Town of Georgetown

Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of December 31, 2007
In Accordance with GASB Statements Number 43 and 45

SEGAL

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May 6, 2008

Mr. Stephen L. Delaney
Town Administrator
1 Library Street
Georgetown, MA 01873

Dear Mr. Delaney:

We are pleased to submit this report on our actuarial valuation of postemployment welfare benefits as of December 31, 2007 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, 2008 and summarizes the actuarial data.

This report is based on information received from the Town of Georgetown. 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

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

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PURPOSE

This report presents the results of our actuarial valuation of the Town of Georgetown postemployment welfare benefit program as of December 31, 2007. The results are in accordance with the Governmental Accounting Standards, 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 8.5% and 4.5%, 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 Essex Regional 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 two options -- level dollar amortization payments and payments increasing at 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.

During the fiscal year ending June 30, 2009, we project the Town of Georgetown will pay claims and expenses (net of retiree contributions) on behalf of all retired employees of about $911,000. 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 page 5 we show the calculation of eight alternative ARCs which range from $1,544,000 to $3,430,00.

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, 2007. 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.

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

SUMMARY OF VALUATION RESULTS

ALL DEPARTMENTS

	Pre-funded (8.5% interest rate)		Pay-as-you-go (4.5% interest rate)	
	Projected Unit Credit	**Entry Age Normal**	**Projected Unit Credit**	**Entry Age Normal**
Actuarial Accrued Liability by Participant Category				
1. Current retirees, beneficiaries and dependents	$10,965,132	$10,965,132	$16,894,256	$16,894,256
2. Current active members	6,458,761	6,385,451	14,154,333	13,061,135
3. Total as of January 1, 2008: (1) + (2)	$17,423,893	$17,350,583	$31,048,589	$29,955,391
4. Total as of July 1, 2008:	$17,969,744	$17,935,853	$31,981,636	$30,957,748
Annual Required Contribution for Fiscal Year Ending June 30, 2009				
5. Normal cost as of January 1, 2008	$489,934	$571,479	$1,316,324	$1,499,518
6. Normal cost as of July 1, 2008	502,033	585,591	1,348,831	1,536,548
7. Adjustment for timing	20,901	24,381	30,015	34,192
8. Normal cost adjusted for timing: (6) + (7)	$522,934	$609,972	$1,378,846	$1,570,740
Level amortization payments				
9. 30-year amortization of the unfunded actuarial accrued liability (UAAL) as of July 1, 2008	$1,541,101	$1,538,195	$1,878,853	$1,818,702
10. Adjustment for timing	64,161	64,041	41,808	40,471
11. Amortization payment adjusted for timing: (9) + (10)	$1,605,262	$1,602,236	$1,920,661	$1,859,173
12. Total Annual Required Contribution (ARC): (8) + (11)	$2,128,196	$2,212,208	$3,299,507	$3,429,913
Amortization payments increasing at 4.5% per year				
13. 30-year amortization of the unfunded actuarial accrued liability (UAAL) as of July 1, 2008	$980,055	$978,206	$1,066,054	$1,031,925
14. Adjustment for timing	40,804	40,726	23,722	22,963
15. Amortization payment adjusted for timing: (12) + (14)	$1,020,859	$1,018,932	$1,089,776	$1,054,888
16. Total Annual Required Contribution (ARC): (8) + (15)	$1,543,793	$1,628,904	$2,468,622	$2,625,628

Note: Adjustment for timing assumes payment in the middle of the fiscal year.

FUNDING SCHEDULES

30 Years (8.5% discount rate), payments increasing at 4.5%
Projected Unit Credit cost method

(1) Fiscal Year Ended June 30	(2) Projected Benefit Payments	(3) Normal Cost with Interest	(4) Amortization of UAAL	(5) Total Funding Requirement: (3) + (4)	(6) Additional Funding: (5) – (2)	(7) Assets at End of Year	(8) AAL at End of Year	(9) UAAL at End of Year: (8) – (7)
2009	$911,248	$522,934	$1,020,859	$1,543,793	$632,545	$658,880	$19,092,691	$18,433,811
2010	1,004,895	549,081	1,066,798	1,615,878	610,984	1,351,306	20,240,779	18,889,473
2011	1,074,207	576,535	1,114,804	1,691,338	617,132	2,108,992	21,442,854	19,333,862
2012	1,143,737	605,361	1,164,970	1,770,331	626,595	2,940,938	22,704,707	19,763,769
2013	1,210,902	635,630	1,217,393	1,853,023	642,121	3,859,772	24,035,384	20,175,612
2014	1,281,285	667,411	1,272,176	1,939,587	658,302	4,873,562	25,438,961	20,565,398
2015	1,354,502	700,782	1,329,424	2,030,206	675,704	5,991,651	26,920,336	20,928,685
2016	1,451,048	735,821	1,389,248	2,125,069	674,021	7,203,024	28,463,560	21,260,536
2017	1,570,733	772,612	1,451,764	2,224,376	653,643	8,496,138	30,051,613	21,555,475
2018	1,688,469	811,242	1,517,094	2,328,336	639,867	9,884,816	31,692,251	21,807,435
2019	1,791,280	851,804	1,585,363	2,437,167	645,887	11,397,803	33,407,504	22,009,701
2020	1,880,844	894,395	1,656,704	2,551,099	670,255	13,064,777	35,219,624	22,154,847
2021	1,974,886	939,114	1,731,256	2,670,370	695,484	14,899,722	37,134,397	22,234,675
2022	2,073,630	986,070	1,809,162	2,795,232	721,602	16,917,843	39,157,982	22,240,139
2023	2,177,312	1,035,374	1,890,575	2,925,948	748,636	19,135,665	41,296,930	22,161,265
2024	2,286,177	1,087,142	1,975,650	3,062,793	776,615	21,571,145	43,558,214	21,987,069
2025	2,400,486	1,141,499	2,064,555	3,206,054	805,568	24,243,798	45,949,259	21,705,461
2026	2,520,510	1,198,574	2,157,460	3,356,034	835,524	27,174,830	48,477,974	21,303,143
2027	2,646,536	1,258,503	2,254,545	3,513,048	866,512	30,387,279	51,152,780	20,765,501
2028	2,778,863	1,321,428	2,356,000	3,677,428	898,565	33,906,174	53,982,654	20,076,480
2029	2,917,806	1,387,500	2,462,020	3,849,520	931,714	37,758,702	56,977,161	19,218,459
2030	3,063,696	1,456,875	2,572,811	4,029,685	965,989	41,974,399	60,146,501	18,172,102
2031	3,216,881	1,529,718	2,688,587	4,218,306	1,001,425	46,585,340	63,501,548	16,916,209
2032	3,377,725	1,606,204	2,809,574	4,415,778	1,038,053	51,626,364	67,053,905	15,427,541
2033	3,546,611	1,686,514	2,936,005	4,622,519	1,075,908	57,135,306	70,815,948	13,680,642
2034	3,723,942	1,770,840	3,068,125	4,838,965	1,115,023	63,153,252	74,800,887	11,647,635
2035	3,910,139	1,859,382	3,206,190	5,065,573	1,155,434	69,724,817	79,022,826	9,298,009
2036	4,105,646	1,952,351	3,350,469	5,302,820	1,197,174	76,898,443	83,496,823	6,598,380
2037	4,310,928	2,049,969	3,501,240	5,551,209	1,240,281	84,726,728	88,238,962	3,512,234
2038	4,526,475	2,152,467	3,658,796	5,811,263	1,284,788	93,266,778	93,266,778	-

Note: Adjustment for timing assumes payment in the middle of the fiscal year.

DEPARTMENT RESULTS

Actuarial Accrued Liability (AAL) and Annual Required Contribution – Projected Unit Credit, Pre-Funded (8.5%)

	All Other	Light	School	Water	Total
Actuarial Accrued Liability by Participant Category					
1. Current retirees, beneficiaries and dependents	$1,835,633	$996,798	$7,677,769	$454,932	$10,965,132
2. Current active employees	1,840,621	337,590	4,095,829	184,721	6,458,761
3. Total as of January 1, 2008: (1) + (2)	$3,676,254	$1,334,388	$11,773,598	$639,653	$17,423,893
4. Total as of July 1, 2008:	$3,834,388	$1,360,282	$12,110,105	$664,969	$17,969,744
Annual Required Contribution for Fiscal Year Ending June 30, 2009					
5. Normal Cost as of January 1, 2008	$135,962	$26,367	$303,007	$24,598	$489,934
6. Normal Cost as of July 1, 2008	139,320	27,018	310,490	25,205	502,033
7. Adjustment for timing	5,800	1,125	12,927	1,049	20,901
8. Normal Cost adjusted for timing: (6) + (7)	$145,120	$28,143	$323,417	$26,254	$522,934
Level amortization payments					
9. 30-year amortization of the unfunded actuarial accrued liability (UAAL) as of July 1, 2008	$328,841	$116,659	$1,038,573	$57,028	$1,541,101
10. Adjustment for timing	13,691	4,857	43,239	2,374	64,161
11. Amortization payment adjusted for timing: (9) + (10)	$342,532	$121,516	$1,081,812	$59,402	$1,605,262
12. Total Annual Required Contribution (ARC): (8) + (11)	$487,652	$149,659	$1,405,229	$85,656	$2,128,196
Amortization payments increasing at 4.5%					
13. 30-year amortization of the unfunded actuarial accrued liability (UAAL) as of July 1, 2008	$209,124	$74,189	$660,475	$36,267	$980,055
14. Adjustment for timing	8,707	3,089	27,498	1,510	40,804
15. Amortization payment adjusted for timing: (13) + (14)	$217,831	$77,278	$687,973	$37,777	$1,020,859
16. Total Annual Required Contribution (ARC): (8) + (15)	$362,951	$105,421	$1,011,390	$64,031	$1,543,793

Note: Adjustment for timing assumes payment in the middle of the fiscal year.

Actuarial Accrued Liability (AAL) and Annual Required Contribution – Projected Unit Credit, Pay-As-You-Go (4.5%)

	All Other	Light	School	Water	Total
Actuarial Accrued Liability by Participant Category					
1. Current retirees, beneficiaries and dependents	$2,923,004	$1,484,818	$11,786,866	$699,568	$16,894,256
2. Current active employees	4,186,398	831,528	8,637,618	498,789	14,154,333
3. Total as of January 1, 2008: (1) + (2)	$7,109,402	$2,316,346	$20,424,484	$1,198,357	$31,048,589
4. Total as of July 1, 2008:	$7,385,564	$2,362,483	$20,987,937	$1,245,652	$31,981,636
Annual Required Contribution for Fiscal Year Ending June 30, 2009					
5. Normal Cost as of January 1, 2008	$358,186	$73,525	$816,874	$67,739	$1,316,324
6. Normal Cost as of July 1, 2008	367,031	75,341	837,047	69,412	1,348,831
7. Adjustment for timing	8,167	1,677	18,626	1,545	30,015
8. Normal Cost adjusted for timing: (6) + (7)	$375,198	$77,018	$855,673	$70,957	$1,378,846
Level amortization payments					
9. 30-year amortization of the unfunded actuarial accrued liability (UAAL) as of July 1, 2008	$433,886	$138,791	$1,232,997	$73,179	$1,878,853
10. Adjustment for timing	9,655	3,088	27,437	1,628	41,808
11. Amortization payment adjusted for timing: (9) + (10)	$443,541	$141,879	$1,260,434	$74,807	$1,920,661
12. Total Annual Required Contribution (ARC): (8) + (11)	$818,739	$218,897	$2,116,107	$145,764	$3,299,507
Amortization payments increasing at 4.5%					
13. 30-year amortization of the unfunded actuarial accrued liability (UAAL) as of July 1, 2008	$246,185	$78,749	$699,598	$41,522	$1,066,054
14. Adjustment for timing	5,478	1,752	15,568	924	23,722
15. Amortization payment adjusted for timing: (13) + (14)	$251,663	$80,501	$715,166	$42,446	$1,089,776
16. Total Annual Required Contribution (ARC): (8) + (15)	$626,861	$157,519	$1,570,839	$113,403	$2,468,622

Note: Adjustment for timing assumes payment in the middle of the fiscal year.

May, 2008

ACTUARIAL CERTIFICATION

This is to certify that The Segal Company has conducted an actuarial valuation of certain benefit obligations of the Town of Georgetown other postemployment benefit programs as of December 31, 2007, 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 Statements of Actuarial Opinions" to render the actuarial opinion contained herein.

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

Howard Atkinson, Jr.
Howard Atkinson, Jr., ASA, MAAA, FCA
Vice President and Health Actuary

CHART 1

Required Supplementary Information – Schedule of Employer Contributions
Projected Unit Credit, Pay-As-You-Go Assumptions (4.5%)
Amortization Payments Increasing at 4.5%

Fiscal Year Ended June 30,	Annual Required Contributions	Actual Contributions	Percentage Contributed
2009	$2,468,622	$--	--%

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.

CHART 2

Required Supplementary Information – Schedule of Funding Progress
Projected Unit Credit, Pay-As-You-Go Assumptions (4.5%)

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
12/31/2007	$0	$31,048,589	$31,048,589	0%	N/A	N/A

CHART 3

Required Supplementary Information – Net OPEB Obligation (NOO)
Projected Unit Credit, Pay-As-You-Go Assumptions (4.5%)
Amortization Payments Increasing at 4.5%

Fiscal Year Ended June 30,	Annual Required Contribution (a)	Interest on Existing NOO (b)	ARC Adjustment (c)	Annual OPEB Cost (a) + (b) + (c) (d)	Actual Contribution Amount (e)	Net Increase in NOO (d) - (e) (f)	NOO as of Following Date (g)
2009	$2,468,622	$0	$0	$2,468,622	--	--	--

CHART 4

Required Supplementary Information

Valuation date	December 31, 2007
Actuarial cost method	Projected Unit Credit
Amortization method	Payments increasing at 4.5%
Remaining amortization period	30 years as of July 1, 2008
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	4.5%, pay-as-you-go scenario
Inflation rate	4.5%
Medical/drug cost trend rate	10.0% graded to 5.0% over 5 years
Dental trend rate	5.0%
Part B premium trend rate	6.0%
Plan membership:	
Current retirees, beneficiaries, and dependents	170
Current active members	157
Total	327

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

EXHIBIT I

Summary of Participant Data

Active employees covered for medical benefits as of January 1, 2008	
Number of employees	
Male	55
Female	102
Total	157
Average age	44.8
Average service	7.4
Retired employees, spouses and beneficiaries covered for medical benefits as of January 1, 2008	
Number of individuals	135
Average age	68.1
Retired employees with dental coverage as of January 1, 2008	
Number of individuals*	88
Average age	68.2
Retired employees with life insurance coverage as of January 1, 2008	
Number of individuals**	89
Average age	71.7

* *Includes 15 individuals with dental benefits only.*

** *Includes 20 individuals who have life insurance only.*

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method

Data:	Detailed census data, premium rates, and summary plan descriptions for postemployment welfare benefits were provided by the Town of Georgetown.
Actuarial Cost Method:	Projected Unit Credit and Entry Age Normal
Per Capita Cost Development:	
Medical and Drug	Per capita claims costs were based on the fully-insured premium rates effective July 1, 2007. Premiums were combined by taking a weighted average based on the number of participants in each plan, and were then trended to the midpoint of the valuation year at assumed trend rates. Actuarial factors were then applied to the weighted premium to estimate individual retiree and spouse costs by age and by gender.
Measurement Date:	December 31, 2007
Discount Rate:	8.5% prefunding and 4.5% pay-as-you-go
Mortality Rates:	
Pre-Retirement (Non-Teachers)	1994 Group Annuity Mortality Table
Healthy (Non-Teachers)	1994 Group Annuity Mortality Table
Disabled (Non-Teachers)	PBGC Mortality Table for Disabled Lives Receiving Social Security Disability Benefits
Pre-Retirement (Teachers)	RP-2000 Healthy Employee Mortality Table projected 10 years with Scale AA
Healthy (Teachers)	RP-2000 Healthy Annuitant Mortality Table projected 10 years with Scale AA
Disabled (Teachers)	RP-2000 Healthy Annuitant Mortality Table set forward 3 years for males

Termination Rates before Retirement:

Groups 1 and 2 (excluding Teachers) - Rate (%)

	Mortality			
Age	**Male**	**Female**	**Disability**	**Withdrawal**
20	0.05	0.03	0.06	12.00
25	0.07	0.03	0.09	8.78
30	0.08	0.04	0.11	5.55
35	0.09	0.05	0.15	3.93
40	0.11	0.07	0.22	2.31
45	0.16	0.10	0.36	1.89
50	0.26	0.14	0.61	1.46
55	0.44	0.23	1.01	0.00
60	0.80	0.44	1.63	0.00

Notes: 55% of the disability and death rates shown rates represent accidental disability and death, respectively.

Group 4 - Rate (%)

	Mortality			
Age	**Male**	**Female**	**Disability**	**Withdrawal**
20	0.05	0.03	0.18	2.10
25	0.07	0.03	0.26	1.88
30	0.08	0.04	0.33	1.65
35	0.09	0.05	0.44	1.11
40	0.11	0.07	0.66	0.56
45	0.16	0.10	1.08	0.28
50	0.26	0.14	1.82	- -
55	0.44	0.23	- -	- -
60	0.80	0.44	- -	- -

Notes: 90% of the disability and death rates shown rates represent accidental disability and death, respectively.

Teachers - Rate (%)

	Mortality		Disability
Age	**Male**	**Female**	
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

Notes: 35% of the disability rates shown rates represent accidental disability.
55% of the death rates shown represent accidental death.

Teachers – Withdrawal Rate (%)

	0 – 4 Years of Service		5 – 9 Years of Service		10+ Years of Service	
Age	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
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 (%) Groups 1, 2 and 4 (excluding Teachers)	
Age	**Groups 1 and 2**	**Group 4**
50 – 54	- -	2.0
55	5.0	10.0
56 – 59	3.0	10.0
60 – 61	5.0	30.0
62 – 64	15.0	30.0
65	25.0	100.0
66 – 69	15.0	- -
70 – 71	50.0	- -
72	100.0	- -

Teachers - Rate (%)

	Years of Service				
	Less than 20	20 – 29		30 or more	
Age		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, 55% were assumed to have an eligible spouse who also opts for health coverage at that time.

Per Capita Health Costs:

2008 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.

	Non-Medicare Plans				Medicare Supplement			
	Retiree		Spouse		Retiree		Spouse	
Age	Male	Female	Male	Female	Male	Female	Male	Female
45	$6,425	$8,060	$3,985	$6,017	N/A	N/A	N/A	N/A
50	7,626	8,686	5,327	6,975	N/A	N/A	N/A	N/A
55	9,057	9,351	7,128	8,073	N/A	N/A	N/A	N/A
60	10,756	10,079	9,542	9,363	N/A	N/A	N/A	N/A
65	12,774	10,858	12,774	10,858	$6,591	$5,602	$6,591	$5,602
70	14,805	11,701	14,805	11,701	7,639	6,037	7,639	6,037
75	15,955	12,595	15,955	12,595	8,232	6,499	8,232	6,499
80	17,181	13,579	17,181	13,579	8,865	7,006	8,865	7,006

Dental Cost: $649

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.

Year Ending December 31	Medical/Drug	Dental	Part B
2008	10%	5%	6%
2009	9%	5%	6%
2010	8%	5%	6%
2011	7%	5%	6%
2012	6%	5%	6%
2013 & later	5%	5%	6%

Retiree Contribution Increase Rate:	Retiree contributions are expected to increase with trend.
Participation and Coverage Election:	100% of active employees with coverage are assumed to elect retiree coverage.
	100% of retirees over age 65 are assumed to remain in their current medical plan for life.
	For future retirees hired prior to 1986 and current retires under age 65, 90% are assumed to be eligible for Medicare and enroll in a Medicare Supplement plan upon reaching age 65, and 10% are assumed to be ineligible for Medicare and remain enrolled in a non-Medicare plan.
	For future retirees hired in 1986 or later, 100% are assumed to enroll in a Medicare Supplement plan upon reaching age 65.
	For future retirees, 90% are assumed to enroll in a dental plan and 100% are assumed to enroll in life insurance upon retirement.
Plan Design:	Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit III.
Administrative Expenses:	Administrative expenses are assumed to be included in the fully insured premium rates.
Annual Maximum Benefits:	No increase in the annual maximum benefit levels was assumed.
Lifetime Maximum Benefits:	No information was available regarding accumulations toward lifetime maximum benefits and no such accumulations were assumed.
Missing Participant Data:	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.

EXHIBIT III

Summary of Plan

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.

Eligibility:

The following groups of retirees receiving a pension from the Essex Regional Retirement System or the Massachusetts Teachers Retirement System are eligible for postretirement medical benefits:

Group 1 (including Teachers):
- Retirees with at least 10 years of creditable service are eligible at age 55;
- Retirees with at least 20 years of creditable service are eligible at any age.

Group 2:
- Retirees with at least 10 years of creditable service are eligible at age 60;
- Retirees with at least 20 years of creditable service are eligible at any age.

Group 4:
- Retirees with at least 10 years of creditable service are eligible at age 45.
- Retirees with at least 20 years of creditable service are eligible at any age.

Disability: Accidental (job-related) Disability has no age or service requirement. Ordinary Disability requires 10 years of creditable service.

Pre-Retirement Death: Surviving spouse is eligible.

Post-Retirement Death: Surviving spouse is eligible.

Benefit Types:

Medical, prescription drug and dental benefits are provided to all eligible retirees through a variety of plans from Blue Cross Blue Shield of Massachusetts offered through the Massachusetts Interlocal Insurance Association (MIIA) Health Benefits Trust. Life insurance benefit is provided by Boston Life. The Town of Georgetown pays 50% of the retiree life insurance and dental premiums and reimburses the Medicare Part B penalty for 2 retirees (and spouses).

Duration of Coverage:	Lifetime.
Dependent Benefits:	Medical, prescription drug, and dental.
Dependent Coverage:	Benefits are payable to a spouse for their lifetime, regardless of when the retiree dies.
MGL Chapter 32B, Section 18:	Adopted March 7, 1994.

Retiree Contributions: Premium rates and retiree contributions as of July 1, 2007 are summarized below:

	Subscribers					
	Actives	Retirees	*Retirees 65 and over***	Monthly Premium as of 7/1/2007	Town cost as of 7/1/2007	Retiree cost as of 7/1/2007
Non-Medicare Actives and Retirees						
Blue Care Elect Preferred (PPO)						
Individual	3	1	*0*	$684.46	$436.00	$248.46
Family	6	2	*1*	$1,694.84	$1,079.52	$615.32
Blue Choice Plan						
Individual	4	14	*4*	$621.17	$372.71	$248.46
Family	11	2	*0*	$1,538.30	$922.98	$615.32
HMO Blue						
Individual	67	3	*0*	$580.43	$372.71	$207.72
Family	66	13	*0*	$1,437.31	$922.98	$514.33
VIP 2000*						
Individual	0	4	*0*	$798.19	$549.73	$248.46
Family	0	1	*1*	$1,977.21	$1,361.89	$615.32
Non-Medicare Total	157	40	*6*			
Medicare Supplement Plans						
Medex 3	N/A	54	*52*	$570.60	$342.36	$228.24
Retiree Total ***		94	*58*			
Dental Blue						
Individual				$45.37	$22.69	$22.68
Family				$109.79	$54.89	$54.90
Boston Life Insurance				$1.80	$0.90	$0.90

* *No longer available for enrollment*

** *6 of 58 over-65 retirees are in a non-Medicare plan*

*** *In addition, there are 41 spouses or surviving spouses of retirees covered under a family or an individual policy.*

Benefit Descriptions:

Blue Care Elect Preferred (PPO)	In-Network	Out-of-Network
Medical		
Annual Deductible	None	$250 individual/$500 family
Coinsurance	100%	80%
Physicians Office Visit Copay	$15	Coinsurance & deductible
Emergency Room Copay	$50	$50
Coinsurance Maximum	None	$1,000 individual/$2,000 family
Prescription Drugs		
Retail Copay	$10 generic/$20 preferred brand/$35 non-preferred brand	
Mail Copay	$10 generic/$20 preferred brand/$35 non-preferred brand	

Blue Choice Plan	PCP-Approved Benefits	Self-Referred Benefits
Medical		
Annual Deductible	None	$250 individual/$500 family
Coinsurance	100%	80%
Physicians Office Visit Copay	$15	Coinsurance & deductible
Emergency Room Copay	$50	Coinsurance & deductible
Coinsurance Maximum	None	$1,000 individual/$2,000 family
Lifetime Benefit Maximum	None	$2,000,000 individual
Prescription Drugs		
Retail Copay	$10 generic/$20 preferred brand/$35 non-preferred brand	
Mail Copay	$10 generic/$20 preferred brand/$35 non-preferred brand	

HMO Blue	
Medical	
Annual Deductible	None
Coinsurance	100%
Physicians Office Visit	$15
Emergency Room	$50
Maximum Out-Of-Pocket Expense	None
Lifetime Benefit Maximum	$2,000,000 individual
Prescription Drugs	
Retail Copay	$10 generic/$20 preferred brand/$35 non-preferred brand
Mail Copay	$10 generic/$20 preferred brand/$35 non-preferred brand

VIP Plan 2000[1]	
Medical	
Annual Deductible	None
Coinsurance	80%
Physicians Office Visit	$15
Emergency Room	Coinsurance
Maximum Out-Of-Pocket Expense	$1,000 individual / $2,000 family
Prescription Drugs	
Retail Copay	$10 generic/$20 preferred brand/$35 non-preferred brand
Mail Copay	$10 generic/$20 preferred brand/$35 non-preferred brand

[1] *No longer available for enrollment.*

Medex 3	
Medical	
Hospital Inpatient	Covered in full
Office Visits	Covered in full
Emergency Room	Covered in full
Prescription Drugs	
Retail Copay	Full coverage (generic)/20% copayment (brand) after a $35 calendar year deductible
Mail Copay	$2 generic/$15 brand

Retiree Life: $2,000

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