



**TOWN OF STRATFORD
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

JULY 1, 2010 VALUATION



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USA

December 9, 2011

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PERSONAL & CONFIDENTIAL

milliman.com

Ms. Susan Collier
Acting Director of Finance
Town of Stratford
2725 Main Street
Stratford, CT 06615

Re: Town of Stratford Other Post-Employment Benefits Program

Dear Susan:

We are pleased to provide this actuarial report for the Town of Stratford Other Post-Employment Benefits Program. The report shows the financial status of the plan as of July 1, 2010 and presents cost figures for the 2010-11 fiscal year.

We have included 15 bound copies of the report and one unbound copy in case you need to make additional copies.

Please let me know if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Becky".

Rebecca A. Sielman, FSA
Consulting Actuary

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**TOWN OF STRATFORD
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

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TOWN OF STRATFORD
OTHER POST-EMPLOYMENT BENEFITS PROGRAM

CERTIFICATION

We have performed an actuarial valuation of the Town of Stratford Other Post-Employment Benefits Program as of July 1, 2010. 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 Stratford. 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 17-22 of this report. A summary of the plan provisions starts on page 23 of this report.

TOWN OF STRATFORD
OTHER POST-EMPLOYMENT BENEFITS PROGRAM

CERTIFICATION

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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.

December 9, 2011



Steve A. Lemanski, FSA, FCA
Consulting Actuary



Rebecca A. Sielman, FSA
Consulting Actuary

TOWN OF STRATFORD
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OVERVIEW OF GASB 43 AND GASB 45

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 life insurance. 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.

TOWN OF STRATFORD
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THE VALUATION PROCESS

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

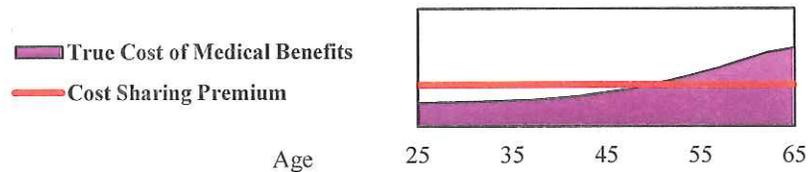
The final step is to keep track going forward of how much of the contribution is actually paid. There is no requirement to actually fund these benefits, but the cumulative deficiency must be disclosed on the Town's financial statements. In addition, the Discount Rate used to calculate the liabilities 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.

TOWN OF STRATFORD
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IMPLICIT RATE SUBSIDIES

As part of the Other Post-Employment Benefits Program, 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 STRATFORD
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

DISCUSSION OF EXPERIENCE

This valuation reflects a number of changes relative to the July 1, 2008 valuation:

Demographic Changes from 2008 to 2010

From July 1, 2008 to July 1, 2010, the overall membership increased from 2,202 to 2,245. The number of active members increased from 1,086 to 1,095 and the number of retirees and spouses of retirees increased from 1,116 to 1,150.

The average age of active members increased, from 44.2 to 44.4, and the average age of retired members increased, from 67.3 to 68.0.

Assumption Changes

Medical and dental age curves: We updated the age curves with respect to expected claims costs, based on our analysis of the updated claims experience and premium information provided to us for this valuation.

Healthy mortality assumption: We updated the mortality assumptions from 1994 Group Annuity Mortality Table to RP-2000 with generational projection for all groups except Teachers and Board of Education Administrators.

Disabled mortality assumption: We updated the disabled mortality assumption for all groups except the Teachers and Board of Education Administrators from the 1994 Group Annuity Mortality Table to the 1983 Railroad Retirement Board Table.

Discount Rate: We lowered the discount rate from 8.25% to 7.75% for the Town and increased the discount from 4.00% to 7.75% for the Board of Education to reflect the expectation that an OPEB trust will be set up prior to June 30, 2012.

The combined effect of the above changes was to increase the Accrued Liability by roughly \$7.5 million and the ARC by about \$312,000.

Changes in Plan Provisions Valued

Effective with hire dates after July 1, 2011, Board of Education Paraprofessionals and Cafeteria Workers will no longer be eligible to receive Post-Retirement medical benefits. This change had no material impact on the results of this valuation. Longer term, the reduction or elimination of BOE-paid OPEB benefits will reduce the Town's liability.

**TOWN OF STRATFORD
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KEY ASSUMPTIONS

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.

Medical inflation rate	Medical Benefits	
	Pre-65	Post-65
Initial inflation rate	6.20%	6.20%
Ultimate inflation rate	4.40%	4.40%
Yearly decrease in inflation rate	0.04%	0.04%
Years until ultimate inflation rate	51	51

Discount rate

Town Groups	7.75%
Board of Education	7.75%

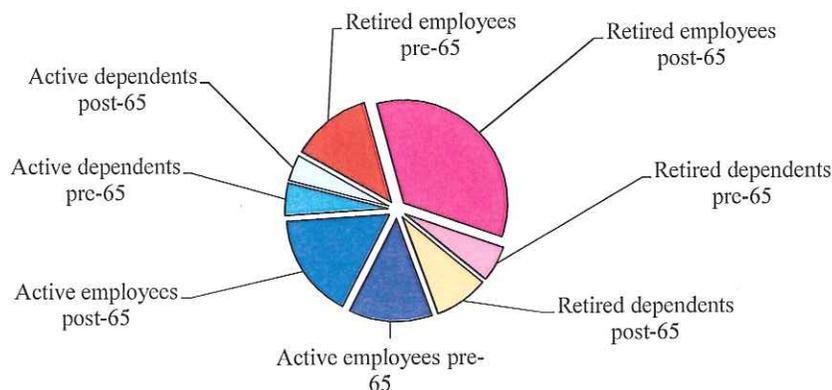
The 7.75% discount rate assumes that the Town and Board of Education will set up an OPEB trust, and that the long-term funding policy is to make contributions to fully fund the Annual Required Contribution.

**TOWN OF STRATFORD
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SUMMARY OF LIABILITIES AS OF JULY 1, 2010

We have calculated the Accrued Liability separately for five 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 Groups			BOE Groups		Total
	Fire	Police	Town	Teachers & Admin	Non-Certified	
Current active members						
Employees under age 65	\$2,686,400	\$3,316,000	\$3,142,300	\$3,760,400	\$1,742,100	\$14,647,200
Employees over age 65	1,740,600	2,189,900	5,775,500	4,570,400	3,978,600	18,255,000
Dependents under age 65	1,271,200	1,564,800	1,460,800	783,700	563,900	5,644,400
Dependents over age 65	<u>630,600</u>	<u>802,000</u>	<u>1,503,200</u>	<u>489,000</u>	<u>1,161,700</u>	<u>4,586,500</u>
Total	6,328,800	7,872,700	11,881,800	9,603,500	7,446,300	43,133,100
Current retired members						
Employees under age 65	2,208,700	2,378,400	4,826,000	3,323,300	1,322,600	14,059,000
Employees over age 65	4,337,300	4,241,000	10,859,500	13,174,700	5,827,400	38,439,900
Dependents under age 65	1,967,200	1,492,800	1,822,800	688,100	258,200	6,229,100
Dependents over age 65	<u>2,209,500</u>	<u>1,331,700</u>	<u>3,531,800</u>	<u>929,600</u>	<u>1,472,200</u>	<u>9,474,800</u>
Total	10,722,700	9,443,900	21,040,100	18,115,700	8,880,400	68,202,800
Total Accrued Liability	17,051,500	17,316,600	32,921,900	27,719,200	16,326,700	111,335,900



**TOWN OF STRATFORD
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ANNUAL REQUIRED CONTRIBUTION

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 used a 30 year amortization period, starting on July 1, 2007.

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

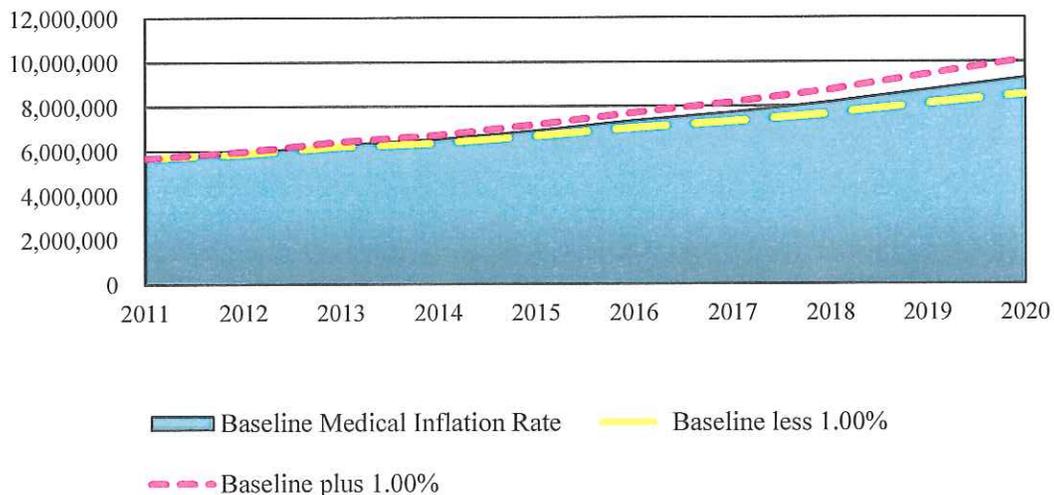
	Town Groups			BOE Groups		Total
	Fire	Police	Town	Teachers & Admin	Non-Certified	
Accrued Liability	17,051,500	17,316,500	32,921,900	27,719,100	16,326,600	111,335,600
Assets	159,600	162,000	308,100	180,900	106,500	917,100
Unfunded Accrued Liability	16,891,900	17,154,500	32,613,800	27,538,200	16,220,100	110,418,500
Amortization Period	27	27	27	27	27	27
Past Service Cost	954,800	969,600	1,843,400	1,556,500	916,800	6,241,100
Normal Cost	445,700	523,500	888,100	682,700	658,300	3,198,300
Interest to end of year	108,500	115,700	211,700	173,500	122,100	731,500
ARC for FY 2011	1,509,000	1,608,800	2,943,200	2,412,700	1,697,200	10,170,900
Expected Benefit Payouts	760,400	659,300	1,663,900	1,766,400	823,500	5,673,500
Net Budget Impact	748,600	949,500	1,279,300	646,300	873,700	4,497,400
Phase in factor for FY 2011	2/7	2/7	2/7	2/7	2/7	2/7
OPEB contribution for FY 2011	213,900	271,300	365,500	184,700	249,600	1,285,000

TOWN OF STRATFORD
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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.

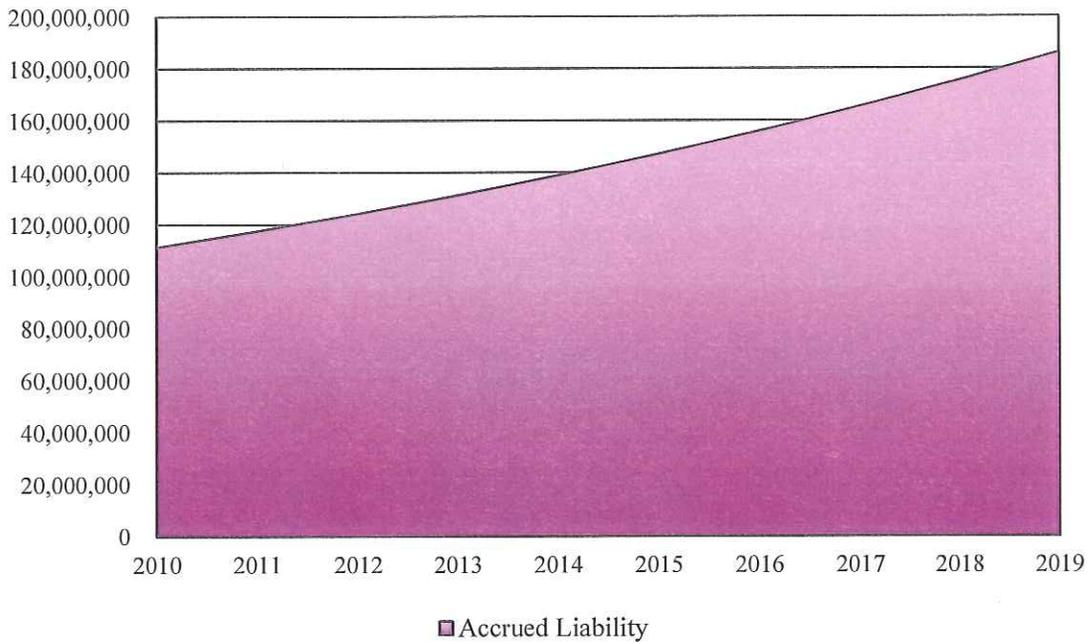
Fiscal Year	Baseline less 1.00%	Baseline Medical Inflation Rate	Baseline plus 1.00%
2011	\$5,673,500	\$5,673,500	\$5,673,500
2012	\$5,873,200	\$5,928,600	\$5,984,000
2013	\$6,194,300	\$6,312,000	\$6,430,800
2014	\$6,357,000	\$6,539,200	\$6,724,800
2015	\$6,667,200	\$6,923,300	\$7,186,800
2016	\$7,027,100	\$7,366,400	\$7,718,700
2017	\$7,312,800	\$7,738,600	\$8,185,100
2018	\$7,663,400	\$8,186,800	\$8,740,800
2019	\$8,111,100	\$8,747,500	\$9,427,600
2020	\$8,532,700	\$9,289,800	\$10,106,400



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PROJECTED LIABILITIES

The graph below shows how the Town's accrued liability for retiree medical benefits is expected to grow over the next 10 years.



**TOWN OF STRATFORD
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GASB 45 SCHEDULE OF FUNDING PROGRESS

The following information is required to be disclosed in the Town's financial statement.

(\$ 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)
<u>Town Groups</u>						
7/1/2007	\$0	\$55,487	\$55,487	0%	N/A	N/A
7/1/2008	0	58,760	58,760	0%	N/A	N/A
7/1/2010	630	67,290	66,660	1%	N/A	N/A
<u>BOE Groups</u>						
7/1/2007	\$0	\$42,562	\$42,562	0%	N/A	N/A
7/1/2008	0	63,155	63,155	0%	N/A	N/A
7/1/2010	287	44,046	43,759	1%	N/A	N/A

The 7.75% discount rate assumes that the Town and Board of Education will set up an OPEB trust, and that the long-term funding policy is to make contributions to fully fund the Annual Required Contribution.

TOWN OF STRATFORD
OTHER POST-EMPLOYMENT BENEFITS PROGRAM

GASB 45 SCHEDULE OF EMPLOYER CONTRIBUTIONS

The following information is required to be disclosed in the Town's financial statement.

(\$ 000s)

Year Ended June 30	Annual Required Contribution	Actual Contribution Made	Percentage Contributed
<u>Town Groups</u>			
2008	\$4,811	\$2,695	56%
2009	5,164	2,875	56%
2010	8,617	3,113	36%
2011	9,172	3,266	36%
<u>BOE Groups</u>			
2008	\$3,972	\$1,960	49%
2009	5,084	1,883	37%
2010	5,404	2,019	37%
2011	5,749	2,074	36%

**TOWN OF STRATFORD
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SUMMARY OF CENSUS DATA

The following were included in our analysis as of July 1, 2010 based on information provided by the Town.

	Fire	Police	Town	Teachers & Admin	Non- Certified	Total
Number of members						
Active	94	103	220	515	163	1,095
Retired members	74	66	172	392	93	797
Spouses of retirees	52	39	94	129	39	353
Total	220	208	486	1,036	295	2,245
Average age						
Active	39.9	40.9	47.3	43.0	49.5	44.4
Retired	64.7	64.1	66.9	69.7	68.5	68.0
Average retirement age						
Active	55.1	55.4	58.6	60.1	59.4	58.8
Retired	52.6	52.5	55.7	N/A	N/A	N/A
Expected lifetime						
Active [to retirement]	15.2	14.5	11.3	17.1	9.9	14.5
Retired [lifetime]	20.3	20.8	19.0	18.8	18.4	19.1

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

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CURRENT PREMIUMS

Based on information provided by the Town regarding current retirees' plan elections, the following weighted average blended actual premiums were used:

2010-2011 Monthly Premiums		Employee	Spouse
Medical - Town Groups	Pre 65	\$537.43	\$650.25
	Post 65	369.97	366.23
Medical - BOE Groups	Pre 65	622.36	684.60
	Post 65	314.31	306.70
Dental - BOE Groups		31.87	48.38

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MEDICAL COST ADJUSTMENT FACTORS

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.

Medical Benefits

Age	Town Groups		BOE Groups	
	Employee	Spouse	Employee	Spouse
40	3.33%	1.36%	1.51%	3.08%
45	4.50%	2.91%	3.05%	4.31%
50	5.12%	4.04%	4.14%	5.00%
55	5.37%	3.73%	3.89%	5.21%
60	4.67%	3.92%	4.00%	4.60%
65	2.16%	1.93%	1.95%	2.13%
70	2.28%	2.07%	2.10%	2.26%

Dental Benefits

Age	BOE Groups	
	Employee	Spouse
40	1.37%	1.60%
45	1.07%	1.42%
50	0.58%	0.75%
55	0.06%	0.28%
60	0.12%	0.15%
65	-0.10%	-0.19%
70	0.00%	0.00%

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ACTUARIAL METHOD

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.

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ACTUARIAL ASSUMPTIONS

Discount Rate

Town Groups	Current: 7.75%
	Prior: 8.25%.
BOE Groups	Current: 7.75%
	Prior: 4.00%

Healthy Mortality

Teachers and BOE Administrators*	RP-2000 projected forward 19 years using Scale AA, with a two-year age setback.
All Others	Current:
Pre-Retirement	1994 Group Annuity Mortality. 80% of deaths among active Firefighters and Police are assumed to occur in the line of duty. 5% of deaths among all others are assumed to occur in the line of duty.
Post-Retirement	RP-2000 Combined Healthy Mortality Table with generational projection per Scale AA.
	Prior: 1994 Group Annuity Mortality Table

Disabled Mortality

Teachers and BOE Administrators*	RP-2000 projected forward 19 years using Scale AA, with an eight-year age set forward.
All Others	Current:
Post-Retirement	1983 Railroad Retirement Board Disabled Mortality Table.
	Prior: 1994 Group Annuity Mortality Table.

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ACTUARIAL ASSUMPTIONS

Turnover

Teachers and BOE Administrators* Rates based on gender and length of service for the first ten years and gender and age thereafter:

Service	Male	Female
0-1	14.00%	12.00%
1-2	8.50	9.00
2-3	5.50	7.00
3-4	4.50	6.00
4-5	3.50	5.50
5-6	2.50	5.00
6-7	2.40	4.50
7-8	2.30	3.50
8-9	2.20	3.00
9-10	2.10	2.50

Age	Male	Female
25	1.20%	3.50%
35	1.20	3.50
45	1.26	1.30
55	3.36	1.60

Police and Firefighters 10% in first five years of service, none thereafter.

All Others Rates based on age per Crocker-Sarason T7 Table:

Age	Rate
20	9.94%
25	9.68
30	7.31
35	8.72
40	7.77
45	6.38
50	4.25
55	1.57
60	0.15

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ACTUARIAL ASSUMPTIONS

Retirement

Rates based on age, eligibility for pension benefits, and group:

**Teachers and BOE
Administrators***

Age	Unreduced		Proratable		Reduced	
	Male	Female	Male	Female	Male	Female
50 - 51	27.5%	15.0%			2.0%	2.0%
52	27.5%	15.0%			3.0%	4.0%
53	27.5%	15.0%			3.0%	4.5%
54	27.5%	15.0%			5.0%	5.5%
55	38.5%	30.0%			5.0%	7.5%
56	38.5%	30.0%			7.0%	8.5%
57	38.5%	30.0%			10.0%	9.5%
58	38.5%	30.0%			11.0%	10.0%
59	38.5%	30.0%			12.0%	10.0%
60	22.0%	22.0%	6.0%	5.4%		
61	25.3%	22.5%	6.0%	7.2%		
62	25.3%	22.5%	15.0%	9.9%		
63 - 64	27.5%	22.5%	10.0%	7.2%		
65	36.3%	30.0%	20.0%	13.5%		
66	27.5%	30.0%	20.0%	10.8%		
67	27.5%	30.0%	20.0%	13.5%		
68	27.5%	30.0%	20.0%	10.8%		
69	27.5%	30.0%	35.0%	10.8%		
70 - 73	100.0%	40.0%	35.0%	10.8%		
74	100.0%	40.0%	35.0%	18.0%		
75 - 79	100.0%	40.0%	40.0%	18.0%		
80	100.0%	100.0%	40.0%	18.0%		

**Police and
Firefighters**

40% are assumed to retire at 25 years of service, 5% at years 26-29, 40% at 30 years, and 10% at years thereafter; 100% are assumed to retire by age 65.

All Others

Age	Rate
<55	1%
55 - 59	5%
60	20%
61	10%
62 - 64	15%
65	40%
66 - 69	25%
70	100%

**TOWN OF STRATFORD
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

ACTUARIAL ASSUMPTIONS

Disability

	Age	Male	Female
Teachers and BOE Administrators*	20	0.0455%	0.0500%
	30	0.0455	0.0410
	40	0.0715	0.0720
	50	0.3250	0.2630
	60	1.2805	0.5000
Police and Fire In Line of Service	20	0.0547%	0.0687%
	30	0.0680	0.0954
	40	0.1186	0.1897
	50	0.3631	0.4307
	60	1.0596	0.8530
Police and Fire Not In Line of Service	20	0.2185%	0.2745%
	30	0.2717	0.3810
	40	0.4735	0.7567
	50	1.4446	1.7117
	60	4.1716	3.3687
All Others In Line of Service	20	0.1297%	0.1629%
	30	0.1613	0.2261
	40	0.2810	0.4489
	50	0.8564	1.0144
	60	2.4654	1.9927
All Others Not In Line of Service	20	0.0068%	0.0086%
	30	0.0085	0.0119
	40	0.0148	0.0237
	50	0.0453	0.0536
	60	0.1313	0.1059

**TOWN OF STRATFORD
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

ACTUARIAL ASSUMPTIONS

Future Retiree Coverage All current active members are assumed to elect coverage at retirement. 15% of Teachers are assumed to drop retiree coverage at age 65.

Cost Blending In order to dampen the volatility of the premium changes, this valuation is based on 75% expected costs/premiums plus 25% of actual costs/premiums.

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.

Group	Male	Female
All BOE Groups	80%	40%
Police and Fire	60%	50%
All Other Town	60%	15%

* Certain actuarial demographic assumptions for Teachers and Administrators are based on the assumptions used in the 2006 valuation of the Connecticut State Teachers Retirement System by Gabriel, Roeder, Smith and Company.

**TOWN OF STRATFORD
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

SUMMARY OF PLAN PROVISIONS

Police

Eligibility - Retire with 25 years of service.

Medical Benefit - Town pays 100% of the cost for the retiree and 50% of the cost for the dependents.

Life Insurance - \$5,000 until age 65.

Firefighters

Eligibility - Retire with 25 years of service.

Medical Benefit -

- Retire prior to July 1, 1987: Benevolent Society pays 100% of the cost for the retiree and 50% of the cost for the dependents.
- Retire after July 1, 1987 and prior to July 1, 1989: Town pays 50% of the cost for the retiree and 50% of the cost for the dependents.
- Retire on or after July 1, 1989: Town pays 100% of the cost for the retiree and 50% of cost for the dependents.

Life Insurance - Retire after July 1, 1989: \$5,000 until age 65.

Town Hall

Eligibility - 23 years of Continuous Service and, if hired after 7/1/1977, age 50, or 5 years of service and age 55.

Medical Benefit -

- Retire prior to July 1, 1986: Town pays 100% of the cost for the retiree and 50% of the cost for the dependents.
- Retire after July 1, 1986 and prior to signing of 1987-1990 collective bargaining agreement: Town pays 75% of the cost for the retiree and 50% of the cost for the dependents.
- Retire after signing of 1987-1990 collective bargaining agreement: Town pays 100% of the cost for the retiree and 50% of the cost for the dependents.

Life Insurance - Retire before September 1, 1999: \$5,000 until age 65. Retire after September 1, 1999: \$25,000 until age 70, \$5,000 thereafter.

**TOWN OF STRATFORD
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

SUMMARY OF PLAN PROVISIONS

Public Works

Eligibility - 23 years of Continuous Service and, if hired after 7/1/1985, age 50, or 5 years of service and age 55.

Medical Benefit -

- Retire prior to July 1, 1985: Town pays 50% of the cost for the retiree and 50% of the cost for the dependents.
- Retire after July 1, 1985 and prior to July 1, 1986: Town pays 100% of the cost for the retiree and 50% of the cost for the dependents.
- Retire after July 1, 1986 and prior to July 1, 1987: Town pays 75% of the cost for the retiree and 50% of the cost for the dependents.
- Retire on or after July 1, 1987: Town pays 100% of the cost for the retiree and 50% of cost for the dependents.

Life Insurance - \$5,000 until age 65.

Supervisors

Eligibility - 23 years of Continuous Service and, if hired after 4/1/1985, age 50, or 5 years of service and age 55.

Medical Benefit -

- Retire prior to July 2, 1985: Town pays 50% of the cost for the retiree and 50% of the cost for the dependents.
- Retire after July 2, 1985 and prior to March 31, 1986: Town pays 100% of the cost for the retiree and 50% of the cost for the dependents.
- Retire after April 1, 1986 and prior to September 4, 1987: Town pays 75% of the cost for the retiree and 50% of the cost for the dependents.
- Retire on or after September 4, 1987: Town pays 100% of the cost for the retiree and 50% of cost for the dependents.

Life Insurance - Retire after August 2, 1985: \$5,000 until age 65.

TOWN OF STRATFORD
OTHER POST-EMPLOYMENT BENEFITS PROGRAM

SUMMARY OF PLAN PROVISIONS

BOE Custodians	<p>Eligibility – 23 years of Continuous Service and, if hired after 4/1/1985, age 50, or 5 years of service and age 55.</p> <p>Medical and Dental Benefit – Board pays 100% of the cost for the retiree and 50% of the cost for the dependents.</p> <p>Life insurance - \$15,000.</p>
BOE Administrators	<p>Eligibility - An Administrator retiring under the Connecticut State Teachers Retirement System shall be eligible to receive health benefits for self and spouse.</p> <p>Normal Retirement for Administrators is the earliest of age 60 with 20 years of service, or completion of 35 years of service regardless of age. Early Retirement is the earliest of age 60 with 10 years of service, any age with 25 years of service, or age 55 with 20 years of service.</p> <p>Medical and Dental Benefit – Board pays 50% of the cost for the retiree only.</p>
BOE Nurses	<p>Eligibility – 23 years of Continuous Service and, if hired after 7/1/1977, age 50, or 5 years of service and age 55.</p> <p>Medical and Dental Benefit - Board pays 50% of the cost for the retiree only.</p>
BOE Paraprofessionals and Cafeteria Workers	<p>Eligibility – 23 years of Continuous Service and, if hired after 4/1/1985, age 50, or 5 years of service and age 55. No benefits if hired after July 1, 2011.</p> <p>Medical and Dental Benefit – Board pays 100% of the cost for the retiree and 50% of the cost for the dependents.</p> <p>Life insurance - \$7,000.</p>
BOE Secretaries	<p>Eligibility – 23 years of Continuous Service and, if hired after 4/1/1985, age 50, or 5 years of service and age 55.</p> <p>Medical and Dental Benefit – Board pays 100% of the cost for the retiree, and 50% of the cost for the dependents.</p> <p>Life insurance - \$15,000.</p>

TOWN OF STRATFORD
OTHER POST-EMPLOYMENT BENEFITS PROGRAM

SUMMARY OF PLAN PROVISIONS

Teachers

Eligibility - A Teacher retiring under the Connecticut State Teachers Retirement System shall be eligible to receive health benefits for self and spouse.

Normal Retirement for Teachers is the earliest of age 60 with 20 years of service, or completion of 35 years of service regardless of age. Early Retirement is the earliest of age 60 with 10 years of service, any age with 25 years of service, or age 55 with 20 years of service.

Medical and Dental Benefit – Board pays 50% of the cost for the retiree only.

All BOE Groups

For retirees electing coverage under the High Deductible Health Plan, the BOE fully funds the annual deductible in addition to the cost sharing described above.

This exhibit summarizes our understanding of the major provisions of the Other Post-Employment Benefits Program. It is not intended to be, nor should it be interpreted as a complete statement of all plan provisions. All eligibility requirements and benefit amounts shall be determined in strict accordance with the applicable collective bargaining agreements and other written materials. To the extent that this summary does not accurately reflect the plan provisions, then the results of this valuation may not be accurate.