

Massachusetts School Building Authority

**Actuarial Valuation and Review of Other
Postemployment Benefits (OPEB) as of
December 31, 2012 in accordance with
GASB Statements No. 43 and No. 45**

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May 16, 2013

*Ms. Joanne Aalto
Controller/Director of Audits
Massachusetts School Building Authority
40 Broad Street, Suite 500
Boston, MA 02109*

Dear Ms. Aalto:

We are pleased to submit this report on our actuarial valuation of postemployment welfare benefits as of December 31, 2012 under Governmental Accounting Standards Board Statements Number 43 and 45. It establishes the liabilities of the postemployment welfare benefit plan in accordance with GASB Statements Number 43 and 45 for the fiscal year beginning July 1, 2012 and summarizes the actuarial data.


This report is based on information received from the Massachusetts School Building Authority. 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 with you at your convenience.

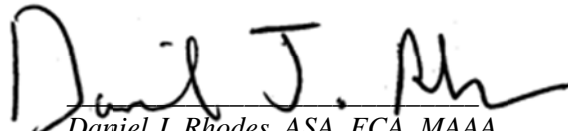
Sincerely,

THE SEGAL COMPANY

By:


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

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Daniel J. Rhodes, ASA, FCA, MAAA
Consulting Actuary

SECTION 1

EXECUTIVE SUMMARY

Purpose	1
Highlights of the Valuation	1
Accounting Requirements	3

SECTION 2

VALUATION RESULTS

Summary of Valuation Results	6
Actuarial Certification	7

SECTION 3

VALUATION DETAILS

CHART 1 Required Supplementary Information – Schedule of Employer Contributions	8
CHART 2 Required Supplementary Information – Schedule of Funding Progress	9
CHART 3 Required Supplementary Information – Net OPEB Obligation/(Asset) (NOO/NOA)	10
CHART 4 Summary of Required Supplementary Information	11
CHART 5 10-Year Projection of Benefit Payments	12

SECTION 4

SUPPORTING INFORMATION

EXHIBIT I Summary of Participant Data	13
EXHIBIT II Actuarial Assumptions and Actuarial Cost Method	14
EXHIBIT III Summary of Plan	21

**SECTION 1: Executive Summary for Massachusetts School Building Authority December 31, 2012
Measurement Under GASB 43 and 45**

PURPOSE

This report presents the results of our actuarial valuation of the Massachusetts School Building Authority (the “Employer”) postemployment welfare benefit plan as of December 31, 2012. 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

As of December 31, 2012, the **actuarial accrued liability (AAL)** is \$1,668,000. When comparing the actuarial accrued liability to the OPEB Trust Fund balance as of December 31, 2012, there is an overfunding of \$242,000. Going forward, 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 actuarial accrued liabilities.

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 pay-as-you-go, 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. Because the obligations

were fully funded as of June 30, 2012, we have used an 8% discount rate which reflects the actuarial return on the invested assets which are held in the State Retiree Benefits Trust Fund (SRBTF).

The GASB statements allow the use of one of six funding methods to determine the actuarial liabilities. We have used the projected unit credit cost method.

To determine the amortization payment on the unfunded actuarial accrued liability (UAAL), an amortization period and amortization method must be selected. As requested, we have immediately recognized the change in the UAAL in the fiscal year 2013 Annual Required Contribution, or ARC.

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.

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.

**SECTION 1: Executive Summary for Massachusetts School Building Authority December 31, 2012
Measurement Under GASB 43 and 45**

To estimate the effect of the excise tax on high cost health plans beginning in 2018, we have applied an increase of 3.64% and 5.00% on the actuarial accrued liability and the normal cost, respectively. This assumption comes from the January 1, 2012 OPEB Actuarial Valuation for the Commonwealth of Massachusetts, prepared by Aon Hewitt and dated October 18, 2012.

This valuation does not include the potential impact of any future changes due to the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (HCERA) of 2010 other than those previously adopted as of the valuation date.

**SECTION 1: Executive Summary for Massachusetts School Building Authority December 31, 2012
Measurement Under GASB 43 and 45**

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.

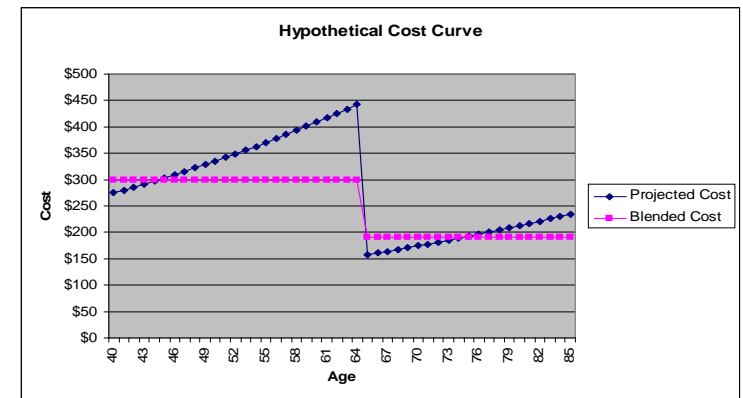
The statements cover postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are *not* offered as part of a pension plan; and long-term disability insurance for employees. These benefits, 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.

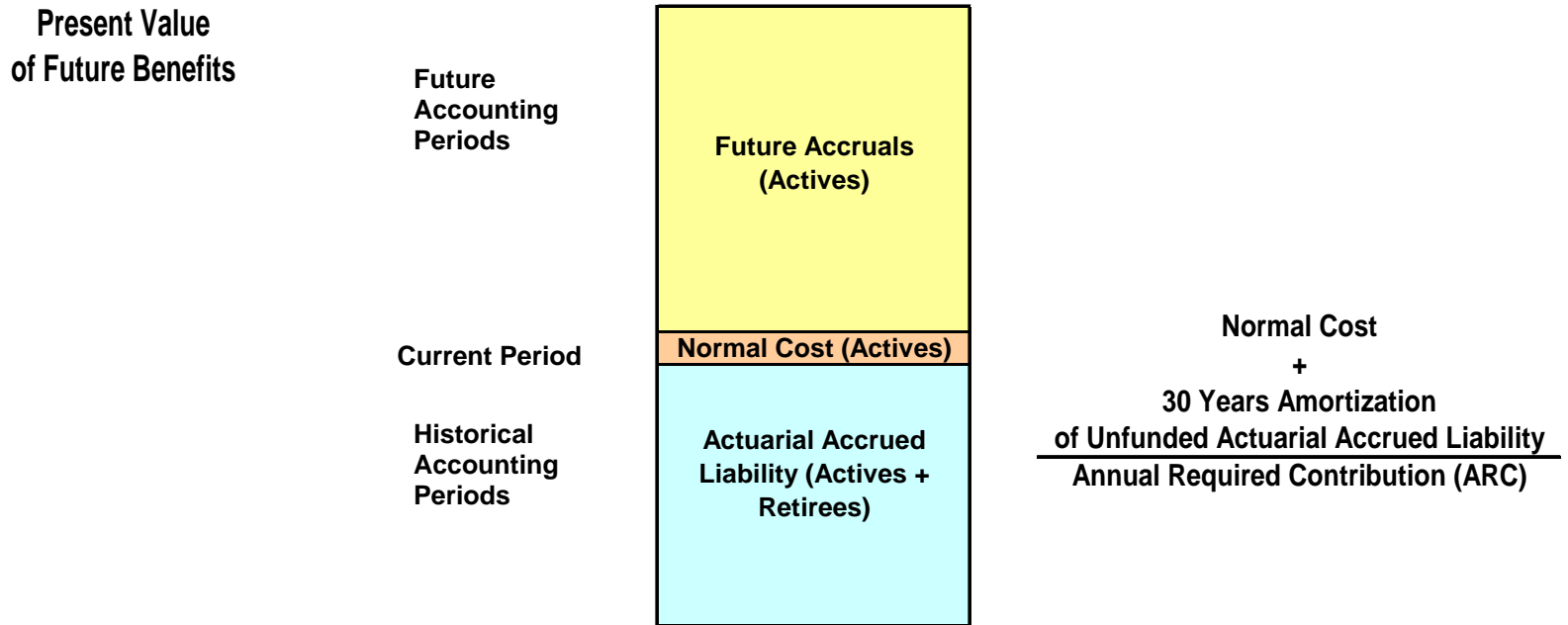


**SECTION 1: Executive Summary for Massachusetts School Building Authority December 31, 2012
Measurement Under GASB 43 and 45**

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



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

**SECTION 1: Executive Summary for Massachusetts School Building Authority December 31, 2012
Measurement Under GASB 43 and 45**

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 Massachusetts School Building Authority December 31, 2012
Measurement Under GASB 43 and 45**

SUMMARY OF VALUATION RESULTS

The key results for the current year are shown on a funded basis.

	8.0% discount rate
Actuarial Cost Factors as of December 31, 2012	
1. Normal cost	\$136,903
2. Actuarial Accrued Liability by Participant Category	
a. Current retirees, beneficiaries and dependents	0
b. Current active employees	1,300,202
c. Current vested terminated employees	<u>367,377</u>
d. Total: (2a) + (2b) + (2c)	\$1,667,579
3. Actuarial value of assets	<u>1,909,407</u>
4. Unfunded actuarial accrued liability (UAAL) as of December 31, 2012: (2d) – (3)	\$(241,828)
Annual Required Contribution (ARC) for Fiscal Year Beginning July 1, 2012	
5. UAAL projected to June 30, 2013	\$(183,035)
6. ARC (immediate recognition of UAAL as of June 30, 2013)	(183,035)

**SECTION 2: Valuation Results for the Massachusetts School Building Authority December 31, 2012
Measurement Under GASB 43 and 45**

May 16, 2013

ACTUARIAL CERTIFICATION

This is to certify that The Segal Company has conducted an actuarial valuation of certain benefit obligations of the Massachusetts School Building Authority other postemployment benefit programs as of December 31, 2012, 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.

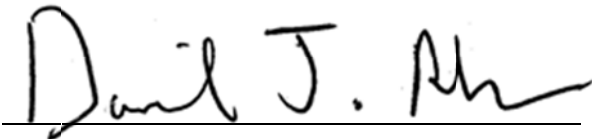
The actuarial valuation is based on the plan of benefits verified by the Massachusetts School Building Authority and on participant and premium data provided by the Massachusetts School Building Authority or from vendors employed by the Massachusetts School Building Authority. Certain assumptions regarding per capita costs and excise tax were taken from the January 1, 2012 OPEB Actuarial Valuation for the Commonwealth of Massachusetts dated October 18, 2012, prepared by Aon Hewitt.

The actuarial computations made are for purposes of fulfilling plan accounting requirements and to determine funding contributions. Determinations for other purposes 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 Massachusetts School Building Authority are reasonably related to the experience and expectations of the postemployment benefit programs.



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



Daniel J. Rhodes, ASA, FCA, MAAA
Consulting Actuary

**SECTION 3: Valuation Details for the Massachusetts School Building Authority December 31, 2012
Measurement Under GASB 43 and 45**

**CHART 1
Required Supplementary Information – Schedule of Employer Contributions**

Fiscal Year Ended June 30,	Annual OPEB Costs	Actual Contributions	Percentage Contributed
2010	\$53,000	\$0	0.0%
2011	478,000	0	0.0%
2012	(1,633,000)	1,778,000	(108.9%)
2013	(183,035)	0	0.0%

**SECTION 3: Valuation Details for the Massachusetts School Building Authority December 31, 2012
Measurement Under GASB 43 and 45**

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**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/Overfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll* (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
01/01/2008	\$0	\$2,471,000	\$2,471,000	0.00%	\$2,633,000	93.8%
01/01/2009	0	2,491,000	2,491,000	0.00%	3,013,000	82.7%
01/01/2009**	1,778,000	1,778,000	0	100.00%	3,880,000	0.0%
01/01/2013	1,909,407	1,667,579	(241,828)	114.50%	4,489,574	--

* Enter covered payroll for fiscal 2013.

** January 1, 2009 actuarial accrued liability has been updated as of June 30, 2012.

**SECTION 3: Valuation Details for the Massachusetts School Building Authority December 31, 2012
Measurement Under GASB 43 and 45**

**CHART 3
Required Supplementary Information – Net OPEB Obligation/(Asset) (NOO/NOA)**

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/(NOA) as of Following Date (g)
2010	N/A	N/A	N/A	\$53,000	\$0	\$53,000	\$2,933,000
2011	N/A	N/A	N/A	478,000	0	478,000	3,411,000
2012	\$1,778,000	N/A	\$(3,411,000)	(1,633,000)	1,778,000	(3,411,000)	0
2013	(183,035)	0	0	(183,035)	0	(183,035)	(183,035)

Notes: Historical information taken from CAFR.

“N/A” = Not Available.

ARC Adjustment for 2012 includes interest on net OPEB obligation.

**SECTION 3: Valuation Details for the Massachusetts School Building Authority December 31, 2012
Measurement Under GASB 43 and 45**

**CHART 4
Summary of Required Supplementary Information**

Valuation date	December 31, 2012
Actuarial cost method	Projected Unit Credit
Amortization method	Immediate recognition of unfunded liability at end of fiscal year
Remaining amortization period	N/A
Asset valuation method	Market value

Actuarial assumptions:

Investment rate of return	8.0%
Medical cost trend rate	7.0% graded to 5.0% over 4 years

Plan membership:

Current retirees, beneficiaries, and dependents	0
Current active employees	55
Current vested terminated employees	<u>6</u>
Total	61

**SECTION 3: Valuation Details for the Massachusetts School Building Authority December 31, 2012
Measurement Under GASB 43 and 45**

This chart presents a ten-year projection of health benefit payments for future retirees, reflecting the implicit rate subsidy.

**CHART 5
10-Year Projection of Benefit Payments**

Year Ending December 31,	Projected Benefit Payments
2013	\$5,605
2014	13,080
2015	27,786
2016	40,864
2017	57,040
2018	69,647
2019	86,088
2020	94,711
2021	111,318
2022	133,840

**SECTION 4: Supporting Information for the Massachusetts School Building Authority December 31, 2012
Measurement Under GASB 43 and 45**

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

The January 1, 2009 census information is from the January 1, 2009 OPEB Actuarial Valuation prepared by Aon Hewitt, dated August 2010.

**EXHIBIT I
Summary of Participant Data**

	January 1, 2013	January 1, 2009
Active employees		
Number of employees		
Male	28	21
Female	<u>27</u>	<u>17</u>
Total	55	38
Average age	41.2	40.7
Average service	7.7	7.1
Vested terminated employees		
Number of employees	6	N/A
Average age	46.5	N/A

**SECTION 4: Supporting Information for the Massachusetts School Building Authority December 31, 2012
Measurement Under GASB 43 and 45**

**EXHIBIT II
Actuarial Assumptions and Actuarial Cost Method**

Data: Detailed census data for postemployment welfare benefits were provided by the Massachusetts School Building Authority.

Actuarial Cost Method: Projected Unit Credit

Measurement Date: December 31, 2012

Discount Rate: 8.0%

Mortality Rates:

Pre-Retirement

RP-2000 Healthy Employee Mortality Table projected 20 years with Scale AA

Healthy

RP-2000 Healthy Annuitant Mortality Table projected 15 years with Scale AA

Disabled

RP-2000 Healthy Annuitant Mortality Table projected 5 years with Scale AA set forward 3 years for males

The mortality tables for disabled participants were determined to contain provisions appropriate to reflect future mortality improvements.

**SECTION 4: Supporting Information for the Massachusetts School Building Authority December 31, 2012
Measurement Under GASB 43 and 45**

Sample Termination Rates before Retirement:

Age	Group 1 - Rate per year (%)		
	Male	Female	Disability
	Mortality		
20	0.02	0.01	0.01
25	0.03	0.02	0.01
30	0.04	0.02	0.01
35	0.07	0.04	0.04
40	0.09	0.05	0.07
45	0.12	0.08	0.11
50	0.15	0.12	0.14
55	0.21	0.22	0.17
60	0.35	0.36	0.20

Notes: 55% of the rates shown represent accidental disability and death.

Sample Withdrawal Rates:

Age	Group 1 - Rate per year (%)		
	0 Years of Service	5 Years of Service	10+ Years of Service
20	27.0	12.0	6.0
30	23.0	10.0	5.5
40	16.0	8.0	4.0
50	14.0	6.0	3.0
60	10.0	5.0	0.0

**SECTION 4: Supporting Information for the Massachusetts School Building Authority December 31, 2012
Measurement Under GASB 43 and 45**

Retirement Rates:

Age	Rate per year (%)	
	Male	Female
50	1.5	3.0
51 – 52	1.0	3.0
53	1.5	2.5
54	2.0	3.5
55	4.0	5.0
56	3.5	6.0
57	4.0	5.5
58	4.5	7.0
59	5.0	9.0
60	8.0	8.0
61	10.0	10.0
62 - 64	16.0	16.0
65 - 69	25.0	25.0
70	100.0	100.0

Dependents:

For 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, 80% were assumed to have an eligible spouse who also opts for health coverage at that time.

**SECTION 4: Supporting Information for the Massachusetts School Building Authority December 31, 2012
Measurement Under GASB 43 and 45**

Per Capita Health Costs:

Calendar 2013 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	Indemnity					
	Non-Medicare Eligible			Medicare Eligible		
	Retiree	Spouse	Surviving Spouse	Retiree	Spouse	Surviving Spouse
45	\$6,751	\$6,208	\$7,411	N/A	N/A	N/A
50	7,942	7,302	8,718	N/A	N/A	N/A
55	9,341	8,589	10,254	N/A	N/A	N/A
60	11,149	10,251	12,239	N/A	N/A	N/A
65	13,737	12,650	15,060	\$2,698	\$2,698	\$3,036
70	15,866	14,616	17,383	3,111	3,111	3,501
75	17,889	16,491	19,588	3,505	3,505	3,944
80	19,598	18,084	21,439	3,832	3,832	4,313

Age	HMO					
	Non-Medicare Eligible			Medicare Eligible		
	Retiree	Spouse	Surviving Spouse	Retiree	Spouse	Surviving Spouse
45	\$5,007	\$4,645	\$5,385	N/A	N/A	N/A
50	5,890	5,464	6,334	N/A	N/A	N/A
55	6,926	6,426	7,449	N/A	N/A	N/A
60	8,267	7,670	8,890	N/A	N/A	N/A
65	10,173	9,450	10,931	\$2,227	\$2,227	\$2,535
70	11,747	10,917	12,616	2,571	2,571	2,926
75	13,234	12,307	14,209	2,894	2,894	3,293
80	14,488	13,482	15,543	3,165	3,165	3,601

*Notes: Costs are net of contributions. Retirees and spouses contribute 20% of the premium cost, while surviving spouses contribute 10%, per Group Insurance Commission policy.
Assumptions for per capita costs and excise tax were taken from the January 1, 2012 OPEB Actuarial Valuation for the Commonwealth of Massachusetts, prepared by Aon Hewitt and dated October 18, 2012.*

**SECTION 4: Supporting Information for the Massachusetts School Building Authority December 31, 2012
Measurement Under GASB 43 and 45**

Age	PPO		
	Non-Medicare Eligible		
	Retiree	Spouse	Surviving Spouse
45	\$4,875	\$4,473	\$5,343
50	5,734	5,261	6,284
55	6,745	6,189	7,393
60	8,049	7,385	8,823
65	N/A	N/A	N/A
70	N/A	N/A	N/A
75	N/A	N/A	N/A
80	N/A	N/A	N/A

Notes: Costs are net of contributions. Retirees and spouses contribute 20% of the premium cost, while surviving spouses contribute 10%, per Group Insurance Commission policy. Assumptions for per capita costs and excise tax were taken from the January 1, 2012 OPEB Actuarial Valuation for the Commonwealth of Massachusetts, prepared by Aon Hewitt and dated October 18, 2012.

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 is applied to that year’s cost to yield the next year’s projected cost.

Year Ending December 31	Medical	Administrative
2013	7.0%	5.0%
2014	6.5%	5.0%
2015	6.0%	5.0%
2016	5.5%	5.0%
2017 & later	5.0%	5.0%

Retiree Contribution Increase Rate:

Retiree contributions for medical and prescription drug coverage are expected to increase with medical trend.

**SECTION 4: Supporting Information for the Massachusetts School Building Authority December 31, 2012
Measurement Under GASB 43 and 45**

Participation and Coverage Election:	80% of active employees are assumed to elect retiree medical and life insurance coverage. 50% of terminated vested participants are assumed to elect retiree coverage, with benefits assumed to commence at age 60. 50% of future retirees are assumed to elect a GIC indemnity plan upon retirement, 45% are assumed to elect a POS/PPO plan upon retirement and 5% are assumed to elect a GIC HMO plan. 100% of future retirees are assumed to be eligible for Medicare, with 95% electing a GIC Indemnity plan upon reaching age 65 and 5% electing a GIC HMO plan upon reaching age 65.
Plan Design:	Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit III.
Administrative Expenses:	Administrative expenses are assumed to be included in the fully insured premium rates. Administrative expenses are assumed to be \$585 for indemnity plans, \$467 for POS/PPO plans and \$417 for HMO plans and are assumed to increase at 5.0%.
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.
Health Care Reform Assumption:	To estimate the effect of the excise tax on high cost health plans beginning in 2018, we have applied an increase of 3.64% and 5.00% on the actuarial accrued liability and the normal cost, respectively. This assumption comes from the January 1, 2012 OPEB Actuarial Valuation for the Commonwealth of Massachusetts, prepared by Aon Hewitt and dated October 18, 2012. This valuation does not include the potential impact of any other future changes due to the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (HCERA) of 2010 other than those previously adopted as of the valuation date.

**SECTION 4: Supporting Information for the Massachusetts School Building Authority December 31, 2012
Measurement Under GASB 43 and 45**

**Medicare Part D Subsidy
Assumption:**

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 Massachusetts School Building Authority may be eligible to receive for plan years beginning in 2006.

**SECTION 4: Supporting Information for the Massachusetts School Building Authority December 31, 2012
Measurement Under GASB 43 and 45**

**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 from the Massachusetts School Building Authority and receiving a pension from the Massachusetts State Retirement System.
<i>Members hired before April 2, 2012</i>	Group 1: <ul style="list-style-type: none">➤ 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.
<i>Members hired on or after April 2, 2012</i>	Group 1: <ul style="list-style-type: none">➤ Retirees with at least 10 years of creditable service are eligible at age 60. <p>Disability: Accidental (job-related) Disability has no age or service requirement. Ordinary (non-job related) Disability has no age requirement but requires 10 years of creditable service.</p> <p>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.</p> <p>Post-Retirement Death: Surviving spouse is eligible.</p>
Benefit Types:	Medical and prescription drug benefits are provided to all eligible retirees through a variety of plans offered through the Commonwealth of Massachusetts Group Insurance Commission (GIC). (Dental coverage is offered, but it is 100% retiree paid and therefore has no impact on this valuation.)

**SECTION 4: Supporting Information for the Massachusetts School Building Authority December 31, 2012
Measurement Under GASB 43 and 45**

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 retirees dies.
Retiree Life: \$5,000

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