TOWN OF LEXINGTON

OTHER POST-RETIREMENT EMPLOYEE BENEFITS
ANALYSIS
FOR FISCAL YEAR JULY 1, 2010-JUNE 30, 2011

FEBRUARY 24, 2012

FINANCIAL RISK ANALYSTS

February 24, 2012 **Sent Via Email**

Mr. Robert N. Addelson
Assistant Town Manager for Finance
Town of Lexington
1625 Massachusetts Avenue
Lexington, MA 02420

Dear Mr. Addelson:

Enclosed please find our report regarding indicated other than pension post-retirement employee liabilities as of June 30, 2011 for the Town. The liability calculation is in accordance with Governmental Accounting Standards Board Statement 45 (GASB-45).

It has been a pleasure being of service to you on this project. If after reviewing this report you have any questions please do not hesitate to contact us.

Sincerely,

Robert W. Van Epps, FCAS, MAAA
Managing Principal

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TOWN OF LEXINGTON

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INTRODUCTION

Financial Risk Analysts, LLC has been retained by the Town of Lexington (the Town) to provide an actuarial valuation of the Town's retiree medical and life insurance post-retirement benefits program for the fiscal year ending June 30, 2011. Medical and life insurance are the two most common types of other (than pension) post-retirement employee benefits (OPEB) provided by an employer to retirees and their beneficiaries. This is the Town's third year of reporting OPEB liabilities.

The Town presently provides life, health and dental insurance benefits for active and retired employees and their covered dependents. The Town has reported to us 1,071 active employees, 145 pre-Medicare retirees, 665 Medicare retirees and 182 over-65 non-Medicare retirees who have elected health insurance.

Health insurance benefits provided to active employees and the Medex Plan for Medicare retirees are self insured while other health insurance benefits provided to Medicare retirees are fully insured. Life and dental insurance benefits provided by the Town are fully insured. For health insurance, active employees and retirees not on Medicare have a choice among the Blue Choice, Network Blue and Harvard Pilgrim plans. Most retirees on Medicare are in the Medex plan. For retiree life insurance, the only option is a flat $2,000 benefit (reduced from $5,000). As required by Massachusetts law, retirees not on Medicare have the same benefit options as active employees.

A detailed description of the Town's census, benefit, and premium information is presented on Exhibits 7, 8 and 9.

CONDITIONS AND LIMITATIONS

DATA

Within this report we used data and other information provided to us by the Town. This data consisted of the following:

- Census Information - the demographics of the active, pre-Medicare retiree and Medicare retiree population covered for medical and life insurance benefits as of the date of the most recent pension valuation. For active employees, date of hire was also included. Data was valued as of January 20, 2012.
- Benefit Information - a description of the different health and life insurance plans available to participants.
- Funding Information – a description of how the life and health insurance plans are funded including the contributions required from employees and retirees.
- Premium Rates – the premium rates for the various plans and the percentage of each premium rate that the Town pays.
- Life Insurance In-Force Information – a summary of the life insurance schedules for actives and retirees and the participant contributions required.
- Requirements for Retirement – the age/service requirements for retirement with an unreduced pension benefit and the amount of benefit reduction for early retirement.
- Probabilities of Retirement – the probability that a general or uniformed employee eligible to retire will actually retire.
- Retirement Election Rates - The percentage of active participants who opt to continue their life and health insurance benefits (and pay the associated premiums) at retirement.

Although the data supplied were reviewed for purposes of reasonability, we have not independently audited or verified this information and we assume it to be accurate and complete. The results of our analysis will be contingent upon the reliability of the information supplied to us and such reliability is the responsibility of the Town. Should the Town become aware of any significant discrepancies in the data reported to us, we should be notified of such discrepancies and this report will be amended, if necessary.

UNCERTAINTY

Actuarial projections, by their nature, are estimates of future contingent events, which cannot be known with certainty. The Town's ultimate liability for medical and life insurance benefits will be subject to events that have yet to occur such as the future employee attrition rate, retirements, and particularly interest rates and medical cost inflation.

While we believe the results presented in this report are reasonable and reflect the use of accepted actuarial principles and standards of practice, it is possible that the actual future OPEB liability of the Town will differ, perhaps materially, from what we have projected herein. Nothing in this report should be construed as a warranty or guarantee as to the adequacy of the liability estimates contained herein.

DISTRIBUTION AND USE

This report is provided solely for the use of the Town of Lexington in evaluating its OPEB liability for the fiscal year July 1, 2010 through June 30, 2011. A copy of this report may also be provided to the Town's auditor with the proviso that the report is copied in its entirety and that each party receiving a copy of this report agrees to not distribute the report to any other third party.

We request that the Town inform us of distribution of this report to parties other than those referenced above.

REQUIRED DISCLOSURES

Required Information for the Fiscal Year July 1, 2010 through June 30, 2011

As required by GASB-45, the table below presents a 3-year summary of the results of our results.

Lexington
GASB-45 Required Disclosures

	FY 2009 Full Valuation 2.50%	FY 2010 Rollover 2.50%	FY 2011 Full Valuation 2.50%
A. Expected Post-Retirement Benefit Obligation (EPBO)	$ 414,838,603	$ 419,255,690	$ 431,747,537
B. Funded Status			
1 Actuarial Accrued Liability			
Active Employees	$ 105,107,639	$ 107,259,020	$ 98,843,926
Retirees	$ 161,831,191	$ 160,399,403	$ 207,456,765
Total AAL	$ 266,938,830	$ 267,658,423	$ 306,300,691
2 Actuarial Value of Assets	$ 840,000	$ 2,000,000	$ 2,000,000
3 Unfunded Actuarial Accrued Liability (1)-(2)	$ 266,098,830	$ 265,658,423	$ 304,300,691
4 Funded Ratio (2)/(3)	0%	1%	1%
5 Annual Covered Payroll	city to provide	city to provide	city to provide
6 Ratio of Unfunded AAL to Covered Payroll	(3)/(5)	(3)/(5)	(3)/(5)
C. Annual Required Contribution			
1 Normal Cost (Service Cost)	$ 9,783,078	$ 10,565,724	$ 8,770,134
2 Amortization of Unfunded AAL	$ 12,442,641	$ 12,981,738	$ 14,967,774
3 Annual Required Contribution (ARC) (1)+(2)	$ 22,225,720	$ 23,547,462	$ 23,737,908
D. OPEB Cost			
1 ARC	$ 22,225,720	$ 23,547,462	$ 23,737,908
2 Interest on Net OPEB Obligation	$ -	$ 1,301,747	$ 855,580
3 Adjustment to ARC	$ -	$ 795,144	$ 1,672,359
4 Annual OPEB Cost (1)+(2)-(3)	$ 22,225,720	$ 24,054,065	$ 22,921,129
E. Net OPEB Obligation			
1 Net OPEB Obligation-beginning of year estimate	$ -	$ 16,271,842	$ 34,223,182
2 Annual OPEB Cost	$ 22,225,720	$ 24,054,065	$ 22,921,129
3 Expected Contributions during the year	$ 5,953,878	$ 6,102,725	$ 6,837,760
4 Net OPEB Obligation-end of year (1)+(2)-(3)	$ 16,271,842	$ 34,223,182	$ 50,306,551

The table above represents results using a partially-funded discount rate of 2.50%. The weighting is based on discount rates of 8.0% for a fully funded program and 2.0% for an unfunded program. These 3 rates were recommended by Financial Risk Analysts. Since the Town has only partially funded its GASB-45 liabilities, the weighted, partially-funded discount rate is appropriate for financial reporting purposes.

The following is an explanation of the above:

Expected Post-Retirement Benefit Obligation (EPBO) – This is the present value of the future post-retirement life and health insurance benefits for all currently retired employees and active employees eligible for those benefits. For active employees, the EPBO includes the full present value of benefits even though some employees have not yet fully earned or vested in those benefits. The government needs to be aware of this liability but does not need to disclose or recognize it on any of its financial statements.

Actuarial Accrued Liability (AAL) – This is also known as the Accumulated Post-Retirement Benefit Obligation (APBO) or the Transition Obligation. This is that portion of the EPBO that has been accrued to date. For existing retirees and active employees who have fully earned their benefit, the AAL equals the EPBO. Upon implementation of GASB-45, the APBO is the transition obligation (current liability) that must be recognized on the Government's balance sheet if the Government chooses immediate recognition. Alternatively, the Government can choose to amortize the current APBO. GASB-45 permits amortization over a period of from 10 to 30 years.

Plan Assets – The amount of assets held in trust to fund the plan (if the plan is funded).

Unfunded Actuarial Accrued Liability – The excess of the AAL over the plan assets.

Normal Cost- Also known as the Service Cost. This is the portion of the EPBO for active employees attributable to employee service during the year.

Amortization of Unfunded Accrued Liability – This is the annual amortization of the AAL (Transition Obligation) if the Government chooses to amortize the AAL. If the Government chooses to amortize the AAL, the amortization cost should be booked as a current year expense. We used an initial 30 year period for purposes of amortizing the AAL. This is the maximum period of time allowed under GASB. GASB allows amortization on an open, closed or level % of payroll basis. We selected the closed basis; i.e. the amortization period declines 1 year ever year.

Annual Required Contribution (ARC) – This is the total amount that should be booked as a current year expense. During the initial year of implementation of GASB-45, ARC is equal to the sum of the Normal Cost (Service Cost) and Amortization of Actuarial Accrued Liability (Transition Obligation). GASB-45 recommends, but does not require, that the ARC actually be contributed (funded) each year.

Net OPEB Obligation – Beginning of Year – This is last year's Net OPEB Obligation – End of Year Estimate. Since the Town complied with GASB-45 starting last year, this number is not zero.

Interest of Net OPEB Obligation – This is interest, at the assumed interest rate, on the Net OPEB Obligation – Beginning of Year.

Adjustment to ARC – This is the Net OPEB Obligation – Beginning of Year divided by the amortization factor.

Annual OPEB Cost – This is the ARC + Interest on Net OPEB Obligation - Adjustment to ARC

Expected Contributions During the Year – This is the amount of OPEB payments the Government made during the just-completed fiscal year.

Net OPEB Obligation – End of Year Estimate – This is the Net OPEB Obligation – Beginning of Year + Annual OPEB Cost - the Expected Contributions during the Year.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

The schedule below is based on 2.50% interest, the normal cost and amortization of the unfunded actuarial accrued liability calculated as of June 30, 2010, future normal costs increasing at 5.0% per year and future amortization payments increasing at the assumed future healthcare trend rates.

Schedule of Employer Contributions
2.50% Discount Rate

Fiscal Year Ending in	Normal Cost	Amortization Payment	Total Town ARC
2011	$8,770,134	$14,967,774	$23,737,908
2012	$9,208,641	$16,208,603	$25,417,244
2013	$9,669,073	$17,586,334	$27,255,407
2014	$10,152,527	$16,830,121	$26,982,648
2015	$10,660,153	$18,058,720	$28,718,873
2016	$11,193,161	$19,268,655	$30,461,815
2017	$11,752,819	$20,444,042	$32,196,861
2018	$12,340,460	$21,691,129	$34,031,589
2019	$12,957,483	$22,992,597	$35,950,080
2020	$13,605,357	$24,372,153	$37,977,509
2021	$14,285,625	$25,810,110	$40,095,734
2022	$14,999,906	$27,332,906	$42,332,812
2023	$15,749,901	$28,945,547	$44,695,449
2024	$16,537,396	$30,653,335	$47,190,731
2025	$17,364,266	$32,431,228	$49,795,494
2026	$18,232,479	$34,409,533	$52,642,013
2027	$19,144,103	$36,508,515	$55,652,618
2028	$20,101,309	$38,699,026	$58,800,334
2029	$21,106,374	$41,020,967	$62,127,341
2030	$22,161,693	$43,482,225	$65,643,918
2031	$23,269,777	$46,060,721	$69,330,498
2032	$24,433,266	$48,759,879	$73,193,146
2033	$25,654,930	$51,583,076	$77,238,006
2034	$26,937,676	$54,533,628	$81,471,304
2035	$28,284,560	$57,614,778	$85,899,338
2036	$29,698,788	$60,829,683	$90,528,471
2037	$31,183,727	$64,181,398	$95,365,126
2038	$32,742,914	$67,672,867	$100,415,780
2039	$34,380,059	$71,306,899	$105,686,959
2040	$36,099,062	$75,086,165	$111,185,227
2041	$37,904,015	$79,020,680	$116,924,695

ANALYSIS

Assumptions

1. **Interest discount rate** - 2.50% per year, net of expenses, for a partially-funded plan, 2.00% per year, net of expenses, for an unfunded plan and 8.00% per year, net of expenses, for a fully-funded plan. The Town is partially funding its plan (contributions to date being about $2 million or 5% of the Net OPEB Obligation), so this warrants an interest assumption in excess of the unfunded discount rate. GASB-45 requires that the selection of an interest discount rate be based on the expected long term rate of return on the (General Fund) assets expected to be available to pay the benefits when due. We note that a 1% increase in the assumed interest discount rate decreases the Town's liabilities by about 18%.

2. **Trend** - Medical costs were assumed to increase each year according to the following schedule.

FYE	Medical Trend
2011	8.3%
2012	8.5%
2013	-4.3%
2014	7.3 %
2015	6.7%
2016	6.1%
2017	6.1%
2018	6.0%
2019	6.0%
2020	5.9%
2025	6.1%
2030	5.9%
2040	5.2%
2050	5.0%
2075	4.7%
2100	4.2%

The above trend rates were developed using the baseline projection of the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model, Version 11.1 (December, 2011). The 2012 trend rate was based on the Town's estimated increase in its retiree healthcare costs. The short-term (next 3 years) trend rates were selected to grade down to the assumed 6.1% rate in 2016 (calculated as described below). The FYE 2013 trend rate was also reduced from 7.9% to -4.3% to to account for the savings (12.2%) expected to result from the Town's planned movement to the Massachusetts Group Insurance Commission effective 7-1-12.

The longer term trend rates were based on the following assumptions:

Rate of Inflation 2.5%
Rate of Growth in Real Income / GDP per capita 1.7%
Income Multiplier for Health Spending 1.4
Extra Trend due to Technology and other factors 1.1%
Health Share of GDP Resistance Point 25.0%
Year for Limiting Healthcare Cost Growth to GDP Growth 2075

The SOA's Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical US medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of an SOA Project Oversight Group. The above schedule represents a reasonable medical trend projection for the current plan provisions and demographics of the School's Retiree Welfare Benefits Plan, and no changes to these baseline assumptions are necessary.

3. Amortization Period - Thirty years (initial). 30 years is the maximum period permitted by GASB-45. GASB-45 permits amortization payments to increase at a rate not to exceed projected salary growth. We assumed level amortization payments, which we think are more realistic for budgeting purposes.

4. **Retirement Eligibility** - As prescribed by the terms of the Town's Retirement System.

5. **Marital Status** - Active participants are assumed to keep their current marital status upon retirement.

6. **Turnover**-Representative values of assumed annual turnover rates for general and uniformed employees are as follows.

Age Group	General Employees	Uniformed Employees
<20	15.00%	1.50%
20-24	13.13%	1.50%
25-29	10.12%	1.50%
30-34	8.33%	1.46%
35-39	6.78%	1.22%
40-44	5.96%	0.28%
45-49	5.13%	0.03%
50-54	3.23%	0.03%
55-59	2.45%	0.00%
60-64	2.07%	0.00%
65-69	1.94%	0.00%
70-74	1.22%	0.00%
75+	0.00%	0.00%

We checked these turnover rates against those used by the Town's pension actuary (David Driscoll, FSA). They are consistent (although his turnover rates are based on service). For instance, his turnover rates also start at 15% for general employees and 1.5% for uniformed employees.

7. **Mortality** - Mortality assumptions are used to project the expected number of employees who will be receiving benefits each year in the future. We used the RP-2000 mortality table (combined healthy lives) with projected mortality. This represents a change from 2 years ago when we used the 1985-1989 Group Life Insurance Mortality table. This change is for two purposes – to update mortality rates and to reflect expected future mortality improvements in our calculations.

8. **Disability -** Disability assumptions are used to project the number of people who will retire early due to disability. The possibility of disability was accounted for by assuming average retirement ages that were 1 year younger than were observed by the Town (see (10) below)

9. **Requirements for Retirement** - The Town has informed us it requires attainment of age 65 for general employees to retire with an unreduced pension benefit. For uniformed employees this age is 55. Early retirement is available with twenty years of service with a reduced benefit. Retirement is mandatory at age 70 for general employees and age 65 for uniformed employees.

10. **Age at Retirement** - Representative assumed average retirement ages are shown below. These values are consistent with the requirements for retirement stated above, the input provided by the Town and the adjustment for disability retirements (see (8) above).

Age	General Employees	Uniformed Employees
45	63	58
50	63	59
55	64	61
60	66	64
62	67	65
65	69	65
69	72	69
70	72	70

11. **Retirement Election Rates -** The Town provided us data for each group showing total retirees and how many retirees have elected to continue post-retirement benefits and pay the associated premiums. That data showed that retirement election rates have been as follows:

	All Employees
Health Insurance	Only participants electing health insurance included
Life Insurance	54%

12. **Plan Changes** - The Town has informed us that it has made arrangements to join the Massachusetts Group Insurance Commission effective 7-1-12. As a result, there will be savings to the Town resulting from changes in benefits, premium rates and increased member contribution requirements. The Town has estimated that these savings will be 12.2%. As noted above, we have reflected these projected savings in our trend estimate for fiscal year 2012-2013.

13. **Expenses** - We did not make an explicit assumption for expenses because our assumed interest discount rates are net of expenses.

14. **Excise Tax** - As a result of the passage of the Accountable Care Act, we have projected that the City will have to pay a excise tax in 2018. We have estimated that impact of this "Cadillac Tax" to be 2.0%.

Methodology

We used the Projected Unit Credit actuarial cost method in our analysis. The following is a summary of the steps employed in this methodology.

1. Determine current annual subsidy for life and health insurance for the pre-Medicare retirees, Medicare retirees and retirees over age 65 not on Medicare. We used the most recently available census data, current premiums, participant contribution requirements and age-sex adjustment factors to make these calculations.

2. Calculate the EPBO. This is the present value of future subsidies for life and health insurance for the actives, pre-Medicare retirees, retirees over 65 not on Medicare and Medicare retirees. Separate calculations were required for active general and active uniformed employees.

3. Calculate the AAL from the EPBO and the active employee age and service information from the census.

4. Calculate the other GASB-45 required disclosures.

TOWN OF LEXINGTON
GASB 45 DETERMINATION

REQUIRED DISCLOSURES-SUMMARY
2.50% Interest

		Active	Retired	Total
A.	Expected Post-Retirement Benefit Obligation	$224,290,772	$207,456,765	$431,747,537
B.	Actuarial Accrued Liability	$98,843,926	$207,456,765	$306,300,691
C.	Plan Assets			$2,000,000
D.	Unfunded Actuarial Accrued Liability			$304,300,691
E.	Service Cost (Normal Cost)	$8,770,134	$0	$8,770,134
F.	Amortization of Unfunded Accrued Liability	$4,830,135	$10,137,640	$14,967,774
G.	Annual Required Contribution (ARC)	$13,600,269	$10,137,640	$23,737,908
H.	Unamortized Portion of Actuarial Accrued Liability	$94,013,791	$197,319,126	$291,332,917
I.	Expected Benefit (Premium) Payments	n/a	$6,837,760	$6,837,760

A-B. Exhibit 2
C. $2,000,000 contributions to date. City plans a contribution of $500,000 in April 2012.
D. B - C
E-H. Exhibit 2
I. These are the Town's share of the annual retiree life, dental and health insurance premiums.

TOWN OF LEXINGTON
GASB 45 DETERMINATION

REQUIRED DISCLOSURES-DETAIL
2.50% Interest

		Active Employees			Retirees			Total
		General (1)	Uniformed (2)	Total (3)=(1)+(2)	Pre-Medicare (4)	Age 65+ Not on MC (5)	Medicare (6)	Total (7)=(3)+(4)+(5)+(6)
A.	Number of Members Generating a Liability (Medical)	981	90	1,071	145	182	665	2,063
B.	Expected Post Retirement Benefit Obligation							
	Medical/Rx/Vision	$179,457,834	$36,433,344	$215,891,177	$48,667,231	$102,254,001	$49,132,975	$415,945,384
	Dental	$6,827,069	$1,386,025	$8,213,094	$1,851,435	$3,890,023	$1,488,280	$15,442,833
	Life	$155,027	$31,473	$186,500	$42,042	$88,333	$42,444	$359,319
	Total	$186,439,930	$37,850,842	$224,290,772	$50,560,708	$106,232,358	$50,663,699	$431,747,537
C.	Actuarial Accrued Liability	$81,587,875	$17,256,050	$98,843,926	$50,560,708	$106,232,358	$50,663,699	$306,300,691
D.	Service Cost (Normal Cost)	$7,497,956	$1,272,178	$8,770,134	$0	$0	$0	$8,770,134
E.	Amortization Factor	20.46	20.46	20.46	20.46	20.46	20.46	20.46
F.	Amortization of Actuarial Accrued Liability	$3,986,896	$843,239	$4,830,135	$2,470,714	$5,191,180	$2,475,746	$14,967,774
G.	Annual Required Contribution	$11,484,852	$2,115,417	$13,600,269	$2,470,714	$5,191,180	$2,475,746	$23,737,908
H.	Unamortized Portion of Actuarial Accrued Liability	$77,600,980	$16,412,812	$94,013,791	$48,089,995	$101,041,178	$48,187,953	$291,332,917

A. Exhibit 12
B. Exhibits 4 and 5. Dental and Life EPBO = ratio of premium to Medical premium X Medical EPBO
C. For retired lives AAL = EPBO. For active lives AAL = EPBO x C from Exhibit 3
D. For retired lives Service Cost = 0. For active lives Service Cost = EPBO X D from Exhibit 3
E. Amortization factor = present value at 2.50% interest of a 28-year annuity due
F. C/E
G. D + F
H. C - F

TOWN OF LEXINGTON
GASB 45 DETERMINATION

ACTIVE EMPLOYEE ACCRUED BENEFITS
2.50% Interest

		Active Employees	
		General (1)	Uniformed Employees (2)
A.	Average Projected Service at Retirement = Attribution Period	27.2	30.1
B.	Weighted Average Service to Date	11.9	13.7
C.	Weighted Average Percent of Retirement Benefits Accrued to Date	43.8%	45.6%
D.	Percent of OPEB Accrued in Fiscal Year 2012	4.0%	3.4%

A. Calculated from the census data
B. Calculated from the census data
C. B/A
D. Calculated from the census data

TOWN OF LEXINGTON
GASB 45 DETERMINATION

EXPECTED POST-RETIREMENT BENEFIT OBLIGATION - MEDICAL/Rx
2.50% Interest

		Active Employees		Retirees			Total
		(1)	(2)	(3)	(4)	(5)	(6)
		General	Uniformed	Pre-Medicare	Age 65+ Not on MC	Medicare	
A.	Number of Contracts	981	90	145	182	665	2,063
B.	Annual Subsidy per Contract	n/a	n/a	$0	$0	$0	
C.	PV of Future Subsidies for All Employees	$181,019,525	$36,750,397	$49,090,747	$103,143,844	$49,560,544	$419,565,057
D.	Percent Expected to Elect Medical at Retirement	100%	100%	100%	100%	100%	
E.	Expenses	0%	0%	0%	0%	0%	0%
F.	Adjustment to Account for Survivor Benefits	1.01	1.01	1.01	1.01	1.01	1.01
G.	Impact of "Cadillac tax" during and after 2018	1.02	1.02	1.02	1.02	1.02	1.02
H.	Interest Adjustment	0.962	0.962	0.962	0.962	0.962	0.962
I.	Expected Post-Retirement Benefit Obligation	$179,457,834	$36,433,344	$48,667,231	$102,254,001	$49,132,975	$415,945,384
J.	EPBO per Contract	$182,934	$404,815	$335,636	$561,835	$73,884	$201,622

A. Exhibit 12.
B. Exhibit 7
C. Calculated from B and the age and sex of each contractholder.
D. Calculation only considered participants who actually elected medical.
E. Expenses are 0% because the assumed interest rate is net of expenses.
F. Suvivors can continue coverage and pay the same % as actives.
Also, survivors can resume coverage any time even if they decline it initially.
G. Estimated to be 2%.
H. This accounts for the fact that the valuation is for FY 7/1/10-11 but the data is as of 1/20/12.
I. C x D x (1+ E) x F x G x H
J. H / A

TOWN OF LEXINGTON
GASB 45 DETERMINATION

CURRENT ANNUAL SUBSIDY - MEDICAL/Rx

		Active (1)	Pre-Med. Retirees (2)	Ret. >65 Not on MC	Medicare Retirees (4)
A.	Average Annual Premium per Contract excluding Med Part B	n/a	$16,505	$13,747	$5,492
B.	Actual Annual Cost per Contract excluding Med Part B	n/a	$24,751	$29,831	$5,492
C.	Annual Medicare Part B Premium per Contract paid by the Town	n/a	n/a	n/a	0
D.	Blended Annual Stop Loss Premium paid by the Town	n/a	$36	$46	$49
E	Total Actual Annual Cost per Contract	n/a	$24,787	$29,877	$5,541
F	Annual Member Contributions per Contract	n/a	$3,301	$2,749	$1,098
G	Current Annual Subsidy per Contract	n/a	$21,486	$27,127	$4,443

A. Exhibit 6
B. 100.00% of A for MR.
For PMR and Retirees > 65 not on M/C, equal to A times an age-sex factor to account for the "implicit subsidy".
For PMR and Retirees > 65 not on M/C, the age-sex factors are 149.96% and 217.00% respectively.
C. The Town does not reimburse Medicare retirees or their beneficiaries for the Medicare Part B premium.
It might in the future, but no definite agreement has been reached yet.
D. Exhibit 7 (based on portion ratios of this group to total excluding MRs and portion of Medicare retirees electing Medex)
E. B + C + D
F. Exhibit 6
G. E - F

TOWN OF LEXINGTON
GASB 45 DETERMINATION

MEMBER CONTRIBUTIONS

	Medical/Rx
Pre-Medicare Retirees - < 65	
Blended Monthly Premium per Contract	$ 1,375.38
Blended Annual Premium per Contract	$16,504.58
Percent Paid By Members	20.00%
Current Annual Amount Members Pay	$3,300.92
Pre-Medicare Retirees - > 65	
Blended Monthly Premium per Contract	$ 1,145.57
Blended Annual Premium per Contract	$13,746.87
Percent Paid By Members	20.00%
Current Annual Amount Members Pay	$2,749.37
Medicare Retirees	
Blended Monthly Premium per Contract	$ 457.66
Blended Annual Premium per Contract	$5,491.89
Percent Paid By Members	20.00%
Current Annual Amount Members Pay	$1,098.38

Monthly costs calculated from census and premium rates.
Percent paid by members from Exhibit 7

TOWN OF LEXINGTON
GASB 45 DETERMINATION

FUNDING INFORMATION

Actives		
	Medical	All plans designed for actives are self-insured.
		Employees pay 20% of blended cost of actives and retirees not on Medicare.
		Premium rate schedule depends on plan elected.
		Stop loss coverage ($160,000 pooling point.) Cost = $15.60/$39.66 per contract per month.
	Drugs and Vision	Included with Medical
	Dental	All plans designed for actives are fully insured.
		Members pay 50% of blended cost of actives and retirees.
	Life Insurance	Fully insured.
		Members pay 50% of blended cost of actives and retirees.
		Current monthly premium rate is $4.20 per month for $5,000 of coverage for active ees.
		Current monthly premium rate is $1.68 per month for $2,000 of coverage for retirees.
Retirees Under 65		
	Medical	Same as for Actives
	Drugs and Vision	Same as for Actives
	Dental	Same as for Actives
	Life Insurance	Coverage reduced to $2,000
Retirees Over 65		
	Medical	Medex plan is self-insured. Other plans are fully insured.
		Retirees pay 20% of cost.
		Town has stop loss coverage for the Medex plan ($160,000 pooling point). Cost = $4.61 per per contract per month.
	Drugs and Vision	Same as for Actives (Except Medex 3 plan - no vision exam benefit)
	Dental	Same as for Actives
	Life Insurance	Coverage reduced to $2,000

Data provided by the Town of Lexington
Updated by Rob Addelson in 2012

TOWN OF LEXINGTON
GASB 45 DETERMINATION

BENEFIT INFORMATION

Actives		
	Medical	Choice of Harvard Pilgrim, Blue Choice or Network Blue (HMO).
		Rates depend on choice of coverage
	Drugs and Vision	Included if Medical Elected (Drug Copays per Medical Plan Elected Apply)
	Dental	Choice of Delta Premier or Delta Care.
	Life Insurance	All life insurance benefits are a flat $5,000 with reduction to $2,000 at retirement.
Retirees Under 65		
	Medical	Choice of Harvard Pilgrim, Blue Choice, Network Blue (HMO), or Blue Care Elect (PPO).
		Rates depend on choice of coverage
	Drugs and Vision	Same Choices as for Actives
	Dental	Same Choices as for Actives
	Life Insurance	Flat $2,000
Retirees Over 65		
	Medical	7 choices are available. Most participants have elected the Medex plan.
		Section 18 applies, so Medicare enrollment is mandatory
		Participants, not the Town, are responsible for the Medicare Part B premium.
	Drugs and Vision	Same Choices as for Actives (except no vision exam with Medex)
		Drug plan Not Eliminated When Medicare Part D Took Effect
	Dental	Same Choices as for Actives
	Life Insurance	Flat $2,000

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TOWN OF LEXINGTON
GASB 45 DETERMINATION

CENSUS INFORMATION

	General (1)	Uniformed (2)	Elected No Coverage (3)	Total (4)
Actives - Medical				
Number of Contracts	981	90		1,071
Average Age	46	44		46
Average Service Years	9	16		10
Pre-Medicare Retirees - Medical/Under 65				
Number of Contracts	145	Incl in Gen		145
Average Age	60			60
Retirees >65 Not on Medicare				
Number of Contracts	182	Incl in Gen		182
Average Age	72			72
Medicare Retirees - Medical				
Number of Contracts	665	Incl in Gen		665
Average Age	76			76
Life Insurance				
Number of Contracts - Actives	542	58	754	1,296
Number of Contracts - Retirees	586	Incl in Gen	508	1,094
Number Electing Life Insurance - Total	1,128	Incl in Gen	1,262	2,390
Dental Insurance				
Number of Contracts - Actives	924	88	59	1,071
Number of Contracts - Retirees	631	Incl in Gen	361	992
Number Electing Dental Insurance - Total	1,555			
Percent of Retirees Electing Life Insurance				54%
Percent of Retirees Electing Dental Insurance				64%

Data provided by the Town of Lexington
Percent Electing Medical, Dental or Life Insurance = 100% - (3)/(4)