	12,891,587	20,583,859	11,070,849	23,752,280	358,151,724	334,399,444
2009	10,798,096	8,076,885	13,471,709	21,548,594	10,750,498	36,028,363	374,162,960	338,134,597
2010	12,113,820	8,480,729	14,077,935	22,558,665	10,444,845	48,635,367	390,079,277	341,443,909
2011	13,389,581	8,904,766	14,711,443	23,616,208	10,226,627	61,680,367	405,957,403	344,277,036
2012	14,329,859	9,350,004	15,373,457	24,723,462	10,393,603	75,581,531	422,161,263	346,579,732
2013	15,180,937	9,817,504	16,065,263	25,882,767	10,701,830	90,528,721	438,822,307	348,293,586
2014	16,027,162	10,308,380	16,788,200	27,096,580	11,069,418	106,637,752	455,993,499	349,355,746
2015	16,815,964	10,823,799	17,543,669	28,367,468	11,551,504	124,087,086	473,785,710	349,698,624
2016	17,794,709	11,364,989	18,333,134	29,698,123	11,903,414	142,813,539	492,063,118	349,249,579
2017	18,794,808	11,933,238	19,158,125	31,091,363	12,296,555	162,926,461	510,857,049	347,930,588
2018	19,689,299	12,529,900	20,020,241	32,550,141	12,860,842	184,674,220	530,332,115	345,657,895
2019	20,673,764	13,156,395	20,921,151	34,077,546	13,403,782	208,120,748	550,462,375	342,341,627
2020	21,707,452	13,814,215	21,862,603	35,676,818	13,969,366	233,378,458	571,263,865	337,885,407
2021	22,792,825	14,504,925	22,846,420	37,351,346	14,558,521	260,566,621	592,752,544	332,185,923
2022	23,932,466	15,230,172	23,874,509	39,104,681	15,172,215	289,811,760	614,944,245	325,132,485
2023	25,129,089	15,991,680	24,948,862	40,940,543	15,811,453	321,248,072	637,854,620	316,606,548
2024	26,385,544	16,791,264	26,071,561	42,862,825	16,477,282	355,017,873	661,499,080	306,481,207
2025	27,704,821	17,630,828	27,244,781	44,875,609	17,170,788	391,272,067	685,892,729	294,620,661
2026	29,090,062	18,512,369	28,470,796	46,983,165	17,893,103	430,170,640	711,050,291	280,879,651
2027	30,544,565	19,437,987	29,751,982	49,189,970	18,645,405	471,883,184	736,986,035	265,102,851
2028	32,071,793	20,409,887	31,090,821	51,500,708	19,428,915	516,589,452	763,713,686	247,124,235
2029	33,675,383	21,430,381	32,489,908	53,920,289	20,244,906	564,479,936	791,246,333	226,766,398
2030	35,359,152	22,501,900	33,951,954	56,453,854	21,094,702	615,756,487	819,596,328	203,839,841
2031	37,127,110	23,626,995	35,479,792	59,106,787	21,979,678	670,632,967	848,775,175	178,142,209
2032	38,983,465	24,808,345	37,076,383	61,884,728	22,901,262	729,335,928	878,793,414	149,457,486
2033	40,932,639	26,048,762	38,744,820	64,793,582	23,860,944	792,105,346	909,660,488	117,555,142
2034	42,979,270	27,351,200	40,488,337	67,839,537	24,860,267	859,195,378	941,384,604	82,189,226
2035	45,128,234	28,718,760	42,310,312	71,029,072	25,900,838	930,875,174	973,972,583	43,097,409
2036	47,384,646	30,154,698	44,214,276	74,368,974	26,984,329	1,007,429,728	1,007,429,728	-

\* Adjustment for timing assumes payment in the middle of the year

July, 2006

**ACTUARIAL CERTIFICATION**

This is to certify that The Segal Company has conducted an actuarial valuation of certain benefit obligations of the Town of Brookline other postemployment benefit programs as of June 30, 2006, in accordance with generally accepted actuarial principles and practices. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of GASB Statements Number 43 and 45 for the determination of the liability for postemployment benefits other than pensions.

The actuarial valuation is based on the plan of benefits verified by the Town and on participant, claims and expense data provided by the Town or from vendors employed by the Town.

The actuarial computations made are for purposes of fulfilling plan accounting requirements. Determinations for purposes other than meeting financial accounting requirements may be significantly different from the results reported here. Accordingly, additional determinations may be needed for other purposes, such as judging benefit security at termination or adequacy of funding an ongoing plan.

To the best of our knowledge, this report is complete and accurate and in our opinion presents the information necessary to comply with GASB Statements Number 43 and 45 with respect to the benefit obligations addressed. The signing actuaries are members of the Society of Actuaries, the American Academy of Actuaries, and other professional actuarial organizations and collectively meet their “General Qualification Standards for Prescribed Statements of Actuarial Opinions” to render the actuarial opinion contained herein.

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Kathleen A. Riley, FSA, MAAA  
Senior Vice President and Actuary

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Howard Atkinson, Jr., ASA, MAAA, FCA  
Health Actuary

**SECTION 3: Valuation Details for the Town of Brookline June 30, 2006 Measurement under GAS**

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**CHART 1**

**Required Supplementary Information – Schedule of Employer Contributions  
Projected Unit Credit, Pre-funding Assumptions  
Amortization Payments Increasing at 3.5%**

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<b>Fiscal Year Ended June 30,</b>	<b>Annual Required Contributions</b>	<b>Actual Contributions</b>	<b>Percentage Contributed</b>
2007	\$16,119,052	\$--	\$--

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**SECTION 3: Valuation Details for the Town of Brookline June 30, 2006 Measurement under GAS**

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This schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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**CHART 2**

**Required Supplementary Information – Schedule of Funding Progress  
Projected Unit Credit, Pre-funding Assumptions**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets* (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b) - (a)</b>	<b>Funded Ratio (a) / (b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]</b>
6/30/2006	\$0	\$207,021,407	\$207,021,407	0%	N/A	N/A

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**SECTION 3: Valuation Details for the Town of Brookline June 30, 2006 Measurement under GAS**

**CHART 3**

**Required Supplementary Information – Net OPEB Obligation (NOO)  
 Projected Unit Credit, Pre-funding Assumptions  
 Amortization Payments Increasing at 3.5%**

<b>Actuarial Valuation Date</b>	<b>Annual Required Contribution (a)</b>	<b>Interest on Existing NOO (b)</b>	<b>ARC Adjustment (c)</b>	<b>Annual OPEB Cost (a) + (b) + (c) (d)</b>	<b>Actual Contribution Amount (e)</b>	<b>Net Increase in NOO (d) - (e) (f)</b>	<b>NOO as of Following Date (g)</b>
6/30/2006	\$16,119,052	\$0	\$0	\$16,119,052	--	--	--

**SECTION 3: Valuation Details for the Town of Brookline June 30, 2006 Measurement under GAS**

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**CHART 4**

**Required Supplementary Information**

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<b>Valuation date</b>	June 30, 2006
<b>Actuarial cost method</b>	Projected Unit Credit and Entry Age Normal
<b>Amortization method</b>	Amortization payments increasing at 3.5%, 4.0%, or 4.5%, closed
<b>Remaining amortization period</b>	30 years as of July 1, 2006
<b>Asset valuation method</b>	Market value
<b>Actuarial assumptions:</b>	
Investment rate of return	8.25%, pre-funding scenario 5.25%, pay-as-you-go scenario
Inflation rate	4.5%
Projected salary increases	5.0%
Medical/drug cost trend rate	10.0% graded to 5.0% over 5 years
<b>Plan membership:</b>	
Current retirees, beneficiaries, and dependents	1,392
Current active members	<u>1,473</u>
Total	2,865

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**SECTION 4: Supporting Information for the Town of Brookline June 30, 2006 Measurement under GASB**

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*This exhibit summarizes the participant data used for the current valuation.*

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**EXHIBIT I**

**Summary of Participant Data**

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**Active employees covered for medical benefits as of July 1, 2006\***

Number of employees	
Male	707
Female	766
Total	1,473
Average age	43.9
Average service	12.3

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**Retired employees, spouses and beneficiaries covered for medical benefits as of July 1, 2006**

Number of individuals	1,392
Average age	72.2

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*\* Excludes COBRA participants*

**SECTION 4: Supporting Information for the Town of Brookline June 30, 2006 Measurement under GASB**

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**EXHIBIT II**

**Actuarial Assumptions and Actuarial Cost Method**

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<b>Data:</b>	Detailed census data, claim premium rates, and summary plan descriptions for postemployment welfare benefits were provided by the Town of Brookline.
<b>Actuarial Cost Method:</b>	Projected Unit Credit and Entry Age Normal
<b>Per Capita Cost Development:</b>	Per capita costs were based on the fully-insured premium rates effective July 1, 2006, trended to the midpoint of the valuation year at assumed trend rates. Actuarial factors were then applied to the premium to estimate individual retiree and spouse costs by age and by gender.
<b>Measurement Date:</b>	June 30, 2006
<b>Discount Rate:</b>	8.25% prefunding and 5.25% pay-as-you-go
<b>Postretirement Mortality Rates:</b>	
<i>Healthy (Non-Teachers)</i>	RP-2000 Healthy Annuitant Mortality Table
<i>Disabled (Non-Teachers)</i>	RP-2000 Healthy Annuitant Mortality Table set forward 2 years
<i>Healthy (Teachers)</i>	RP-2000 Healthy Annuitant Mortality Table projected 10 years with Scale AA
<i>Disabled (Teachers)</i>	RP-2000 Healthy Annuitant Mortality Table set forward 3 years for males

**SECTION 4: Supporting Information for the Town of Brookline June 30, 2006 Measurement under GASB**

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**Termination Rates before Retirement: Groups 1 and 2 (Excluding Teachers) – Rate per year (%)**

Age	Mortality		Disability
	Male	Female	
20	0.03	0.02	0.01
25	0.04	0.02	0.02
30	0.04	0.03	0.03
35	0.08	0.05	0.06
40	0.11	0.07	0.20
45	0.15	0.11	0.29
50	0.21	0.17	0.58
55	0.30	0.25	0.71
60	0.49	0.39	0.84

**Group 4 – Rate per year (%)**

Age	Mortality		Disability
	Male	Female	
20	0.03	0.02	0.10
25	0.04	0.02	0.20
30	0.04	0.03	0.30
35	0.08	0.05	0.30
40	0.11	0.07	0.60
45	0.15	0.11	2.00
50	0.21	0.17	3.75
55	0.30	0.25	3.60
60	0.49	0.39	2.55

**SECTION 4: Supporting Information for the Town of Brookline June 30, 2006 Measurement under GASB**

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**Teachers - Rate per year (%)  
Mortality**

<b>Age</b>	<b>Male</b>	<b>Female</b>	<b>Disability</b>
20	0.03	0.02	0.00
25	0.03	0.02	0.01
30	0.04	0.02	0.01
35	0.07	0.04	0.01
40	0.10	0.06	0.01
45	0.13	0.10	0.03
50	0.18	0.14	0.05
55	0.25	0.23	0.08
60	0.42	0.37	0.10

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**Withdrawal Rates:**

**Rate per year (%)**

<b>Years of Service</b>	<b>Groups 1 and 2 (Excluding Teachers)</b>	<b>Years of Service</b>	<b>Group 4</b>
0	15.0	0 – 10	1.5
1	12.0	11+	0.0
2	10.0		
3	9.0		
4	8.0		
5 – 9	7.6		
10 – 14	5.4		
15 – 19	3.3		
20 – 24	2.0		
25 - 29	1.0		
30+	0.0		

**SECTION 4: Supporting Information for the Town of Brookline June 30, 2006 Measurement under GASB**

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**Teachers – Rate per year (%)**

<b>Age</b>	<b>0 – 4 Years of Service</b>		<b>5 – 9 Years of Service</b>		<b>10+ Years of Service</b>	
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
20	9.0	6.0	4.0	9.0	1.0	4.0
30	10.8	11.6	4.3	9.0	1.0	4.0
40	9.3	11.4	4.9	7.0	1.5	3.1
50	5.9	6.8	4.2	4.5	1.9	1.9

**Retirement Rates:**

**Rate per year (%)**

<b>Age</b>	<b>Groups 1 and 2 (Excluding Teachers)</b>	<b>Group 4</b>
55	5.0	15.0
56 – 58	2.5	10.0
59	2.5	15.0
60	10.0	20.0
61	15.0	20.0
62 - 63	10.0	25.0
64	10.0	30.0
65	40.0	100.0
66 - 67	25.0	--
68 - 69	30.0	--
70	100.0	--

**SECTION 4: Supporting Information for the Town of Brookline June 30, 2006 Measurement under GASB**

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Age	Teachers				
	Rate per year (%)				
	Years of Service				
	Less than 20	20 - 29		30 or more	
		Male	Female	Male	Female
50 – 53	--	1.0	1.0	1.0	1.0
54	--	2.0	1.0	3.5	3.5
55	2.0	3.0	4.0	6.0	6.0
56	4.0	3.0	4.0	18.0	18.0
57	7.0	5.0	5.0	30.0	30.0
58	8.0	7.0	7.0	40.0	40.0
59	9.0	10.0	11.0	40.0	40.0
60	12.0	20.0	16.0	35.0	35.0
61	15.0	30.0	20.0	35.0	35.0
62	18.0	35.0	25.0	40.0	40.0
63	15.0	35.0	25.0	35.0	25.0
64	25.0	30.0	30.0	30.0	30.0
65	40.0	50.0	40.0	50.0	40.0
66	40.0	30.0	30.0	30.0	30.0
67	40.0	30.0	25.0	30.0	25.0
68	40.0	30.0	35.0	30.0	35.0
69	40.0	40.0	35.0	40.0	35.0
70	100.0	100.0	100.0	100.0	100.0

**Dependents:**

Demographic data was available for spouses of current retirees. For future retirees, husbands were assumed to be three years older than their wives. For future retirees who elect to continue their health coverage at retirement, 80% were assumed to have an eligible spouse who also opts for health coverage at that time.

**SECTION 4: Supporting Information for the Town of Brookline June 30, 2006 Measurement under GASB**

**Per Capita Health Costs:**

2006 – 2007 medical and prescription drug claims costs are shown in the table below for retirees and for spouses at selected ages. These costs are net of deductibles and other benefit plan cost sharing provisions.

Age	BCBS Blue Choice/HMO Blue				BCBS Medex/ Managed Blue for Seniors			
	Retiree		Spouse		Retiree		Spouse	
	Male	Female	Male	Female	Male	Female	Male	Female
45	\$6,929	\$8,693	\$4,298	\$6,488	N/A	N/A	N/A	N/A
50	8,224	9,368	5,745	7,522	N/A	N/A	N/A	N/A
55	9,767	10,084	7,687	8,706	N/A	N/A	N/A	N/A
60	11,599	10,869	10,291	10,098	N/A	N/A	N/A	N/A
65	13,776	11,710	13,776	11,710	\$4,156	\$3,533	\$4,156	\$3,533
70	15,966	12,619	15,966	12,619	4,817	3,807	4,817	3,807
75	17,206	13,583	17,206	13,583	5,191	4,098	5,191	4,098
80	18,529	14,644	18,529	14,644	5,590	4,418	5,590	4,418

**Annual Medicare Part B  
Reimbursement**

\$531

**SECTION 4: Supporting Information for the Town of Brookline June 30, 2006 Measurement under GASB**

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**Health Care Cost Trend Rates:**

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The rates shown below are “net” and are applied to the net per capita costs shown above. The trend shown for a particular plan year is the rate that must be applied to that year’s cost to yield the next year’s projected cost.

<b>Year Ending June 30</b>	<b>Medical/Drug</b>	<b>Medicare Part B Premium</b>
2007	10%	6%
2008	9%	6%
2009	8%	6%
2010	7%	6%
2011	6%	6%
2012 & later	5%	6%

**Retiree Contribution Increase Rate:**

Retiree contributions for medical and prescription drug coverage are expected to increase with medical trend.

**Participation and Coverage Election:**

100% of active employees with coverage are assumed to elect retiree coverage. We have loaded active liabilities by 30% to account for current employees who have waived health coverage but are expected to receive coverage through the Town as retirees.

100% of retirees over age 65 are assumed to remain in their current medical plan for life.

For future retirees and current retirees under age 65, 90% are assumed to enroll in a Blue Cross Medicare Supplement plan upon reaching age 65, and 10% are assumed to remain enrolled in a non-Medicare plan.

100% of current and future retirees with medical coverage are assumed to have life insurance coverage.

**Plan Design:**

Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit III.

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<b>Administrative Expenses:</b>	Administrative expenses are assumed to be included in the fully insured premium rates.
<b>Annual Maximum Benefits:</b>	No increase in the annual maximum benefit levels was assumed.
<b>Lifetime Maximum Benefits:</b>	No information was available regarding accumulations toward lifetime maximum benefits and no such accumulations were assumed.
<b>Missing Participant Data:</b>	A missing census item for a given participant was assumed to equal the average value of that item over all other participants of the same status for whom the item is known.

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**EXHIBIT III**

**Summary of Plan**

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This exhibit summarizes the major benefit provisions as included in the valuation. To the best of our knowledge, the summary represents the substantive plans as of the measurement date. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

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<b>Eligibility:</b>	Retired and receiving a pension from the Town of Brookline Contributory Retirement System or Massachusetts State Teachers Retirement System.
<b>Benefit Types:</b>	Medical and prescription drug benefits are provided to all eligible retirees through a variety of plans offered by Blue Cross Blue Shield of Massachusetts. The Town of Brookline also pays 50% of the retiree life insurance premium and the Medicare Part B premium.
<b>Duration of Coverage:</b>	Lifetime.
<b>Dependent Benefits:</b>	Medical and Prescription Drugs.
<b>Dependent Coverage:</b>	Benefits are payable to a spouse for their lifetime, regardless of when the retiree dies.
<b>Retiree Contributions:</b>	Premium rates and retiree contributions as of July 1, 2006 are summarized on the following page:

**SECTION 4: Supporting Information for the Town of Brookline June 30, 2006 Measurement under GASB**

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	Subscribers			Monthly Premium (eff. 7/1/2006)	Town cost (\$) as of 7/1/2006	Retiree cost (\$) as of 7/1/2006	Retiree cost (%) as of 7/1/2006
	Active	Retiree	Total				
<b><u>Non-Medicare Actives and Retirees</u></b>							
BCBS Blue Choice							
Individual	251	101	352	\$531.54	\$398.66	\$132.89	25.0%
Family	300	53	353	\$1,422.18	\$1,066.64	\$355.55	25.0%
BCBS HMO Blue							
Individual	495	72	567	\$496.69	\$372.52	\$124.17	25.0%
Family	440	51	491	\$1,331.02	\$998.27	\$332.76	25.0%
BCBS Blue Care Elect							
Individual	1	33	34	\$531.54	\$398.66	\$132.89	25.0%
Family	8	16	24	\$1,422.18	\$1,066.64	\$355.55	25.0%
<b><u>Medicare Supplement Plans</u></b>							
BCBS Medex	N/A	756	756	\$387.02	\$290.27	\$96.76	25.0%
BCBS Managed Blue for Seniors	N/A	205	205	\$353.73	\$265.30	\$88.43	25.0%

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**Benefit Descriptions:**

<b>HMO Blue</b>	
<b>Medical</b>	
<i>Annual Deductible</i>	None
<i>Coinsurance</i>	100%
<i>Physicians Office Visit</i>	\$5
<i>Emergency Room</i>	\$25
<i>Maximum Out-Of-Pocket Expense</i>	None
<b>Prescription Drugs</b>	
<i>Retail Copay</i>	\$5 generic/\$10 brand
<i>Mail Copay</i>	\$5 generic/\$10 brand

<b>Blue Choice</b>	<b>PCP Approved</b>	<b>Self-Referred</b>
<b>Medical</b>		
<i>Annual Deductible</i>	None	\$250 individual/\$500 family
<i>Coinsurance</i>	100%	80%
<i>Physicians Office Visit Copay</i>	\$5	Coinsurance & deductible
<i>Emergency Room Copay</i>	\$25	Coinsurance & deductible
<i>Coinsurance Maximum</i>	None	\$1,000 individual/\$2,000 family
<b>Prescription Drugs</b>		
<i>Retail Copay</i>	\$5 generic/\$10 brand	
<i>Mail Copay</i>	\$5 generic/\$10 brand	

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<b>Blue Care Elect Preferred PPO</b>	<b>In-Network</b>	<b>Out-of-Network</b>
<b>Medical</b>		
<i>Annual Deductible</i>	None	\$250 individual/\$500 family
<i>Coinsurance</i>	100%	80%
<i>Physicians Office Visit Copay</i>	\$5	Coinsurance & deductible
<i>Emergency Room Copay</i>	\$25	Coinsurance & deductible
<i>Coinsurance Maximum</i>	None	\$1,000 individual/\$2,000 family
<b>Prescription Drugs</b>		
<i>Retail Copay</i>		\$5 generic/\$10 brand
<i>Mail Copay</i>		\$5 generic/\$10 brand

<b>Managed Blue for Seniors</b>	
<b>Medical</b>	
<i>Hospital Inpatient</i>	Covered in full
<i>Outpatient and Physician Services</i>	\$10 copay per visit
<i>Emergency Room</i>	\$50 copay per visit
<b>Prescription Drugs</b>	
<i>Retail Copay</i>	25% generic/50% brand
<i>Mail Copay</i>	\$5 generic/\$30 brand

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<b>Medex 3</b>	
<b>Medical</b>	
<i>Hospital Inpatient</i>	Covered in full
<i>Office Visits</i>	Covered in full
<i>Emergency Room</i>	Covered in full
<b>Prescription Drugs</b>	
<i>Retail Copay</i>	Full coverage (generic)/20% copayment (brand) after a \$50 calendar year deductible
<i>Mail Copay</i>	\$2 generic/\$15 brand

**Retiree Life:** \$5,000

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