



Town of Wayland Massachusetts

OPEB Advisory Committee

Kent George
David Gutschenritter
Cliff Lewis (Chair)
Maryanne Peabody
Jay Sherry

Minutes of March 5, 2014 Committee Meeting

In Attendance were: David Gutschenritter, Cliff Lewis, Jay Sherry
Absent: Kent George, Maryanne Peabody

The meeting was called to order at 7:13 pm at the Town Building in the Planning Board Conference Room.

This meeting was recorded and is currently available on WayCAM at:
<http://waycamtv.pegcentral.com/player.php?video=3997eb1327622700ace091d30d0d879c>

The following Agenda topics were addressed:

1. Public Comment

No public comments were made.

2. Review and Approve Minutes from prior meetings

Minutes of 2/20/14 were reviewed and approved. Vote 3-0

Minutes of 1/28/14 were reviewed and approved as amended. Vote 3-0

Minutes of 1/8/14 were reviewed and approved. Vote 3-0

3. Discussion of OPEB Town Meeting Warrant Article

On March 3rd, Cliff Lewis and Jay Sherry met with representatives of The Children's Way (TCW) to discuss TCW's concerns related to the amount of money that the warrant article was proposing to transfer from the TCW to the General Fund. After a productive exchange of information, it was agreed that a representative from the TCW would attend the OPEB working group meeting at 6 pm that evening.

The Committee next discussed the draft financial projections for TCW and Food Service to understand the viability of the two Programs to eventually repay the General Fund for the contributions the Town made to the OPEB Investment Account from 2008-2012 that have been attributed to the two Programs.

Cliff next reviewed his discussion with the School Committee on the topic of the four School Programs (Food Service, BASE, TCW, and Full Day Kindergarten) transferring money from the Programs' accounts to the General Fund as proposed in the Warrant Article. The School Committee is generally supportive of the Programs making the proposed transfers to the General Fund for the prior years and making the proposed FY 2015 contributions to the OPEB Investment account.

For Food Service and TCW, additional work needs to be done to develop a fiscally responsible plan to eventually transfer the prior OPEB amounts to the General Fund.

Cliff next reviewed his discussion of the Warrant Article with the Board of Selectmen (BOS). The sense of the BOS was supportive, but the BOS did not take a position on the Article at that meeting. It is customary for the BOS to vote their position on the all the warrant articles at a meeting closer to the Annual Town Meeting.

Dave Gutschenritter reported that he had sent the Warrant Article to the Recreation Board and the Board of Public Works (BPW). Dave is scheduled to meet with the BPW on March 10th to review the Warrant Article with them.

4. Discussion of March 11 Public Information session

Next the Committee reviewed the draft of the presentation to be given at the Public Information session on March 11th. The order of the presentation was reviewed and the relative importance of the various sections was discussed.

Jay then reviewed the logistics of the meeting. Discussion centered around which member of the Committee would speak to which slides and how much time to spend on each slide. A detailed review of each slide followed.

The Committee then discussed our outreach efforts to various interested parties to have the largest possible audience at the information session.

5. Items not reasonably foreseen by the Chair

None

6. Public Comment

No public comments were made.

7. Adjourn

The Committee voted unanimously to adjourn at 9:40 pm.

Respectfully submitted

David J. Gutschenritter

Documents reviewed at the meeting

1. Draft financial projection for TCW
2. Draft financial projection for Food Service
3. Draft Information session presentation.



Town of Wayland
Massachusetts

OPEB Committee Public Information Session

Large Hearing Room, Wayland Town Building

March 11, 2014

7:30 – 9:00 PM

Agenda

- Introductions of Committee Members, Town Executives & Guest
- Summary of Committee Recommendations
- Healthcare Insurance in Town of Wayland
- OPEB History in Wayland
- GASB Background and GASB Statement 45
- Segal Company and Wayland's Actuarial Valuations of OPEB
- Detailed Committee Findings & Recommendations
 - Contribute to OPEB Investment Account based on more accurate forecast of future OPEB
 - Parity transfers from Enterprise & Revolving Funds to correct FY2008 – FY2012 imbalance
 - Recommended Warrant Article for FY2015 Appropriation
 - OPEB Cost Reductions
 - Maximizing OPEB Investment Account Returns are Key
- Brian Callow, Investment Manager of Rockland Trust Company
- Next Steps for the Committee
- Questions & Answers

Who's Who this Evening? Meet the Committee

- **Cliff Lewis**
 - **Wayland resident since 19xx**
 - **X Children through Wayland Schools**
 - **Former CEO of instrumentation company**
 - **Certified Financial Analyst since 20xx**
 - **Chairman of OPEB Committee**
- **Dave Gutschenritter**
 - **Wayland resident since 19xx**
 - **X children in/ through Wayland Schools**
 - **FinCom member since 20xx**
 - **Treasurer, State Street**
 - **FinCom rep to OPEB Committee**
- **Kent George**
 - **Wayland resident since 1994**
 - **Former CFO, CEO Consulting firm since 1987**
- **Maryanne Peabody**
 - **Wayland resident since 19xx**
 - **1 child through Wayland Schools**
 - **Personnel Board Member since 19xx**
 - **Pers Board rep to OPEB Committee**
- **Jay Sherry**
 - **Wayland resident since 1996**
 - **4 children through Wayland Schools**
 - **Software industry marketing executive**

Who's Who this Evening? (continued)

Town of Wayland Executives:

John Senchyshyn

- **Assistant Town Administrator & Human Resources Director since 2002**
- **Board member & Wayland's representative to West Suburban Health Group since 2004**
- **Retained Segal Company for OPEB Valuations 2007, 2008, 2010 & 2012**
- **Over 20 years of service in state and municipal government**

Paul Keating

- **Treasurer & Collector since 1998**
- **Custodian of OPEB Investment Account since 2008**
- **Certified Massachusetts Municipal Treasurer & Collector**
- **Career in municipal government began in 1982**

Who's Who this Evening? (cont)

OPEB Investment Advisor

Brian Callow

- Managing portion of Wayland's OPEB Investment Account since April 2012
- Professional investment manager since 19xx
- Employed at Rockland Trust Company since 20xx
- Certified Financial Analyst since 20xx

Summary of Committee Recommendations

- OPEB is expensive because health insurance is expensive.
- Accounting rules now require us to forecast and disclose OPEB obligations.
- Maintaining our strong financial rating requires us to save for OPEB, not just “pay as we go”.
- Forecasting future OPEB expense more accurately results in significant savings:
 - OPEB contributions can be reduced to \$285K in FY2015, providing \$430K in 1st year savings.
 - OPEB Account long-term growth target can be reduced from \$103.3M to \$79.xM, saving nearly \$24M through 2038.
- Past & future OPEB contributions will be shared fairly by both taxpayers and users of fee-based programs, moving \$1.1M to free cash, \$600K right now.
- Achieving strong investment returns in OPEB Investment Account is critical to holding down the cost of our future contributions.
- Your “Yes” vote on OPEB Warrant Article is needed at Town Meeting April 3!

Healthcare for Wayland's Employees & Retirees



West
Suburban
Health
Group



West Suburban Health Group

- Municipal joint purchase group for joint negotiation and purchase of health benefits for employees, retirees and their families
- Organized under MGL Chapter 32B, section 12 in July 1990
- Second largest municipal group in Massachusetts
- Estimated health claims of \$120M in FY2015
- 11,600 insurance subscribers and 21,100 covered lives
- Wayland share: 867 subscribers (435 actives, 432 retirees), ~1450 covered lives
- Participating employers pool risk, WSHG self-insures most plans with reinsurance protection for high cost claims
- Claims administrators are Harvard Pilgrim, Tufts, Fallon, BCBS of Mass
- Governed by employers through Board of Directors and Steering Committee
 - Wayland's John Senchyshyn sits on both Board and Steering Committee
- 13 Participating Towns:
Ashland, Dedham, Dover, Holliston, Natick, Needham, Sherborn, Shrewsbury, Walpole, Wayland, Wellesley, Westwood, Wrentham
- Also includes Dover Sherborn Regional School District, ACCEPT Collaborative, The Education Cooperative, South Middlesex Regional School District

Source: John Senchyshyn, March 2014

Timeline of OPEB in Wayland

- March 1959: Wayland votes to accept state law mandating health insurance plans for employees and dependents
- March 1968: Wayland votes to accept state law mandating payment of 50% of retiree health insurance
- March 1970: Wayland votes to accept state law mandating payment of 50% of health insurance for spouses of employees & retirees
- FY1969 – FY2007: Wayland makes “pay as you go” payments for health insurance for then-current retirees. No OPEB money is saved or invested for then-active employees.
- July 2003: Wayland first enrolls its employees and retirees in health plans via West Suburban Health Group.
- June 2004: GASB Statement 45 is released mandating OPEB estimation & disclosure by all state and local governments for both active employees and retirees. Phase-in over 3 years depending on size of government.
- May 2008: Segal Company publishes first OPEB Valuation for Wayland as of 12/31/2007. Segal performs subsequent biennial valuations as of year end 2008, 2010 and 2012.
- May 2008: Wayland makes first OPEB Investment Account contribution of \$750K to Massachusetts Municipal Depository Trust.
- FY2009 contribution: \$1,110K made by general taxpayers
- FY2010 contribution: \$1,860K made by general taxpayers
- Nov 2010: Legislature passes Wayland’s special statute mandating the establishment of OPEB Trust Fund
- FY2011 contribution: \$3,150K made by general taxpayers
- FY2012 contribution: \$2,896K made by general taxpayers
- April 2012: Bulk of OPEB Investment Account monies are moved to Rockland Trust Company and Bartholomew & Company.
- October 2012: Special Town Meeting adopts new By-Law mandating specific OPEB appropriations by vote of Annual Town Meeting
- FY2013: No OPEB contribution appropriated for FY2013
- April 2013: Annual Town Meeting appropriates FY2014 contribution of \$98,534 via transfer from enterprise & revolving funds
- April 2014: OPEB Committee recommends FY2015 contribution of \$285,425 for appropriation by Annual Town Meeting

GASB and “GASB 45”

- Governmental Accounting Standards Board, based in Norwalk CT (“GASB”)
- Rulemaking body that establishes “generally accepted accounting principles” used by all state and local governments in the US.
- Accounting standards make financial statements comparable from town to town.
- Accounting rules are issued by GASB in “Statements” on various accounting topics.
- Actuarial & accounting rules for estimating and recognizing OPEB liability & expense defined June 2004 in GASB Statement Number 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”, aka “GASB 45”
- Wayland’s auditor Melanson Heath & Company issues opinion letter confirming that Wayland’s financial statements are in accord with GASB rules, including GASB 45.
- Bond rating agencies like Moody Investor Services rely upon “clean” opinion letters from auditors in accordance with GASB before issuing favorable credit ratings, among other criteria.

Source: www.gasb.org

Segal Company

- Benefits and HR consulting firm
- Wayland's actuary for OPEB since 2007
- Founded 1939
- Privately-held and employee-owned
- ~1000 employees in 22 offices in US and Canada
- Corporate, non-profit and public sector clients
- Conducted Wayland's OPEB valuations 2007, 2008, 2010, 2012 per GASB 45 rules

Source: www.segalco.com

Segal Company Valuation as of December 2012

- Actuarial valuation based on assumptions required by GASB 45
- OPEB liability of **\$38.5M** on 12/31/2012, built up from 1968 – 2012
- OPEB payments of **\$2.0 - \$2.3M per year** needed through FY15 for retirees
 - Growing every year with assumed healthcare inflation of 8% to 5%/year
- Plus OPEB Investment Account additions of **~\$700K per year** needed to save for OPEB for today's employees and amortize the current liability.
- Investment returns assumed to be 7% per year, with assets of **\$103.3M** needed by 2038 to reduce unfunded liability to zero.
- 2012 OPEB liability is offset by \$10.2M in assets as of 12/31/2012
 - Reduces unfunded OPEB liability to \$28.3M
- Wayland is **27% funded** in 2012, far better than most cities and towns

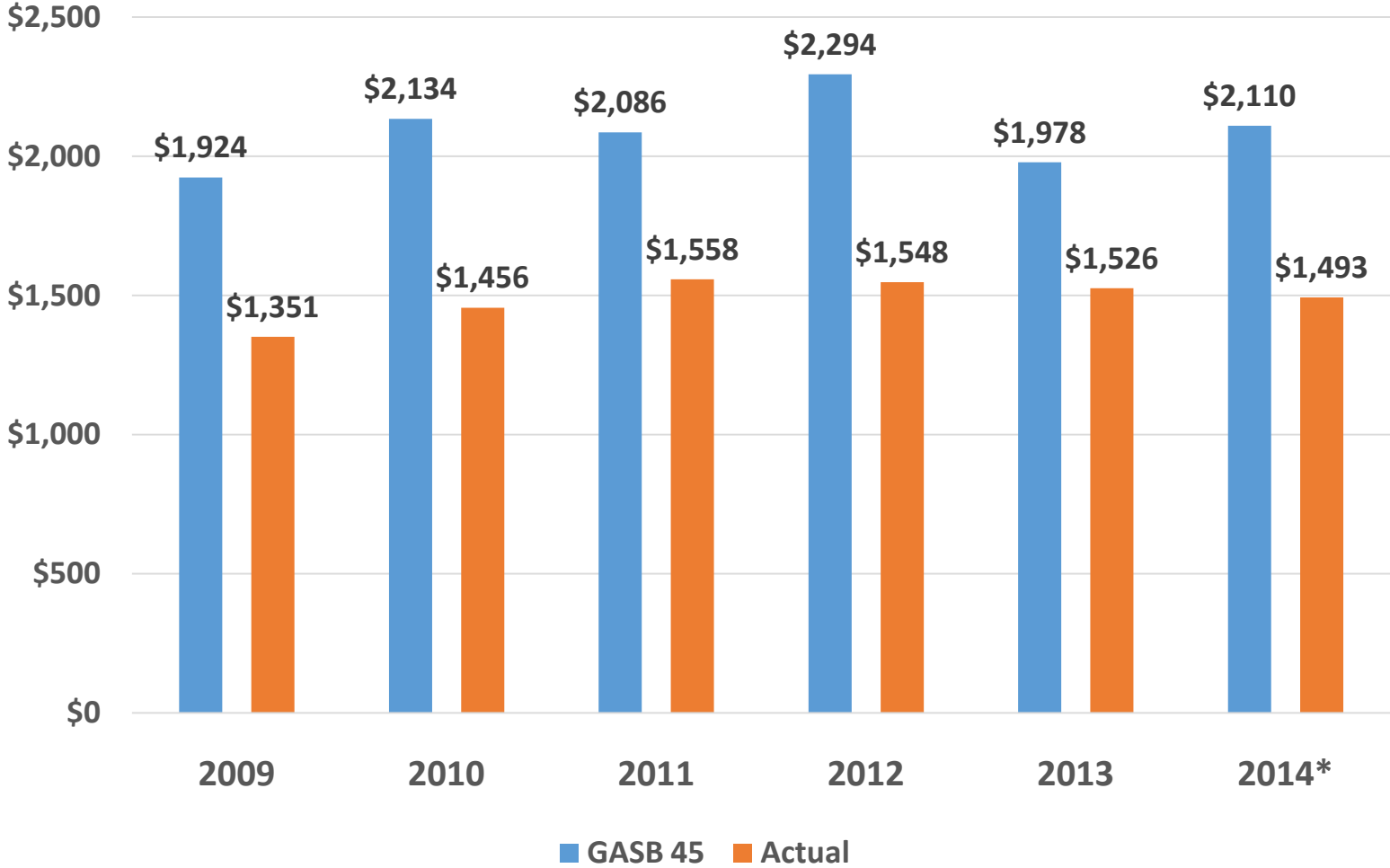
Source: Segal Company 2012 report, pp 2 & 8

Key Findings of the Committee

1. OPEB liability reporting is mandatory under GASB 45
 - Actuarial valuations required in Town of Wayland's financial statements
 - But they provide poor predictions of Wayland's actual healthcare premium expense for its retirees
 - They significantly overstate Wayland's OPEB liability & required funding to pay future benefits
2. Actuarial assessments since 2008 have consistently over-estimated healthcare inflation that Wayland has actually experienced 2009 – 2013.
3. Wayland's fee-based enterprise & revolving funds have not contributed to OPEB fund proportionally to their employee headcount who qualify for OPEB, which should be corrected.
4. Actuarial valuations assume 7% investment return. But Wayland's investment returns on its OPEB investment account contributions since FY08 have been very low, until very recently: average 0.7% per year through April 2012. Investment returns are critical to success.
5. Wayland has reduced its Medicare-related OPEB expense beginning calendar 2014 through lower premiums on Medicare plans from West Suburban Health Group.
6. Wayland has several additional opportunities to reduce its OPEB expense in future years.
7. Wayland's OPEB Investment Account money is not currently in a true trust fund.
8. Wayland can potentially be reimbursed by other cities and towns for its retirees with creditable service from multiple governmental units.

GASB 45 Projections vs. Wayland's Actual OPEB

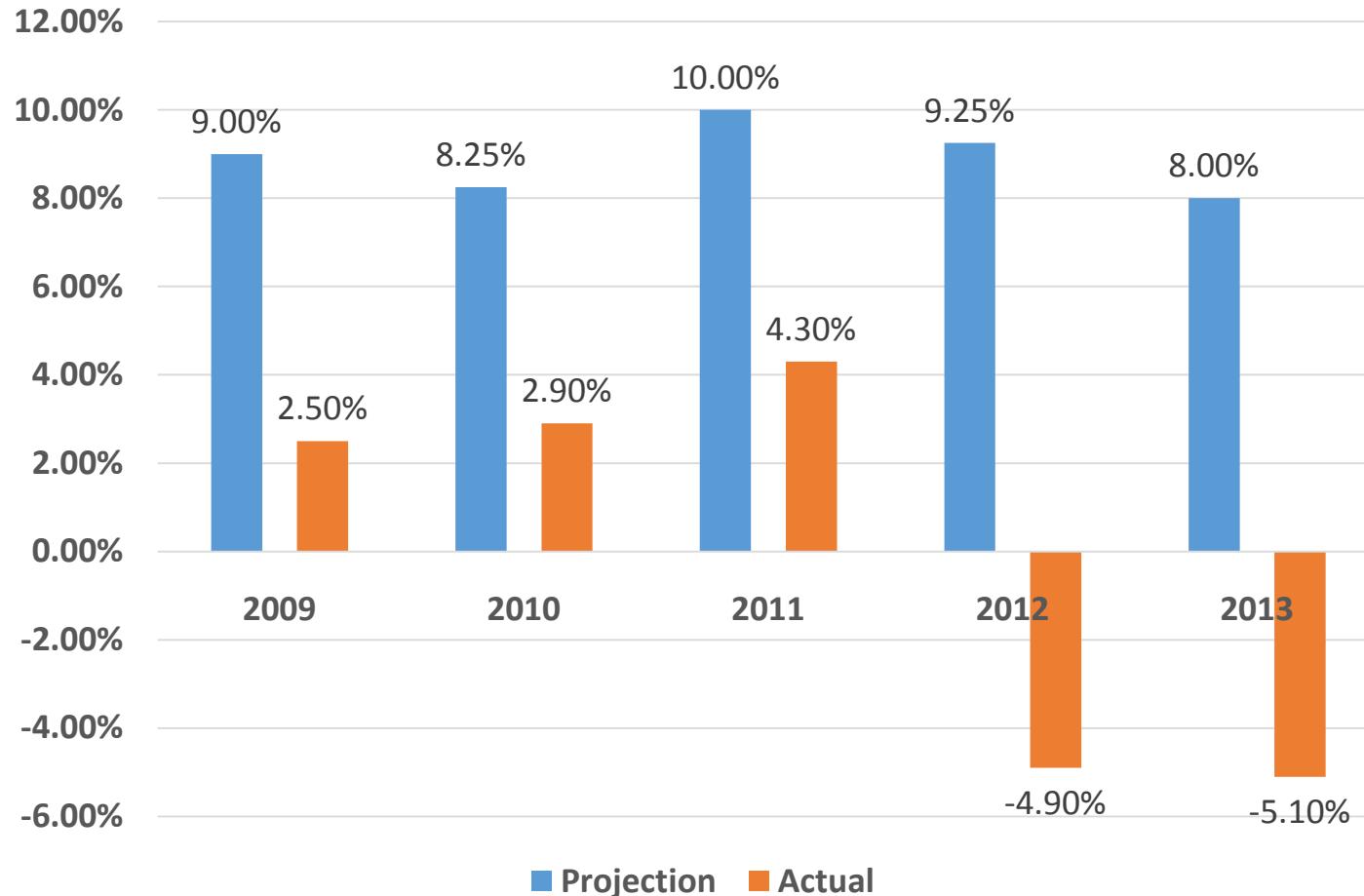
(Fiscal Years, \$ in thousands)



- Based on Segal Company forecasts under GASB 45 as of December 2008, 2010, 2012 for succeeding two fiscal years
- Over-estimates average \$600K per year, ranging from 30 – 48% over actual
- * 2014 is Wayland's estimated OPEB expenditure for FY2014 based on Aug 2013 subscriber count.

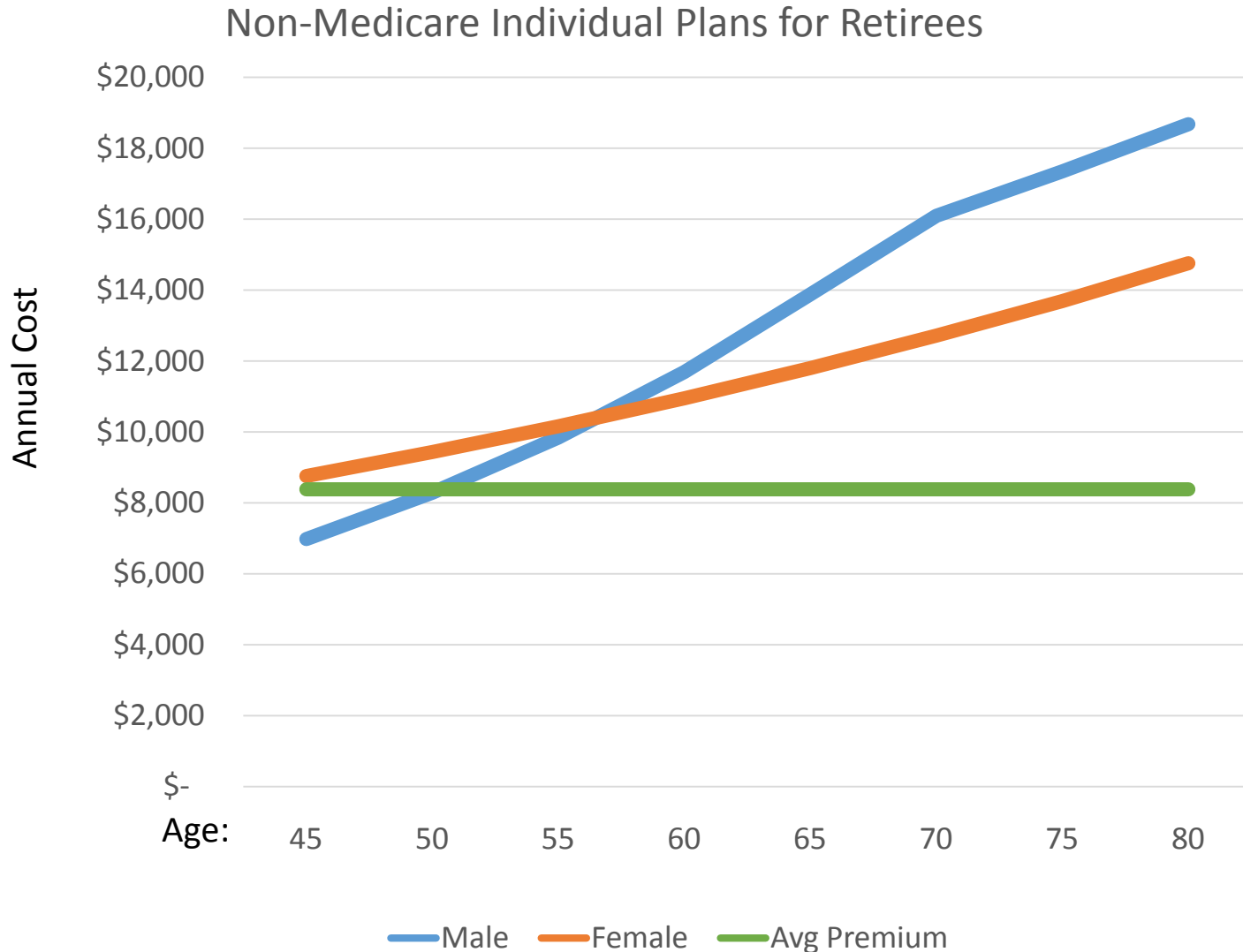
Segal Report's Healthcare Inflation Projections vs. Wayland Actual*

Segal = Calendar Year, Wayland Actual = Fiscal



- Healthcare inflation projections are taken from Segal's 2008, 2010 & 2012 reports for succeeding two calendar years
- *Wayland Actual is fiscal year over fiscal year growth in per capita spending on retiree healthcare.






Segal's Age & Gender Costs vs. Wayland's Premium



Source: Segal Company 2012 report, pp 21 & 26

FY13 Weighted Average Annual Premium for Wayland's retired subscribers to individual plans: \$8386

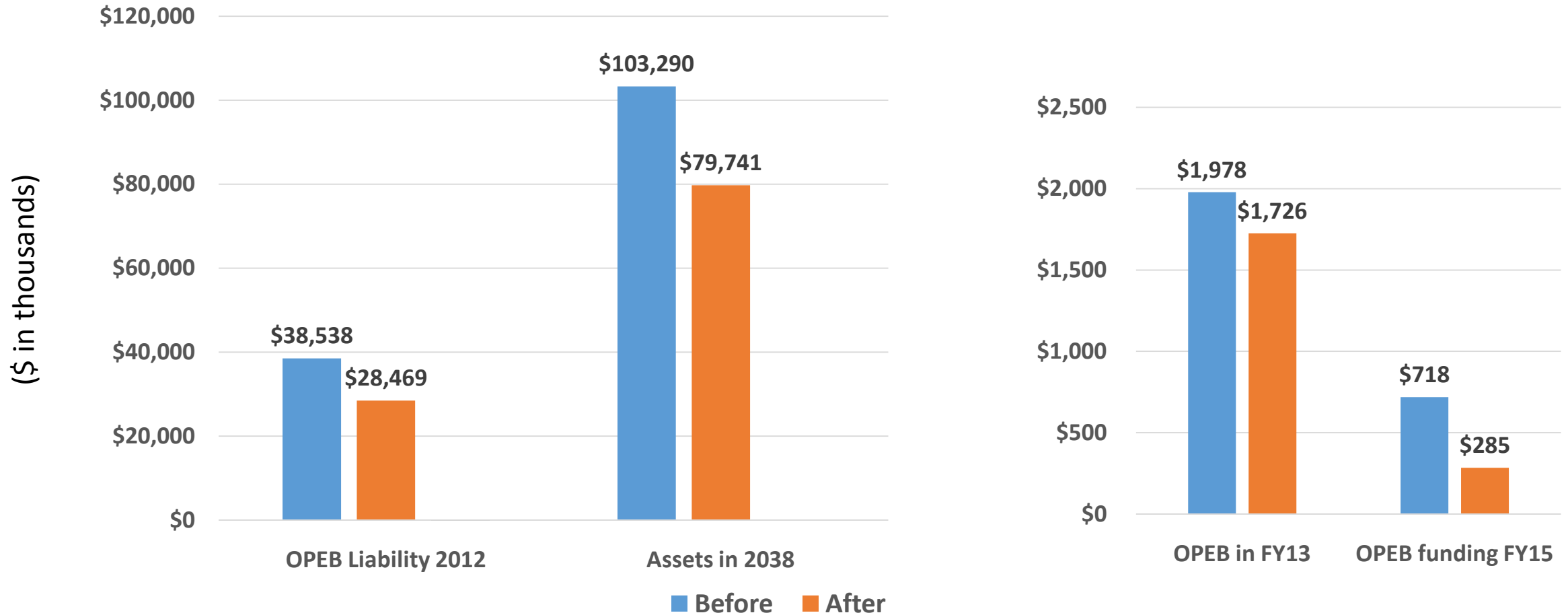
Recommendation #1: Fund OPEB based on Wayland's Premium cost, not GASB 45

- Segal Company re-calculated OPEB in October at our request, changing just two assumptions:
 - Actual premiums paid to West Suburban Health Group, instead of Age & Gender Tables
 - Near-term healthcare inflation of 4%/year, rising to 5%/year
- Total liability as of 2012: \$38.5M  \$28.5M
- New contribution in FY2015: \$718K  \$285K per year
- Est. payments to current retirees: \$2.0M  \$1.7M per year in FY13
- Total assets required in 2038: \$103.3M  \$79.7M
- Percentage funded as of 2012: 27%  36%

HOWEVER,

- GASB 45 valuation is still required in Wayland's financial statements
- Explanation of this alternative funding policy will be needed in financial statements
- Wayland's "Net OPEB Obligation" under GASB 45 reported in Required Supplementary Information in financial statements will grow over time
- Committee predicts no impact on Wayland's Aaa rating by Moody Investor Services

Impact of Changing Actuarial Assumptions



Before: Segal Company’s 2012 report under GASB 45 actuarial assumptions, p 8.

After: Segal’s non-GASB Oct 24 2013 forecast of Premium-based OPEB payments under lower inflation assumptions.

“OPEB in FY13” represents actuarial projection of OPEB “pay as you go” payments to retirees in FY13.

“OPEB funding FY15” is contribution to OPEB Investment Account needed in FY15 to fully fund by 2038

Recommendation #2: Enterprise & Revolving Funds should make parity transfers to General Fund to correct imbalance of FY08 – FY12

- Funds should contribute to OPEB proportionally to their headcount
- Funds in both School & Town have ~13% of Wayland's retirement-eligible FTE headcount
- FY14 OPEB Investment Account contribution of ~\$98K was contributed by Funds, but no contributions for FY08 – FY12
- Recommended transfers are ~\$1.1M to match per capita:
 - \$XXXK from School Funds [need data here]
 - \$XXXK from Town Funds
- OPEB Warrant Article:
 - Immediate transfer of ~\$600K to Free Cash from seven Funds
 - Transfers over time of ~\$500K from TCW & Food Services at \$25K/year from each
 - \$285K OPEB Investment Account contribution in FY15 split 87%/13% between Town & Funds

Enterprise & Revolving Fund Catch-up Contribution Data

| Previous years' OPEB charges based upon actual contributions and 2013 staffing. | | | | | | | |
|---|-----------------|------------------|------------------|------------------|------------------|--------------------------|---------------------|
| | <u>FY2008</u> | <u>FY2009</u> | <u>FY2010</u> | <u>FY2011</u> | <u>FY2012</u> | <u>Total</u> | <u>FTE</u> |
| Total OPEB account appropriations: | \$750,000 | \$1,110,319 | \$1,860,000 | \$3,150,000 | \$2,800,000 | \$9,670,319 | <u>Count</u> |
| Schools | | | | | | | |
| Food Service | \$23,514 | \$34,811 | \$58,306 | \$98,739 | \$87,772 | \$303,142 | 18.37 |
| Before/After School Extension | \$23,810 | \$35,250 | \$59,041 | \$99,982 | \$88,877 | \$306,959 | 18.60 |
| The Children's Way | \$23,283 | \$34,470 | \$57,734 | \$97,770 | \$86,911 | \$300,168 | 18.19 |
| Full Day Kindergarten Rev @ 35% (initiated FY11) | | <u>n/a</u> | <u>n/a</u> | <u>\$27,573</u> | <u>\$24,511</u> | <u>\$52,084</u> | <u>5.13</u> |
| Subtotal Schools | \$70,607 | \$104,530 | \$175,081 | \$324,064 | \$288,071 | \$962,353 | 60.29 |
| Town | | | | | | | |
| Septage | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | 0.00 |
| Water | \$11,904 | \$17,624 | \$29,518 | \$49,987 | \$44,435 | \$153,468 | 9.30 |
| Transfer Station | \$1,280 | \$1,895 | \$3,174 | \$5,375 | \$4,778 | \$16,502 | 1.00 |
| Recreation | <u>\$5,120</u> | <u>\$7,580</u> | <u>\$12,696</u> | <u>\$21,500</u> | <u>\$19,112</u> | <u>\$66,008</u> | <u>4.00</u> |
| Subtotal Town | \$18,304 | \$27,099 | \$45,388 | \$76,862 | \$68,325 | \$235,978 | 14.30 |
| TOTAL (Schools + Town) | \$88,911 | \$131,629 | \$220,469 | \$400,926 | \$356,396 | \$1,198,331 | 74.59 |
| | | | | | | | |
| | | | | | | Total School & Town FTEs | 586.00 |

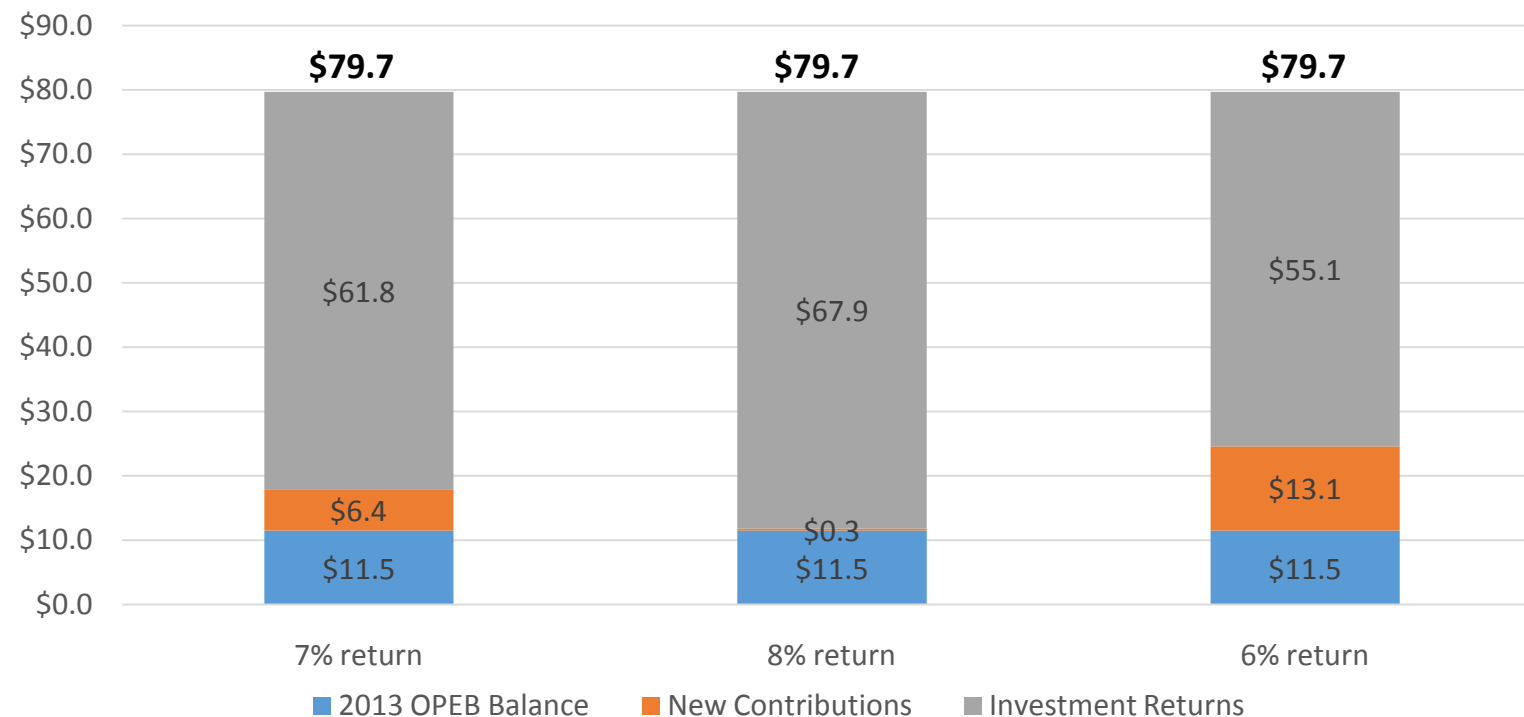
Recommendation #3: Establish OPEB Investment Committee

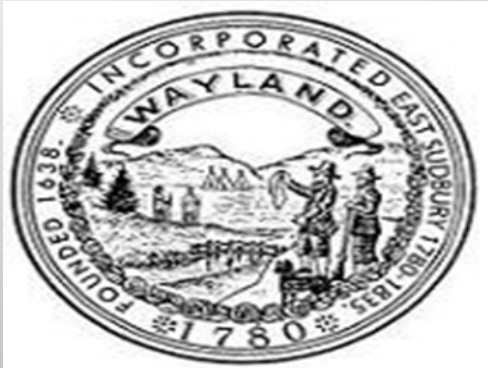
- Proposed Responsibilities:
 - Provide investment policy & guidance to Wayland's Treasurer and fund managers
 - Select & review Wayland's OPEB investment fund manager(s)
 - Maximize long-term investment returns on OPEB fund assets
- Three person Committee, plus non-voting liaison from OPEB Committee
- Composed of Money Management / Investment professionals
- Appointed by Board of Selectmen
- Three year staggered terms

Investment Returns are Critical

- OPEB Investment Account at \$11.5M on 12/31/2013
- Needs to grow to \$79.7M by 12/31/2038
- Big Impact of boosting long-term investment returns:

Three Ways to Get to \$79.7 Million in OPEB Assets by 2038





Town of Wayland OPEB Investment Review



The Chartered Financial Analyst (CFA) designation is conferred by the CFA Institute to financial analysts who complete a series of rigorous examinations. CFA charterholders are obligated to adhere to a strict code of ethics and standards governing their professional conduct.



The Certified Financial Planner (CFP®) designation is administered by the CFP Board. CFP applicants must pass a comprehensive certification examination, pass the CFP Board's Fitness Standards for Candidates and Registrants, and agree to abide by the CFP Board's Code of Ethics and Professional Responsibility which puts clients' interests first.



Institute of Certified Bankers

The Certified Trust and Financial Advisor (CTFA) certification was established and is endorsed by the American Bankers Association. To qualify for the certification, individuals must have substantial levels of experience and education in the wealth management profession, pass a comprehensive exam and agree to abide by a strict code of ethics.

Investment Management Group

- Invests for individuals, businesses, and not-for-profit organizations.
- Holds \$2.2 billion in assets under management.
- Provides clients with access to the expertise of a dedicated team of 59 professionals.
- Many team members hold high-level professional designations, including:
 - Ten CFA charterholders
 - Thirteen CFP® practitioners
 - Six CTFA practitioners
 - One JD, LL.M.
- One of the largest independent investment advisors in Greater Boston.*
- Maintains five investment offices: Boston, Hanover, Providence, RI, Osterville, and Attleboro.

* Source: Boston Business Journal

The Relationship Team

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Brian R. Callow, CFA

Vice President & Director of Fixed Income

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Fax: 508.732.7749

Brian.Callow@RocklandTrust.com

Portfolio Manager

Brian R. Callow, CFA

Vice President & Director of Fixed Income

Brian Callow has worked in the investment management industry since 1992. As a portfolio manager, Brian is responsible for managing client portfolios, performing asset allocation, securities analysis, and setting investment policy. Brian is also the Director of Fixed Income and is responsible for fixed income research, trading, quantitative analysis, and external manager selection for the fixed income sectors.

Prior to joining Rockland Trust, Brian was a Vice President with Income Research & Management (IR&M), where he held the position of Senior Fixed Income Analyst. He was head of quantitative analysis and co-managed the convertible bond portfolios.

Brian holds a B.A. in Finance from Florida State University and is a cum laude graduate of Babson College's Olin School of Business MBA program. He is a CFA charterholder and is a member of the CFA Institute and the Boston Security Analyst Society.

Integrated Risk Management Framework Used to Manage Portfolio & Surplus Volatility

Return-Generating Portfolio

- **Objective: Seek returns in excess of the assumed liability growth rate and diversification benefits through use of:**
 - U.S. and non-U.S. equities (developed and emerging)
 - High yield bonds
 - REITs
 - Real return strategies
 - Senior bank loans

Integrated Pension Risk Management Framework

Liability-Matching Portfolio (LDI)

- **Objective: Match the duration and term structure of the liability through the use of:**
 - U.S. investment grade corporate bonds
 - U.S. Treasuries
 - Foreign sovereign debt

Town of Wayland 2013 Returns

| Town of Wayland – OPEB Agency | 14.39% |
|-------------------------------|--------|
| Balanced Benchmark** | 15.50% |

**Balanced Benchmark: 44% S&P 500, 11% MSCI EAFE, 43% BarCap Intermediate Gov't/Credit, 2% 3 month T-Bill

Rockland Trust Company composite returns are calculated and maintained under GIPS performance presentation standards (PPS) as required by AIMR.

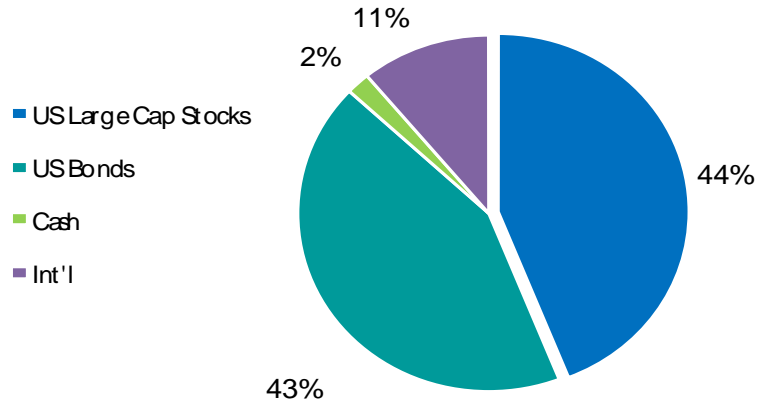
Benchmark and Peer Review – Last 12 Months As of 12/31/2013

| Product | Asset Category | Product Returns | Peer Group Returns | Benchmark Returns |
|-------------------------------------|----------------------------|-----------------|--------------------|-------------------|
| Rockland Trust Core Equity | Large Cap Blend | 32.17% | 31.50% | 32.39% |
| Goldman Sachs Mid Cap Value | Mid Cap Value | 32.97% | 35.14% | 33.46% |
| Bright Rock Mid Cap Growth | Mid Cap Growth | 26.69% | 34.93% | 35.74% |
| Century Small Cap Select | Small Cap Growth | 35.96% | 40.91% | 43.30% |
| Fidelity Diversified International | Foreign Large Blend | 25.19% | 19.44% | 22.78% |
| Eaton Vance Emerging Markets | Emerging Markets | 0.99% | -0.14% | -2.60% |
| Colombia REIT Fund | US Specialty - Real Estate | -0.10% | 1.55% | 2.47% |
| Steelpath MLP 40 | Equity Energy | 22.93% | 22.85% | 27.58% |
| Credit Suisse Commodity Strategy | US Specialty - Natural Res | -9.96% | 8.75% | -9.52% |
| Rockland Trust Core Fixed Income | Intermediate Gov't Bond | -0.55% | -2.72% | -1.25% |
| Ridgeworth SEIX Floating Rate | US Bank Loan | 5.15% | 5.68% | 6.15% |
| Principal Preferred Securities | Long Term Bond | 1.81% | -5.31% | -3.65% |
| TIAA-CREF Inflation Linked Bond | US Inflation Protected | -8.75% | -7.85% | -8.61% |
| MFS High Income I | High Yield Bond | 6.61% | 6.90% | 7.44% |
| Wells Fargo International Bond Fund | World Bond | -3.86% | -2.62% | -4.56% |
| Money Market | US Tax Free Money Market | 0.05% | 0.01% | 0.05% |

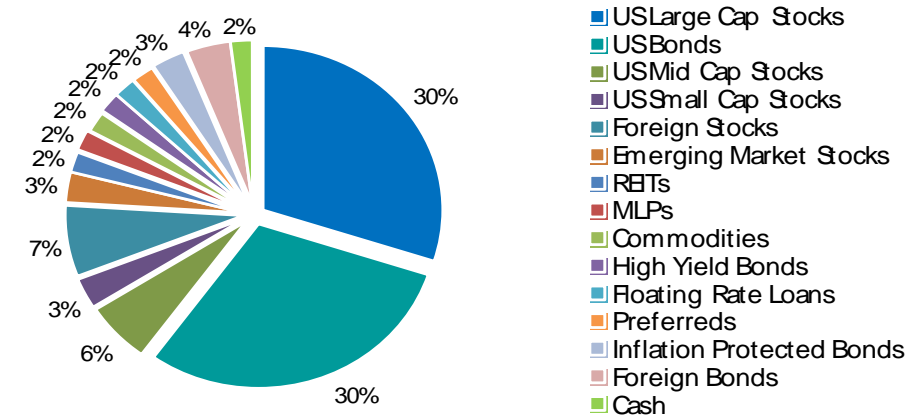
The benefits of diversification:

Balanced

Traditional Allocation



IMG Allocation



1/1997-9/2013

| | Traditional Allocation | IMG Allocation |
|--------------------------------|------------------------|----------------|
| Annual Returns | 6.52% | 7.26% |
| Annualized Volatility | 8.75% | 8.35% |
| Risk Adjusted Returns | 6.14% | 6.91% |
| Tech Bubble Return (1/98-3/00) | 14.74% | 10.93% |
| Tech Crash Return (4/00-12/02) | -3.23% | 2.24% |
| 2008 Return | -20.51% | -19.69% |
| Since March '09 | 13.88% | 13.97% |

Rockland Trust Company returns based on historical returns for Rockland Trust Tax Exempt Composite. Portfolio strategy returns based on actual fund returns.

Traditional allocation return data based on BarCap Int. Govt. Credit, T-Bill Returns, S&P 500 and MSCI EAFE (1/97 - 9/13)

Recommendation #4: Implement Cost Reductions

Realized Cost Reduction:

- Wayland will now be offering lower cost Medicare plans with lower premiums to retirees over 65 that will save Wayland ~\$141K per year, beginning calendar 2014
 - Additional savings to retirees directly of ~\$32K per year

Explore Potential Cost Reductions:

- Cost-sharing formula
- Retirement Age
- Lower cost plans

Potential Cost Reductions (cont.): Adjust premium cost-sharing for retirees

- March 1968 Town of Wayland ballot vote mandated that Town of Wayland pay at least 50% of cost of healthcare premiums for retirees & spouses
- Town of Wayland pays more than 50% for retirees and spouses in FY14:
 - Non-Medicare individual plans: 74% for Rate Saver Plans
 - Non-Medicare family plans: 64% for Rate Saver Plans
 - Medicare individual plans: Nearly all 50%, some at 70%
- 50% cost sharing across the board would have reduced Wayland's OPEB "pay as you go" expense by ~\$202K in FY13
- Specific transition plan for current and near-retirees must be developed
 - Transition over 7 - 10 years?
 - Panel to review hardship cases?
 - Impact on negotiation of collective bargaining agreements

Recommendation #5: Evaluate true OPEB Trust Fund

- OPEB Investment Account assets are not currently governed by a trust agreement, with defined trustees, beneficiaries, etc.
- A true trust fund could be viewed positively by retirees, providing additional protection from Wayland's creditors
- But Wayland's special OPEB statute of 2010 may already provide functional equivalence via a "constructive trust" at little or no legal & administrative cost
- Committee still exploring pros and cons of a true trust fund versus what we have today

Recommendation #6: Reimbursement of OPEB

- Some Wayland employees & retirees have earned creditable service from multiple towns & cities in Massachusetts, and the Commonwealth itself
- If employees retire from Wayland with a pension, they receive OPEB from Wayland, even though only a portion of their service was with Wayland
- Under the law, Wayland is entitled to recover a portion of OPEB expense from other cities & towns
 - Recovery will be proportional to creditable service earned at other municipalities
- Wayland needs to examine creditable service records at Middlesex Retirement System & Massachusetts Teacher Retirement System, and invoice other cities & towns appropriately
- In return, Wayland should expect to receive invoices from other municipalities

Next Steps for OPEB Committee

- Drafting of Warrant Article for FY15 OPEB funding - completed
- Joint Meeting with School & Finance Committees January 6 - completed
- Meet with OPEB fund's investment managers Bartholomew and Rockland Trust January 28
- Communication to general public via Public Information Session March 11 2014
- Examination of pros & cons of current and alternative trust fund structures
- Examine further OPEB cost reduction opportunities
- Additional analysis of Enterprise & Revolving Funds
 - Potential catch-up contributions for FY08 – FY12 from remaining 30+ Funds
 - Recovery of past OPEB payments to retirees of Funds
 - Process changes to charge Funds for OPEB on a going forward basis
- Recommend process changes
 - Make OPEB funding part of departmental budgeting process for FY16
 - Institute reimbursement process with other municipalities
- Late 2014: Work with Segal Company to improve OPEB forecasting model in 12/31/2014 valuations
 - Both GASB 45 and non-GASB Premium-Based Valuations

Questions?

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BACKUP DATA

GASB 45 text on health insurance premiums

“Use of health insurance premiums—An employer participating in an experience-rated healthcare plan that provides benefits through premium payments to an insurer or other service provider may use the plan’s current premium structure as the initial per capita healthcare rates for the purpose of projecting future healthcare benefit payments. However, if the *same premium rates* are given for both active employees and retirees, and the plan is *not a community-rated plan*, as discussed in paragraph 13a(2), the employer should (1) obtain from the insurer age-adjusted premium rates for retirees or, if that information cannot be obtained from the insurer, (2) estimate age-adjusted premiums for retirees using the method provided in Tables 3 through 5 of paragraph 35d, as appropriate.”

Source: Statement No. 45 of the Governmental Accounting Standards Board, June 2004, paragraph 34g, page 24.

Wayland's Actual Healthcare Inflation

| RETIREE INSURANCE SUMMARY | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|-----------------|
| Town Expenses | | | | | | |
| Fiscal Year | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Data Month | <u>June</u> | <u>June</u> | <u>March</u> | <u>March</u> | <u>March</u> | <u>February</u> |
| Non-Medicare Enrollment | 100 | 90 | 95 | 97 | 93 | 95 |
| Non-Medicare Total \$s | \$1,096,020 | \$1,113,384 | \$1,135,908 | \$1,232,916 | \$1,115,352 | \$1,157,508 |
| Non-Medicare Town \$s | \$736,367 | \$733,491 | \$738,864 | \$805,262 | \$745,006 | \$763,927 |
| Per Capita: | \$7,364 | \$8,150 | \$7,778 | \$8,302 | \$8,011 | \$8,041 |
| Town Contribution % | 67.19% | 65.88% | 65.05% | 65.31% | 66.80% | 66.00% |
| Medicare Enrollment | 256 | 269 | 281 | 289 | 310 | 324 |
| Medicare Total \$s | 979,046 | 1,060,082 | 1,221,753 | 1,271,569 | 1,362,555 | 1,378,524 |
| Medicare Town \$s | 569,681 | 616,696 | 716,876 | 752,922 | 802,655 | 762,495 |
| Per Capita: | 2,225 | 2,293 | 2,551 | 2,605 | 2,589 | 2,353 |
| Town Contribution % | 58.19% | 58.17% | 58.68% | 59.21% | 58.91% | 55.31% |
| Total Retiree Enrollment | 356 | 359 | 376 | 386 | 403 | 419 |
| Total Retiree Cost \$s | 2,075,066 | 2,173,466 | 2,357,661 | 2,504,485 | 2,477,907 | 2,536,032 |
| Total Retiree Cost Town \$s | 1,306,048 | 1,350,187 | 1,455,740 | 1,558,184 | 1,547,661 | 1,526,422 |
| Per Capita: | 3,669 | 3,761 | 3,872 | 4,037 | 3,840 | 3,643 |
| Total Town Contribution % | 62.94% | 62.12% | 61.75% | 62.22% | 62.46% | 60.19% |
| Year to Year growth in Per Capita: | | 2.5% | 2.9% | 4.3% | -4.9% | -5.1% |

Weighted Average Annual Premium Cost

Total Annual Costs Paid to WSHG on behalf of Retirees Subscribers to Individual Non-Medicare Plans in FY13

| | Retirees | Monthly Premium | Annual Premium | Annual Cost: |
|-------------------------|-----------------|--------------------------------------|-----------------------|---------------------|
| Harvard Pilgrim HMO RSP | 31 | \$586 | \$7,032 | \$217,992 |
| BCBS Blue Choice RSP | 5 | \$603 | \$7,236 | \$36,180 |
| Tufts Navigator RSP | 13 | \$620 | \$7,440 | \$96,720 |
| Fallon Select RSP | 1 | \$521 | \$6,252 | \$6,252 |
| Fallon Direct RSP | 0 | \$485 | \$5,820 | \$0 |
| Tufts POS | 1 | \$1,562 | \$18,744 | \$18,744 |
| Harvard Pilgrim PPO | <u>5</u> | \$1,562 | \$18,744 | <u>\$93,720</u> |
| Total: | 56 | | | \$469,608 |
| | | Weighted Average Annual Cost: | | \$8,386 |

Source: Segal Company 2012 report, p 26

Healthcare Cost Inflation

| Year | GASB 45 Projection | Wayland Actual | Premium-Based Projection |
|--------------|--------------------|----------------|--------------------------|
| 2009 | 9.00% | 2.5% | NA |
| 2010 | 8.25% | 2.9% | NA |
| 2011 | 10.00% | 4.3% | NA |
| 2012 | 9.25% | -4.9% | NA |
| 2013 | 8.00% | -5.1% | 0.00% |
| 2014 | 7.50% | TBD | 4.00% |
| 2015 | 7.00% | TBD | 4.50% |
| 2016 | 6.50% | TBD | 5.00% |
| 2017 | 6.00% | TBD | 5.00% |
| 2018 | 5.50% | TBD | 5.00% |
| 2019 & later | 5.00% | TBD | 5.00% |

GASB 45 Projection: “Healthcare Cost Trend Rates” for Medical/Drug expenses in Segal Company’s 2008, 2010 & 2012 Valuations under GASB 45 requirements. See page 21 of Segal’s 2012 report for details. Calendar years.

Wayland Actual: Year over year growth in Wayland's per capita spending on retiree healthcare. This adjusts for the increasing number of Wayland retirees receiving OPEB. Fiscal years, so these are closely but not directly comparable to calendar year GASB 45 and premium-based projections.

Premium-Based Projection: Assumption from OPEB Committee used in Segal’s October 2013 re-calculation of OPEB. Calendar years.

OPEB Fund Contributions FY15 – FY19

| Fiscal Year | GASB 45 Projection | Premium-Based Projection |
|--------------------|---------------------------|---------------------------------|
| 2015 | \$718,381 | \$285,425 |
| 2016 | \$666,820 | \$295,106 |
| 2017 | \$610,673 | \$293,691 |
| 2018 | \$564,311 | \$287,881 |
| 2019 | \$568,448 | \$295,578 |
| Average: | \$625,727 | \$291,536 |

Source: Segal Company

Segal Company Premium-Based OPEB Projection

| | Using Premiums | | | | | | | | |
|------|------------------|-------------|----------------------|-----------------------------|----------------------|--------------|--------------|--------------|--------------|
| Year | Benefit Payments | Normal Cost | Amortization of UAAL | Total Funding (NC + Amort.) | Funding Contribution | Asset Return | Assets | AAL | UAAL |
| 2013 | \$1,726,415 | \$853,807 | \$1,031,048 | \$1,884,855 | \$0 | \$715,731 | \$10,224,733 | \$28,469,398 | \$18,244,665 |
| 2014 | 1,747,058 | 896,497 | 1,076,957 | 1,973,454 | 226,396 | 781,680 | 10,940,464 | 29,528,565 | 18,588,101 |
| 2015 | 1,770,547 | 941,322 | 1,114,650 | 2,055,972 | 285,425 | 856,378 | 11,948,540 | 30,685,464 | 18,736,924 |
| 2016 | 1,846,945 | 988,388 | 1,153,663 | 2,142,051 | 295,106 | 936,981 | 13,090,343 | 31,946,176 | 18,855,833 |
| 2017 | 1,938,157 | 1,037,807 | 1,194,041 | 2,231,848 | 293,691 | 1,023,128 | 14,322,430 | 33,263,752 | 18,941,322 |
| 2018 | 2,037,648 | 1,089,697 | 1,235,832 | 2,325,529 | 287,881 | 1,114,899 | 15,639,249 | 34,628,840 | 18,989,591 |
| 2019 | 2,127,690 | 1,144,182 | 1,279,086 | 2,423,268 | 295,578 | 1,213,632 | 17,042,029 | 36,038,551 | 18,996,522 |
| 2020 | 2,229,921 | 1,201,391 | 1,323,854 | 2,525,245 | 295,324 | 1,319,259 | 18,551,239 | 37,508,896 | 18,957,657 |
| 2021 | 2,342,935 | 1,261,461 | 1,370,189 | 2,631,650 | 288,715 | 1,431,818 | 20,165,822 | 39,033,992 | 18,868,170 |
| 2022 | 2,412,449 | 1,324,534 | 1,418,146 | 2,742,680 | 330,231 | 1,555,161 | 21,886,355 | 40,609,194 | 18,722,839 |
| 2023 | 2,489,845 | 1,390,761 | 1,467,781 | 2,858,542 | 368,697 | 1,689,831 | 23,771,747 | 42,287,769 | 18,516,022 |
| 2024 | 2,614,338 | 1,460,299 | 1,519,153 | 2,979,452 | 365,114 | 1,833,677 | 25,830,275 | 44,071,893 | 18,241,618 |
| 2025 | 2,745,055 | 1,533,314 | 1,572,323 | 3,105,637 | 360,582 | 1,987,275 | 28,029,066 | 45,922,104 | 17,893,038 |
| 2026 | 2,882,307 | 1,609,980 | 1,627,354 | 3,237,334 | 355,027 | 2,151,237 | 30,376,923 | 47,840,088 | 17,463,165 |
| 2027 | 3,026,422 | 1,690,479 | 1,684,311 | 3,374,790 | 348,368 | 2,326,209 | 32,883,187 | 49,827,504 | 16,944,317 |
| 2028 | 3,177,743 | 1,775,003 | 1,743,262 | 3,518,265 | 340,522 | 2,512,880 | 35,557,764 | 51,885,970 | 16,328,206 |
| 2029 | 3,336,630 | 1,863,753 | 1,804,276 | 3,668,029 | 331,399 | 2,711,980 | 38,411,166 | 54,017,056 | 15,605,890 |
| 2030 | 3,503,462 | 1,956,941 | 1,867,426 | 3,824,367 | 320,905 | 2,924,282 | 41,454,545 | 56,222,272 | 14,767,727 |
| 2031 | 3,678,635 | 2,054,788 | 1,932,786 | 3,987,574 | 308,939 | 3,150,607 | 44,699,732 | 58,503,054 | 13,803,322 |
| 2032 | 3,862,567 | 2,157,527 | 2,000,434 | 4,157,961 | 295,394 | 3,391,827 | 48,159,278 | 60,860,751 | 12,701,473 |
| 2033 | 4,055,696 | 2,265,403 | 2,070,449 | 4,335,852 | 280,156 | 3,648,866 | 51,846,499 | 63,296,611 | 11,450,112 |
| 2034 | 4,258,481 | 2,378,673 | 2,142,915 | 4,521,588 | 263,107 | 3,922,704 | 55,775,521 | 65,811,760 | 10,036,239 |
| 2035 | 4,471,405 | 2,497,607 | 2,217,917 | 4,715,524 | 244,119 | 4,214,382 | 59,961,332 | 68,407,189 | 8,445,857 |
| 2036 | 4,694,975 | 2,622,487 | 2,295,544 | 4,918,031 | 223,056 | 4,525,002 | 64,419,833 | 71,083,728 | 6,663,895 |
| 2037 | 4,929,723 | 2,753,611 | 2,375,888 | 5,129,499 | 199,776 | 4,855,737 | 69,167,891 | 73,842,027 | 4,674,136 |
| 2038 | 5,049,960 | 2,891,292 | 2,459,125 | 5,350,417 | 300,457 | 5,216,670 | 74,223,404 | 76,682,529 | 2,459,125 |

Impact of Premium-Based Funding on GASB 45

| GASB 45 Projections - Assuming 6.25% Discount Rate | | | | | | | | | | |
|--|-------------|----------------------|-------------------|---------------------|----------------|------------------|-------------|---------------|--------------|--------------|
| Year | Normal Cost | Amortization of UAAL | ARC (NC + Amort.) | Interest on NOO/NOA | ARC Adjustment | Benefit Payments | AOC | NOO/(NOA) | AAL | UAAL |
| 2013 | \$1,272,782 | \$1,676,679 | \$2,699,019 | (\$334,189) | \$288,682 | \$1,978,306 | \$2,653,512 | (\$4,098,917) | \$42,245,591 | \$32,020,858 |
| 2014 | 1,336,421 | 1,841,765 | 3,178,186 | (256,182) | 234,414 | 2,110,447 | 3,156,418 | (3,279,342) | 44,136,321 | 33,195,857 |
| 2015 | 1,403,242 | 1,949,167 | 3,352,409 | (204,959) | 193,082 | 2,253,489 | 3,340,532 | (2,477,724) | 46,072,438 | 34,123,898 |
| 2016 | 1,473,404 | 2,059,256 | 3,532,660 | (154,858) | 150,445 | 2,427,240 | 3,528,247 | (1,671,823) | 48,048,578 | 34,958,235 |
| 2017 | 1,547,074 | 2,173,642 | 3,720,716 | (104,489) | 104,878 | 2,610,762 | 3,721,105 | (855,171) | 50,038,163 | 35,715,733 |
| 2018 | 1,624,428 | 2,293,110 | 3,917,538 | (53,448) | 55,538 | 2,789,911 | 3,919,628 | (13,335) | 52,035,380 | 36,396,131 |
| 2019 | 1,705,649 | 2,419,129 | 4,124,778 | (833) | 899 | 2,924,211 | 4,124,844 | 891,720 | 54,049,266 | 37,007,237 |
| 2020 | 1,790,931 | 2,555,115 | 4,346,046 | 55,733 | (62,493) | 3,064,593 | 4,339,286 | 1,871,089 | 56,132,623 | 37,581,384 |
| 2021 | 1,880,478 | 2,703,067 | 4,583,545 | 116,943 | (136,755) | 3,238,411 | 4,563,733 | 2,907,696 | 58,287,646 | 38,121,824 |
| 2022 | 1,974,502 | 2,863,190 | 4,837,692 | 181,731 | (222,310) | 3,324,077 | 4,797,113 | 4,050,501 | 60,487,820 | 38,601,465 |
| 2023 | 2,073,227 | 3,041,249 | 5,114,476 | 253,156 | (325,060) | 3,407,506 | 5,042,572 | 5,316,870 | 62,834,385 | 39,062,638 |
| 2024 | 2,176,888 | 3,241,575 | 5,418,463 | 332,304 | (449,604) | 3,577,882 | 5,301,163 | 6,675,037 | 65,343,863 | 39,513,588 |
| 2025 | 2,285,732 | 3,465,156 | 5,750,888 | 417,190 | (597,388) | 3,756,776 | 5,570,690 | 8,128,369 | 67,939,298 | 39,910,232 |
| 2026 | 2,400,019 | 3,716,914 | 6,116,933 | 508,023 | (773,806) | 3,944,614 | 5,851,150 | 9,679,878 | 70,622,520 | 40,245,597 |
| 2027 | 2,520,020 | 4,003,385 | 6,523,405 | 604,992 | (986,000) | 4,141,845 | 6,142,397 | 11,332,062 | 73,395,295 | 40,512,108 |
| 2028 | 2,646,021 | 4,333,447 | 6,979,468 | 708,254 | (1,243,644) | 4,348,937 | 6,444,078 | 13,086,681 | 76,259,312 | 40,701,548 |
| 2029 | 2,778,322 | 4,719,493 | 7,497,815 | 817,918 | (1,560,184) | 4,566,383 | 6,755,549 | 14,944,448 | 79,216,171 | 40,805,005 |
| 2030 | 2,917,238 | 5,179,382 | 8,096,620 | 934,028 | (1,954,905) | 4,794,702 | 7,075,743 | 16,904,584 | 82,267,367 | 40,812,822 |
| 2031 | 3,063,100 | 5,739,848 | 8,802,948 | 1,056,537 | (2,456,517) | 5,034,437 | 7,402,968 | 18,964,176 | 85,414,272 | 40,714,540 |
| 2032 | 3,216,255 | 6,442,845 | 9,659,100 | 1,185,261 | (3,109,808) | 5,286,159 | 7,734,553 | 21,117,176 | 88,658,118 | 40,498,840 |
| 2033 | 3,377,068 | 7,358,214 | 10,735,282 | 1,319,824 | (3,988,867) | 5,550,466 | 8,066,239 | 23,352,793 | 91,999,977 | 40,153,478 |
| 2034 | 3,545,921 | 8,611,581 | 12,157,502 | 1,459,550 | (5,226,083) | 5,827,989 | 8,390,969 | 25,652,666 | 95,440,740 | 39,665,219 |
| 2035 | 3,723,217 | 10,454,067 | 14,177,284 | 1,603,292 | (7,084,312) | 6,119,389 | 8,696,264 | 27,985,422 | 98,981,089 | 39,019,757 |
| 2036 | 3,909,378 | 13,471,448 | 17,380,826 | 1,749,089 | (10,172,521) | 6,425,358 | 8,957,394 | 30,294,402 | 102,621,474 | 38,201,641 |
| 2037 | 4,104,847 | 19,420,778 | 23,525,625 | 1,893,400 | (16,304,906) | 6,746,626 | 9,114,119 | 32,462,119 | 106,362,087 | 37,194,196 |
| 2038 | 4,310,089 | 37,086,740 | 41,396,829 | 2,028,882 | (34,491,001) | 6,911,178 | 8,934,710 | 34,185,194 | 110,202,827 | 35,979,423 |

Investment Returns in Wayland's OPEB Accounts

| Consolidated Accounts | FY 08 | FY 09 | FY 10 | FY 11 | FY 12 | FY 13 | FY 14 |
|--|--------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|
| Beginning Balance | \$ - | \$ 751,756.63 | \$ 1,879,034.64 | \$ 3,751,873.15 | \$ 6,919,408.09 | \$ 9,860,361.84 | \$ 10,711,400.40 |
| New Contributions to Accounts | \$ 750,000.00 | \$ 1,110,319.00 | \$ 1,860,319.00 | \$ 3,150,000.00 | \$ 2,895,585.22 | \$ 98,705.60 | \$ - |
| Invest Growth/Loss | \$ <u>1,756.63</u> | \$ <u>16,959.01</u> | \$ <u>12,519.51</u> | \$ <u>17,534.94</u> | \$ <u>45,368.53</u> | \$ <u>752,332.96</u> | \$ <u>581,017.11</u> |
| Ending Balance | \$ 751,756.63 | \$ 1,879,034.64 | \$ 3,751,873.15 | \$ 6,919,408.09 | \$ 9,860,361.84 | \$ 10,711,400.40 | \$ 11,292,417.51 |
| Months of investment:* | 2 | 12 | 12 | 12 | 12 | 12 | 4 |
| Approximate annualized return: | 1.4% | 0.9% | 0.3% | 0.3% | 0.5% | 7.6% | 16.3% |
| * Initial contribution made May 1 2008. FY14 ending balance is as of October 31, 2013. | | | | | | | |

Source: MMDT and Rockland/Bartholomew Trust account balance and contribution data from Paul Keating, December 4 2013

OPEB Statutes Accepted by Wayland

| Date Accepted | Election /Article | Statute Accepted | Now Codified as MGL | Section | Subject Matter |
|----------------|---------------------------|---------------------------|---------------------|-------------|--|
| March 5, 1958 | Referendum State Election | Chapter 32B | | 1-12 and 14 | Authorizing the town to provide a plan of contributory group life insurance, group accidental death and dismemberment, Insurance and group general or blanket hospital, surgical and medical insurance for certain persons in the service of the town and their dependents (Active Employees) . |
| March 4, 1968 | Referendum Town Election | Chapter 595, Acts of 1959 | 32B | 9A | Authorizes Town to pay ½ of premium costs payable by retired employees for group life Insurance and group general or blanket Hospital, surgical and medical insurance. |
| March 2, 1970 | Referendum Town Election | Chapter 32B | | 9D | Town to pay ½ of premium costs payable to spouse of employee or retired employee. |
| March 5, 1973 | Referendum Town Election | Chapter 32B | | 11B | Group insurance to elderly persons retired from town and their dependents with 50% of premium. |
| May 3, 1982 | Article 9 Town Meeting | Chapter 32B, section 7A | | | Group insurance. |
| April 27, 2006 | Article 17 Town Meeting | Chapter 32B | | 18 | Transfer of retirees to Medicare extension plan. |

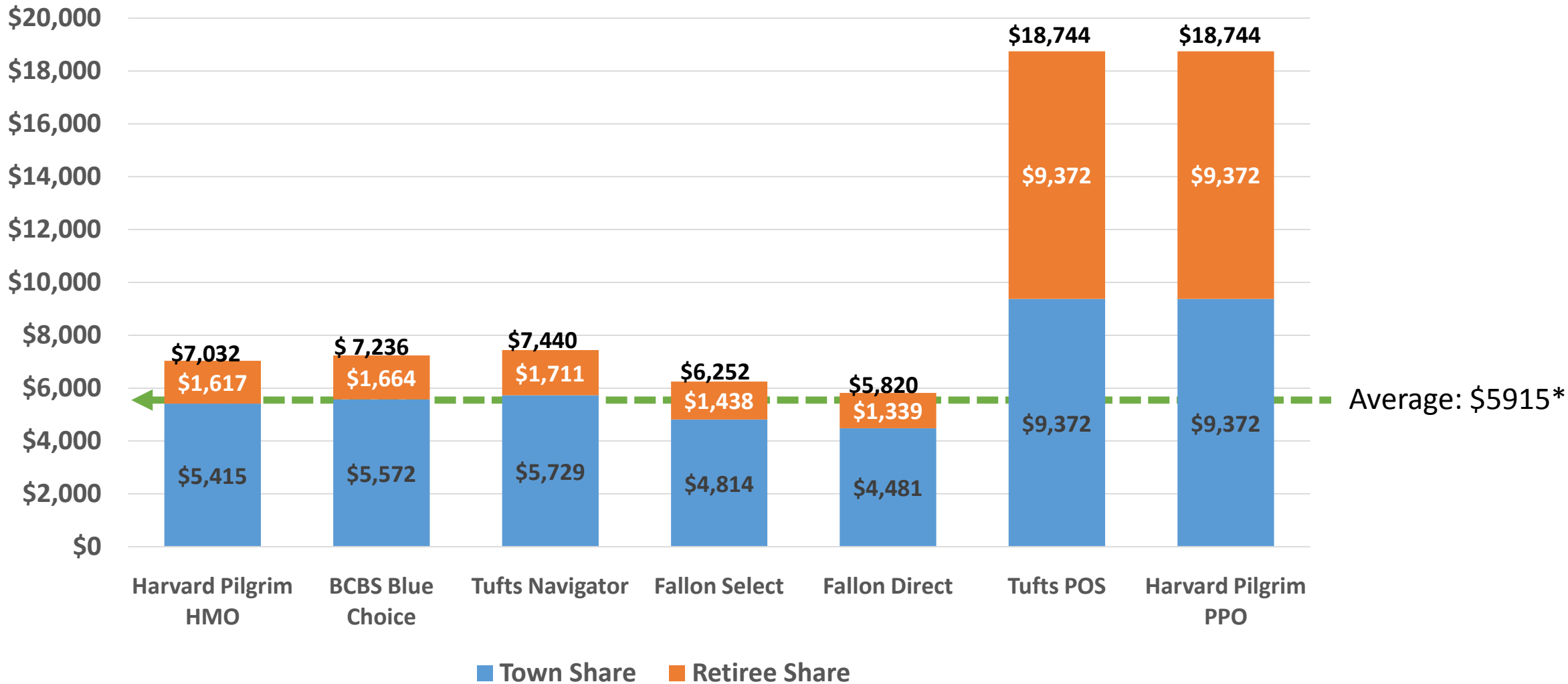
Impact of Changing Cost Sharing to 50%

| | | | Present Costs | | | | | Proposed Costs with 50% Cost Sharing | | | | |
|---|-----------------------|--------------------|-------------------|------------|----------------------|------------|------------------|--------------------------------------|------------|------------------|---------------------|--|
| | | | Monthly Town Cost | | Monthly Retiree Cost | | Annual Town Cost | Monthly Town Cost | | Annual Town Cost | Annual Town Savings | |
| | | | Individual | Family | Individual | Family | | Individual | Family | | | |
| | Number of Individuals | Number of Families | | | | | | | | | | |
| Non Medicare Retirees | | | | | | | | | | | | |
| Harvard Pilgrim HMO RSP | 31 | 19 | \$451.22 | \$1,024.43 | \$134.78 | \$504.57 | \$401,424 | \$293.00 | \$764.50 | \$283,302 | \$118,122 | |
| BCBS Blue Choice RSP | 5 | 7 | \$464.31 | \$1,085.40 | \$138.69 | \$534.60 | \$119,032 | \$301.50 | \$810.00 | \$86,130 | \$32,902 | |
| Tufts Navigator RSP | 13 | 7 | \$477.40 | \$1,087.41 | \$142.60 | \$535.59 | \$165,817 | \$310.00 | \$811.50 | \$116,526 | \$49,291 | |
| Fallon Select RSP | 1 | 0 | \$401.17 | \$940.68 | \$119.83 | \$463.32 | \$4,814 | \$260.50 | \$702.00 | \$3,126 | \$1,688 | |
| Fallon Direct RSP | 0 | 0 | \$373.45 | \$874.35 | \$111.55 | \$430.65 | \$0 | \$242.50 | \$652.50 | \$0 | \$0 | |
| Tufts POS | 1 | 0 | \$781.00 | \$1,734.50 | \$781.00 | \$1,734.50 | \$9,372 | \$781.00 | \$1,734.50 | \$9,372 | \$0 | |
| Harvard Pilgrim PPO | 5 | 1 | \$781.00 | \$1,734.50 | \$781.00 | \$1,734.50 | \$67,674 | \$781.00 | \$1,734.50 | \$67,674 | \$0 | |
| | 56 | 34 | | | | | | | | | | |
| Annual Town Cost, Non Medicare Retirees | | | | | | | \$768,133 | | | \$566,130 | \$202,003 | |

Source: Segal Company 2012 Report, p 26

Annual Healthcare Premium Cost Sharing (1 of 3)

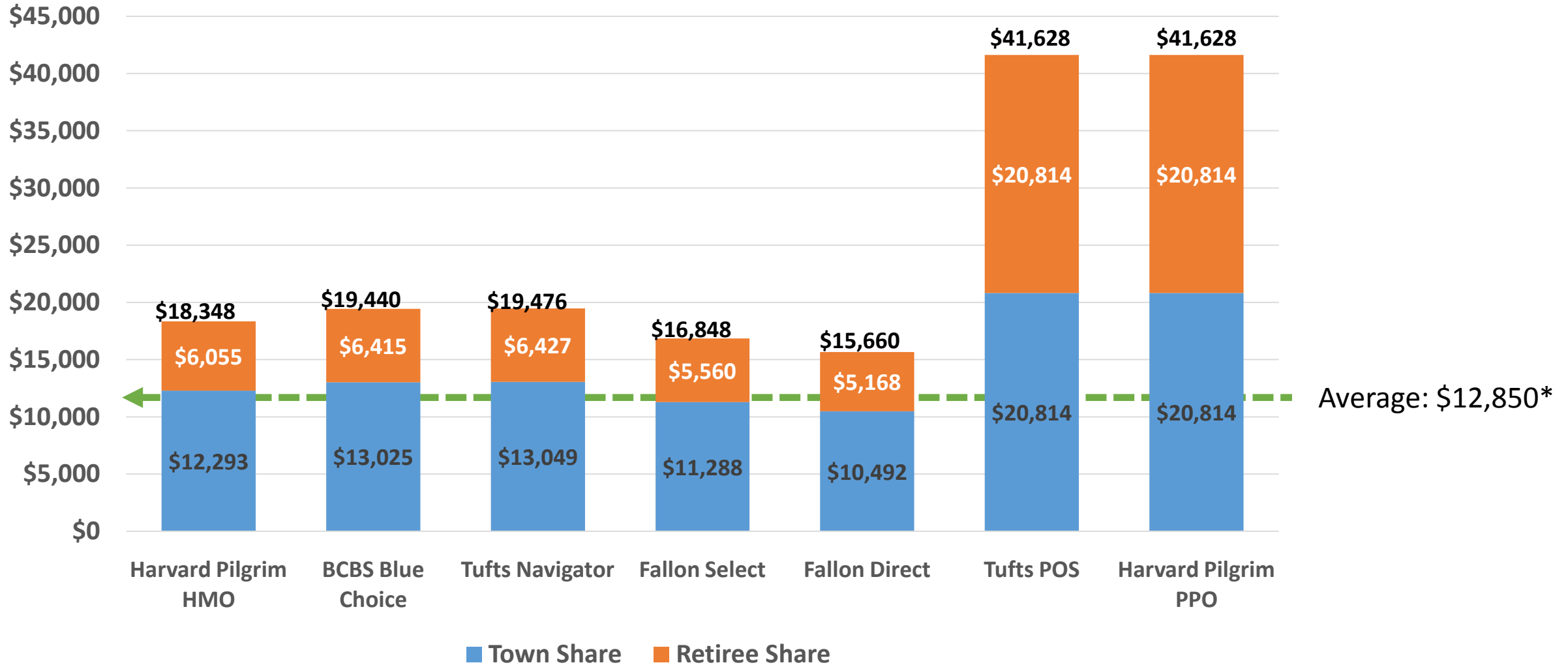
Retirees on Individual non-Medicare Plans, premiums effective 7/1/2012



* Weighted average of Town's cost for 56 retiree subscribers to Individual Plans on 1/1/13. Source: Segal 2012 report, p 26.

Annual Healthcare Premium Cost Sharing (2 of 3)

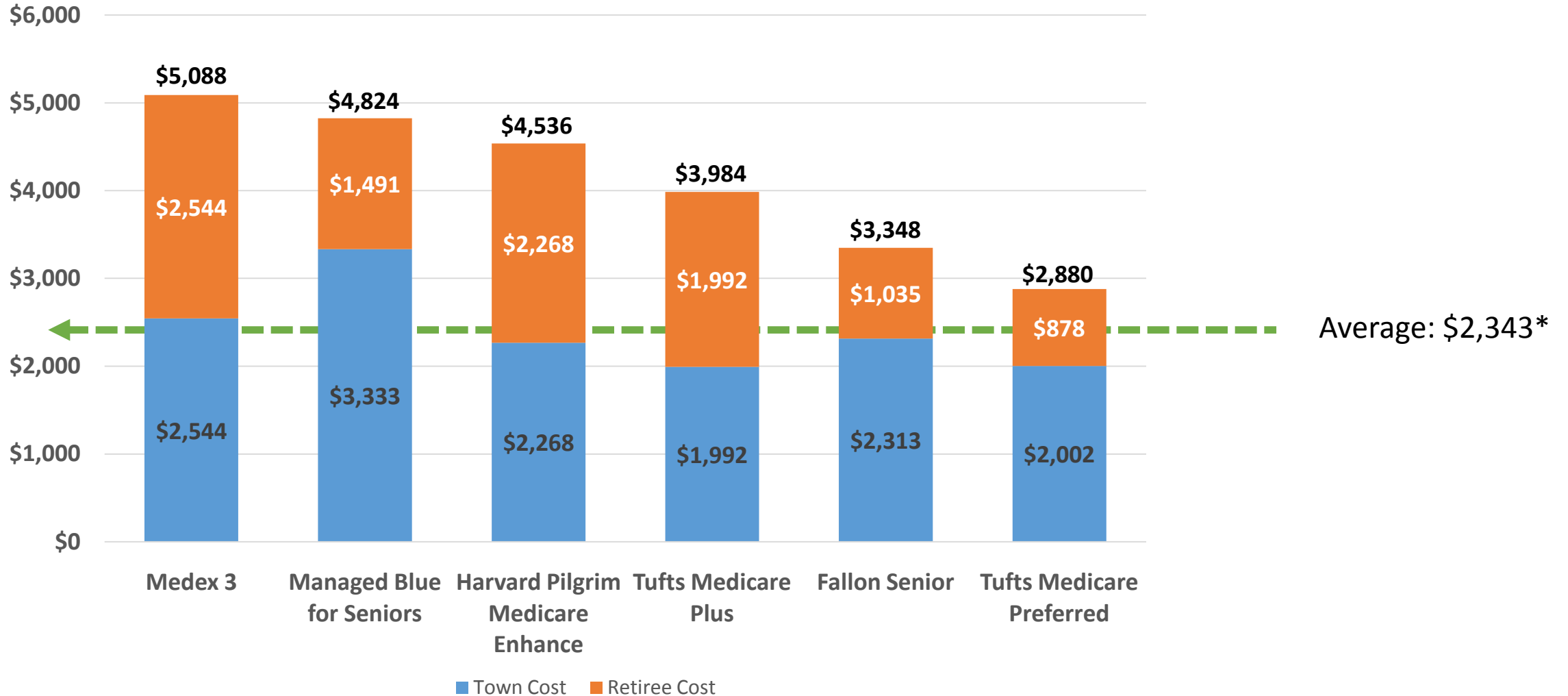
Retirees on non-Medicare Family Plans, premiums effective 7/1/2012



* Weighted average of Town's cost for 34 retiree subscribers to Family Plans on 1/1/13. Source: Segal 2012 report, p 26.

Annual Healthcare Premium Cost Sharing (3 of 3)

Retirees on Medicare Plans, premiums effective 1/1/2013



* Weighted average of Town's cost for 204 retiree subscribers to Medicare Plans on 1/1/13. Source: Segal 2012 report, p 27.

OPEB and the Commonwealth

Governor's Special Commission to Study Retiree Healthcare & Other Non-Pension Benefits

And

Subsequent Legislation Filed on

February 20, 2013

And not yet acted upon

Proposed Changes to Eligibility for Retirement

Note: Current retirees & those within 5 yrs of retirement (with @ least 20 years of service) would be exempt from these proposed changes

- Add 5 yrs service to each group (Group 1 moves to age 60; Group 2 → age 55; Group 4 →age 50)
- Increase minimum years of service for eligibility from 10 → 20
- Addition of “continuing service requirement” so employees go directly from government service to retirement.

Proposed Changes to Eligibility

- Part time employees get time credited for retirement on a pro-rata benefit. Commission recommends that municipalities do the same (Wayland does not distinguish currently for purposes of retiree health benefit).
- State laws would be changed so that surviving spouses would receive only a 50% premium contribution.
- Prorating health premium contribution rate on a sliding scale with years of service (50% at 20 years → 80% after 30 years)

Proposed legislative changes: Implications for Towns' Premium Contribution Rates

- Currently, Towns that have accepted 32B have to cover 50% of the premium. (in Wayland [as in other towns] depending on the plan, the Town pays premium percentages of anywhere from 50% → 75%). Right now, the Selectmen have the flexibility to change future contribution rates to 50% or to develop a system changing rates over time.
- The proposed legislation has a provision that towns' contribution rates would be frozen at levels of 01/01/13 unless towns had changed their contribution rates prior to January 1, 2013. After 3 years, towns can change contribution rates but must grandfather contribution rates at the time of implementation.
- Towns that did not accept Chapter 32B would be required to pay 50% of premiums.

| Food Service | | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 | Projected | Projected | Projected | Projected | FY14 | FY15 | FY16 | FY17 |
|---------------------------|-------|----------|-----------|---------|-----------|-----------|-----------|-----------|-----------|-----------|--------------------------------------|-------|-------|-------|
| | | Actual | Actual | Actual | Actual | Actual | FY 2014 | FY 2015 | FY 2016 | Projected | Delta | Delta | Delta | Delta |
| Expense | | | | | | | | | | | | | | |
| DEPARTMENT SECRETARY | 55222 | 16,738 | 16,427 | 16,990 | 17,662 | 17,679 | 17,767 | 18,034 | 18,304 | 18,671 | 0.5% | 1.5% | 1.5% | 2.0% |
| FOOD SERVICE DIRECTOR | 55330 | 56,173 | 57,935 | 57,935 | 59,983 | 59,977 | 60,277 | 61,181 | 62,099 | 63,341 | 0.5% | 1.5% | 1.5% | 2.0% |
| CAFETERIA MANAGER | 55331 | 115,054 | 79,631 | 83,474 | 87,634 | 87,400 | 87,837 | 89,155 | 90,492 | 92,302 | 0.5% | 1.5% | 1.5% | 2.0% |
| FOOD SERVICE WORKER | 55332 | 191,951 | 220,624 | 222,069 | 242,183 | 254,927 | 256,202 | 260,045 | 263,945 | 269,224 | 0.5% | 1.5% | 1.5% | 2.0% |
| LOKER ADDITIONAL HELP | 55332 | | | | | | | 19,477 | 19,769 | 20,165 | | | 1.5% | 2.0% |
| VAN DRIVER | 55333 | 3,824 | 3,637 | | | | | | | | 0.5% | 1.5% | 1.5% | 2.0% |
| CATERING | 55334 | | | | | 2,128 | 2,171 | 2,214 | 2,258 | 2,303 | 2.0% | 2.0% | 2.0% | 2.0% |
| LOKER ADDITIONAL EQUIP | | | | | | | | 7,365 | | | | | | |
| GEN EQUIPMENT REPAIR | 55455 | | 526 | | | | | | | | 2.0% | 2.0% | 2.0% | 2.0% |
| OTHER CONTRACT SERVICES | 55480 | | | | 5,390 | 5,861 | 5,978 | 6,098 | 6,220 | 6,344 | 2.0% | 2.0% | 2.0% | 2.0% |
| SUPPLIES- FOOD | 55524 | 365,842 | 339,374 | 333,460 | 366,594 | 320,287 | 288,693 | 294,467 | 300,356 | 306,363 | 2.0% | 2.0% | 2.0% | 2.0% |
| SUPPLIES-OTHER | 55527 | 45,290 | 43,043 | 37,386 | 37,077 | 35,335 | 36,042 | 36,763 | 37,498 | 38,248 | 2.0% | 2.0% | 2.0% | 2.0% |
| COMPUTER- NEW | 55530 | 18,265 | | | | | | | | | 2.0% | 2.0% | 2.0% | 2.0% |
| SOFTWARE- LICENSES | 55536 | | | | 1,850 | 1,818 | 1,854 | 1,891 | 1,929 | 1,968 | 2.0% | 2.0% | 2.0% | 2.0% |
| EQUIPMENT- REPAIR PARTS | 55563 | 19,392 | 16,532 | 11,152 | 2,577 | 12,931 | 13,190 | 13,453 | 13,722 | 13,997 | 2.0% | 2.0% | 2.0% | 2.0% |
| EQUIPMENT- OTHER | 55564 | 174 | | | 3,160 | 205 | 209 | 213 | 218 | 222 | 2.0% | 2.0% | 2.0% | 2.0% |
| UNIFORMS | 55595 | 2,266 | 3,545 | 3,696 | 2,798 | 2,862 | 2,919 | 2,978 | 3,037 | 3,098 | 2.0% | 2.0% | 2.0% | 2.0% |
| FRINGE BENEFITS | 55630 | 161,523 | 168,083 | 222,054 | 206,779 | 210,935 | 0 | 225,017 | 236,268 | 248,081 | 0.0% | | 5.0% | 5.0% |
| FRINGE BENEFITS Catch-Up | | | | | | | | | | | | | | |
| OPEB | 59783 | | | | | | 24266 | 8948 | 8948 | 8948 | | | | |
| OPEB Annual Catch-Up | 59783 | | | | | | | 25000 | 25000 | 25000 | | | | |
| OPEB One-Time Pay-Off | 59783 | | | | | | | | | | | | | |
| REFUND | 55632 | | | | 1,862 | | | | | | | | | |
| Total Expenditures | | 996,493 | 949,358 | 988,215 | 1,035,549 | 1,012,343 | 797,405 | 1,092,298 | 1,110,064 | 1,138,274 | | | | |
| Revenue | | | | | | | | | | | | | | |
| FEES G/F OFFSET | 43298 | | | | | (847) | (847) | (847) | (847) | (847) | | | | |
| MISC. REVENUE | 43299 | 831,640 | 899,749 | 876,210 | 907,370 | 840,332 | 857,139 | 857,139 | 957,139 | 957,139 | 2.0% | 0.0% | 0.0% | 0.0% |
| Lunch Price Increase | | | | | | | | 100,000 | | | | | | |
| FEDERAL GRANT | 45101 | 78,928 | 83,338 | 91,806 | 102,873 | 105,890 | 108,008 | 110,168 | 112,371 | 114,619 | Each \$0.05 increase equals \$10,000 | | | |
| STATE REIMBURSEMENT | 46802 | 12,247 | 17,472 | 11,995 | 12,695 | 12,317 | 12,563 | 12,815 | 13,071 | 13,332 | 2.0% | 2.0% | 2.0% | 2.0% |
| Total Revenue | | 922,814 | 1,000,558 | 980,010 | 1,022,937 | 957,692 | 976,863 | 1,079,274 | 1,081,734 | 1,084,243 | | | | |
| YEARLY TOTAL,SCHOOL LUNCH | | (73,678) | 51,201 | (8,205) | (12,613) | (54,650) | 179,458 | (13,024) | (28,330) | (54,031) | | | | |
| CARRYFORWARD | | 198,822 | 125,144 | 176,345 | 168,140 | 155,527 | 100,877 | 280,335 | 267,311 | 238,981 | | | | |
| END OF YEAR BALANCE | | 125,144 | 176,345 | 168,140 | 155,527 | 100,877 | 280,335 | 267,311 | 238,981 | 184,950 | | | | |
| Prepaid Lunch Balance | | | | | | | 60,000 | 60,000 | 60,000 | 60,000 | | | | |
| Available | | | | | | | 220,335 | 207,311 | 178,981 | 124,950 | | | | |

| TCW | | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 | Projected FY 2015 | Projected FY 2016 | Projected FY 2017 | FY15 Delta | FY16 Delta | FY17 Delta |
|--------------------------|-------|---------|---------|---------|---------|---------|---------|-------------------|-------------------|-------------------|------------|------------|------------|
| Expense | | | | | | | | | | | | | |
| Director | 55104 | 69,002 | 69,810 | 70,349 | 71,210 | 72,632 | 72,995 | 74,090 | 75,201 | 76,705 | 1.5% | 1.5% | 2.0% |
| 10% retirement incentive | 55104 | - | 67 | 30 | 4,246 | 4,815 | 5,411 | 5,492 | 5,574 | 5,686 | 1.5% | 1.5% | 2.0% |
| Principal | 55120 | - | - | - | 7,547 | 6,607 | 7,903 | 8,021 | 8,141 | 8,304 | 1.5% | 1.5% | 2.0% |
| Accountant | 55202 | - | - | - | 25,688 | 30,024 | 30,174 | 30,627 | 31,086 | 31,708 | 1.5% | 1.5% | 2.0% |
| Administrative Assistant | 55220 | 24,832 | 25,979 | 27,454 | - | - | - | - | - | - | 1.5% | 1.5% | 2.0% |
| Teaching Assistant Prek | 55303 | - | - | 13 | - | - | - | - | - | - | 1.5% | 1.5% | 2.0% |
| Custodian | 55350 | - | - | - | 7,419 | 16,153 | 16,234 | 16,478 | 16,725 | 17,060 | 1.5% | 1.5% | 2.0% |
| Inclusion Coordinator | 55385 | - | - | - | 29 | - | - | - | - | - | 1.5% | 1.5% | 2.0% |
| Lead Teacher | 55386 | 418,703 | 389,687 | 382,328 | 429,923 | 470,963 | 462,300 | 469,235 | 476,274 | 485,799 | 1.5% | 1.5% | 2.0% |
| Leader in Training | 55387 | - | - | - | 850 | - | - | - | - | - | 1.5% | 1.5% | 2.0% |
| WSCP Substitute | 55388 | 8,743 | 13,654 | 15,497 | 15,510 | 21,762 | 15,000 | 15,000 | 15,300 | 15,606 | 0.0% | 2.0% | 2.0% |
| Other Contract Services | 55480 | 5,811 | 4,545 | 2,341 | 4,865 | 50,453 | 44,000 | 4,500 | 4,590 | 4,682 | -89.8% | 2.0% | 2.0% |
| Supplies - Food | 55524 | 5,546 | 4,475 | 6,002 | 6,440 | 6,572 | 6,500 | 6,500 | 6,630 | 6,763 | 0.0% | 2.0% | 2.0% |
| Supplies - Other | 55527 | 11,277 | 11,079 | 12,284 | 21,527 | 15,077 | 15,000 | 14,000 | 14,280 | 14,566 | -6.7% | 2.0% | 2.0% |
| Equipment - Classroom | 55562 | - | - | - | 389 | 6,877 | - | - | - | - | - | - | - |
| Equipment - Other | 55564 | 4,308 | 1,222 | 1,180 | 21,045 | 9,434 | 3,700 | 2,500 | 2,550 | 2,601 | -32.4% | 2.0% | 2.0% |
| Telephone - Local | 55581 | 303 | 346 | 400 | 126 | - | - | - | 0 | 0 | 0.0% | 2.0% | 2.0% |
| Utilities - Electricity | 55585 | - | - | 30,000 | 8,936 | 4,933 | 9,000 | 9,000 | 9,180 | 9,364 | 0.0% | 2.0% | 2.0% |
| Utilities - Natural Gas | 55586 | - | - | - | 2,806 | 2,992 | 5,000 | 5,000 | 5,100 | 5,202 | 0.0% | 2.0% | 2.0% |
| Fringe Benefits* | 55630 | 161,297 | 143,731 | 158,983 | 158,193 | 165,879 | 157,966 | 200,742 | 210,779 | 221,318 | 27.1% | 5.0% | 5.0% |
| OPEB | 59783 | - | - | - | - | - | 24,028 | 8,860 | 8,860 | 8,860 | 0.0% | 0.0% | 0.0% |
| OPEB Annual Catch-Up | 59783 | - | - | - | - | - | - | 25,000 | 25,000 | 25,000 | 0.0% | 0.0% | 0.0% |
| OPEB One-Time Pay-Off | 59783 | - | - | - | - | - | - | - | - | - | 0.0% | 0.0% | 0.0% |
| Refund | 55632 | - | 4,904 | 1,298 | 8,832 | - | - | - | - | - | 0.0% | 0.0% | 0.0% |
| Conference | 55676 | - | - | - | - | 40 | - | - | - | - | 0.0% | 0.0% | 0.0% |
| Field Trips | 55685 | 76 | - | - | - | - | - | - | - | - | 0.0% | 0.0% | 0.0% |
| Employee Training | 55686 | 2,992 | 2,253 | 2,129 | 5,574 | 1,551 | 1,600 | 1,600 | 1,600 | 1,600 | 0.0% | 0.0% | 0.0% |
| Total Expenditures | | 712,890 | 671,752 | 710,288 | 801,155 | 886,764 | 884,111 | 904,054 | 916,871 | 940,823 | 5.0% | 0.0% | 0.0% |
| Revenue | | | | | | | | | | | | | |
| Fees G/F Offset | 43298 | - | - | - | - | -1,361 | - | - | - | - | - | - | - |
| Misc Revenue | 43299 | 789,230 | 770,148 | 787,443 | 808,593 | 831,306 | 804,000 | 804,000 | 844,200 | 844,200 | 5.0% | 0.0% | 0.0% |
| Tuition Increase | | | | | | | | 40,200 | | | | | |
| Total Revenue | | 789,230 | 770,148 | 787,443 | 808,593 | 829,945 | 804,000 | 844,200 | 844,200 | 844,200 | 5.0% | 0.0% | 0.0% |
| Yearly Total: TCW | | 76,340 | 98,396 | 77,154 | 7,438 | -56,819 | -80,111 | -59,854 | -72,671 | -96,623 | | | |
| Carry Forward | | 33,773 | 110,113 | 208,509 | 285,663 | 293,101 | 236,282 | 156,172 | 96,318 | 23,646 | | | |
| End of Year Balance | | 110,113 | 208,509 | 285,663 | 293,101 | 236,282 | 156,172 | 96,318 | 23,646 | -72,977 | | | |
| Reserve | | | | | | | 50,000 | 50,000 | 50,000 | 50,000 | | | |
| Available | | | | | | | 106,172 | 46,318 | (26,354) | (122,977) | | | |

* Fringe benefits in FY14 short funded by \$7,913