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*A Limited Liability Partnership  
Including a Professional Corporation*

September 24, 2014

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**BY E-MAIL & FIRST CLASS MAIL**  
**PERSONAL & CONFIDENTIAL**

Mr. Justin L. Cole  
Town Accountant & Auditor  
Town of Uxbridge  
21 South Main Street  
Town Hall; Room 105  
Uxbridge, MA 01569

Re: Town of Uxbridge  
Retiree Medical Actuarial Valuation under GASB #45  
For the Year Ended June 30, 2014

Dear Justin:

Enclosed are two copies (one bound and one unbound copy) of your FYE 2014 GASB #45 actuarial valuation report for your retiree medical and life program. The unbound report is to facilitate any additional copying you may need.

The GASB #45 Expense (the Annual OPEB Cost) for FYE 2014 is \$5,050,000. The OPEB Obligation as of June 30, 2014 is \$19,350,000.

Of the \$5,050,000 Annual OPEB Cost, \$4,906,000 is attributed to the General Fund, \$46,000 is attributed to the Water Fund, \$73,000 is attributed to the Wastewater Fund, and \$25,000 is attributed to the Ambulance/EMT Fund.

Of the \$19,350,000 OPEB Obligation, \$18,797,000 is attributed to the General Fund, \$177,000 is attributed to the Water Fund, \$280,000 is attributed to the Wastewater Fund, and \$96,000 is attributed to the Ambulance/EMT Fund.

Our report is that for a mid-cycle fiscal year which is reflective of FYE 2013 data and premium rates. A full actuarial valuation was performed for FYE 2013, and another full actuarial valuation will be performed for FYE 2015.

Please give me a call if you have any questions.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'Edward A. Echeverria', written in a cursive style.

Edward A. Echeverria, FSPA, MAAA, CPC, EA

EAE:lr

Enclosures

Cc: Lisa Yaroshefski (w/encl. by e-mail)

**TOWN OF UXBRIDGE**  
**RETIREE MEDICAL ACTUARIAL**  
**VALUATION**  
  
**REPORT ON COMPLIANCE WITH**  
**GOVERNMENT ACCOUNTING STANDARDS BOARD**  
**STATEMENT #45**  
**ACCOUNTING AND FINANCIAL REPORTING BY EMPLOYER**  
**FOR POSTEMPLOYMENT**  
**BENEFITS OTHER THAN PENSIONS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**PREPARED ON: September 2014**

00857153.

**DANZIGER &**  
**MARKHOFF LLP**  
Attorneys at Law

September 2014

Town of Uxbridge  
21 South Main Street  
Town Hall; Room 105  
Uxbridge, MA 01569

Dear Sir/Madam:

This report was prepared to provide management with the accounting for the Government Accounting Standards Board Statement Number 45 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45) for the Retiree Health Valuation Under GASB #45 for the fiscal year ended June 30, 2014.

Our results and accompanying disclosures reflect plan provisions in effect for the plan year ended June 30, 2014. The Annual OPEB Cost for the Town for the year is \$5,050,000. For FYE 2014, a mid-cycle valuation was performed on the program, permitted for employers that have a membership (which includes active, terminated and retired employees eligible, or potentially eligible for benefits) 200 or more.

In conducting the valuation, we relied on information supplied to us by the Town of Uxbridge. This information included participant data, the terms of the written and unwritten plan, premium rates and other policies and practices of plan. We have relied on this information as accurate, and applied estimates as necessary.

The discount rate used for this year is 4.5%.

To the best of our knowledge and belief, this valuation was conducted in accordance with generally accepted actuarial principles and practices and in accordance with our understanding of GASB #45 and the implementation guidelines published by the Government Accounting Standards Board. The employer may modify the presentation of these disclosures as needed. I am an Enrolled Actuary who satisfies the Qualifications Standards for Actuaries of the AAA that became effective January 1, 2008.

Very truly yours,



Edward A. Echeverria, FSPA, MAAA, CPC, EA  
Senior Actuary

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**TOWN OF UXBRIDGE**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**EXECUTIVE SUMMARY OF RESULTS**

Valuation Date (mid-cycle)	<b><u>July 1, 2013</u></b>	
Number of Plan Members*:	<u>Medical</u>	<u>Life Ins.</u>
Active Participants	329	329
Retired Participants	<u>144</u>	<u>111</u>
Total	473	440
Average Age of Actives	47 yrs.	
Average Credited Service of Actives	13 yrs.	
Current Covered Payroll	\$ 20,120,000	
Market value of assets as of July 1	\$ -0-	
Unfunded Accrued Liability	\$ 51,620,000	
Annual Required Contribution (ARC)	\$ 5,260,000	
OPEB Cost for the Year	\$ 5,050,000	

\*The 2013 "mid-cycle" valuation is reflective of the same participant data as that used for the 2012 valuation. Average age and average service amounts from the 2012 valuation have been displayed.

**TOWN OF UXBRIDGE**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**RESULTS AND DISCLOSURES**

Results have been presented rounded to the nearest \$10,000.

<b><u>VALUATION RESULTS - (Cost to Town)</u></b>		(EPBO) Projected Benefits	(APBO) Unit Credit Accrued Liability
1.	Actuarial present values as of July 1, 2013:		
	(a) Actives	\$ 49,690,000	\$ 27,920,000
	(b) Retirees & Beneficiaries	\$ 23,700,000	\$ 23,700,000
	(c) Total	\$ 73,390,000	\$ 51,620,000
2.	Accrued liability as of July 1, 2013	\$ 51,620,000	
3.	Actuarial value of assets, July 1, 2013	\$ -0-	
4.	Unfunded accrued liability, July 1, 2013	\$ 51,620,000	
5.	Normal cost As of July 1, 2013	\$ 2,000,000	
6.	Amortization of unfunded accrued liability (percentage of payroll basis/open over 30 years)	\$ 3,030,000	
7.	Interest (rounded) on Normal Cost (\$91,451) and Amortization (\$138,549)	\$ 230,000	
8.	Annual Required Contribution (ARC) (5+6+7)	\$ 5,260,000	

**TOWN OF UXBRIDGE**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**RESULTS AND DISCLOSURES**

Below is a presentation of valuation results, broken down between Medical and Life Insurance.  
(Dental is paid 100% by the retiree, so the employer's obligation is zero)

**Actuarial present values as of July 1, 2013**

		(EPBO) Projected <u>Benefits</u>
1.	(a) Medical	\$ 72,910,000
	(b) Life Insurance	\$ <u>480,000</u>
	(c) Total	\$ 73,390,000

		(APBO) Accrued <u>Liability</u>
2.	(a) Medical	\$ 51,200,000
	(b) Life Insurance	\$ <u>420,000</u>
	(c) Total	\$ 51,620,000

		Normal <u>Cost</u>
3	(a) Medical	\$ 1,990,000
	(b) Life Insurance	\$ <u>10,000</u>
	(c) Total	\$ 2,000,000



**TOWN OF UXBRIDGE**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**RESULTS AND DISCLOSURES**

**DEVELOPMENT OF THE OPEB COST**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Actual contribution information is included below.

<u>Contribution rates:</u>	Varies by employee class
Plan Members	(See Summary of Plan Provisions)
Town:	Actuarially determined, equals the balance not paid by plan members
Annual required contribution (ARC)	\$ 5,260,000
Interest on net OPEB obligation	700,000
Adjustment to annual required contribution (-)	910,000
Annual OPEB cost	\$ 5,050,000
Contributions made*	\$ 1,250,000
Increase in net OPEB obligation	\$ 3,800,000
Net OPEB obligation-beginning of year	\$ <u>15,550,000</u>
Net OPEB obligation-end of year	\$ <u>19,350,000</u>

\*Contributions made include Medical, Life and Medicare Part B premium payments of \$1,220,000 and Medicare Part D reimbursement of \$50,000.

**TOWN OF UXBRIDGE**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**RESULTS AND DISCLOSURES**

**DEVELOPMENT OF UNFUNDED ACTUARIAL ACCRUED LIABILITY**  
**AND FUNDED RATIO (actual)**

Actuarial accrued liability (a)	\$ 51,620,000
Actuarial value of plan assets (b)	\$ 0
Unfunded actuarial accrued liability (a – b)	\$ 51,620,000
Funded ratio (b / a)	0.0%
Covered payroll (c)	\$ 20,120,000
Unfunded actuarial accrued liability as percentage of covered payroll [(a – b) / c]	257%

**TOWN OF UXBRIDGE**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**RESULTS AND DISCLOSURES**

**DEVELOPMENT OF OPEB COST AND OPEB OBLIGATION**  
**FOR THE LAST THREE YEARS (actual)**

<b><u>Year Ended</u></b>	<b><u>Annual OPEB Cost</u></b>	<b><u>Percentage of OPEB Cost Contributed</u></b>	<b><u>Net OPEB Obligation</u></b>
6/30/2012	\$4,290,000	20.0%	\$12,070,000
6/30/2013	\$4,720,000	26.3%	\$15,550,000
6/30/2014	\$5,050,000	24.8%	\$19,350,000

*Entries for FYE 2012 were provided from the FYE 2012 financial statement.*

**TOWN OF UXBRIDGE**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**RESULTS AND DISCLOSURES**

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS (actual)**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Unit Credit (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>
7/1/2011	\$0	\$40.25M	\$40.25M	0.0%	\$17.65M	228%
7/1/2012	\$0	\$47.75M	\$47.75M	0.0%	\$20.83M	229%
7/1/2013	\$0	\$51.62M	\$51.62M	0.0%	\$20.12M	257%

*Entries for 7/1/2011 reflect the last FULL (7/1/2010) actuarial valuation.*

**TOWN OF UXBRIDGE**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**CONSIDERATIONS**

**NEW STATEMENT**

Government Accounting Standards Board Statement No. 45 (GASB #45) is applicable to the Town of Uxbridge beginning with the fiscal year ended June 30, 2009. GASB #45 establishes standards for the measurement, recognition and display of the expense and liabilities of your retiree medical program (Other Post-Employment Benefits; "OPEB"). As a result, reporting of expense and liabilities will no longer be done under the "pay-as-you-go" approach. Instead of expensing the current year premiums paid, a per capita claims cost will be determined, which will be used to determine a "normal cost", an "actuarial accrued liability", and ultimately the Annual Required Contribution (ARC). The ARC is not "required" to be contributed each year, but in your case, will accumulate as a liability on the Town's financial statements (called the "OPEB Obligation") to the extent that the ARC exceeds the amount of premiums paid in a year. To date, the Town has chosen not to pre-fund retiree medical and other OPEB benefits in a Trust. To pre-fund, would permit the use of a higher discount rate (to reflect higher returns from an equity/bond mix of a Trust, rather than short term returns of the Town's funds), which would reduce liabilities.

**PLAN DESIGN**

We received detailed employee and dependent data, information on the plans, past and current employer practices, and medical premium cost data.

**TOWN OF UXBRIDGE**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**CONSIDERATIONS**

For FYE 2013 (for Medical), there are 144 retirees plus dependents who are receiving employer subsidized benefits. We reflected known retirements and terminations in our database through June 30, 2012. Where data was missing or inaccurate, we assumed reasonable estimates. In all, we valued 329 active employees plus dependents.

Retiree medical and life coverage are provided via various insurance arrangements (as well as dental, which is 100% funded by the retiree).

Future retirees are assumed to be covered by this existing arrangement as outlined in the materials forwarded by the Town. Those provisions, as they relate to employer liability, can be found in the Summary of Plan Provisions section of this report.

**ASSUMPTIONS/RECOGNITION**

To establish the per capita claims cost of medical benefits for your group, we used current premium rates provided by the Town as the starting point for our calculations. We then employed a health care trend rate that begins at 9.0% for the first year, decreases by 1.0% per year through year 5 to 5.0% thereafter. This assumption needs to be reviewed periodically. The health care trend rate is a major contributor to widening the gap between pay-as-you-go recognition and GASB #45 recognition. Adjustments were also required to be made to recognize differences between the average age of the 'full' population and the average age of a 'retiree only' population (to develop "age adjusted" current premium rates/equivalents).

TOWN OF UXBRIDGE  
RETIREE HEALTH VALUATION UNDER GASB #45

SUMMARY OF PLAN PROVISIONS

The following is a summary of the current major provisions of the retiree medical program.

1. MEDICAL BENEFITS

The Plan is a fully insured plan. Current retiree premium rates provided to us by the Town include:

- |                            |  |
|----------------------------|--|
| a) Individual Pre-age 65:  | Generally between \$422 and \$828 per month.     |
| b) Family Pre-age 65:      | Generally between \$1,109 and \$2,171 per month. |
| c) Individual Post-age 65: | Generally between \$253 and \$828 per month.     |
| d) Family Post-age 65:     | Generally between \$506 and \$2,171 per month.   |

Adjustments to these premium rates to reflect the difference between the active/retiree group (for which the current premium rates were based on) and the retiree-only group, were required, in accordance with ASOP 6. The retiree and the spouse are covered under the program.

2. MEDICARE PART B PREMIUMS – Generally, 80% of the premium is paid by the Town (i.e., \$83.92/mo. payable for 2013).

**TOWN OF UXBRIDGE**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**SUMMARY OF PLAN PROVISIONS**

3. **ELIGIBILITY:**

- a) All benefits:  
An employee may retire after age 55 with at least 10 years of service, or after completion of at least 20 years of service (no age requirement).
- b) Spousal benefit upon retiree's death:  
Coverage continued; spouse pays under current arrangement.
- c) Active service death benefit: N/A

4. **TOWN SUBSIDY:**

The Town will generally contribute 80% of the medical premium amounts for both individual and dependent coverage.

5. **LIFE INSURANCE:**

Generally, coverage of \$10,000 is offered upon retirement. The total rate for \$10,000 of coverage is \$14.70/mo., of which 50% is paid by the Town. An adjustment of the blended rate has been made to develop a retiree-only rate in the actuarial valuation.



**TOWN OF UXBRIDGE**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**SUMMARY OF PLAN PROVISIONS**

6. **FUNDING POLICY:**

The employer's funding policy is to contribute the current annual premium (net of employee contributions) for all retired participants (i.e., pay-as-you-go). The Town has chosen not to pre-fund retiree medical benefit obligations in a Trust at this time.

Medicare Part D reimbursement by CMS is also considered an "employer contribution" for GASB #45 purposes.

**TOWN OF UXBRIDGE**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**ACTUARIAL BASIS**

The Actuarial Basis presented here was employed to perform the 2012/13 actuarial valuation. 2013/2014 is a "mid-cycle" year.

**ACTUARIAL FUNDING METHOD:**

Projected Unit Credit

**ACTUARIAL ASSUMPTIONS**

- |                    |  |
|--------------------|--|
| 1. Valuation Date: | July 1, 2012                                     |
| 2. Discount Rate:  | 4.5% per annum.                                  |
| 3. Salary Scale:   | Not applicable.                                  |
| 4. Mortality:      | RP-2000 Combined Table<br>(proj. 27 & 19 years). |
| 5. Withdrawal:     | Sarasson T-5 Table.                              |
| 6. Disability:     | N/A  |

**TOWN OF UXBRIDGE**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**ACTUARIAL BASIS**

7. Retirement:

The following table illustrates the retirement rates:

All eligibles  
(10 years of service required  
at retirement)

<u>Retirement</u> <u>Age</u>	<u>Retirement</u> <u>Rates</u>
55	25.0%
56	3.0%
57	3.0%
58	3.0%
59	3.0%
60	5.0%
61	5.0%
62	5.0%
63	5.0%
64	5.0%
65	100.0%

**TOWN OF UXBRIDGE**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**ACTUARIAL BASIS**

8. Health Care Cost  
Trend Rate:

The following table illustrates the assumed health care trend rate for each future year:

<u>Year</u>	<u>Assumed Increase</u>
1	9.0%
2	8.0%
3	7.0%
4	6.0%
5+	5.0%

9. Marital - Actives:

Wife is assumed to be same age as the husband.  
70% of males and 50% of females are assumed married.

10. Participation Rate:

Eligible retirees are expected to participate as follows:

Medical:	80%
Life Ins.	100%

**ASSET VALUATION METHOD:** Market value.

**AMORTIZATION BASIS:** Level dollar basis/open; over 30 years.