

JUNE 30, 2009
ACTUARIAL VALUATION OF
THE POST RETIREMENT BENEFITS PLAN
OF
THE TOWN OF FOXBOROUGH

December 2009

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SECTION I - OVERVIEW

The Town of Foxborough has engaged Buck Consultants to prepare an actuarial valuation of their post-retirement benefits program as of June 30, 2009. The Town provided employee data and premium information.

The purposes of the valuation are to analyze the current funded position of the Town's post-retirement benefits program, determine the level of contributions necessary to assure sound funding and provide reporting and disclosure information for financial statements, governmental agencies and other interested parties. This valuation report contains information required by the Government Accounting Standards Board's Statements Nos. 43 and 45, respectively entitled "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" and "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." Liabilities have been determined based on an 8.0% discount rate. According to GASB principles, if the benefits are not pre-funded, the rate earned by the General Asset Account must be used. To estimate that impact we have used an alternative discount rate of 3.5%.

Section II provides a summary of the principal valuation results. Section V provides a projection of funding amounts.

Daniel Sherman is an Associate of the Society of Actuaries, a Member of the American Academy of Actuaries, and meets the Qualification Standards of the Academy to render the actuarial opinions contained herein. This report has been prepared in accordance with all applicable Actuarial Standards of Practice, and we are available to answer questions concerning it.

Respectfully Submitted,

BUCK CONSULTANTS, AN ACS COMPANY

Daniel Sherman, ASA, MAAA, EA
Director and Consulting Actuary

Date

SECTION II – REQUIRED INFORMATION

	Full prefunding 8%	Pay-as-you-go 3.5%	
a) Actuarial valuation date	June 30, 2009	June 30, 2009	Difference
b) Actuarial Value of Assets	\$ 0	\$ 0	\$ 0
c) Actuarial Accrued Liability			
Active participants	\$ 17,432,476	\$ 42,184,651	\$ 24,752,175
Retired participants	13,203,276	20,007,704	6,804,428
Total AAL	\$ 30,635,752	\$ 62,192,355	\$ 31,556,603
d) Unfunded Actuarial Liability "UAL" [c - b]	\$ 30,635,752	\$ 62,192,355	\$ 31,556,603
e) Funded ratio [b / c]	0.0%	0.0%	0.0%
f) Annual covered payroll	\$ 29,236,861	\$ 29,236,861	
g) UAL as percentage of covered payroll	104.8%	212.7%	
h) Normal Cost for fiscal year 2009	\$ 1,067,998	\$ 3,298,732	\$ 2,230,734
i) Amortization of UAL for fiscal year 2009*	1,581,435	1,797,056	215,621
j) Interest to end of fiscal year	0	0	0
k) Annual Required Contribution "ARC" for fiscal year 2009 [h + i + j]	\$ 2,649,433	\$ 5,095,788	\$ 2,446,355
l) Estimated benefit payments	\$ 1,085,987	\$ 1,085,987	\$ 0
m) Increase in annual cost to fund the Plan [k - l]	\$ 1,563,446	N/A	
n) Increase in Net OPEB Obligation (NOO)	N/A	\$ 4,009,801	

* 30-year amortization, increasing 4.5% per year

SECTION III - MEMBERSHIP DATA AND MEDICAL PREMIUM**Monthly Premiums effective September 1, 2009**

Health benefits are available to employees and retirees through a number of plans. The following are the gross monthly rates per subscriber:

BCBS Master Medical (Individual)	\$1,320.36
BCBS Master Medical (Family)	\$3,118.76
BCBS Blue Choice (Individual)	\$696.31
BCBS Blue Choice (Family)	\$1,641.96
Harvard Pilgrim (Individual)	\$587.14
Harvard Pilgrim (Family)	\$1,518.08
Medex (Individual)	\$501.60

SECTION III - MEMBERSHIP DATA AND MEDICAL PREMIUM

Accrued Liability @ 8%	Town	School	Water	Sewer	Total
Active	4,805,047	12,043,040	467,511	116,878	17,432,476
Retirees and Beneficiaries	3,477,946	9,442,543	226,230	56,557	13,203,276
Total	<u>8,282,993</u>	<u>21,485,583</u>	<u>693,741</u>	<u>173,435</u>	<u>30,635,752</u>
Annual Required Contribution @ 8%					
Normal Cost with interest	275,780	762,253	23,972	5,993	1,067,998
Amortization of UAL with interest	427,573	1,109,098	35,811	8,953	1,581,435
Total	<u>703,353</u>	<u>1,871,351</u>	<u>59,783</u>	<u>14,946</u>	<u>2,649,433</u>
Estimated Benefit Payments	295,065	763,122	22,240	5,560	1,085,987
Increase in Annual Cost	408,288	1,108,229	37,543	9,386	1,563,446
Accrued Liability @ 3.5%					
Active	11,641,108	29,287,964	1,004,463	251,116	42,184,651
Retirees and Beneficiaries	5,376,708	14,241,748	311,398	77,850	20,007,704
Total	<u>17,017,816</u>	<u>43,529,712</u>	<u>1,315,861</u>	<u>328,966</u>	<u>62,192,355</u>
Annual Required Contribution @ 3.5%					
Normal Cost with interest	833,431	2,391,794	58,806	14,701	3,298,732
Amortization of UAL with interest	491,732	1,257,796	38,022	9,506	1,797,056
Total	<u>1,325,163</u>	<u>3,649,590</u>	<u>96,828</u>	<u>24,207</u>	<u>5,095,788</u>
Estimated Benefit Payments	295,065	763,122	22,240	5,560	1,085,987
Increase in NOO	1,030,098	2,886,468	74,588	18,647	4,009,801

SECTION IV – REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS ON FULL PREFUNDED BASIS - 8%

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b) - (a) Unfunded AAL (UAL)	(a) / (b) Funded Ratio	(c) Payroll	(d) Unfunded AAL as % of Payroll
June 30, 2009	0	30,635,752	30,635,752	0.00%	29,236,861	104.8%

SCHEDULE OF FUNDING PROGRESS ON A PAY-AS-YOU-GO BASIS - 3.5%

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b) - (a) Unfunded AAL (UAL)	(a) / (b) Funded Ratio	(c) Payroll	(d) Unfunded AAL as % of Payroll
June 30, 2009	0	62,192,355	62,192,355	0.00%	29,236,861	212.7%

SECTION V – SCHEDULE OF EMPLOYER CONTRIBUTIONS

The Government Accounting Standards Board's Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" outlines various requirements of a funding schedule that will amortize the unfunded actuarial liability and cover normal costs. Amortization of the unfunded actuarial liability is to be based on a schedule that extends no longer than 30 years. The contribution towards the amortization of the unfunded actuarial liability may be made in level payments or in payments increasing at the same rate as salary increases.

In the amortization schedule shown on the following pages, the amortization of the unfunded accrued liability is assumed to increase annually by 4.5%. The normal cost is expected to increase at the same rate as the assumed health care trend rate. The contributions were computed assuming that the contribution is paid on June 30th.

SECTION V – SCHEDULE OF EMPLOYER CONTRIBUTIONS

Full Prefunding 8%

Fiscal Year	Amortization			
<u>Ending In</u>	<u>Normal Cost</u>	<u>of UAL</u>	<u>ARC</u>	<u>Pay-as-You-Go</u>
2009	1,067,998	1,581,435	2,649,433	1,085,987
2010	1,121,398	1,652,600	2,773,998	1,153,101
2011	1,177,468	1,726,967	2,904,435	1,256,935
2012	1,236,341	1,804,681	3,041,022	1,433,926
2013	1,298,158	1,885,892	3,184,050	1,606,697
2014	1,363,066	1,970,757	3,333,823	1,794,308
2015	1,431,219	2,059,441	3,490,660	1,992,532
2016	1,502,780	2,152,116	3,654,896	2,158,399
2017	1,577,919	2,248,961	3,826,880	2,314,077
2018	1,656,815	2,350,164	4,006,979	2,495,279
2019	1,739,656	2,455,921	4,195,577	2,622,799
2020	1,826,639	2,566,437	4,393,076	2,838,665
2021	1,917,971	2,681,927	4,599,898	3,029,668
2022	2,013,870	2,802,614	4,816,484	3,163,544
2023	2,114,564	2,928,732	5,043,296	3,298,400
2024	2,220,292	3,060,525	5,280,817	3,467,631
2025	2,331,307	3,198,249	5,529,556	3,645,544
2026	2,447,872	3,342,170	5,790,042	3,832,585
2027	2,570,266	3,492,568	6,062,834	4,029,223
2028	2,698,779	3,649,734	6,348,513	4,235,950
2029	2,833,718	3,813,972	6,647,690	4,453,284
2030	2,975,404	3,985,601	6,961,005	4,681,768
2031	3,124,174	4,164,953	7,289,127	4,921,975
2032	3,280,383	4,352,376	7,632,759	5,174,506
2033	3,444,402	4,548,233	7,992,635	5,439,994
2034	3,616,622	4,752,903	8,369,525	5,719,103
2035	3,797,453	4,966,784	8,764,237	6,012,532
2036	3,987,326	5,190,289	9,177,615	6,321,017
2037	4,186,692	5,423,852	9,610,544	6,645,328
2038	4,396,027	5,667,925	10,063,952	6,986,279
2039	4,615,828	-	4,615,828	7,344,724
2040	4,846,619	-	4,846,619	7,721,559

* Assumes payment is made at the end of the fiscal year.

SECTION V – SCHEDULE OF EMPLOYER CONTRIBUTIONS

Pay-as-You-Go 3.5%

Fiscal Year	Amortization			
<u>Ending In</u>	<u>Normal Cost</u>	<u>of UAL</u>	<u>ARC</u>	<u>Pay-as-You-Go</u>
2009	3,298,732	1,797,056	5,095,788	1,085,987
2010	3,463,669	1,929,642	5,393,311	1,153,101
2011	3,636,852	2,068,995	5,705,847	1,256,935
2012	3,818,695	2,213,461	6,032,156	1,433,926
2013	4,009,630	2,363,615	6,373,245	1,606,697
2014	4,210,112	2,519,505	6,729,617	1,794,308
2015	4,420,618	2,681,319	7,101,937	1,992,532
2016	4,641,649	2,850,531	7,492,180	2,158,399
2017	4,873,731	3,028,030	7,901,761	2,314,077
2018	5,117,418	3,213,703	8,331,121	2,495,279
2019	5,373,289	3,409,778	8,783,067	2,622,799
2020	5,641,953	3,614,404	9,256,357	2,838,665
2021	5,924,051	3,829,014	9,753,065	3,029,668
2022	6,220,254	4,056,058	10,276,312	3,163,544
2023	6,531,267	4,296,386	10,827,653	3,298,400
2024	6,857,830	4,549,917	11,407,747	3,467,631
2025	7,200,722	4,817,346	12,018,068	3,645,544
2026	7,560,758	5,099,404	12,660,162	3,832,585
2027	7,938,796	5,396,860	13,335,656	4,029,223
2028	8,335,736	5,710,520	14,046,256	4,235,950
2029	8,752,523	6,041,235	14,793,758	4,453,284
2030	9,190,149	6,389,896	15,580,045	4,681,768
2031	9,649,656	6,757,440	16,407,096	4,921,975
2032	10,132,139	7,144,855	17,276,994	5,174,506
2033	10,638,746	7,553,176	18,191,922	5,439,994
2034	11,170,683	7,983,491	19,154,174	5,719,103
2035	11,729,217	8,436,946	20,166,163	6,012,532
2036	12,315,678	8,914,741	21,230,419	6,321,017
2037	12,931,462	9,418,143	22,349,605	6,645,328
2038	13,578,035	9,948,477	23,526,512	6,986,279
2039	14,256,937	10,507,139	24,764,076	7,344,724
2040	14,969,784	11,095,596	26,065,380	7,721,559

* Assumes payment is made at the end of the fiscal year.

SCHEDULE A - ACTUARIAL ASSUMPTIONS AND METHODS

TOWN OF FOXBOROUGH, ALL GROUPS

Pre-Age 65 Retirees: Current retirees who are under age 65 are assumed to remain in their current medical plan until age 65.

Current active employees who are assumed to retire prior to age 65 are valued with a weighted-average premium. This weighted-average premium is based on the medical plan coverage of current retirees under age 65. At age 65, all participants are assumed to participate in post 65 plans in the same proportions as current retirees over age 65.

Age-Based Morbidity: Per capita costs are adjusted to reflect expected cost increases related to age. The increase in the net incurred claims was assumed to be:

<u>Age</u>	<u>Annual Increase Retiree</u>
49 and below	2.6%
50-54	3.2%
55-59	3.4%
60-64	3.7%
65-69	3.2%
70-74	2.4%
75-79	1.8%
80 and over	0.0%

Post-Age 65 Retirees: Current retirees over age 65 remain in their current medical plan until death. It is assumed that future retirees are Medicare eligible. Costs were assumed to be equal to the premium for Medex.

Termination Benefit: 100% of current actives over age 50 with at least 10 years of service are expected to elect medical coverage starting at age 65.

Medical Plan Costs: It is assumed that future retirees participate in the same manner as current retirees. The Town is self-insured. Per capita costs were developed from the monthly costs. Employee cost sharing is based on current rates. Future cost sharing is based on the weighted average of the current cost sharing of retirees and beneficiaries.

SCHEDULE A - ACTUARIAL ASSUMPTIONS AND METHODS

GROUPS 1 AND 2 (NON-TEACHERS)

SEPARATIONS FROM ACTIVE SERVICE: Representative values of the assumed annual rates of withdrawal and vesting, disability, death and service retirement are as follows:

Age	Disability	Service Retirement		Years of Service	Rates of Withdrawal
		Male	Female		
25	.02%			0	15.0%
30	.03			1	12.0
35	.06			2	10.0
40	.10			3	9.0
45	.15			4	8.0
50	.19	1.0%	1.5%	5	7.6
55	.24	2.0	5.5	10	5.4
60	.28	12.0	5.0	15	3.3
62	.30	30.0	15.0	20	2.0
65	.30	40.0	15.0	25	1.0
69		30.0	20.0	30+	0.0

Mortality: The RP-2000 Combined Healthy Table. For the period after disability retirement, the RP-2000 Combined Healthy Table set forward 2 years is used.

SCHEDULE A - ACTUARIAL ASSUMPTIONS AND METHODS

GROUPS 1 AND 2 (TEACHERS)

SEPARATIONS FROM ACTIVE SERVICE: Representative values of the assumed annual rates of withdrawal and vesting, disability, death and service retirement are as follows:

Age	Disability	Years of Service	Rates of Withdrawal
25	.02%	0	15.0%
30	.03	1	12.0
35	.06	2	10.0
40	.10	3	9.0
45	.15	4	8.0
50	.19	5	7.6
55	.24	10	5.4
60	.28	15	3.3
62	.30	20	2.0
65	.30	25	1.0
69		30+	0.0

Age	Male Service Retirement		Female Service Retirement	
	<20	20+	<20	20+
50	0.00	0.01	0.00	0.01
55	0.02	0.03	0.02	0.04
60	0.12	0.20	0.12	0.16
61	0.15	0.30	0.15	0.20
62	0.18	0.35	0.18	0.25
63	0.15	0.35	0.15	0.25
64	0.25	0.30	0.25	0.30
65	0.40	0.50	0.40	0.40
66	0.40	0.30	0.40	0.30
67	0.40	0.30	0.40	0.25
68	0.40	0.30	0.40	0.35
69	0.40	0.40	0.40	0.35
70	1.00	1.00	1.00	1.00

Teachers electing the increased benefit under Chapter 114 of the Acts of 2000 were assumed to have higher rates of retirement from ages 54 to 62 if their service was greater than 30 years. These rates are the same for males and females. The rate at age 54 is 0.035. The rate increases to 0.06 at age 55, 0.18 at age 56, and 0.30 at age 57. The rate for ages 58, 59, and 62 is 0.40. The rate for ages 60 and 61 is 0.35.

Mortality: The RP-2000 Combined Healthy Table. For the period after disability retirement, the RP-2000 Combined Healthy Table set forward 2 years is used.

SCHEDULE A - ACTUARIAL ASSUMPTIONS AND METHODS

GROUP 4

SEPARATIONS FROM ACTIVE SERVICE: Representative values of the assumed annual rates of disability, service retirement, and withdrawal are as follows:

Age	Disability	Service Retirements	Years of Service	Rates of Withdrawal
25	0.20%		0	15.0%
30	0.30		1	15.0
35	0.30		2	15.0
40	0.30		3	15.0
45	1.00	1.0%	4	15.0
50	1.25	2.0	5	15.0
55	1.20	15.0	6	15.0
60	0.85	20.0	7	15.0
62	0.75	25.0	8	15.0
65	0.00	100.0	9	15.0
69			10	15.0
			11+	0.0

Mortality: The RP-2000 Combined Healthy Table. For the period after disability retirement, the RP-2000 Combined Healthy Table set forward 2 years is used.

SCHEDULE B - SUMMARY OF PROGRAM PROVISIONS

Retirement Medical Insurance: Retired employees pay a variable portion of their post-retirement medical costs, which varies by plan.

Life Insurance: The Town of Foxborough contributes \$0.82 per month for each retired town employee receiving life insurance.

Beneficiary Coverage: Current and future retirees may elect to include beneficiaries as part of their post-retirement benefits. However, surviving beneficiaries of deceased retirees pay 100% of their post-retirement costs.

Section 18 Coverage: The Town has elected to adopt Section 18 under Chapter 32B of the General Laws of Massachusetts, which requires that an employee or retiree must participate in the Medicare program as the primary payer once one reaches age 65 and is Medicare eligible.

Retirement Eligibility: Age 55 with 10 years of service, or 20 years of service.

Ordinary Disability Eligibility: 10 years of service and under age 55.

Termination Eligibility: 10 years of service.

SCHEDULE C - GLOSSARY OF TERMS

Actuarial accrued liability

That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of OPEB benefits and expenses which is not provided for by future Normal Costs and therefore is the value of benefits already earned.

Actuarial assumptions

Assumptions as to the occurrence of future events affecting OPEB costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided OPEB benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.

Actuarial cost method

A procedure for determining the Actuarial Present Value of OPEB benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

Actuarial experience gain or loss

A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.

Amortization (of unfunded actuarial accrued liability)

That portion of the OPEB plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability or the Unfunded Frozen Actuarial Accrued Liability.

Annual OPEB cost

An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.

Annual required contributions of the employer (ARC)

The employer's periodic expense to a defined benefit OPEB plan, calculated in accordance with the parameters. It is the value of the cash contributions for a funded plan and the value of the expense entry in the profit and loss section of the financial statements.

Closed amortization period (closed basis)

A specific number of years that is counted from one date and, therefore, declines to zero with the passage of time. For example, if the amortization period initially is thirty years on a closed basis, twenty-nine years remain after the first year, twenty-eight years after the second year, and so forth. In contrast, an open amortization period (open basis) is one that begins again or is recalculated at each actuarial valuation date. Within a maximum number of years specified by law or policy (for example, thirty years), the period may increase, decrease, or remain stable.

Covered payroll

Annual compensation paid to active employees covered by an OPEB plan. If employees also are covered by a pension plan, the covered payroll should include all elements included in compensation on which contributions to the pension plan are based. For example, if pension contributions are calculated on base pay including overtime, covered payroll includes overtime compensation.

Defined benefit OPEB plan

An OPEB plan having terms that specify the benefits to be provided at or after separation from employment. The benefits may be specified in dollars (for example, a flat dollar payment or an amount based on one or more factors such as age, years of service, and compensation), or as a type or level of coverage (for example, prescription drugs or a percentage of healthcare insurance premiums).

Funded ratio

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

SCHEDULE C - GLOSSARY OF TERMS

Funding policy

The program for the amounts and timing of contributions to be made by plan members, employer(s), and other contributing entities (for example, state government contributions to a local government plan) to provide the benefits specified by an OPEB plan.

Healthcare cost trend rate

The rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

Investment return assumption (discount rate)

The rate used to adjust a series of future payments to reflect the time value of money.

Level dollar amortization method

The amount to be amortized is divided into equal dollar amounts to be paid over a given number of years; part of each payment is interest and part is principal (similar to a mortgage payment on a building). Because payroll can be expected to increase as a result of inflation, level dollar payments generally represent a decreasing percentage of payroll; in dollars adjusted for inflation, the payments can be expected to decrease over time.

Level percentage of projected payroll amortization method

Amortization payments are calculated so that they are a constant percentage of the projected payroll of active plan members over a given number of years. The dollar amount of the payments generally will increase over time as payroll increases due to inflation; in dollars adjusted for inflation, the payments can be expected to remain level.

Net OPEB obligation

The cumulative difference since the effective date of this Statement between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt. It will be included as a balance sheet entry on the financial statements.

Normal cost

That portion of the Actuarial Present Value of OPEB benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. It is the value of benefits to be accrued in the valuation year by active employees.

OPEB-related debt

All long-term liabilities of an employer to an OPEB plan, the payment of which is not included in the annual required contributions of a sole or agent employer (ARC) or the actuarially determined required contributions of a cost-sharing employer. Payments generally are made in accordance with installment contracts that usually include interest. Examples include contractually deferred contributions and amounts assessed to an employer upon joining a multiple-employer plan.

Other postemployment benefits

Postemployment benefits other than pension benefits. Other postemployment benefits (OPEB) include postemployment healthcare benefits, regardless of the type of plan that provides them, and all postemployment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits.

Pay-as-you-go

A method of financing an OPEB plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

Required supplementary information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.