

**TOWN OF NANTUCKET  
OTHER POST-EMPLOYMENT BENEFITS  
JULY 1, 2007 VALUATION**

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**TOWN OF NANTUCKET  
OTHER POST-EMPLOYMENT BENEFITS**

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**TOWN OF NANTUCKET  
OTHER POST-EMPLOYMENT BENEFITS**

**CERTIFICATION**

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We have performed an actuarial valuation of the Town of Nantucket Other Post-Employment Benefits as of July 1, 2007. The results of this valuation, along with supporting data, are set forth in the following report.

Milliman has prepared this report in compliance with Government Accounting Standard No. 45. No attempt is being made to offer any accounting opinion or advice. The calculations reported herein have been made on a basis consistent with our understanding of the plan provisions. Additional determinations may be needed for purposes other than meeting accounting requirements.

In preparing this report, we relied on employee census data and claims and premium information as of the valuation date, furnished by the Town of Nantucket. We performed a limited review of the financial information used directly in our analysis for reasonableness and consistency and have found them to be reasonably consistent and comparable with data used for other purposes. If the financial information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete and our calculations may need to be revised. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge, this report is complete and accurate, all costs and liabilities were determined in conformance with generally accepted actuarial principles and practices, and the methods and assumptions produced results which are reasonable. Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. Actual experience will not conform exactly to the assumptions made for this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience. The actuarial method and assumptions used in this valuation are discussed on pages 16-20 of this report. A summary of the plan provisions starts on page 21 of this report.

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**TOWN OF NANTUCKET  
OTHER POST-EMPLOYMENT BENEFITS**

**CERTIFICATION**

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This report may not be used without Milliman's prior written consent. If this report is distributed to other parties, it must be copied in its entirety, including this section. We understand that the plan sponsor may distribute this report to its auditor in connection with its audit. We will consent to this distribution as long as the work is distributed in its entirety, and the auditor is advised to have an actuary review the work. Milliman does not intend to benefit any third party recipient of its work product, including the auditor, and does not intend to create any legal duty from Milliman to the auditor even if Milliman consents to the release of its work product. In the event that the auditor's audit reveals any error or inaccuracy in the data underlying this report, Milliman requests that the auditor or the plan sponsor notify Milliman as soon as possible.

The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

MILLIMAN INC.

October 15, 2007



Rebecca A. Sielman, FSA  
Consulting Actuary



Steve A. Lemanski, FSA, FCA  
Consulting Actuary

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**TOWN OF NANTUCKET  
OTHER POST-EMPLOYMENT BENEFITS**

**OVERVIEW OF GASB 43 AND GASB 45**

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GASB 43 requires retiree medical plans to disclose information about asset and liability levels and show historical contribution information. GASB 43 only applies in situations where a separate trust is established to prefund these benefits. GASB 45 requires employers to perform periodic actuarial valuations to determine annual accounting costs, and to keep a running tally of the extent to which these amounts are over or under funded. GASB 43 is effective starting in FY 2006-07 for a Phase I government, FY 2007-08 for a Phase II government, and FY 2008-09 for a Phase III government. GASB 45 is effective for the fiscal year following implementation of GASB 43.

GASB 43 and 45 apply to just about any benefit that is provided after retirement except for pension benefits: medical insurance, dental, vision, and hearing benefits plus life insurance and long term care insurance. The benefits provided by the Town to retirees include medical and dental insurance plus life insurance for one employee group. The philosophy driving the accounting standard is that these post-employment benefits are part of the compensation that is paid to employees in return for their services, and the cost of these benefits should be recognized while the employees are providing those services, rather than after they have retired. This philosophy has already been applied for years to defined benefit pensions; GASB 43 and 45 extend the same thinking to all other post-employment benefits.

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**TOWN OF NANTUCKET  
OTHER POST-EMPLOYMENT BENEFITS**

**THE VALUATION PROCESS**

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The process of determining the liability for retiree medical benefits is based on many assumptions about future events. The key actuarial assumptions are:

**Turnover and retirement rates:** How likely is it that an employee will qualify for post-employment benefits and when will they start?

**Medical inflation and claims costs assumptions:** When an employee starts receiving post-employment benefits many years from now, how much will be paid each year for the benefits and how rapidly will the costs grow?

**Mortality assumption:** How long is a retiree likely to receive the benefits?

**Discount rate assumption:** What is the present value of those future benefit payments in terms of today's dollars?

Since the liability is being recognized over the employee's whole career with the Town, the present value is divided into three pieces: the part that is attributed to past years (the "Accrued Liability" or "Past Service Liability"), the part that is being earned this year (the "Normal Cost"), and the part that will be earned in future years (the "Future Service Liability").

Once the Accrued Liability and the Normal Cost have been calculated, the next step is to determine an annual contribution. This consists of two pieces:

- Normal Cost – because the benefits earned each year should be paid for each year
- Past Service Cost – a catch-up payment to fund the Accrued Liability over the next 10-30 years

The final step is to keep track going forward of how much of the contribution is actually paid. There is no requirement to actually fund these benefits, but the cumulative deficiency must be disclosed on the Town's financial statements. In addition, the Discount Rate used to calculate the liabilities must reflect the expected investment income of whatever funds are set aside to prefund the benefits; if there is no prefunding then the Discount Rate will be much lower and the liabilities significantly higher than if the benefits are prefunded.

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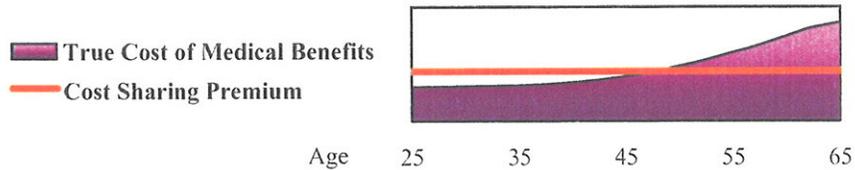
**TOWN OF NANTUCKET  
OTHER POST-EMPLOYMENT BENEFITS**

**IMPLICIT RATE SUBSIDIES**

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As part of the Other Post-Employment Benefits, there are situations where the cost is borne partly or entirely by retirees. In most cases, the premium that is used to split the cost is lower than the true cost of providing the medical benefits, for two reasons:

- The cost sharing premium is usually a fixed amount such as a COBRA premium that does not take into account the age of the retiree and his/her dependents. Since medical costs generally increase with age, the cost sharing premium is often lower than the true cost of the medical benefits:



- The cost sharing premium is usually a blended rate that takes into account the cost of medical benefits for active employees as well as retirees. Medical costs are generally higher for retirees than for active employees of the same age. This means that, again, the cost sharing premium is often lower than the true cost of the medical benefits.

Because of these two factors, a retiree who is paying 100% of the cost sharing premium is most likely not paying 100% of the true cost of the medical benefits. This situation is known as an "implicit rate subsidy". GASB 43 and 45 require the plan sponsor to measure the liability for this subsidy; that is, the difference between the true cost of the medical benefits and the cost sharing premiums paid by the retiree. To do this, our valuation consists of several steps:

First, we calculate the liability for the true cost of medical benefits expected to be received by retirees and their dependents. This liability is based on factors developed by Milliman's health actuaries that reflect how the cost of medical benefits varies by age and gender, as well as the other assumptions discussed on the prior page. We term this amount the "gross liability".

Next, we calculate the liability for the future premiums expected to be paid by the retiree for their own and their dependents' coverage. This liability is based on the current premium rates without adjustment for age or gender. It also is based on the terms of the retiree medical program – different retirees pay different percentages based on their union, date of retirement, age at retirement, and other factors. We term this amount the "offset liability".

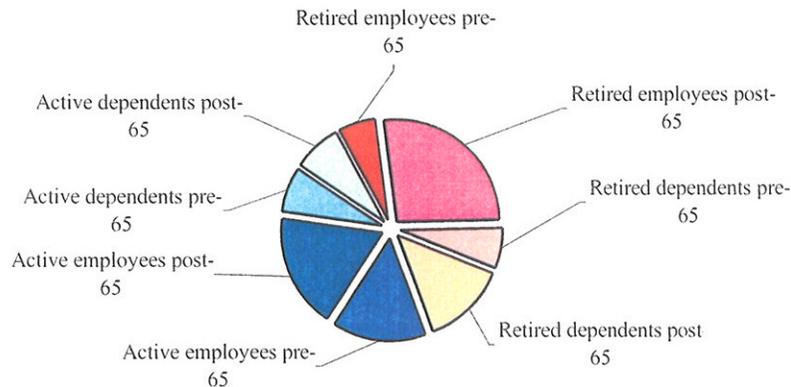
Finally, the net liability for the Town is calculated as the difference between the gross liability and the offset liability.

**TOWN OF NANTUCKET  
OTHER POST-EMPLOYMENT BENEFITS**

**SUMMARY OF LIABILITIES AS OF JULY 1, 2007**

We have calculated the Accrued Liability separately for two groups of Town employees, who are eligible for different retiree medical benefits. We have broken the accrued liability for each group into several pieces: benefits that are expected to be paid prior to age 65 (i.e. prior to Medicare) and after age 65 (i.e. after Medicare) to current active members and their covered dependents after retirement, and the same figures for members who have already retired and are currently receiving benefits. In all cases, the Accrued Liability only reflects benefits that are paid for by the Town, taking into account any implicit rate subsidies.

	Town	Teachers	Total
<b>Current active members</b>			
Employees under age 65	\$6,213,000	\$1,368,000	\$7,581,000
Employees over age 65	7,628,000	1,837,000	9,465,000
Dependents under age 65	3,229,000	516,000	3,745,000
Dependents over age 65	<u>3,290,000</u>	<u>698,000</u>	<u>3,988,000</u>
Total	20,360,000	4,419,000	24,779,000
<b>Current retired members</b>			
Employees under age 65	2,640,000	424,000	3,064,000
Employees over age 65	9,759,000	4,074,000	13,833,000
Dependents under age 65	2,766,000	454,000	3,220,000
Dependents over age 65	<u>4,919,000</u>	<u>2,065,000</u>	<u>6,984,000</u>
Total	20,084,000	7,017,000	27,101,000
<b>Total Accrued Liability</b>	40,444,000	11,436,000	51,880,000



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**TOWN OF NANTUCKET  
OTHER POST-EMPLOYMENT BENEFITS**

**SENSITIVITY ANALYSIS**

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Our results are highly dependent on two key assumptions: the rate at which we assume medical costs will increase over time, and the discount rate we use to translate future payments into current dollars. The results shown on the prior page are based on our baseline assumptions; the figures below show how the accrued liability would change if we varied these assumptions.

<b>Medical inflation rate baseline</b>	<b>Medical Benefits</b>	
	<b>Pre-65</b>	<b>Post-65</b>
Initial inflation rate	9.00%	9.00%
Ultimate inflation rate	5.00%	5.00%
Yearly decrease in inflation rate	1.00%	1.00%
Years until ultimate inflation rate	4	4

To show the sensitivity of our results to this assumption, we have looked at the impact of an increase or decrease of 1.00% on these rates.

**Discount rate baseline** 8.25%

The discount rate is based on the long-term earnings potential of any investments set up in a trust to prefund these benefits. The 8.25% baseline discount rate assumes a trust is established and invested in 60% stocks / 40% bonds, similar to the pension trust. We also looked at a 6.50% discount rate representing a more conservative portfolio of 50% stocks / 50% bonds. And finally, if the benefits are not prefunded, GASB 45 requires the discount rate to be set based on the expected earnings of the Town's general fund. For this scenario, we used a discount rate of 4.00%.

**Sensitivity to changes in assumptions**

	<u>Discount rate</u>	<u>Medical inflation rate</u>		
		less 1.00%	Baseline	plus 1.00%
<b>Accrued Liability</b>	<b>8.25%</b>	45,631,000	<b>51,880,000</b>	59,588,000
	<b>6.50%</b>	57,764,000	67,036,000	78,764,000
	<b>4.00%</b>	87,114,000	104,980,000	128,553,000
<b>Percent change from baseline</b>	<b>8.25%</b>	-12.0%		14.9%
	<b>6.50%</b>	11.3%	29.2%	51.8%
	<b>4.00%</b>	67.9%	102.4%	147.8%

**TOWN OF NANTUCKET  
OTHER POST-EMPLOYMENT BENEFITS**

**FUNDING ALTERNATIVES**

The Annual Required Contribution (ARC) for the retiree medical program consists of two pieces: a **Normal Cost** (the cost of benefits earned each year should be accrued in that year) plus a **Past Service Cost** (a catch-up accrual to amortize the Unfunded Accrued Liability). The amortization period should be reasonably related to the period of service over which retiree medical benefits are earned. We have selected a 30 year amortization period, which is the longest period permitted by GASB 45.

A common amortization technique produces annual payments that are designed to increase over time as payroll grows. On this basis, the ARC is determined as follows:

	Town	Teachers	Total
Accrued Liability	40,444,000	11,436,000	51,880,000
Assets	0	0	0
Unfunded Accrued Liability	40,444,000	11,436,000	51,880,000
Amortization Period	30	30	30
Past Service Cost	2,146,000	607,000	2,753,000
Normal Cost	2,197,000	354,000	2,551,000
Interest	358,000	79,000	437,000
ARC for FY 2009	4,701,000	1,040,000	<b>5,741,000</b>
Expected Benefit Payouts	1,903,000	631,000	2,534,000
Net Budget Impact	2,798,000	409,000	3,207,000

An alternative amortization technique is to calculate a level annual payment, much like a mortgage, which produces a higher amount in the short term but one that will not go up over time (unless the plan has adverse experience). On this basis, the ARC is:

Past Service Cost	3,397,000	961,000	4,358,000
Normal Cost	2,197,000	354,000	2,551,000
Interest	462,000	108,000	570,000
ARC for FY 2009	6,056,000	1,423,000	<b>7,479,000</b>

As with the Accrued Liability, the ARC is highly dependent on the medical inflation rate and discount rate assumptions:

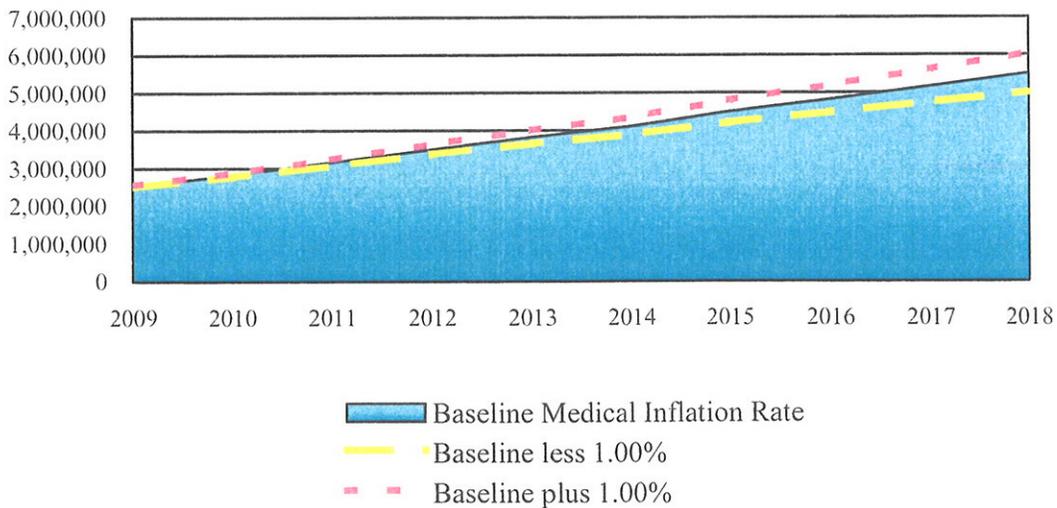
	<u>Discount rate</u>	<u>Medical inflation rate</u>		
		less 1.00%	Baseline	plus 1.00%
<b>ARC for FY 2009</b>	<b>8.25%</b>	4,889,000	<b>5,741,000</b>	6,828,000
<b>using Level Percent</b>	<b>6.50%</b>	5,843,000	7,064,000	8,661,000
<b>Amortization</b>	<b>4.00%</b>	8,457,000	10,745,000	13,896,000

**TOWN OF NANTUCKET  
OTHER POST-EMPLOYMENT BENEFITS**

**PROJECTED PAYOUTS**

The annual Town payments for retiree medical benefits are expected to rise sharply in coming years, both because medical costs are expected to rise over time and because more employees will retire and start to receive Town-paid medical benefits. The table and graph below show the expected annual payments for retiree medical benefits for the next 10 years under the different medical inflation rates described on the preceding page.

Fiscal Year	Baseline less 1.00%	Baseline Medical Inflation Rate	Baseline plus 1.00%
2009	\$2,511,000	\$2,534,000	\$2,558,000
2010	\$2,784,000	\$2,836,000	\$2,888,000
2011	\$3,071,000	\$3,158,000	\$3,247,000
2012	\$3,380,000	\$3,509,000	\$3,641,000
2013	\$3,649,000	\$3,825,000	\$4,007,000
2014	\$3,888,000	\$4,114,000	\$4,351,000
2015	\$4,211,000	\$4,499,000	\$4,803,000
2016	\$4,471,000	\$4,823,000	\$5,198,000
2017	\$4,734,000	\$5,156,000	\$5,610,000
2018	\$5,009,000	\$5,507,000	\$6,049,000



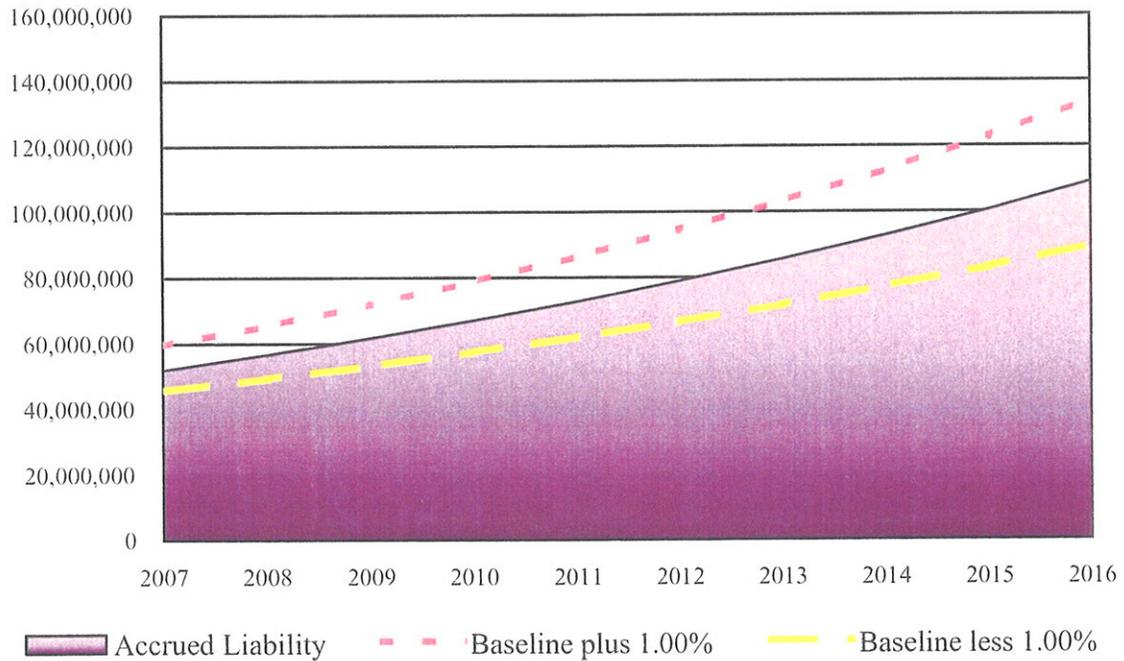
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**TOWN OF NANTUCKET  
OTHER POST-EMPLOYMENT BENEFITS**

**PROJECTED LIABILITIES**

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The graph below shows how the Town's accrued liability for retiree medical benefits is expected to grow over the next 10 years under the different medical inflation rates described on the preceding page.



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**TOWN OF NANTUCKET  
OTHER POST-EMPLOYMENT BENEFITS**

**GASB 45 SCHEDULE OF FUNDING PROGRESS**

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The following information is required to be disclosed in the Town's financial statement once the Town has implemented GASB 45.

(\$ 000s)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (b)	Unfunded Accrued Liability (UAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2007	\$0	\$51,880	\$51,880	0%	N/A	N/A

The results shown above are based on the baseline assumptions with respect to the medical inflation rate and the discount rate, as discussed in the Sensitivity Analysis section of this report. Please note that the baseline discount rate assumes that the Town will prefund its retiree medical program. The 8.25% baseline discount rate assumes a trust is established and invested in 60% stocks / 40% bonds, similar to the pension trust.

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**TOWN OF NANTUCKET  
OTHER POST-EMPLOYMENT BENEFITS**

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**GASB 45 SCHEDULE OF EMPLOYER CONTRIBUTIONS**

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The following information is required to be disclosed in the Town's financial statement once the Town has implemented GASB 45.

(\$ 000s)

Year Ended June 30	Annual Required Contribution	Actual Contribution Made	Percentage Contributed
2009	\$5,741	N/A	N/A

The results shown above are based on the baseline assumptions with respect to the medical inflation rate and the discount rate, as discussed in the Sensitivity Analysis section of this report, and on the level percent amortization method as discussed in the Funding Alternatives section of this report. Please note that the baseline discount rate assumes that the Town will prefund its retiree medical program. The 8.25% baseline discount rate assumes a trust is established and invested in 60% stocks / 40% bonds, similar to the pension trust.

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**TOWN OF NANTUCKET  
OTHER POST-EMPLOYMENT BENEFITS**

**SUMMARY OF CENSUS DATA**

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The following were included in our analysis as of July 1, 2007 based on information provided by the Town.

	Town	Teachers	Total
<b>Number of members</b>			
Active	492	88	580
Retired & TV members	94	35	129
Spouses of retirees	51	16	67
<b>Total</b>	<b>637</b>	<b>139</b>	<b>776</b>
<b>Average age</b>			
Active	43.9	45.0	44.1
Retired & TV	70.3	70.9	70.5
<b>Average retirement age</b>			
Active	58.0	58.7	58.1
Retired & TV	59.6	59.4	59.5
<b>Expected lifetime</b>			
Active [to retirement]	14.1	13.7	14.0
Retired & TV [lifetime]	16.5	16.0	16.3

Where complete census data was not available, we have made assumptions which we believe to be reasonable.

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**TOWN OF NANTUCKET  
OTHER POST-EMPLOYMENT BENEFITS**

**CURRENT PREMIUMS**

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We received the following information from the Town concerning the current premiums for medical benefits provided to retirees:

2007 Monthly COBRA Premiums		Employee	Spouse
<u>Blue Cross/Blue Shield</u>			
Master Medical	Pre 65	\$780.00	\$918.00
Blue Care Elect PPO	Pre 65	678.00	765.00
Medex	Post 65	440.00	430.00
Delta Dental - Premier Voluntary Plan		24.01	37.01

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**TOWN OF NANTUCKET  
OTHER POST-EMPLOYMENT BENEFITS**

**MEDICAL COST ADJUSTMENT FACTORS**

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Milliman's Health Cost Guidelines were used to develop the expected relationship of the true cost of medical benefits across age and gender. Representative factors are shown below.

Age	Medical	
	Employee	Spouse
40	1.95%	2.51%
45	3.42%	3.88%
50	4.40%	4.71%
55	4.30%	4.78%
60	4.20%	4.41%
65	2.21%	2.27%
70	2.15%	2.21%
75	1.42%	1.53%
80	1.23%	1.12%

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**TOWN OF NANTUCKET, MA  
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

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**ACTUARIAL METHOD**

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The actuarial funding method used is the **Projected Unit Credit Cost Method**. Recommended annual contributions consist of two pieces: Normal Cost plus a payment towards the Unfunded Accrued Liability.

The **Accrued Liability** is determined directly as the present value of benefits accrued to date, where the accrued benefit for each Member is the pro-rata portion (based on service to date) of the **projected** benefit payable at death, disability, retirement or termination.

The **Normal Cost** is similarly determined as the present value of the portion of the **projected** benefit attributable to the current year.

The **Unfunded Accrued Liability** is the Accrued Liability less the value of any plan assets.

**TOWN OF NANTUCKET, MA  
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

**ACTUARIAL ASSUMPTIONS**

<b>Payroll Growth Rate</b>	4.50%
<b>Healthy Mortality<sup>#</sup></b>	<p><b>Teachers:</b> RP-2000 Mortality Table projected to 2010 with Scale AA for males and females, and separate tables for active employees and annuitants.</p> <p><b>Groups 1, 2 &amp; 4:</b> 1994 Group Annuity Mortality Table for males and females.</p>
<b>Disabled Mortality<sup>#</sup></b>	<p><b>Teachers:</b> RP-2000 Healthy Annuitant table for males and females, set forward 3 years for males.</p> <p><b>Groups 1, 2 &amp; 4:</b> 1994 Group Annuity Mortality Table for males and females with 5 year set forward.</p>
<b>Pre-retirement Death<sup>#</sup></b>	55% of pre-retirement deaths are assumed to be Service-Connected for Teachers; 35% for Groups 1 and 2; and 90% for Group 4.
<b>Turnover<sup>#</sup></b>	<b>Teachers:</b> rates based on age, gender and length of service. Sample rates are shown below:

Age	Years of Service					
	0		5		10+	
	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

**Groups 1 and 2:** rates based on age. Sample rates are shown below:

Age	Rate
20	7.94%
30	7.22
40	5.15
50	2.56
60	0.09

**Group 4:** None.

**TOWN OF NANTUCKET, MA  
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

**ACTUARIAL ASSUMPTIONS**

<b>Disability<sup>#</sup></b>	<b>Age</b>	<b>Teachers</b>	<b>Groups 1 &amp; 2</b>	<b>Group 4</b>
	20	0.004%	0.060%	0.120%
	30	0.006	0.110	0.220
	40	0.010	0.240	0.480
	50	0.050	0.610	1.220
	60	0.100	1.228	2.456

It is assumed that Service-Connected Disabilities are 35% of all disabilities for Teachers, and 50% for Groups 1, 2 & 4.

**Retirement<sup>#</sup>**

**Teachers**

<b>Age</b>	<b>Male</b>		<b>Female</b>	
	<b>Service</b>		<b>Service</b>	
	<b>&lt; 20</b>	<b>20 +</b>	<b>&lt; 20</b>	<b>20 +</b>
50	0%	1%	0%	1%
51	0%	1%	0%	1%
52	0%	1%	0%	1%
53	0%	1%	0%	1%
54	0%	2%	0%	1%
55	2%	3%	2%	4%
56	4%	3%	4%	4%
57	7%	5%	7%	5%
58	8%	7%	8%	7%
59	9%	10%	9%	11%
60	12%	20%	12%	16%
61	15%	30%	15%	20%
62	18%	35%	18%	25%
63	15%	35%	15%	25%
64	25%	30%	25%	30%
65	40%	50%	40%	40%
66	40%	30%	40%	30%
67	40%	30%	40%	25%
68	40%	30%	40%	35%
69	40%	40%	40%	35%
70	100%	100%	100%	100%

**TOWN OF NANTUCKET, MA  
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

**ACTUARIAL ASSUMPTIONS**

Retirement <sup>#</sup>	Age	Groups 1 & 2		Group 4
		Male	Female	
	45-49	0.0%	0.0%	1.0%
	50	1.0%	1.5%	2.0%
	51	1.0%	1.5%	2.0%
	52	1.0%	2.0%	2.0%
	53	1.0%	2.5%	5.0%
	54	2.0%	2.5%	7.5%
	55	2.0%	5.5%	15.0%
	56	2.5%	6.5%	10.0%
	57	2.5%	6.5%	10.0%
	58	5.0%	6.5%	10.0%
	59	6.5%	6.5%	15.0%
	60	12.0%	5.0%	20.0%
	61	20.0%	13.0%	20.0%
	62	30.0%	15.0%	25.0%
	63	25.0%	12.5%	25.0%
	64	22.0%	18.0%	30.0%
	65	40.0%	15.0%	100.0%
	66	25.0%	20.0%	100.0%
	67	25.0%	20.0%	100.0%
	68	30.0%	25.0%	100.0%
	69	30.0%	20.0%	100.0%
	70	100.0%	100.0%	100.0%

**Future Retiree Coverage** 100% of active and 90% of vested former members are assumed to elect coverage at retirement.

**Future Dependent Coverage** Current active members are assumed to elect dependent coverage at retirement as follows. All female spouses are assumed to be 3 years younger than males.

	Male	Female
<b>Teachers</b>	70%	30%
<b>Groups 1, 2 &amp; 4</b>	70%	20%

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**TOWN OF NANTUCKET, MA  
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**ACTUARIAL ASSUMPTIONS**

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**Future Pre-65 Coverage**      Actives are assumed to continue coverage upon retirement with the following elections:

**Groups 1, 2 & Teachers:** 50% elect Master Medical and 50% elect PPO.

**Group 4:** 100% elect Master Medical.

**Future Post-65 Coverage**      Upon attainment of age 65, all current pre-65 actives and retirees are assumed to elect Medex.

# Certain actuarial demographic assumptions are based on the assumptions used by the Public Employee Retirement Administration Commission (PERAC) in their 2006 valuation of the Massachusetts Teachers' Retirement System, and by The Segal Group in their 2006 valuation of the Barnstable County Retirement System.

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**TOWN OF NANTUCKET, MA  
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**SUMMARY OF PLAN PROVISIONS**

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**Eligibility**

Other Post-Employment Benefits for public employees in Massachusetts are governed by Chapter 32B of the Massachusetts General Law. Employees are classified into one of the following three groups depending on position classification:

Group 1: General employees, including clerical, administrative, technical and all other employees not otherwise classified.

Group 2: Certain specified hazardous duty positions.

Group 4: Police officers, firefighters, and other specified hazardous positions.

Members who retire upon attainment of age 55 with 10 years of service (age 55 with no service requirements for Group 4), or completion of 20 years of service regardless of age (age 55 with 6 years of service for elected and appointed employees), can elect to continue health coverage for self and spouse.

Members who terminate before age 55 with 10 or more years of service (6 years of service for elected and appointed employees) are eligible for post-retirement health benefits upon the attainment of age 55, provided they do not elect a refund of their pension deductions.

**Medical Benefits**

Retiree has the option to elect from Master Medical or Blue Care Elect Preferred (PPO) for pre-65 medical coverage; post-65 medical coverage is provided through Medex.

**Cost Sharing**

Retiree contributions are as follows:

<b>Plan</b>	<b>Retiree %</b>	<b>Spouse %</b>
Master Medical	20%	20%
PPO	10%	10%
Medex	10%	10%

Coverage continues to spouse/dependents upon death of retiree, provided spouse/dependent pays 100% of the premium.

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**TOWN OF NANTUCKET, MA  
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**SUMMARY OF PLAN PROVISIONS**

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<b>Voluntary Dental Benefits</b>	Eligible retired members can elect to continue dental coverage, provided they pay 100% of the premium.
<b>Service-Connected Disability</b>	Same benefits and cost sharing provisions as above are applicable. There are no minimum age or service requirements.
<b>Life Insurance</b>	\$2,000; retiree pays 100% of premium.

This summary is intended only to describe our understanding of the essential features of the benefits that will be provided to future retirees based on copies of bargaining agreements, the Town's personnel rules and the benefits being currently provided to retired members. All eligibility requirements and benefit amounts shall be determined in strict accordance with the relevant plan documents. To the extent that this summary does not accurately reflect the plan provisions, then the results of this valuation may not be accurate.