

City of Boston

*Actuarial Valuation and Review of Other Postemployment
Benefits (OPEB) as of June 30, 2011
In accordance with GASB Statements Number 43 and 45*

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April 5, 2012

*Ms. Sally Glora, City Auditor
City of Boston
City Hall Room M-4
Boston, MA 02201*

Dear Sally:

We are pleased to submit this revised Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2011 under Governmental Accounting Standards Board Statements 43 and 45. It establishes the liabilities of the postemployment welfare benefit plan in accordance with GASB Statements Number 43 and 45 for the current year and summarizes the actuarial data.

This report is based on information received from the City. The actuarial projections were based on the assumptions and methods described in Exhibit II and on the plan of benefits as summarized in Exhibit III.

We look forward to discussing this material with you at your convenience.

Sincerely,

THE SEGAL COMPANY

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

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PURPOSE

This report presents the results of our actuarial valuation of the City of Boston (the “Employer”) postemployment welfare benefit plan as of June 30, 2011. The results are in accordance with the Governmental Accounting Standards, which prescribe an accrual methodology for accumulating the value of other postemployment benefits (OPEB) over participants’ active working lifetimes. The accounting standard supplements cash accounting, under which the expense for postemployment benefits is equal to benefit and administrative costs paid on behalf of retirees and their dependents (*i.e.*, a pay-as-you-go basis).

HIGHLIGHTS OF THE VALUATION

During the fiscal year ending June 30, 2012, we project the City and Public Health Commission will pay benefits (net of retiree contributions) on behalf of retired employees of about \$147 million. This amount is less than the annual “cost” (the “Annual Required Contribution” or ARC) of \$194 million.

The GASB statements provide the method for selecting the investment return assumption (discount rate). If the benefits are fully funded, the discount rate should be based on the estimated long-term investment yield on the investments expected to be used to finance the payment of benefits. If financing is on a pay-as-you-go basis, the discount rate should be based on the expected yield on the assets of the employer. If the benefits are partially funded, a blended discount rate can be used that reflects the proportionate amounts of plan and employer assets expected to be used. Based on the City’s and Public Health Commission’s funding policies, we have determined a blended rate of 7.25% for the City and 5.75% for the Public Health Commission. The blending is based on a funded discount rate of 8.00% and a

pay-as-you-go discount rate of 4.50%. In the prior valuation, the blended discount rate was 5.25% for both the City and the Public Health Commission.

To determine the amortization payment on the unfunded actuarial accrued liability (UAAL), an amortization period and amortization method must be selected. We have used a 30-year open amortization of the UAAL (the maximum permitted by the GASB statements) for the accounting disclosures, with payments increasing at 4.5% year. The GASB statements allow for either an open or closed amortization period. In open amortization, the period is reset to the initial value every year and the UAAL is reamortized, while under a closed amortization, the remaining period decreases and the UAAL is eventually “paid off.”

Assets set aside to fund OPEB liabilities must be held in a trust or equivalent arrangement, through which assets are accumulated and benefits are paid as they come due. Employer contributions to the plan are irrevocable, plan assets are dedicated to providing benefits to retirees and their spouses in accordance with the terms of the plan, and plan assets are legally protected from creditors of the employer.

The City of Boston and the Public Health Commission have funded \$111,038,375 as of June 30, 2011 in an OPEB Trust Fund as detailed on page 7 of this report. Because this is an irrevocable trust, those assets are reflected in the disclosure information included in this report.

GASB guidelines prohibit the offset of OPEB obligations by the future value of Medicare Part D subsidies. Therefore, these calculations do not include an estimate for retiree prescription drug plan federal subsidies that the Employer may be eligible to receive for plan years beginning in 2006.

Employer decisions regarding plan design, cost sharing between the Employer and its retirees, actuarial cost method, amortization techniques, and integration with Medicare are just some of the decisions that affect the magnitude of OPEB obligations. We are available to assist you with any investigation of such options you may wish to undertake.

The Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (HCERA) of 2010 creates a temporary reinsurance program for eligible health care coverage for pre-Medicare retirees over age 55. The program will reimburse the plan sponsor for 80% of the retiree claims between \$15,000 and \$90,000. Due to the short nature of this program, the limited financing, and uncertainty of qualifying and receiving payment (the program will be on a first come first served basis until financing runs out), we have not reflected the value of this program in the valuation. Additional provisions of these Acts that may affect retiree health benefits in the future have not been reflected.

- The **unfunded actuarial accrued liability (UAAL)** as of June 30, 2011 is \$3.061 billion. Going forward, net unfunded plan obligations will be expected to change due to normal plan operations, which consist of continuing accruals for active members, plus interest on the total actuarial accrued liability, less expected benefit payments and contributions. Future valuations will analyze the difference between actual and expected unfunded actuarial accrued liabilities.
 - As of June 30, the ratio of assets to the AAL (the funded ratio) is 3.50%.
- The **Annual Required Contribution (ARC)** is \$194 million this year. The ARC is expected to remain relatively level as a percentage of payroll, as long as the

ARC is fully funded each year. If the ARC is not fully funded, it may be expected to increase as a percentage of payroll over time.

Plan obligations are \$3.172 billion as of June 30, 2011, a decrease of \$1.513 billion from \$4.685 billion as shown in the June 30, 2009 Supplemental Valuation Report.

Plan obligations had been expected to increase \$392 million due to normal plan operations, which consist of continuing accruals for active members, plus interest on the total obligation, less expected benefit payments. The decrease was the net effect of the following:

- An **actuarial experience loss** increased obligations by \$214 million. This was the net result of gains and losses due to demographic changes. A portion of this loss is attributable to the increased election of the more costly insured non-Medicare plans for retirees age 65 or over.
- **Valuation assumption changes** decreased obligations by \$1.347 billion. This was the net result of *decreases* in obligations due to 1) lowering the valuation-year per capita health costs and 2) revising the discount rate from 5.25% to 5.75% for the Public Health Commission and from 5.25% to 7.25% for the City, partially offset by increases in obligations due to 3) a change in the future trend on per capita health care costs, based on our projections of what is likely to occur in the marketplace and 4) a change in the mortality assumption for healthy and disabled lives. The complete set of assumptions is shown in Exhibit II.

- **Plan amendments** decreased obligations by \$772 million. This was due to *decreases* in obligations resulting from increases in retiree premium cost-sharing effective July 1, 2011 and July 1, 2012 for non-Medicare plans and July 1, 2015 for Medicare plans, *decreases* in obligations resulting from projected savings from the movement of Medicare eligible retirees currently enrolled in non-Medicare plans to Medicare plans effective July 1, 2012 due to the revisions to Section 18A of Chapter 32B, partially offset by the Medicare Part B penalty that will be paid by the employer, and *decreases* in obligation due to changes in plan design effective July 1, 2012. The current plan of benefits is summarized in Exhibit III.

We have calculated liabilities separately for employees and retirees identified as Boston Public Schools, All Other City Departments, and Public Health Commission.

SECTION 1: Valuation Results for the City of Boston June 30, 2011 Measurement under GASB

ACCOUNTING REQUIREMENTS

The Governmental Accounting Standards Board (GASB) issued Statement Number 43 -- *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement Number 45 -- *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Under these statements, all state and local governmental entities that provide other post employment benefits (OPEB) are required to report the cost of these benefits on their financial statements.

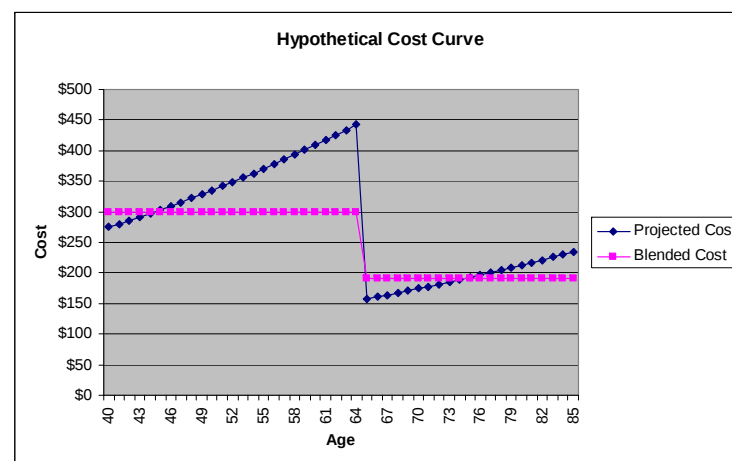
The statements cover postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are *not* offered as part of a pension plan; and long-term disability insurance for employees. These benefits, referred to as OPEB, are typically financed on a pay-as-you-go basis. The new standard introduces an accrual-basis accounting requirement; thereby recognizing the employer cost of postemployment benefits over an employee's career. The standards also introduce a consistent accounting requirement for both pension and non-pension benefits.

The total cost of providing postemployment benefits is projected, taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions. This amount is then discounted to determine the actuarial present value of the total projected benefits (APB). The actuarial accrued liability (AAL) is the portion of the present value of the total projected benefits allocated to years of employment prior to the measurement date. The unfunded actuarial accrued liability (UAAL) is the difference between the AAL and actuarial value of assets in the Plan.

Once the UAAL is determined, the Annual Required Contribution (ARC) is determined as the normal cost (the APB allocated to the current year of service) and the amortization of the UAAL. This ARC is compared to actual contributions made and any difference is reported as the net OPEB obligation (NOO). In addition, required supplementary information (RSI) must be reported, including historical information about the UAAL and the progress in funding the Plan.

The benefits valued in this report are limited to those described in Exhibit III of Section 4.

The following graph illustrates why a significant accounting obligation may exist even though the retiree contributes most or all of the blended premium cost of the plan. The average cost for retirees is likely to exceed the average cost for the whole group, leading to an implicit subsidy for these retirees. The accounting standard requires the employer to identify and account for this implicit subsidy as well as any explicit subsidies the employer may provide.

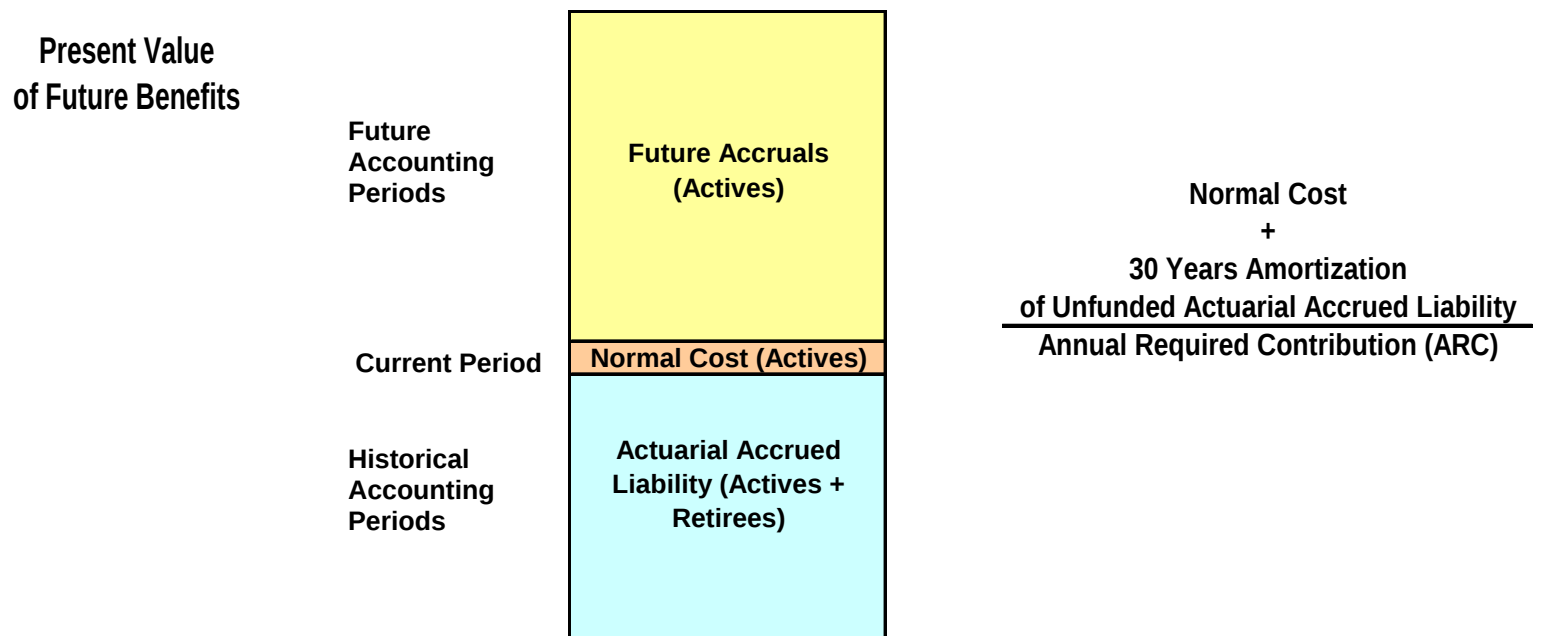


SECTION 1: Valuation Results for the City of Boston June 30, 2011 Measurement under GASB

This graph shows how the actuarial present value of the total projected benefits (APB) is broken down and allocated to various accounting periods.

The exact breakdown depends on the actuarial cost method and amortization methods selected by the employer.

GASB 43/45 Measurement



$$\begin{aligned} \text{Net OPEB Obligation} = & \text{ARC}_1 + \text{ARC}_2 + \text{ARC}_3 + \dots \\ & - \text{Contribution}_1 - \text{Contribution}_2 - \text{Contribution}_3 - \dots \end{aligned}$$

SECTION 1: Valuation Results for the City of Boston June 30, 2011 Measurement under GASB

Actuarial computations under GASB statements are for purposes of fulfilling certain welfare plan accounting requirements. The calculations shown in this report have been made on a basis consistent with our understanding of GASB. Determinations for purposes other than meeting the financial accounting requirements of GASB may differ significantly from the results reported here.

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of the valuation and on the pattern of sharing costs between the employer and plan members. The projection of benefits does not incorporate the potential effect of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective, and the methods and assumptions use techniques designed to reduce short term volatility in accrued liabilities and the actuarial value of assets, if any.

The calculation of an accounting obligation does not, in and of itself, imply that there is any legal liability to provide the benefits valued, nor is there any implication that the Employer is required to implement a funding policy to satisfy the projected expense.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

SECTION 2: Valuation Results for the City of Boston June 30, 2011 Measurement under GASB

SUMMARY OF VALUATION RESULTS

Actuarial Accrued Liability (AAL) and Annual Required Contribution – 7.25% for City and 5.75% for Public Health Commission

	Boston Public Schools (A)	All Other Departments (City) (B)	Total City (A) + (B)	Public Health Commission (C)	All Departments Total (A) + (B) + (C)
Actuarial Accrued Liability by Participant Category					
1. Current retirees, beneficiaries and dependents	\$645,465,159	\$806,369,999	\$1,451,835,158	\$22,282,379	\$1,474,117,537
2. Current active members	<u>656,872,778</u>	<u>909,544,327</u>	<u>1,566,417,105</u>	<u>131,135,708</u>	<u>1,697,552,813</u>
3. Total as of July 1, 2011: (1) + (2)	\$1,302,337,937	\$1,715,914,326	\$3,018,252,263	\$153,418,087	\$3,171,670,350
4. Actuarial value of assets as of June 30, 2011	<u>0</u>	<u>109,735,953</u>	<u>\$109,735,953</u>	<u>1,302,422</u>	<u>111,038,375</u>
5. Unfunded actuarial accrued liability (UAAL) as of June 30, 2011	\$1,302,337,937	\$1,606,178,373	\$2,908,516,310	\$152,115,665	\$3,060,631,975
Annual Required Contribution for Fiscal Year Ending June 30, 2012					
6. Normal cost as of July 1, 2011	\$23,702,976	\$20,243,866	\$43,946,841	\$6,320,149	\$50,266,990
7. 30-year increasing amortization (4.50% per year) of the unfunded actuarial accrued liability (UAAL) as of June 30, 2011	<u>61,695,823</u>	<u>76,089,695</u>	<u>137,785,518</u>	<u>5,992,862</u>	<u>143,778,380</u>
8. Total Annual Required Contribution (ARC): (6) + (7)	\$85,398,799	\$96,333,561	\$181,732,359	\$12,313,011	\$194,045,370
9. Projected net benefit payments for fiscal year ending June 30, 2012	66,041,128	79,467,980	145,509,108	1,696,099	147,205,207

Note: Assumes payment at the beginning of the fiscal year.

SECTION 2: Valuation Results for the City of Boston June 30, 2011 Measurement under GASB

PROJECTION OF ARC

30 Years Open (7.25% discount rate)

Total City (Boston Public Schools and All Other City Departments)

Fiscal Year Ended June 30	(1) Projected Benefit Payments	(2) Normal Cost with Interest	(3) Amortization of UAAL	(4) ARC: (2) + (3)	(5) Additional Funding	(6) Assets at End of Year	(7) AAL at End of Year	(8) UAAL at End of Year: (7) – (6)
2012	\$145,509,108	\$43,946,841	\$137,785,518	\$181,732,359	\$35,000,000	\$156,314,829	\$3,128,150,020	\$2,971,835,191
2013	122,845,023	46,144,183	140,785,131	186,929,314	35,000,000	206,620,016	3,272,679,246	3,066,059,230
2014	134,008,718	48,451,392	145,248,818	193,700,210	35,000,000	260,949,617	3,418,188,259	3,157,238,642
2015	145,385,860	50,873,962	149,568,273	200,442,235	35,000,000	319,625,586	3,564,642,897	3,245,017,311
2016	156,425,167	53,417,660	153,726,623	207,144,283	35,000,000	382,995,633	3,712,603,956	3,329,608,323
2017	168,378,576	56,088,543	157,733,964	213,822,507	35,000,000	451,435,284	3,861,336,682	3,409,901,398
2018	180,887,851	58,892,970	161,537,698	220,430,668	35,000,000	525,350,106	4,010,444,082	3,485,093,975
2019	193,437,750	61,837,619	165,099,805	226,937,424	35,000,000	605,178,115	4,160,060,137	3,554,882,022
2020	205,624,872	64,929,499	168,405,884	233,335,383	35,000,000	691,392,364	4,310,768,710	3,619,376,346
2021	217,355,429	68,175,974	171,461,181	239,637,155	35,000,000	784,503,753	4,463,304,476	3,678,800,723
2022	229,052,208	71,584,773	174,276,300	245,861,073	35,000,000	885,064,054	4,618,010,227	3,732,946,173
2023	240,504,818	75,164,012	176,841,339	252,005,351	35,000,000	993,669,178	4,775,487,953	3,781,818,775
2024	252,530,059	78,922,212	179,156,588	258,078,800	35,000,000	1,110,962,712	4,935,516,414	3,824,553,702
2025	265,156,562	82,868,323	181,181,075	264,049,398	35,000,000	1,237,639,729	5,097,837,217	3,860,197,488
2026	278,414,390	87,011,739	182,869,632	269,881,371	35,000,000	1,374,450,907	5,262,151,072	3,887,700,165
2027	292,335,110	91,362,326	184,172,520	275,534,846	35,000,000	1,522,206,980	5,428,113,714	3,905,906,734
2028	306,951,865	95,930,442	185,035,022	280,965,464	35,000,000	1,681,783,538	5,595,331,483	3,913,547,944
2029	322,299,459	100,726,965	185,397,010	286,123,975	35,000,000	1,854,126,221	5,763,356,515	3,909,230,294
2030	338,414,432	105,763,313	185,192,470	290,955,783	35,000,000	2,040,256,319	5,931,681,537	3,891,425,218
2031	355,335,153	111,051,478	184,348,988	295,400,466	35,000,000	2,241,276,825	6,099,734,208	3,858,457,383
2032	373,101,911	116,604,052	182,787,198	299,391,250	35,000,000	2,458,378,971	6,266,870,985	3,808,492,014
2033	391,757,006	122,434,255	180,420,182	302,854,437	35,000,000	2,692,849,288	6,432,370,480	3,739,521,192
2034	411,344,857	128,555,968	177,152,819	305,708,787	35,000,000	2,946,077,231	6,595,426,256	3,649,349,025
2035	431,912,100	134,983,766	172,881,081	307,864,847	35,000,000	3,219,563,410	6,755,139,022	3,535,575,613
2036	453,507,705	141,732,954	167,491,279	309,224,233	35,000,000	3,514,928,482	6,910,508,182	3,395,579,700
2037	476,183,090	148,819,602	160,859,234	309,678,836	35,000,000	3,833,922,761	7,060,422,685	3,226,499,924
2038	499,992,244	156,260,582	152,849,396	309,109,978	35,000,000	4,178,436,582	7,203,651,122	3,025,214,540
2039	524,991,856	164,073,611	143,313,878	307,387,489	35,000,000	4,550,511,509	7,338,831,010	2,788,319,502
2040	551,241,449	172,277,292	132,091,419	304,368,711	35,000,000	4,952,352,429	7,464,457,200	2,512,104,771
2041	578,803,522	180,891,157	119,006,263	299,897,420	35,000,000	5,386,340,624	7,578,869,335	2,192,528,712

Notes: Assumes payment at the beginning of the fiscal year.

Amortization payments calculated to increase 4.5% per year.

SECTION 2: Valuation Results for the City of Boston June 30, 2011 Measurement under GASB

PROJECTION OF ARC CONTINUED

30 Years Open (5.75% discount rate)
Public Health Commission

Fiscal Year Ended June 30	(1) Projected Benefit Payments	(2) Normal Cost with Interest	(3) Amortization of UAAL	(4) ARC: (2) + (3)	(5) Additional Funding	(6) Assets at End of Year	(7) AAL at End of Year	(8) UAAL at End of Year: (7) – (6)
2012	\$1,696,099	\$6,320,149	\$5,992,862	\$12,313,011	\$1,250,000	\$2,756,616	\$167,129,560	\$164,372,945
2013	1,809,415	6,636,157	6,475,758	13,111,915	1,250,000	4,327,145	181,843,790	177,516,645
2014	2,287,842	6,967,965	6,993,577	13,961,542	1,250,000	6,023,317	197,249,037	191,225,721
2015	2,807,659	7,316,363	7,533,670	14,850,033	1,250,000	7,855,182	213,358,811	205,503,629
2016	3,387,618	7,682,181	8,096,173	15,778,354	1,250,000	9,833,597	230,168,444	220,334,847
2017	4,058,353	8,066,290	8,680,475	16,746,765	1,250,000	11,970,284	247,641,523	235,671,238
2018	4,817,431	8,469,605	9,284,679	17,754,284	1,250,000	14,277,907	265,743,084	251,465,177
2019	5,620,061	8,893,085	9,906,909	18,799,994	1,250,000	16,770,140	284,484,534	267,714,394
2020	6,374,301	9,337,739	10,547,075	19,884,814	1,250,000	19,461,751	303,976,231	284,514,480
2021	7,179,783	9,804,626	11,208,943	21,013,569	1,250,000	22,368,691	324,230,635	301,861,945
2022	8,038,659	10,294,857	11,892,377	22,187,234	1,250,000	25,508,186	345,259,827	319,751,641
2023	8,440,592	10,809,600	12,597,173	23,406,773	1,250,000	28,898,841	367,617,493	338,718,652
2024	8,862,622	11,350,080	13,344,411	24,694,491	1,250,000	32,560,748	391,385,987	358,825,238
2025	9,305,753	11,917,584	14,136,545	26,054,129	1,250,000	36,515,608	416,652,693	380,137,085
2026	9,771,040	12,513,464	14,976,162	27,489,626	1,250,000	40,786,857	443,510,335	402,723,479
2027	10,259,592	13,139,137	15,865,993	29,005,130	1,250,000	45,399,805	472,057,298	426,657,493
2028	10,772,572	13,796,094	16,808,915	30,605,009	1,250,000	50,381,790	502,397,967	452,016,177
2029	11,311,200	14,485,898	17,807,964	32,293,862	1,250,000	55,762,333	534,643,093	478,880,760
2030	11,876,761	15,210,193	18,866,341	34,076,534	1,250,000	61,573,319	568,910,175	507,336,856
2031	12,470,599	15,970,703	19,987,419	35,958,122	1,250,000	67,849,185	605,323,871	537,474,686
2032	13,094,128	16,769,238	21,174,751	37,943,989	1,250,000	74,627,120	644,016,422	569,389,302
2033	13,748,835	17,607,700	22,432,083	40,039,783	1,250,000	81,947,289	685,128,116	603,180,826
2034	14,436,277	18,488,085	23,763,359	42,251,444	1,250,000	89,853,072	728,807,769	638,954,697
2035	15,158,090	19,412,489	25,172,733	44,585,222	1,250,000	98,391,318	775,213,243	676,821,924
2036	15,915,995	20,383,114	26,664,578	47,047,692	1,250,000	107,612,624	824,511,982	716,899,358
2037	16,711,795	21,402,269	28,243,499	49,645,768	1,250,000	117,571,634	876,881,598	759,309,964
2038	17,547,384	22,472,383	29,914,338	52,386,721	1,250,000	128,327,364	932,510,475	804,183,111
2039	18,424,754	23,596,002	31,682,194	55,278,196	1,250,000	139,943,553	991,598,422	851,654,869
2040	19,345,991	24,775,802	33,552,427	58,328,229	1,250,000	152,489,038	1,054,357,356	901,868,318
2041	20,313,291	26,014,592	35,530,673	61,545,265	1,250,000	166,038,161	1,121,012,030	954,973,869

Notes: Assumes payment at the beginning of the fiscal year.

Amortization payments calculated to increase 4.5% per year.

SECTION 2: Valuation Results for the City of Boston June 30, 2011 Measurement under GASB

PROJECTION OF ARC CONTINUED

**30 Years Open (7.25% discount rate for City and 5.75% discount rate for Public Health Commission)
All Departments Including Public Health Commission**

Fiscal Year Ended June 30	(1) Projected Benefit Payments	(2) Normal Cost with Interest	(3) Amortization of UAAL	(4) ARC: (2) + (3)	(5) Additional Funding	(6) Assets at End of Year	(7) AAL at End of Year	(8) UAAL at End of Year: (7) – (6)
2012	\$147,205,208	\$50,266,990	\$143,778,380	\$194,045,370	\$36,250,000	\$159,071,445	\$3,295,279,581	\$3,136,208,136
2013	124,654,438	52,780,340	147,260,889	200,041,229	36,250,000	210,947,161	3,454,523,035	3,243,575,875
2014	136,296,560	55,419,357	152,242,395	207,661,752	36,250,000	266,972,933	3,615,437,297	3,348,464,363
2015	148,193,519	58,190,325	157,101,943	215,292,268	36,250,000	327,480,768	3,778,001,709	3,450,520,941
2016	159,812,785	61,099,841	161,822,796	222,922,637	36,250,000	392,829,230	3,942,772,399	3,549,943,170
2017	172,436,929	64,154,833	166,414,439	230,569,272	36,250,000	463,405,568	4,108,978,205	3,645,572,637
2018	185,705,282	67,362,575	170,822,377	238,184,952	36,250,000	539,628,013	4,276,187,166	3,736,559,152
2019	199,057,811	70,730,703	175,006,714	245,737,417	36,250,000	621,948,254	4,444,544,671	3,822,596,416
2020	211,999,173	74,267,239	178,952,959	253,220,198	36,250,000	710,854,115	4,614,744,940	3,903,890,825
2021	224,535,212	77,980,601	182,670,124	260,650,725	36,250,000	806,872,444	4,787,535,111	3,980,662,667
2022	237,090,867	81,879,631	186,168,677	268,048,308	36,250,000	910,572,240	4,963,270,054	4,052,697,814
2023	248,945,410	85,973,612	189,438,512	275,412,124	36,250,000	1,022,568,019	5,143,105,446	4,120,537,428
2024	261,392,681	90,272,293	192,500,999	282,773,292	36,250,000	1,143,523,460	5,326,902,401	4,183,378,940
2025	274,462,315	94,785,907	195,317,620	290,103,527	36,250,000	1,274,155,337	5,514,489,910	4,240,334,573
2026	288,185,431	99,525,203	197,845,794	297,370,997	36,250,000	1,415,237,764	5,705,661,407	4,290,423,644
2027	302,594,702	104,501,463	200,038,513	304,539,976	36,250,000	1,567,606,785	5,900,171,012	4,332,564,227
2028	317,724,437	109,726,536	201,843,937	311,570,473	36,250,000	1,732,165,328	6,097,729,449	4,365,564,121
2029	333,610,659	115,212,863	203,204,974	318,417,837	36,250,000	1,909,888,554	6,297,999,608	4,388,111,054
2030	350,291,192	120,973,506	204,058,811	325,032,317	36,250,000	2,101,829,638	6,500,591,713	4,398,762,074
2031	367,805,752	127,022,181	204,336,407	331,358,588	36,250,000	2,309,126,009	6,705,058,079	4,395,932,069
2032	386,196,039	133,373,290	203,961,949	337,335,239	36,250,000	2,533,006,090	6,910,887,406	4,377,881,316
2033	405,505,841	140,041,955	202,852,265	342,894,220	36,250,000	2,774,796,577	7,117,498,596	4,342,702,018
2034	425,781,133	147,044,053	200,916,178	347,960,231	36,250,000	3,035,930,304	7,324,234,026	4,288,303,722
2035	447,070,190	154,396,255	198,053,814	352,450,069	36,250,000	3,317,954,728	7,530,352,265	4,212,397,537
2036	469,423,700	162,116,068	194,155,857	356,271,925	36,250,000	3,622,541,106	7,735,020,164	4,112,479,058
2037	492,894,884	170,221,871	189,102,733	359,324,604	36,250,000	3,951,494,395	7,937,304,282	3,985,809,888
2038	517,539,629	178,732,965	182,763,734	361,496,699	36,250,000	4,306,763,946	8,136,161,597	3,829,397,651
2039	543,416,610	187,669,613	174,996,072	362,665,685	36,250,000	4,690,455,062	8,330,429,433	3,639,974,371
2040	570,587,441	197,053,094	165,643,846	362,696,940	36,250,000	5,104,841,467	8,518,814,556	3,413,973,089
2041	599,116,813	206,905,749	154,536,936	361,442,685	36,250,000	5,552,378,784	8,699,881,365	3,147,502,581

Notes: Assumes payment at the beginning of the fiscal year.

Amortization payments calculated to increase 4.5% per year.

April 5, 2012

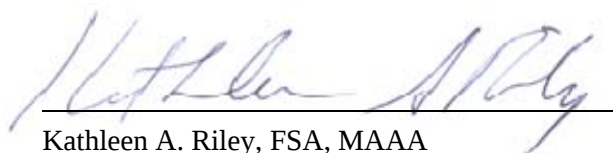
ACTUARIAL CERTIFICATION

This is to certify that The Segal Company has conducted an actuarial valuation of certain benefit obligations of the City of Boston other postemployment benefit programs as of June 30, 2011, in accordance with generally accepted actuarial principles and practices. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of GASB Statements Number 43 and 45 for the determination of the liability for postemployment benefits other than pensions.

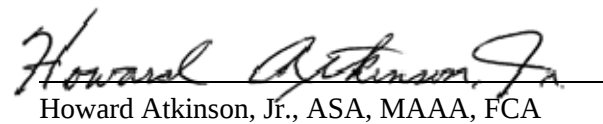
The actuarial valuation is based on the plan of benefits verified by the City and on participant, claims, premium rates and administrative fees provided by the City or from vendors employed by the City.

The actuarial computations made are for purposes of fulfilling plan accounting requirements. Determinations for purposes other than meeting financial accounting requirements may be significantly different from the results reported here. Accordingly, additional determinations may be needed for other purposes, such as judging benefit security at termination or adequacy of funding an ongoing plan.

To the best of our knowledge, this report is complete and accurate and in our opinion presents the information necessary to comply with GASB Statements Number 43 and 45 with respect to the benefit obligations addressed. The signing actuaries are members of the Society of Actuaries, the American Academy of Actuaries, and other professional actuarial organizations and collectively meet their "General Qualification Standards for Statements of Actuarial Opinion" to render the actuarial opinion contained herein. Further, in our opinion, the assumptions as approved by the City are reasonably related to the experience and expectations of the postemployment benefit programs.



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



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

SECTION 3: Valuation Details for the City of Boston June 30, 2011 Measurement under GASB**CHART 1****Required Supplementary Information – Schedule of Employer Contributions****Total City (Boston Public Schools and All Other City Departments)**

Fiscal Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed
2008	\$327,751,953	\$114,929,005	35.1%
2009	346,425,114	128,454,226	37.1%
2010	258,991,410	153,433,928	59.2%
2011	270,750,128	229,808,409	84.9%
2012	196,237,927	180,509,108	92.0%
2013	201,830,098	- -	- -

Note: The fiscal year ended June 30, 2012 actual contribution includes additional funding payment of \$35 million.

Public Health Commission

Fiscal Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed
2008	\$16,559,975	\$990,398	6.0%
2009	17,877,834	1,268,223	7.1%
2010	11,890,916	1,323,269	11.1%
2011	12,828,317	2,860,172	22.3%
2012	13,267,324	2,946,099	22.2%
2013	14,253,076	- -	- -

Note: The fiscal year ended June 30, 2012 actual contribution includes additional funding payment of \$1.25 million.

SECTION 3: Valuation Details for the City of Boston June 30, 2011 Measurement under GASB

This schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CHART 2**Required Supplementary Information – Schedule of Funding Progress****Total City (Boston Public Schools and All Other City Departments)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
6/30/2007	\$0	\$5,490,836,471	\$5,490,836,471	0.00%	\$919,662,197	597.0%
6/30/2009	0	4,553,815,553	4,553,815,553	0.00%	1,008,003,640	451.8%
6/30/2011	109,735,953	3,018,252,263	2,908,516,310	3.64%	1,045,487,800	278.2%

Public Health Commission

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
6/30/2007	\$0	\$163,981,208	\$163,981,208	0.00%	\$47,922,000	342.2%
6/30/2009	0	131,156,250	131,156,250	0.00%	52,914,849	247.9%
6/30/2011	1,302,422	153,418,087	152,115,665	0.85%	56,913,569	267.3%

SECTION 3: Valuation Details for the City of Boston June 30, 2011 Measurement under GASB

CHART 3

Required Supplementary Information – Net OPEB Obligation/(Asset) (NOO/NOA)

Total City (Boston Public Schools and All Other City Departments)

Fiscal Year Ended June 30,	Annual Required Contribution (a)	Interest on Existing NOO (b)	ARC Adjustment (c)	Annual OPEB Cost (a) + (b) + (c) (d)	Actual Contribution Amount (e)	Net Increase in NOO (d) - (e) (f)	NOO as of Following Date (g)
2008	\$327,751,953	\$0	\$0	\$327,751,953	\$114,929,005	\$212,822,948	\$212,822,948
2009	344,100,040	9,577,033	(7,251,959)	346,425,114	128,454,226	217,970,888	430,793,836
2010	252,685,033	22,616,676	(16,310,299)	258,991,410	153,433,928	105,557,482	536,351,318
2011	262,898,498	28,158,444	(20,306,814)	270,750,128	229,808,409	40,941,719	577,293,037
2012	181,732,359	41,853,745	(27,348,177)	196,237,927	180,509,108	15,728,819	593,021,855
2013	186,929,314	42,994,085	(28,093,301)	201,830,098	--	--	--

Note: The fiscal year ended June 30, 2012 actual contribution includes additional funding payment of \$35 million.

Public Health Commission

Fiscal Year Ended June 30,	Annual Required Contribution (a)	Interest on Existing NOO (b)	ARC Adjustment (c)	Annual OPEB Cost (a) + (b) + (c) (d)	Actual Contribution Amount (e)	Net Increase in NOO (d) - (e) (f)	NOO as of Following Date (g)
2008	\$16,559,975	\$0	\$0	\$16,559,975	\$990,398	\$15,569,577	\$15,569,577
2009	17,707,738	700,631	(530,535)	17,877,834	1,268,223	16,609,611	32,179,188
2010	11,419,846	1,689,407	(1,218,337)	11,890,916	1,323,269	10,567,647	42,746,835
2011	12,202,547	2,244,209	(1,618,439)	12,828,317	2,860,172	9,968,145	52,714,980
2012	12,313,011	3,031,111	(2,076,798)	13,267,324	2,946,099	10,321,225	63,036,205
2013	13,111,915	3,624,582	(2,483,421)	14,253,076	--	--	--

Note: The fiscal year ended June 30, 2012 actual contribution includes additional funding payment of \$1.25 million.

SECTION 3: Valuation Details for the City of Boston June 30, 2011 Measurement under GASB

CHART 4
Required Supplementary Information

Valuation date	June 30, 2011	
Actuarial cost method	Projected Unit Credit	
Amortization method	Payments increasing at 4.50% per year	
Remaining amortization period	30 years open	
Asset valuation method	Market value	
Actuarial assumptions:		
Investment rate of return	7.25% City of Boston, 5.75% Public Health Commission	
Inflation rate	4.50%	
Asset rate of return	8.00%	
Medical/drug cost trend rate	9.00% decreasing by 0.50% to an ultimate level of 5.00%	
Medicare Part B	6.00%	
Administrative expense increase rate	3.00%	
Plan membership:	Total City (Boston Public Schools and All Other City Departments)	Public Health Commission
Current retirees, beneficiaries, and dependents	14,106	128
Current active members	<u>14,539</u>	<u>998</u>
Total	28,646	1,126

SECTION 4: Supporting Information for the City of Boston June 30, 2011 Measurement under GASB

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

EXHIBIT I

Summary of Participant Data as of June 30, 2011

	Boston Public Schools (A)	All Other Departments (City) (B)	Total City (A) + (B)	Public Health Commission (C)	All Departments Total (A) + (B) + (C)
Retirees, Beneficiaries, and Dependents					
Number	6,024	8,082	14,106	128	14,234
Average age	71.2	71.9	71.6	62.7	71.5
Active Employees					
Number	7,198	7,341	14,539	998	15,537
Average age	44.91	45.90	45.41	44.05	45.32
Average years of service	13.55	16.39	14.98	11.11	14.73
Average age at hire	31.36	29.52	30.43	32.94	30.59

Summary of Participant Data as of June 30, 2009

	Boston Public Schools (A)	All Other Departments (City) (B)	Total City (A) + (B)	Public Health Commission (C)	All Departments Total (A) + (B) + (C)
Retirees, Beneficiaries, and Dependents					
Number	5,677	8,124	13,801	102	13,903
Average age	70.9	72.0	71.5	61.6	71.4
Active Employees					
Number	7,495	7,687	15,182	993	16,175
Average age	44.9	45.4	45.1	43.4	45.0
Average years of service	13.5	15.8	14.7	10.0	14.4
Average age at hire	31.4	29.6	30.5	33.4	30.7

SECTION 4: Supporting Information for the City of Boston June 30, 2011 Measurement under GASB

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method

Data: Detailed census data, claims, premium rates, administrative fees and summary plan descriptions for postemployment welfare benefits were provided by the City.

Actuarial Cost Method: Projected Unit Credit

Per Capita Cost Development:

Insured plans

Per capita costs were based on the fully-insured premium rates effective July 1, 2011 (January 1, 2011 and January 1, 2012 for Medicare Advantage plans and supplemental Tufts Medicare Compliment), trended to the midpoint of the valuation year at assumed trend rates. For plans that are not community rated, actuarial factors were applied to the premium to estimate individual retiree and spouse costs by age and by gender.

Self-Funded plans (Blue Cross Blue Shield Master Medical, Blue Choice, and Blue Care Elect Preferred)

Per capita claims costs were based on the monthly paid claims experience by participant group and by coverage (medical and prescription drug) for the period July 1, 2009 through June 30, 2011. Claims were adjusted as follows:

- paid claims were multiplied by a factor to yield an estimate of incurred claims,
- total claims were divided by the number of adult members to yield a per capita claim cost, and
- the per capita claim cost was trended to the midpoint of the valuation year at assumed trend rates.

Taking a weighted average, per capita medical and prescription drug claims were combined. The weights used in this average account for a number of factors including each plan year's volatility of claims experience and distance to the valuation year. Actuarial factors were then applied to the weighted average cost to estimate individual retiree and spouse costs by age and by gender.

SECTION 4: Supporting Information for the City of Boston June 30, 2011 Measurement under GASB

Measurement Date:	June 30, 2011
Discount Rate:	7.25% City of Boston and 5.75% Public Health Commission (previously, 5.25%)
Expected Return on Assets:	8.00%
Postretirement Mortality Rates:	
<i>Healthy</i>	RP-2000 Combined Healthy Mortality Table projected 11 years with Scale AA (gender distinct) (previously, RP-2000 Combined Healthy Mortality Table)
<i>Disabled</i>	RP-2000 Combined Healthy Mortality Table projected three years with Scale AA (gender distinct) set forward five years (previously, RP-2000 Combined Healthy Mortality Table set forward five years)

Termination Rates before Retirement:		Groups 1 and 2 - Rate (%)			
		Mortality		Disability	Withdrawal
Age		Male	Female		
20		0.03	0.02	0.06	6.58
25		0.03	0.02	0.09	5.27
30		0.04	0.02	0.11	4.83
35		0.07	0.04	0.15	4.47
40		0.10	0.06	0.22	3.84
45		0.13	0.09	0.36	3.21
50		0.18	0.14	0.61	1.52
55		0.29	0.25	1.01	0.33
60		0.56	0.48	1.63	0.00

*Notes: 50% of the disability rates shown represent accidental disability.
20% of the death rates shown represent accidental death.*

SECTION 4: Supporting Information for the City of Boston June 30, 2011 Measurement under GASB

Age	Group 4 - Rate (%)			
	Mortality		Disability	Withdrawal
	Male	Female		
20	0.03	0.02	0.12	0.00
25	0.03	0.02	0.17	0.00
30	0.04	0.02	0.22	0.00
35	0.07	0.04	0.29	0.00
40	0.10	0.06	0.44	0.00
45	0.13	0.09	0.72	0.00
50	0.18	0.14	1.21	0.00
55	0.29	0.25	2.02	0.00
60	0.56	0.48	3.25	0.00

*Notes: 90% of the disability rates shown represent accidental disability.
50% of the death rates shown represent accidental death.*

Retirement Rates:

Rate (%)				
Age	Groups 1 and 2	TARP	Age	Group 4
55	3.0	3.0	50	1.0
56	3.0	7.5	51	1.0
57	3.0	25.0	52	1.0
58	3.0	25.0	53	1.0
59	3.0	25.0	54	1.0
60	8.0	18.0	55	10.0
61	8.0	18.0	56	5.0
62	15.0	25.0	57	5.0
63	10.0	20.0	58	5.0
64	10.0	20.0	59	5.0

SECTION 4: Supporting Information for the City of Boston June 30, 2011 Measurement under GASB

		Rate (%)		
Age	Groups 1 and 2	TARP	Age	Group 4
65	35.0	35.0	60	10.0
66	20.0	20.0	61	15.0
67	20.0	20.0	62	15.0
68	20.0	20.0	63	15.0
69	20.0	20.0	64	25.0
70	100.00	100.0	65	100.00

Dependents:

Demographic data was available for spouses of current retirees. For current future retirees, husbands were assumed to be three years older than their wives. For future retirees who elect to continue their health coverage at retirement, 60% were assumed to have an eligible spouse who also opts for health coverage at that time.

SECTION 4: Supporting Information for the City of Boston June 30, 2011 Measurement under GASB

Per Capita Health Costs:

2011-2012 medical and prescription drug claims costs are shown in the table below for retirees and for spouses at selected ages. These costs are net of deductibles and other benefit plan cost sharing provisions.

Age	Insured Non-Medicare Plans				Blue Choice and Blue Care Elect Preferred			
	Retiree		Spouse		Retiree		Spouse	
	Male	Female	Male	Female	Male	Female	Male	Female
45	\$7,617	\$9,556	\$4,725	\$7,133	\$7,099	\$8,906	\$4,404	\$6,648
50	9,041	10,298	6,315	8,269	8,426	9,598	5,886	7,706
55	10,737	11,085	8,450	9,571	10,007	10,331	7,876	8,920
60	12,751	11,949	11,313	11,101	11,884	11,136	10,543	10,346
64	14,629	12,676	14,281	12,494	13,634	11,813	13,310	11,644
65	15,144	12,872	15,144	12,872	14,114	11,997	14,114	11,997
70	17,552	13,872	17,552	13,872	16,358	12,928	16,358	12,928
75	18,915	14,932	18,915	14,932	17,628	13,916	17,628	13,916
80	20,369	16,098	20,369	16,098	18,983	15,003	18,983	15,003

Age	Master Medical Indemnity Medicare Carveout				Insured Medicare Supplement Plans			
	Retiree		Spouse		Retiree		Spouse	
	Male	Female	Male	Female	Male	Female	Male	Female
45	\$2,927	\$3,672	\$1,816	\$2,741	\$2,223	\$2,789	\$1,379	\$2,082
50	3,474	3,957	2,427	3,177	2,639	3,006	1,843	2,413
55	4,126	4,260	3,247	3,678	3,134	3,235	2,466	2,793
60	4,900	4,591	4,347	4,265	3,722	3,487	3,302	3,240
64	5,621	4,871	5,487	4,801	4,270	3,700	4,168	3,647
65	5,819	4,946	5,819	4,946	4,420	3,757	4,420	3,757
70	6,744	5,330	6,744	5,330	5,123	4,049	5,123	4,049
75	7,268	5,738	7,268	5,738	5,521	4,358	5,521	4,358
80	7,827	6,186	7,827	6,186	5,945	4,698	5,945	4,698

SECTION 4: Supporting Information for the City of Boston June 30, 2011 Measurement under GASB

Medicare Advantage Plans \$3,056

**Medicare Part B Premium
for current retirees** \$1,178

Health Care Cost Trend Rates: Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The rates shown below are “net” and are applied to the net per capita costs shown above. The trend shown for a particular plan year is the rate that must be applied to that year’s cost to yield the next year’s projected cost.

Year Ending June 30,	Medical	Medicare Part B
2012	9.00%	6.00%
2013	8.50%	6.00%
2014	8.00%	6.00%
2015	7.50%	6.00%
2016	7.00%	6.00%
2017	6.50%	6.00%
2018	6.00%	6.00%
2019	5.50%	6.00%
2020 and later	5.00%	6.00%

Retiree Contribution Increase Rate: Retiree contributions for medical and prescription drug coverage are expected to increase with medical trend.

Administrative Expenses: An administrative expense load of \$504 per participant for self-insured non-Medicare and \$291 per participant for self-insured Medicare plans increasing at 3.0% per year was added for projected incurred self-insured claim costs in developing the benefit obligations. Administrative expenses are assumed to be included in the fully insured premium rates.

SECTION 4: Supporting Information for the City of Boston June 30, 2011 Measurement under GASB

Participation and Coverage Election:	100% of active employees with coverage are assumed to elect retiree coverage. 100% of future retirees who retire before age 65 are assumed to continue coverage in their current plan, either an insured plan or a self-funded Blue Cross Blue Shield plan. 100% of retirees over age 65 enrolled in a Medicare plan are assumed to remain in their current medical plan for life. As a result of the revisions to Section 18A of Chapter 32B, 80% of retirees over the age of 65 currently enrolled in a non-Medicare plan, current retirees under the age of 65, and future retirees hired before 1986 are assumed to be Medicare eligible and to enroll in a Medicare plan effective July 1, 2012 (65% in the Blue Cross Master Medical Carveout Plan, 10% in one of the insured Medicare Supplement plans, and 5% in one of the insured Medicare Advantage plans). 20% of retirees over the age of 65 currently enrolled in a non-Medicare plan, current retirees under the age of 65, and future retirees hired before 1986 are assumed to be ineligible for Medicare and to either remain in their current or pre-65 plan (15% in the insured non-Medicare Plans and 5% in the Blue Choice and Blue Care Elect Preferred Plans). Prior to July 1, 2012, 55% of these current or future retirees were assumed to be eligible for Medicare and 45% were assumed to be ineligible for or elect out of Medicare. For all future retirees hired after 1986, 80% are assumed to enroll in the Blue Cross Master Medical Carveout Plan upon reaching age 65, 10% are assumed to enroll in one of the insured Medicare Supplement plans, and 5% are assumed to enroll in one of the insured Medicare Advantage plans.
Plan Design:	Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit III.
Annual Maximum Benefits:	No increase in the annual maximum benefit levels was assumed.
Lifetime Maximum Benefits:	No information was available regarding accumulations toward lifetime maximum benefits and no such accumulations were assumed.
Missing Participant Data:	A missing census item for a given participant was assumed to equal the average value of that item over all other participants of the same status for whom the item is known.

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Health Care Reform Assumption: The Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (HCERA) of 2010 creates a temporary reinsurance program for eligible health care coverage for pre-Medicare retirees over age 55. The program will reimburse the plan sponsor for 80% of the retiree claims between \$15,000 and \$90,000. Due to the short nature of this program, the limited financing, and uncertainty of qualifying and receiving payment (the program will be on a first come first served basis until financing runs out), we have not reflected the value of this program in the valuation. Additional provisions of these Acts that may affect retiree health benefits in the future have not been reflected.

**Assumption Changes
Since Prior Valuation:**

The per capita health care costs were updated to reflect current experience.

The future over-65 enrollment assumption was revised as a result of the revisions to Section 18A of Chapter 32B.

The trend assumption was revised.

The mortality assumption for healthy lives was changed from the RP-2000 Combined Healthy Mortality Table to the RP-2000 Combined Healthy Mortality Table projected 11 years with Scale AA (gender distinct).

The mortality assumption for disabled lives was changed from RP-2000 Combined Healthy Mortality Table set forward five years to the RP-2000 Combined Healthy Mortality Table projected 11 years with Scale AA (gender distinct) set forward five years.

The discount rate was increased from 5.25% to 7.25% for the City and to 5.75% for the Public Health Commission based on the City's and the Public Health Commission's policies to partially fund the benefits.

EXHIBIT III

Summary of Plan

This exhibit summarizes the major benefit provisions as included in the valuation. To the best of our knowledge, the summary represents the substantive plans as of the measurement date. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

Eligibility:

Retired and receiving a pension from the State-Boston Retirement System.

Group 1 and Group 2 (including Teachers):

- Retirees with at least 10 years of creditable service are eligible at age 55;
- Retirees with at least 20 years of creditable service are eligible at any age.

Group 4:

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

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

Pre-Retirement Death: Surviving spouses of members who die in active service on Accidental (job-related) Death are eligible at any age. Surviving spouses of members who die in active service on Ordinary (non-job related) Death are eligible after two years of service.

Post-Retirement Death: Surviving spouse is eligible. Note that “direct pay” surviving spouses (those not receiving an Option C benefit) pay 50% of the premium cost for coverage.

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Benefit Types:	Medical and prescription drug benefits are provided to all eligible retirees not enrolled in Medicare through a variety of plans offered by Blue Cross Blue Shield of Massachusetts, Harvard Pilgrim HealthCare, and Neighborhood Health Plan. Medical and prescription drug benefits are provided to retirees enrolled in Medicare through supplemental and Medicare Advantage plans offered by Blue Cross Blue Shield of Massachusetts, Harvard Pilgrim HealthCare, and Tufts Health Plan. The City of Boston also pays 50% of the retiree life insurance premium and reimburses retirees 50% of their Medicare Part B premium.
Medicare Part B Penalty:	Penalty is estimated for the retirees assumed to be effected by the revised Section 18A of Chapter 32B.
Duration of Coverage:	Lifetime.
Dependent Benefits:	Medical and Prescription Drugs.
Dependent Coverage:	Benefits are payable to a spouse for their lifetime, regardless of when the retiree dies.

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Retiree Contributions:

Premium rates and retiree contributions as of July 1, 2011 are summarized on the following pages.

	Subscribers			Monthly Premium (Effective 7/1/2011)	City cost (\$)	Retiree cost (\$)	Retiree cost (%)
	Active	Retiree*	Total				
<u>Non-Medicare Actives and Retirees</u>							
BCBS Master Medical Indemnity							
Individual	0	841	841	\$1,400.69	\$1,050.53	\$350.16	25.00%
Family	0	208	208	\$3,249.60	\$2,437.20	\$812.40	25.00%
Harvard Pilgrim HMO							
Individual	4,902	1,909	6,811	\$671.60	\$562.48	\$109.12	16.25%
Family	6,746	2,049	8,795	\$1,806.51	\$1,512.95	\$293.56	16.25%
Neighborhood Health Plan HMO							
Individual	774	162	936	\$630.67	\$528.21	\$102.46	16.25%
Family	839	97	936	\$1,671.32	\$1,399.72	\$271.60	16.25%
BMC Advantage HMO							
Individual	49	2	51	\$671.60	\$562.48	\$109.12	16.25%
Family	13	2	15	\$1,806.51	\$1,512.95	\$293.56	16.25%
BCBS Blue Choice POS							
Individual	370	260	630	\$777.28	\$573.24	\$204.04	26.25%
Family	308	169	477	\$2,005.38	\$1,478.98	\$526.40	26.25%
Harvard Pilgrim POS							
Individual	572	188	760	\$716.18	\$563.98	\$152.20	21.25%
Family	555	160	715	\$1,926.50	\$1,517.10	\$409.40	21.25%
BCBS Blue Care Elect Preferred PPO							
Individual	223	202	425	\$1,080.99	\$797.23	\$283.76	26.25%
Family	185	120	305	\$2,507.90	\$1,849.58	\$658.32	26.25%
<u>Non-Medicare Total</u>	15,536	6,369	21,905				

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				Monthly Premium (Effective 7/1/2011)	City cost (\$)	Retiree cost (\$)	Retiree cost (%)
<u>Medicare</u>							
BCBS Master Medical Part A Carveout	0	77	77	\$1,400.69	\$1,050.53	\$350.16	25.0%
BCBS Master Medical Part A&B Carveout	1	3,223	3,224	\$447.51	\$335.63	\$111.88	25.0%
<u>Medicare Supplement Plans</u>							
BCBS Managed Blue for Seniors	0	159	159	\$375.29	\$337.76	\$37.53	10.0%
Tufts Medicare Complement**	0	192	192	\$418.00	\$376.20	\$41.80	10.0%
<u>Medicare Advantage Plans</u>							
Medicare HMO Blue**	0	50	50	\$349.17	\$314.25	\$34.92	10.0%
Harvard Pilgrim Medicare Enhance	0	62	62	\$375.00	\$337.50	\$37.50	10.0%
Tufts Medicare Preferred HMO**	0	178	178	\$242.00	\$217.80	\$24.20	10.0%
<u>Total</u>	15,537	10,310					

* In addition, there are 3,924 spouses of retirees covered under an individual or family policy.

** Monthly premium rate is effective January 1, 2011.

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Benefit Descriptions:

Harvard Pilgrim HMO	
Medical	
<i>Annual deductible</i>	None
<i>Coinsurance</i>	100%
<i>Physicians Office Visit Copay</i>	\$15 PCP/\$25 specialist
<i>Emergency Room Copay</i>	\$100
<i>Maximum Out-Of-Pocket Expense</i>	None
<i>Lifetime Maximum</i>	None
Prescription Drugs	
<i>Retail Copay</i>	\$10 generic/\$25 brand formulary/\$45 brand non-formulary
<i>Mail Copay</i>	\$20 generic/\$50 brand formulary/\$100 brand non-formulary
Neighborhood Health Plan HMO	
Medical	
<i>Annual deductible</i>	None
<i>Coinsurance</i>	100%
<i>Physicians Office Visit Copay</i>	\$15 PCP/\$25 specialist
<i>Emergency Room Copay</i>	\$100
<i>Maximum Out-Of-Pocket Expense</i>	None
<i>Lifetime Maximum</i>	None
Prescription Drugs	
<i>Retail Copay</i>	\$10 generic/\$25 brand formulary/\$45 brand non-formulary
<i>Mail Copay</i>	\$20 generic/\$50 brand formulary/\$100 brand non-formulary

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Boston Medical Center Advantage HMO	BMC Advantage Network	HPHC Provider Network
Medical		
<i>Annual deductible</i>		None
<i>Coinsurance</i>		100%
<i>Physicians Office Visit Copay</i>	\$15	\$25
<i>Emergency Room Copay</i>		\$100
<i>Maximum Out-Of-Pocket Expense</i>	\$2,000 individual/\$4,000 family	
<i>Lifetime Maximum</i>	None	
Prescription Drugs		
<i>Retail Copay</i>	\$10 generic/\$25 brand formulary/\$45 brand non-formulary	
<i>Mail Copay</i>	\$20 generic/\$50 brand formulary/\$100 brand non-formulary	

Blue Cross Blue Shield Blue Choice POS	In-Network	Out-Of-Network
Medical		
<i>Annual deductible</i>	None	\$50 individual/\$100 family
<i>Coinsurance</i>	100%	80%
<i>Physicians Office Visit Copay</i>	\$15 PCP/\$25 specialist	Coinsurance & deductible
<i>Emergency Room Copay</i>	\$100	\$100
<i>Maximum Out-Of-Pocket Expense</i>	None	\$2,500 individual/\$5,000 family (including deductible)
<i>Lifetime Maximum</i>	None	\$1,000,000
Prescription Drugs		
<i>Retail Copay</i>	\$10 generic/\$25 brand formulary/\$45 brand non-formulary	
<i>Mail Copay</i>	\$20 generic/\$50 brand formulary/\$100 brand non-formulary	

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Harvard Pilgrim POS	In-Network	Out-Of-Network
Medical		
<i>Annual deductible</i>	None	\$200 individual/\$400 family
<i>Coinsurance</i>	100%	80%
<i>Physicians Office Visit Copay</i>	\$15 PCP/\$25 specialist	Coinsurance & deductible
<i>Emergency Room Copay</i>	\$10	\$100
<i>Maximum Out-Of-Pocket Expense</i>	None	\$1,700 individual/\$3,400 family (including deductible)
<i>Lifetime Maximum</i>	None	None
Prescription Drugs		
<i>Retail Copay</i>	\$10 generic/\$25 brand formulary/\$45 brand non-formulary	
<i>Mail Copay</i>	\$20 generic/\$50 brand formulary/\$100 brand non-formulary	

Blue Cross Blue Shield Blue Care Elect Preferred PPO	In-Network	Out-Of-Network
Medical		
<i>Annual deductible</i>	None	\$250 individual/\$500 family
<i>Coinsurance</i>	100%	80%
<i>Physicians Office Visit Copay</i>	\$20	Coinsurance & deductible
<i>Emergency Room Copay</i>	\$100	\$100
<i>Maximum Out-Of-Pocket Expense</i>	None	\$1,250 individual/\$2,500 family (including deductible)
<i>Lifetime Maximum</i>	None	None
Prescription Drugs		
<i>Retail Copay</i>	\$10 generic/\$25 brand formulary/\$45 brand non-formulary	
<i>Mail Copay</i>	\$20 generic/\$50 brand formulary/\$100 brand non-formulary	

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Blue Cross Blue Shield Master Medical Indemnity (Medicare Carve-outs)	
Medical <i>Annual deductible</i> <i>Coinsurance</i> <i>Physicians Office Visit</i> <i>Emergency Room</i> <i>Maximum Out-Of-Pocket Expense</i> <i>Lifetime Maximum</i>	 \$50 individual/\$100 family (Extended Benefits only) 100% (80% Extended Benefits) Coinsurance & deductible Covered in full None \$250,000/individual (Extended Benefits only)
Prescription Drugs <i>Retail Copay</i> <i>Mail Copay</i>	 80% coinsurance (no deductible), with calendar year coinsurance maximum of \$200 per individual/\$400 per family \$5 generic/\$10 brand
Blue Cross Blue Shield Managed Blue for Seniors	
Medical <i>Hospital Inpatient</i> <i>Outpatient and Physician Services</i> <i>Emergency Room</i>	 Covered in full \$10 copay per visit \$50 copay per visit
Prescription Drugs <i>Retail Copay</i> <i>Mail Copay</i>	 25% generic/50% brand formulary/75% brand non-formulary \$5 generic/\$30 brand formulary/\$50 brand non-formulary

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Medicare HMO Blue	
Medical	
<i>Hospital Inpatient</i>	\$150 copay per day (up to a maximum of \$750 per year)
<i>Office Visits</i>	\$15 copay per visit (\$30 for specialists)
<i>Emergency Room</i>	\$50 copay per visit
Prescription Drugs	
<i>Retail Copay</i>	\$10 generic/\$25 preferred brand/\$45 non-preferred brand
<i>Mail Copay</i>	\$20 generic/\$50 preferred brand/\$90 non-preferred brand
Harvard Pilgrim Medicare Enhance	
Medical	
<i>Hospital Inpatient</i>	Covered in full
<i>Office Visits</i>	\$15 copay per visit
<i>Emergency Room</i>	\$50 copay per visit
Prescription Drugs	
<i>Retail Copay</i>	\$10 Tier 1/\$20 Tier 2/\$35 Tier 3
<i>Mail Copay</i>	\$20 Tier 1/\$40 Tier 2/\$105 Tier 3

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Tufts Medicare Complement	
Medical	
<i>Hospital Inpatient</i>	Covered in full
<i>Outpatient and Physician Services</i>	\$10 per visit
<i>Emergency Room</i>	\$50 per visit
Prescription Drugs	
<i>Retail Copay</i>	\$5 Tier 1/\$10 Tier 2/\$25 Tier 3
<i>Mail Copay</i>	\$10 Tier 1/\$20 Tier 2/\$75 Tier 3
Tufts Medicare Preferred HMO	
Medical	
<i>Hospital Inpatient</i>	\$200 deductible
<i>Outpatient and Physician Services</i>	\$10 copay per visit (\$15 for specialists)
<i>Emergency Room</i>	\$50 per visit
Prescription Drugs	
<i>Retail Copay</i>	\$10 Tier 1/\$25 Tier 2/\$50 Tier 3
<i>Mail Copay</i>	\$20 Tier 1/\$50 Tier 2/\$100 Tier 3

Retiree Life: \$5,000

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Plan Changes Since the Prior Valuation:

- Effective July 1, 2011, retirees will pay an additional 1.25% of the premium cost for all non-Medicare plans. The new percentages are shown in this exhibit.
- Effective January 1, 2012, the non-Medicare Master Medical plan will no longer be offered to retirees.
- Effective July 1, 2012, retirees will pay an additional 1.25% of the premium for all non-Medicare plans.
- Effective July 1, 2012, the copays for office visits, emergency room visits, and prescription drugs for all non-Medicare plans were increased to the level shown in this exhibit.
- Effective July 1, 2012, all Medicare eligible retirees over age 65 currently enrolled in non-Medicare plans will be required to enroll in Medicare plans due to revisions to Section 18A of Chapter 32B.
- Effective July 1, 2015, retirees will pay an additional 1% of the premium cost for all Medicare plans.

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