

**Town of Natick Contributory
Retirement System**

**Actuarial Valuation and Review as of
January 1, 2011**

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The Segal Company
116 Huntington Ave., 8th Floor Boston, MA 02116
T 617.424.7300 F 617.424.7390 www.segalco.com

December 13, 2011

*Retirement Board
Town of Natick Contributory Retirement System
13 East Central Street
Natick, MA 01760*

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of January 1, 2011. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2012 and later years and analyzes the preceding three years' experience.

The census information and financial information on which our calculations were based was prepared by the staff of the Natick Retirement System. That assistance is gratefully acknowledged. The actuarial calculations were completed under my supervision.

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the Plan.


I am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

THE SEGAL COMPANY

By:


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

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SECTION 1: Valuation Summary for the Town of Natick Contributory Retirement System

Purpose

This report has been prepared by The Segal Company to present a valuation of the Town of Natick Contributory Retirement System as of January 1, 2011. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of M.G.L. Chapter 32;
- The characteristics of covered active participants, inactive participants, and retired participants and beneficiaries as of December 31, 2010;
- The assets of the Plan as of December 31, 2010;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

- The actuarial valuation report as of January 1, 2011 is based on financial information as of that date. Changes in the value of assets subsequent to that date are not reflected.
- With this valuation we recommend and have applied a change in asset valuation to one which smooths the 2008 investment loss over a ten-year period and other gains and losses over a five-year period. Please note that the ten-year smoothing of the 2008 investment loss is permitted for multiemployer plans under the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010. Under this new method, the actuarial value of assets as of December 31, 2010 was \$94.7 million, or 120.0% of the market value of assets of \$78.9 million. Under the old method, the actuarial value of assets is \$82.4 million. As of December 31, 2007, the actuarial value of assets of \$90.9 million was 105.8% of market value of assets of \$85.9 million.
- During the plan years ended 2008, 2009 and 2010, the market value rates of return were -28.31%, 15.65% and 12.34%, respectively. Because the actuarial value of assets gradually recognizes market value fluctuations over a five-year period, the actuarial rate of return for the plan years ended 2008, 2009 and 2010 were -18.65%, 5.66% and 22.73%, respectively.

SECTION 1: Valuation Summary for the Town of Natick Contributory Retirement System

- As indicated in Section 2, Subsection B of this report, the total unrecognized investment loss as of December 31, 2010 is \$15.8 million. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years, to the extent it is not offset by recognition of investment gains derived from future experience. This implies that earning the assumed rate of investment return of 8.00% per year (net of expenses) on a **market value** basis will result in investment losses on the actuarial value of assets in the next few years. The funding schedule shown in Section 3, Exhibit F reflects the deferred investment losses in accordance with the recommended asset valuation method applied in this report. Therefore, if the actual market return is equal to the assumed 8.00% rate and all other actuarial assumptions are met, the contribution requirements would still increase in each of the next few years.
- The unfunded liability has increased from \$40.4 million as of January 1, 2008 to \$53.2 million as of January 1, 2011 compared to the expected unfunded liability of \$39.7 million. As detailed in Subsection C of Section 2 of this report, the increase is primarily due to the investment loss on an actuarial basis, partially offset by the change in asset method, demographic gains due to salaries increasing less than expected, more deaths than expected amongst pensioners and beneficiaries, fewer disabilities than expected and the transfer of high service employees to other retirement systems.
- The fiscal 2012 appropriation has previously been budgeted at \$5,916,756. The results of this valuation will first be reflected in the fiscal 2013 appropriation of \$6,390,096 which is 8% higher than the fiscal 2012 appropriation. In projecting the unfunded actuarial accrued liability for future fiscal years, the deferred investment losses have been reflected in accordance with the recommended asset valuation method applied in this report. The appropriation is comprised of an employer normal cost payment and a payment on the unfunded liability. The amortization payment is calculated to fully fund the System by June 30, 2030 with payments that increase 4% per year. As permitted by Chapter 188 of the Acts of 2010, the annual increase to the appropriation has been limited to 8% per year. Therefore, the appropriation is projected to increase 8% per year through 2021, 6.73% in fiscal 2022 and 4.14% per year thereafter.

The prior funding schedule fully amortized the unfunded liability by June 30, 2026 with payments that increased 4½% per year.

Exhibit F in Section 3 shows the recommended contribution through fiscal 2030 based on this funding schedule.
- The funded ratio for the purpose of Chapter 68 of the Acts of 2007 is 65.59% as of January 1, 2011. This is based on an actuarial accrued liability of \$144,371,807 calculated using an 8.25% interest rate and the actuarial value of assets of \$94,697,600.

SECTION 1: Valuation Summary for the Town of Natick Contributory Retirement System

Summary of Key Valuation Results

	2011	2008
Contributions for fiscal year beginning July 1:		
Recommended for fiscal 2012 and 2010	\$5,916,756	\$5,418,151
Recommended for fiscal 2013 and 2011	6,390,096	5,661,968
Recommended for fiscal 2014 and 2012	6,901,304	5,916,756
Funding elements for plan year beginning January 1:		
Normal cost, including administrative expenses	\$4,608,116	\$4,264,417
Market value of assets	78,914,667	85,936,858
Actuarial value of assets	94,697,600	90,885,080
Actuarial accrued liability	147,904,433	131,268,314
Unfunded actuarial accrued liability	53,206,833	40,383,234
GASB 25/27 for fiscal year beginning July 1:		
Annual required contributions	\$5,916,756	\$5,334,374
Actual contributions	--	5,334,374
Percentage contributed	--	100.00%
Funded ratio	64.03%	69.24%
Funded Ratio Calculated for Chapter 68 of the Acts of 2007:		
Actuarial accrued liability (8.25%)	\$144,371,807	--
Actuarial value of assets	94,697,600	--
Funded ratio	65.59%	--
Demographic data for plan year beginning January 1:		
Number of retired participants and beneficiaries	360	371
Number of inactive participants entitled to a return of their employee contribution	81	75
Number of inactive participants with a vested right to a deferred or immediate benefit	12	9
Number of active participants	559	573
Total payroll in prior calendar year	\$26,253,520	\$24,473,663
Average payroll in prior calendar year	46,965	42,711

SECTION 2: Valuation Results for the Town of Natick Contributory Retirement System

A. PARTICIPANT DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered participants, including active participants, inactive participants, retired participants and beneficiaries.

This section presents a summary of significant statistical data on these participant groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A and B.

A historical perspective of how the participant population has changed over the past eight valuations can be seen in this chart.

CHART 1
Participant Population: 1996 – 2010

Year Ended December 31	Active Participants	Inactive Participants*	Retired Participants and Beneficiaries
1996	475	22	367
1998	483	8	381
1999	530	8	370
2001	555	94	367
2003	544	65	365
2005	584	71	367
2007	573	84	371
2010	559	93	360

* Excludes inactive participants with a vested right to a return of their employee contributions prior to 2001.

SECTION 2: Valuation Results for the Town of Natick Contributory Retirement System

Active Participants

Plan costs are affected by the age, years of service and payroll of active participants. In this year's valuation, there were 559 active participants with an average age of 48.2, average years of service of 12.8 years and average payroll of \$46,965. The 573 active participants in the prior valuation had an average age of 47.6, average service of 12.1 years and average payroll of \$42,711.

Among the active participants, there were none with unknown age and/or service information.

Inactive Participants

In this year's valuation, there were 12 participants with a vested right to a deferred or immediate vested benefit and 81 participants entitled to a return of their employee contributions.

These graphs show a distribution of active participants by age and by years of service.

CHART 2
Distribution of Active Participants by Age as of December 31, 2010

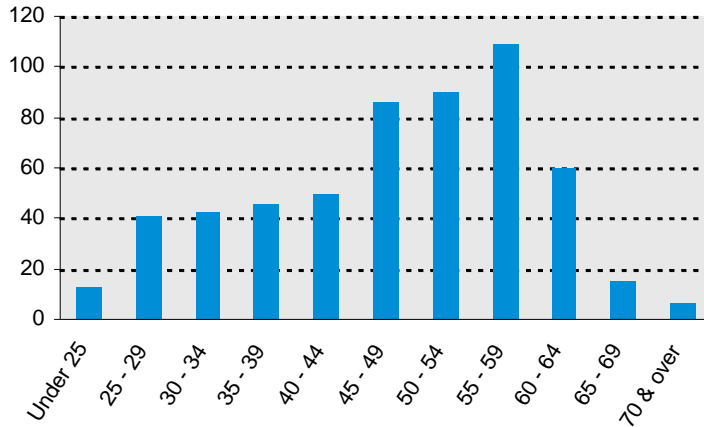
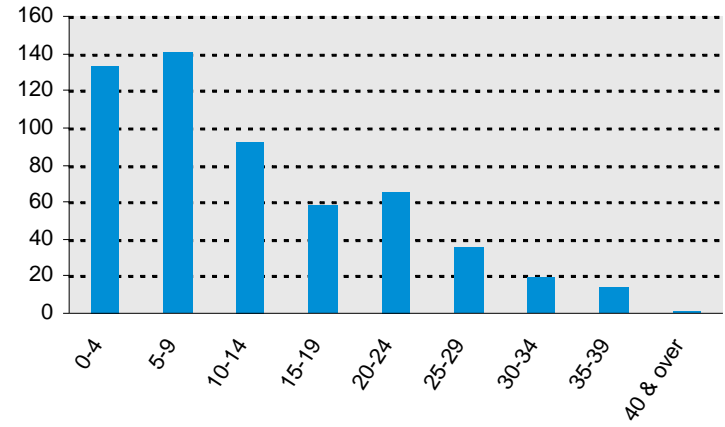


CHART 3
Distribution of Active Participants by Years of Service as of December 31, 2010



SECTION 2: Valuation Results for the Town of Natick Contributory Retirement System

Retired Participants and Beneficiaries

As of December 31, 2010, 313 retired participants and 47 beneficiaries were receiving total monthly benefits of \$673,981, excluding COLAs reimbursed by the Commonwealth. For comparison, in the previous valuation, there were 317 retired participants and 54 beneficiaries receiving monthly benefits of \$593,707, excluding COLAs reimbursed by the Commonwealth.

These graphs show a distribution of the current retired participants and beneficiaries based on their monthly amount and age, by type of pension.

CHART 4
Distribution of Retired Participants and Beneficiaries by Type and by Monthly Amount as of December 31, 2010

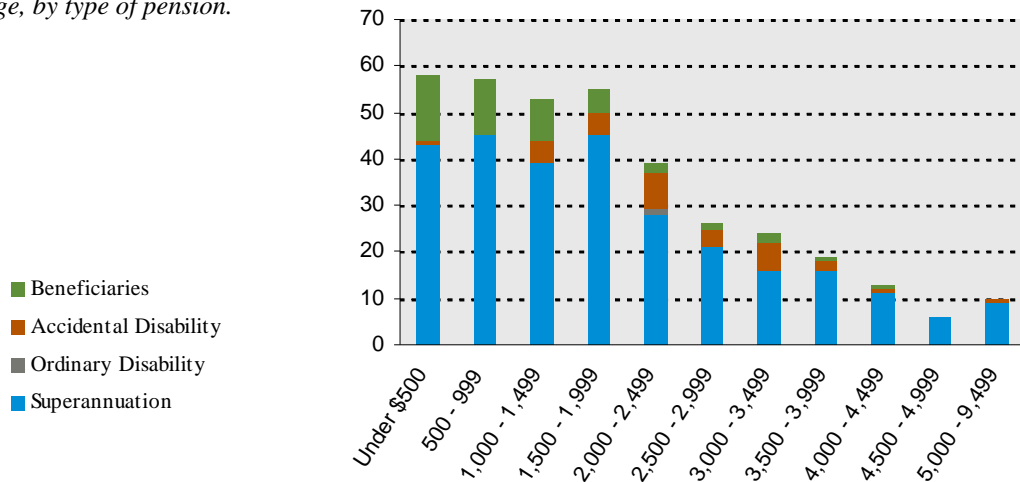
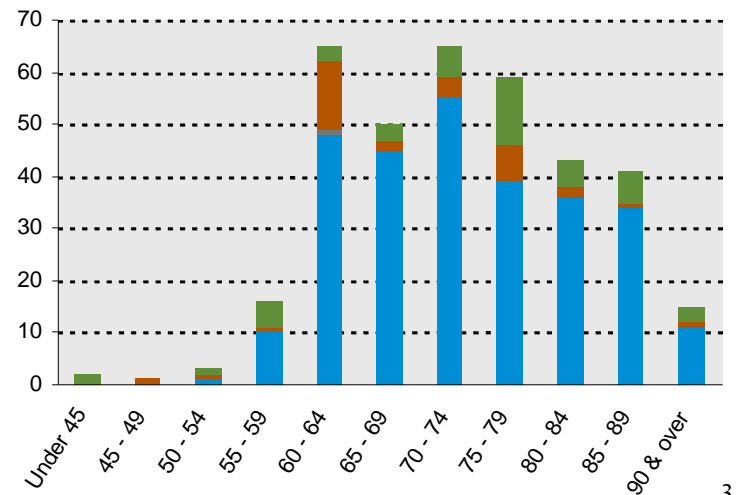


CHART 5
Distribution of Retired Participants and Beneficiaries by Type and by Age as of December 31, 2010



SECTION 2: Valuation Results for the Town of Natick Contributory Retirement System

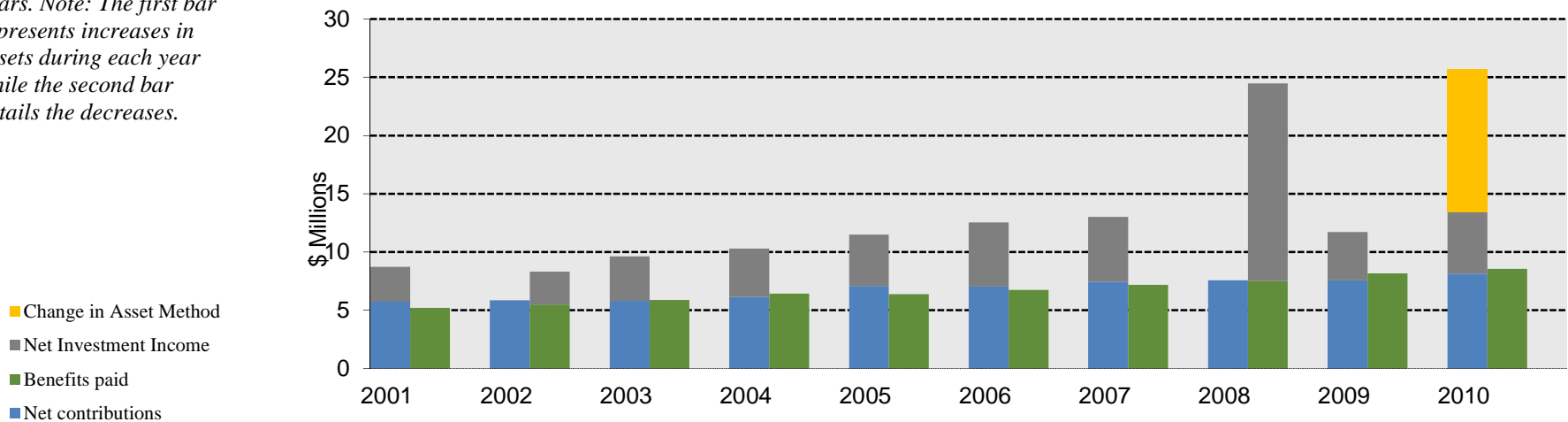
B. FINANCIAL INFORMATION

Retirement plan funding anticipates that, over the long term, both net contributions (less administrative expenses) and net investment earnings (less investment fees) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits C and D.

The chart depicts the components of changes in the actuarial value of assets over the last ten years. Note: The first bar represents increases in assets during each year while the second bar details the decreases.

CHART 6
Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended December 31, 2001 – 2010



SECTION 2: Valuation Results for the Town of Natick Contributory Retirement System

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board has approved an asset valuation method that gradually adjusts to market value. With this valuation, we recommend and have applied a change in the asset valuation method. The old method calculates an expected actuarial value of assets which is adjusted to reflect 20% of the difference between the expected actuarial value and the market value.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

The chart shows the determination of the actuarial value of assets under the prior method for the most recent three years.

CHART 7
Determination of Actuarial Value of Assets, Old Asset Method

	Year Ended December 31,		
	2010	2009	2008
1. Actuarial value of assets at the beginning of the year	\$77,540,469	\$73,970,909	\$90,885,080
2. Contributions less benefit payments and expenses during the year	-416,888	-599,737	35,468
3. Preliminary actuarial value of assets: (1) + [50% of (2)]	77,332,025	73,671,041	90,902,813
4. Expected investment income: .08 x (3)	6,186,562	5,893,684	7,272,225
5. Preliminary actuarial value of assets at the end of the year: (1) + (2) + (4)	83,310,143	79,264,856	98,192,773
6. Market value of assets at end of the year	78,914,667	70,642,919	61,642,424
7. Adjustment toward market value: 20% of [(6) - (5)]	-879,095	-1,724,387	-7,310,070
8. Adjustment to be within 20% corridor	0	0	-16,911,794
9. Final actuarial value of assets: (5) + (7) + (8)	<u>\$82,431,048</u>	<u>\$77,540,469</u>	<u>\$73,970,909</u>
8. Actuarial value as a percentage of market value: (9) ÷ (6)	104.5%	109.8%	120.0%

SECTION 2: Valuation Results for the Town of Natick Contributory Retirement System

The new method of determining the actuarial value of assets recognizes the difference between the total return on a market value basis and the expected return over a five-year period, with the exception of the 2008 investment loss which is recognized over a ten-year period. The actuarial value can not exceed 120% of the market value or be less than 80% of the market value. Under this method, the actuarial value of assets is \$94.7 million compared to \$82.4 million under the old method.

The chart shows the determination of the actuarial value of assets under the new method as of the valuation date.

CHART 8

Determination of Actuarial Value of Assets, New Asset Method

	Year Ended December 31, 2010		
1. Market value of assets, December 31, 2010			\$78,914,667
	Original	Unrecognized	
2. Calculation of unrecognized return*	Amount	Return	
(a) Year ended December 31, 2010	\$3,053,878	\$2,443,103	
(b) Year ended December 31, 2009	4,692,827	2,815,696	
(c) Year ended December 31, 2008	-31,206,268	-21,844,388	
(d) Year ended December 31, 2007	-2,570,747	-514,149	
(e) Year ended December 31, 2006	2,478,228	<u>0</u>	
(f) Total unrecognized return			-17,099,738
3. Preliminary actuarial value: (1) - (2f)			96,014,405
4. Adjustment to be within 20% corridor			-1,316,805
5. Final actuarial value of assets as of December 31, 2010: (3) + (4)			<u>94,697,600</u>
6. Actuarial value as a percentage of market value: (5) ÷ (1)			120.0%
7. Amount deferred for future recognition: (1) - (5)			-15,782,933

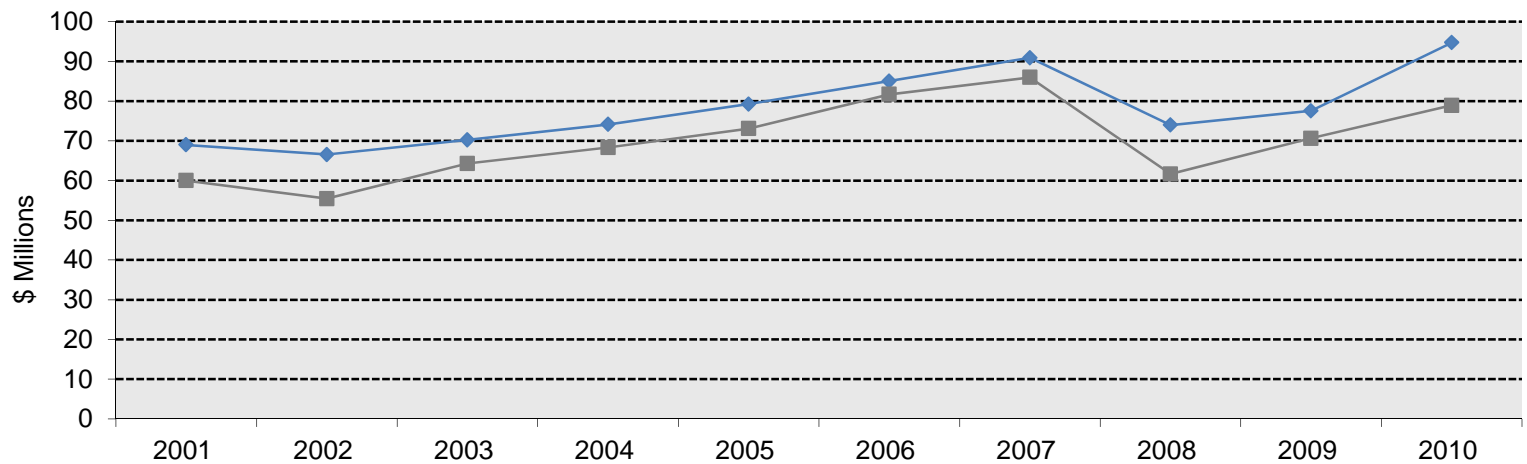
* Unrecognized return is the difference between the total return and the expected return on a market value basis and is recognized over a ten-year period for the year ended December 31, 2008 and over a five-year period for all other years.

SECTION 2: Valuation Results for the Town of Natick Contributory Retirement System

Both the actuarial value and market value of assets are representations of the Natick Retirement System’s financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial asset value is significant because the Natick Retirement System’s liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded liability is an important element in determining the contribution requirement.

This chart shows the change in the actuarial value of assets versus the market value over the past ten years. 2010 actuarial value of assets reflects a change in asset method. December 31, 2007 market value of assets of \$88,733,629 reported in the Annual Statement as of December 31, 2007 was reduced by the value of the First America Asia Fund (\$2,796,771) to \$85,936,858.

CHART 9
Actuarial Value of Assets vs. Market Value of Assets as of December 31, 2001 – 2010



SECTION 2: Valuation Results for the Town of Natick Contributory Retirement System

C. ACTUARIAL EXPERIENCE

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year’s experience was a short-term

development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The total experience loss over the three-year period is \$25,725,767, a \$30,993,811 loss from investments and a \$5,268,044 gain from all other sources. A discussion of the major components of the actuarial experience is on the following pages.

This chart provides a summary of the actuarial experience over the past three years.

CHART 10
Actuarial Experience for Three-Year Period Ended December 31, 2010

1. Net loss from investments (prior to change in asset valuation method)*	-\$30,993,811
2. Net gain from administrative expenses	115,626
3. Net gain from other experience**	<u>5,152,418</u>
4. Net experience loss: (1) + (2) + (3)	-\$25,725,767

* Details in Chart 11.

** Details in Chart 14.

SECTION 2: Valuation Results for the Town of Natick Contributory Retirement System

Investment Rate of Return

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the Natick Retirement System’s investment policy. For valuation purposes, the assumed rate of return on the actuarial value of assets is 8.00%. The actual rate of return on an actuarial basis for the 2010, 2009 and 2008 plan years were 6.86%, 5.66% and -18.65%, respectively, using the old asset method.

Since the actual return for the past three years was less than the assumed return, the Natick Retirement System experienced an actuarial loss during the three-year period ending December 31, 2010 with regard to its investments of \$30,993,811 (including an adjustment for interest).

This chart shows the gain/(loss) due to investment experience.

CHART 11
Actuarial Value Investment Experience (Prior to Change in Asset Method)

	Year Ended December 31,		
	2010	2009	2008
1. Actual return	\$5,307,467	\$4,169,297	-\$16,949,639
2. Average value of assets	77,332,025	73,671,041	90,902,814
3. Actual rate of return: (1) ÷ (2)	6.86%	5.66%	-18.65%
4. Assumed rate of return	8.00%	8.00%	8.00%
5. Expected return: (2) x (4)	\$6,186,562	\$5,893,684	\$7,272,225
6. Actuarial loss: (1) – (5)	<u>-\$879,095</u>	<u>-\$1,724,387</u>	<u>-\$24,221,862</u>

SECTION 2: Valuation Results for the Town of Natick Contributory Retirement System

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial basis compared to the market value investment return for the last ten years, including five-year and ten-year averages. The 2010 actuarial value investment return includes the change in method of \$12,266,552.

Based upon this experience and future expectations, we have maintained the assumed rate of return of 8.00%.

CHART 12
Investment Return – Actuarial Value vs. Market Value: 2001 - 2010

Year Ended December 31	Actuarial Value Investment Return		Market Value Investment Return	
	Amount	Percent	Amount	Percent
2001	\$3,006,488	4.58%	-\$5,995,681	-9.12%
2002	-2,823,332	-4.08	-4,906,912	-8.16
2003	3,822,093	5.75	8,925,929	16.12
2004	4,152,486	5.92	4,310,539	6.72
2005	4,415,370	5.93	4,070,978	5.93
2006	5,513,478	6.95	8,334,944	11.39
2007	5,576,626	6.55	3,975,191	4.86
2008	-16,949,639	-18.65	-24,329,901	-28.31
2009	4,169,297	5.66	9,600,231	15.65
2010	<u>17,574,019</u>	22.73	<u>8,688,636</u>	12.34
Total	\$28,456,886		\$12,673,954	
	Five-year average return	3.91%		1.68%
	Ten-year average return	3.78%		1.85%

Note: Each year's yield is weighted by the average asset value in that year. The 2010 actuarial value investment return includes the change in asset method.

SECTION 2: Valuation Results for the Town of Natick Contributory Retirement System

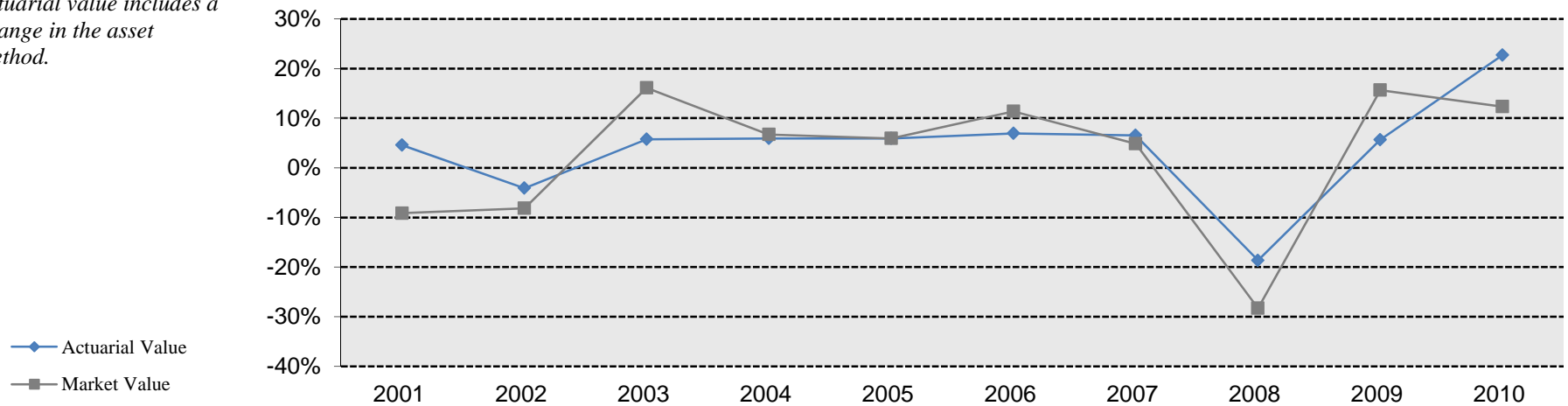
Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

Administrative Expenses

Administrative expenses for the years ended December 31, 2008, 2009 and 2010 were \$208,194, \$191,448 and \$195,114, respectively, compared to the assumption of \$220,000 for 2008, \$229,900 for 2009 and \$240,246 for 2010. This resulted in a gain of \$115,626 for the three-year period, including an adjustment for interest. We have maintained the assumption of \$220,000 for calendar 2011.

This chart illustrates how this leveling effect has actually worked over the years 2001 - 2010. 2010 actuarial value includes a change in the asset method.

CHART 13
Market and Actuarial Rates of Return for Years Ended December 31, 2001 - 2010



SECTION 2: Valuation Results for the Town of Natick Contributory Retirement System

Other Experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),
- the number of disability retirements, and
- salary increases different than assumed.

The net gain from this other experience for the three-year period ending December 31, 2010 amounted to \$5,152,418. A brief summary of the demographic experience of the Natick Retirement System for the three-year period ending December 31, 2010 is shown in the chart below.

The chart shows elements of the experience gain/(loss) for the most recent years.

CHART 14

Experience Due to Changes in Demographics for Three-Year Period Ended December 31, 2010

1. Salary increases less than expected for continuing actives	\$3,088,489
2. More deaths than expected amongst retired members and beneficiaries	501,952
3. Miscellaneous gain	<u>1,561,977</u>
4. Total	\$5,152,418

SECTION 2: Valuation Results for the Town of Natick Contributory Retirement System

D. RECOMMENDED CONTRIBUTION

The fiscal 2012 appropriation has previously been budgeted at \$5,916,756. The results of this valuation will first be reflected in the fiscal 2013 appropriation of \$6,390,096 which is 8% higher than the fiscal 2012 appropriation. In projecting the unfunded actuarial accrued liability for future fiscal years, the deferred investment losses have been reflected in accordance with the recommended asset valuation method applied in this report. The appropriation is comprised of an employer normal cost payment and a payment on the unfunded liability. The amortization payment is calculated to fully fund the System by June 30, 2030 with payments that increase 4% per year. As permitted by Chapter 188 of the Acts of 2010, the

annual increase to the appropriation has been limited to 8% per year. Therefore, the appropriation is projected to increase 8% per year through 2021, 6.73% in fiscal 2022 and 4.14% per year thereafter.

The prior funding schedule fully amortized the unfunded liability by June 30, 2026 with payments that increased 4½% per year.

Exhibit F in Section 3 shows the recommended contribution through fiscal 2030 based on this funding schedule.

The chart compares this valuation's recommended contribution with the prior valuation.

**CHART 15
Recommended Contribution**

	Year Beginning January 1		2009	
	2011	% of Payroll	Amount	% of Payroll
1. Total normal cost	\$4,388,116	15.88%	\$4,044,417	15.69%
2. Administrative expenses	220,000	0.80%	220,000	0.85%
3. Expected employee contributions	<u>-2,484,959</u>	<u>-8.99%</u>	<u>-2,252,910</u>	<u>-8.74%</u>
4. Employer normal cost: (1) + (2) + (3)	\$2,123,157	7.69%	\$2,011,507	7.80%
5. Actuarial accrued liability	147,904,433		131,268,314	
6. Actuarial value of assets	<u>94,697,600</u>		<u>90,885,080</u>	
7. Unfunded actuarial accrued liability: (5) - (6)	\$53,206,833		\$40,383,234	
8. Employer normal cost projected to July 1, 2011 and 2008, adjusted for timing	2,212,567	7.83%	2,096,215	7.96%
9. Projected unfunded actuarial accrued liability	55,294,163		41,967,488	
10. Payment on projected unfunded actuarial accrued liability	3,704,189	13.12%	3,238,158	12.29%
11. Recommended contribution: (8) + (10), adjusted for timing	<u>\$5,916,756</u>	<u>20.95%</u>	<u>\$5,334,373</u>	<u>20.25%</u>
12. Projected payroll	\$28,241,946		\$26,349,043	

Notes: Amortization payments increase at 4.00% per year (previously, 4.50% per year).
Recommended contributions are assumed to be paid on July 1 and December 31.

SECTION 2: Valuation Results for the Town of Natick Contributory Retirement System

E. INFORMATION REQUIRED BY THE GASB

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to the GASB is the historical comparison of the GASB required contribution to the actual contributions. This comparison demonstrates whether a plan is being funded within the range of the GASB reporting requirements. Chart 16 below presents a graphical representation of this information for the Plan.

The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the

actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under the GASB. High ratios indicate a well-funded plan with assets sufficient to pay most benefits. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other factors.

Although the GASB requires that the actuarial value of assets be used to determine the funded ratio, Chart 17 shows the funded ratio calculated using both the actuarial value of assets (64.03%) and the market value of assets (53.36%).

The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits II, III, and IV.

These graphs show key GASB factors.

CHART 16
Required Versus Actual Contributions

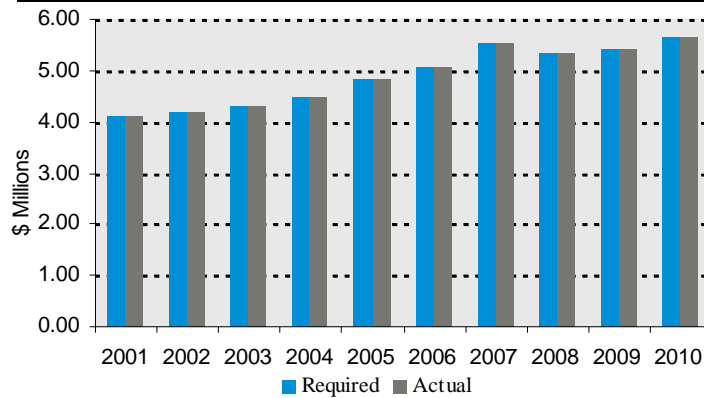
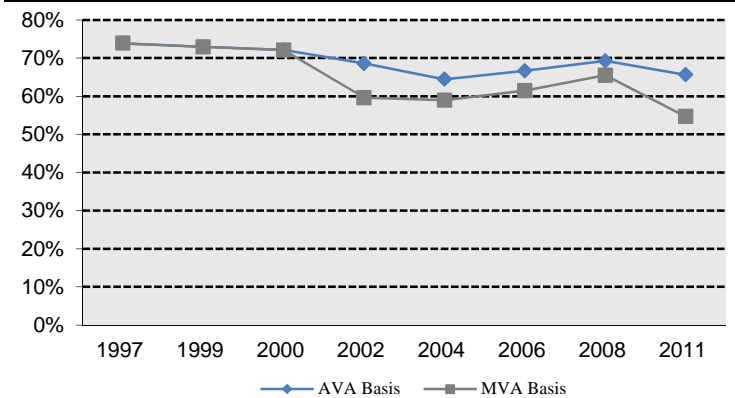


CHART 17
Funded Ratio



SECTION 2: Valuation Results for the Town of Natick Contributory Retirement System

F. FUNDED RATIO CALCULATED FOR CHAPTER 68 OF THE ACTS OF 2007

As noted in PERAC Memo #35, 2007, the funded ratio calculated for the purpose of Chapter 68 of the Acts of 2007 can be based on an interest rate which is no more than 0.25% above the assumption used in the previous actuarial valuation of the System. The liabilities of the Natick Retirement System are \$144,371,807 as of January 1, 2011 when based on an 8.25% interest rate. As of January 1, 2011, the actuarial value of assets is \$94,697,600 or 120% of the market value as assets of \$78,914,667. Please note that the ten-year smoothing of the 2008 investment loss is permitted for multiemployer plans under the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010. The funded ratio is 65.59% as of January 1, 2011.

SECTION 3: Supplemental Information for the Town of Natick Contributory Retirement System

EXHIBIT A

Table of Plan Coverage

Category	Year Ended December 31		Change From Prior Year
	2010	2007	
Active participants in valuation:			
Number	559	573	-2.4%
Average age	48.2	47.6	N/A
Average years of service	12.8	12.1	N/A
Total payroll	\$26,253,520	\$24,473,663	7.3%
Average payroll	46,965	42,711	10.0%
Account balances	26,382,017	22,596,951	16.8%
Inactive participants entitled to a return of their employee contributions	81	75	8.0%
Inactive participants with a vested right to a deferred or immediate benefit	12	9	33.3%
Retired participants:			
Number in pay status	279	279	0.0%
Average age	74.0	73.8	N/A
Average monthly benefit	\$1,915	\$1,650	16.1%
Disabled participants:			
Number in pay status	34	38	-10.5%
Average age	68.9	69.0	N/A
Average monthly benefit	\$2,491	\$2,224	12.0%
Beneficiaries in pay status	47	54	-13.0%

SECTION 3: Supplemental Information for the Town of Natick Contributory Retirement System

EXHIBIT B

**Participants in Active Service as of December 31, 2010
By Age, Years of Service, and Average Payroll**

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	13	13	--	--	--	--	--	--	--	--
	\$25,140	\$25,140	--	--	--	--	--	--	--	--
25 - 29	41	35	5	1	--	--	--	--	--	--
	\$33,223	\$31,082	\$45,572	\$46,403	--	--	--	--	--	--
30 - 34	43	19	18	5	1	--	--	--	--	--
	\$45,638	\$32,007	\$58,268	\$51,801	\$46,473	--	--	--	--	--
35 - 39	46	16	15	9	6	--	--	--	--	--
	\$49,921	\$27,677	\$60,901	\$64,608	\$59,759	--	--	--	--	--
40 - 44	50	11	17	7	9	6	--	--	--	--
	\$51,286	\$27,493	\$45,956	\$62,083	\$71,246	\$67,468	--	--	--	--
45 - 49	86	10	22	19	9	20	6	--	--	--
	\$50,646	\$15,348	\$46,114	\$43,617	\$67,050	\$68,081	\$65,626	--	--	--
50 - 54	90	16	27	15	7	12	9	4	--	--
	\$47,191	\$27,496	\$33,126	\$40,798	\$66,101	\$83,496	\$68,024	\$55,995	--	--
55 - 59	109	9	24	17	9	17	12	13	8	--
	\$52,344	\$31,726	\$35,881	\$41,480	\$47,803	\$56,519	\$69,734	\$83,183	\$68,048	--
60 - 64	60	3	8	15	11	10	7	2	3	1
	\$43,017	\$31,261	\$30,060	\$38,852	\$44,483	\$42,586	\$36,576	\$73,946	\$72,877	\$126,246
65 - 69	15	1	1	4	6	--	1	--	2	--
	\$47,044	\$51,263	\$21,322	\$50,291	\$44,833	--	\$22,328	--	\$70,295	--
70 & over	6	--	4	--	--	1	--	--	1	--
	\$24,442	--	\$22,253	--	--	\$48,612	--	--	\$9,029	--
Total	559	133	141	92	58	66	35	19	14	1
	\$46,965	\$28,512	\$43,208	\$46,210	\$56,912	\$63,692	\$60,604	\$76,487	\$65,188	\$126,246

SECTION 3: Supplemental Information for the Town of Natick Contributory Retirement System

EXHIBIT C

Summary Statement of Income and Expenses on an Actuarial Value Basis

	Year Ended December 31,		
	2010	2009	2008
Contribution income:			
Employer contributions	\$5,661,968	\$5,418,151	\$5,334,374
Employee contributions	2,611,396	2,262,640	2,362,515
Federal Grant reimbursement and other contributions	60,392	69,838	67,942
Less administrative expenses	<u>-195,114</u>	<u>-191,448</u>	<u>-208,194</u>
Net contribution income	\$8,138,642	\$7,559,181	\$7,556,637
Net investment income*	<u>17,574,019</u>	<u>4,169,297</u>	<u>-16,949,639</u>
Total income available for benefits	\$25,712,661	\$11,728,478	-\$9,393,002
Less benefit payments:			
Pensions	-\$8,427,234	-\$8,195,470	-\$7,565,330
Net 3(8)(c) reimbursements	-153,049	-85,195	-66,694
Refunds, annuities, and Option B refunds	-193,373	-166,901	-129,759
State reimbursement	<u>218,126</u>	<u>288,648</u>	<u>240,614</u>
Net benefit payments	-\$8,555,530	-\$8,158,918	-\$7,521,169
Change in reserve for future benefits	\$17,157,131	\$3,569,560	-\$16,914,171

* The 2010 net investment income includes the change in asset method.

SECTION 3: Supplemental Information for the Town of Natick Contributory Retirement System

EXHIBIT D

Development of the Fund Through December 31, 2010

Year Ended December 31	Employer Contributions	Employee Contributions	Other Contributions	Net Investment Return*	Administrative Expenses	Benefit Payments	Actuarial Value of Assets at End of Year
2001	\$4,090,676	\$1,754,650	\$14,387	\$3,006,488	\$131,933	\$5,195,338	\$68,985,592
2002	4,177,033	1,843,043	20,740	-2,823,332	194,704	5,493,872	66,514,500
2003	4,288,248	1,670,118	0	3,822,094	158,691	5,889,392	70,246,877
2004	4,484,327	1,793,072	48,540	4,152,486	185,468	6,422,948	74,116,886
2005	4,841,775	2,470,199	0	4,415,370	227,154	6,382,770	79,234,305
2006	5,059,655	2,065,973	93,302	5,513,478	187,743	6,745,411	85,033,559
2007	5,541,638	2,040,154	70,313	5,576,626	198,418	7,178,792	90,885,080
2008	5,334,374	2,362,515	67,942	-16,949,639	208,194	7,521,169	73,970,909
2009	5,418,151	2,262,640	69,838	4,169,297	191,448	8,158,918	77,540,469
2010	5,661,968	2,611,396	60,392	17,574,019	195,114	8,555,530	94,697,600

* Net of investment expenses. The 2010 actuarial value investment return includes the change in asset method.

SECTION 3: Supplemental Information for the Town of Natick Contributory Retirement System

EXHIBIT E

Development of Unfunded Actuarial Accrued Liability and Gain/(Loss)

	Year Ended December 31,		
	2010	2009	2008
1. Unfunded actuarial accrued liability at beginning of year	\$40,141,946	\$40,148,143	\$40,383,234
2. Normal cost at beginning of year	4,656,850	4,456,316	4,264,417
3. Total contributions	-8,333,756	-7,750,629	-7,764,831
4. Interest			
(a) For whole year on (1) + (2)	\$3,583,904	\$3,568,357	\$3,571,812
(b) For half year on (3)	<u>-301,326</u>	<u>-280,241</u>	<u>-306,489</u>
(c) Total interest	<u>3,282,578</u>	<u>3,288,116</u>	<u>3,265,323</u>
5. Expected unfunded actuarial accrued liability	\$39,747,618	\$40,141,946	\$40,148,143
6. Changes due to:			
(a) Investment loss	\$30,993,811	--	--
(b) Administrative expense gain	-115,626	--	--
(c) Change in asset method	-12,266,552		
(d) Miscellaneous gain	<u>-5,152,418</u>	--	--
(e) Total changes	<u>13,459,215</u>	--	--
7. Unfunded actuarial accrued liability at end of year	<u>\$53,206,833</u>	--	--

SECTION 3: Supplemental Information for the Town of Natick Contributory Retirement System

EXHIBIT F

Funding Schedule - 2030 Schedule With 8% Cap on the Total Plan Cost

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Amortization of Remaining Liability	(4) Total Plan Cost: (2) + (3)	(5) Total Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year	(6) Total Plan Cost: % Increase
2012	\$2,212,567	\$3,704,189	\$5,916,756	\$55,294,163	- -
2013	2,312,133	4,077,963	6,390,096	57,917,834	8.00%
2014	2,416,179	4,485,125	6,901,304	61,121,901	8.00%
2015	2,524,907	4,928,502	7,453,409	64,015,970	8.00%
2016	2,638,528	5,411,153	8,049,681	67,511,748	8.00%
2017	2,757,262	5,936,394	8,693,656	71,196,422	8.00%
2018	2,881,339	6,507,809	9,389,148	74,353,905	8.00%
2019	3,010,999	7,129,281	10,140,280	76,892,575	8.00%
2020	3,146,494	7,805,008	10,951,502	75,491,084	8.00%
2021	3,288,086	8,539,537	11,827,623	73,261,595	8.00%
2022	3,436,050	9,187,172	12,623,222	70,075,574	6.73%
2023	3,590,672	9,554,659	13,145,331	65,948,554	4.14%
2024	3,752,252	9,936,845	13,689,097	61,102,050	4.14%
2025	3,921,103	10,334,318	14,255,421	55,462,930	4.14%
2026	4,097,553	10,747,691	14,845,244	48,951,590	4.14%
2027	4,281,943	11,177,598	15,459,541	41,481,408	4.14%
2028	4,474,630	11,624,702	16,099,332	32,958,159	4.14%
2029	4,675,988	12,089,690	16,765,678	23,279,379	4.14%
2030	4,886,407	12,573,278	17,459,685	12,333,680	4.14%

Notes: Recommended contributions are assumed to be paid on July 1 and December 31.
 Amortization payments increase at 4.0%, with an 8% cap on total increase.
 Item (2) increases at 4.5%.
 Schedule reflects deferred investment losses.

SECTION 3: Supplemental Information for the Town of Natick Contributory Retirement System

EXHIBIT G

Department Results as of January 1, 2011

Category	Housing	Public Safety	Water & Sewer Enterprise Fund	Sassamon Trace Enterprise Fund	All Others	Total
1. Demographics						
Actives	13	149	25	2	370	559
Inactives	1	6	1	1	84	93
Retired	0	132	15	0	220	367
Total	14	287	41	3	674	1,019
2. Total normal cost	\$78,449	\$1,884,155	\$130,964	\$15,378	\$2,279,170	4,388,116
3. Administrative expenses	3,933	94,463	6,566	771	114,267	220,000
4. Expected employee contributions	52,477	983,685	117,582	7,539	1,323,676	2,484,959
5. Employer normal cost: (2) + (3) - (4)	29,905	994,933	19,948	8,610	1,069,761	2,123,157
6. Employer normal cost as a percent of payroll	4.4%	9.4%	1.5%	11.5%	7.1%	7.7%
7. Actuarial accrued liability	\$2,441,587	\$73,265,629	\$6,558,496	\$94,091	\$65,544,630	\$147,904,433
8. Actuarial value of assets	<u>1,562,696</u>	<u>46,892,426</u>	<u>4,197,654</u>	<u>94,091</u>	<u>41,950,733</u>	<u>94,697,600</u>
9. Unfunded actuarial accrued liability: (7) - (8)	\$878,891	\$26,373,203	\$2,360,842	\$0	\$23,593,897	\$53,206,833
10. Payroll	673,966	10,541,427	1,357,758	75,024	14,979,000	27,627,175
11. Fiscal year 2012 appropriation	92,351	2,872,898	185,147	8,973	2,757,387	5,916,756
12. Fiscal year 2013 appropriation	99,739	3,102,730	199,959	9,691	2,977,978	6,390,096
13. Fiscal year 2014 appropriation	107,718	3,350,948	215,955	10,466	3,216,216	6,901,304

Notes: Recommended contributions are assumed to be paid on July 1 and December 31.

SECTION 3: Supplemental Information for the Town of Natick Contributory Retirement System

EXHIBIT H

Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or actuarial assumptions:

The estimates on which the cost of the Plan is calculated including:

- (a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age;
- (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Normal cost:

The amount of contributions required to fund the benefit allocated to the current year of service.

Actuarial accrued liability for actives:

The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial accrued liability for pensioners:

The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

Unfunded actuarial accrued liability:

The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There are many approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

SECTION 3: Supplemental Information for the Town of Natick Contributory Retirement System

**Amortization of the unfunded
actuarial accrued liability:**

Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.

Investment return:

The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.

SECTION 4: Reporting Information for the Town of Natick Contributory Retirement System

EXHIBIT I

Summary of Actuarial Valuation Results

The valuation was made with respect to the following data supplied to us:

1. Retired participants as of the valuation date (including 47 beneficiaries in pay status)	360
2. Participants active during the year ended December 31, 2010 with total accumulated contributions of \$26,382,017 and projected payroll of \$27,627,175	559
3. Inactive participants with a right to a return of their employee contributions as of December 31, 2010	81
4. Inactive participants with a vested right to a deferred or immediate benefit as of December 31, 2010	12

The actuarial factors as of the valuation date are as follows:

1. Normal cost, including administrative expenses	\$4,608,116
2. Expected employee contributions	<u>-2,484,959</u>
3. Employer normal cost: (1) + (2)	\$2,123,157
4. Actuarial accrued liability	147,904,433
Retired participants and beneficiaries	\$70,924,654
Active participants	75,809,728
Inactive participants	1,170,051
5. Actuarial value of assets (\$78,914,667 at market value)	94,697,600
6. Unfunded actuarial accrued liability: (4) – (5)	53,206,833

The actuarial factors projected to July 1, 2011 are as follows:

1. Employer normal cost projected to July 1, 2011, adjusted for timing	\$2,212,567
2. Projected unfunded actuarial accrued liability	55,294,163
3. Payment on projected unfunded actuarial accrued liability, adjusted for timing	3,704,189
4. Recommended contribution: (1) + (3), adjusted for timing	<u>\$5,916,756</u>
5. Projected payroll	28,241,946

Notes: Amortization payments increase at 4.0% per year.

Recommended contributions assumed to be paid on July 1 and December 31.

SECTION 4: Reporting Information for the Town of Natick Contributory Retirement System

EXHIBIT II

Supplementary Information Required by the GASB – Schedule of Employer Contributions

Plan Year Ended December 31	Annual Required Contributions	Actual Contributions	Percentage Contributed
2001	\$4,090,676	\$4,090,676	100.0%
2002	4,177,033	4,177,033	100.0%
2003	4,288,248	4,288,248	100.0%
2004	4,484,327	4,484,327	100.0%
2005	4,841,775	4,841,775	100.0%
2006	5,059,655	5,059,655	100.0%
2007	5,541,638	5,541,638	100.0%
2008	5,334,374	5,334,374	100.0%
2009	5,418,151	5,418,151	100.0%
2010	5,661,968	5,661,968	100.0%

SECTION 4: Reporting Information for the Town of Natick Contributory Retirement System

EXHIBIT III

Supplementary Information Required by the GASB – 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)
01/01/1997	\$46,435,956	\$62,827,480	\$16,391,524	73.91%	\$16,025,601	102.28%
01/01/1999	63,402,638	86,939,398	23,536,760	72.93%	17,641,644	133.42%
01/01/2000	64,669,153	89,688,360	25,019,207	72.10%	18,611,143	134.43%
01/01/2002	68,985,592	100,572,515	31,586,923	68.59%	22,056,144	143.21%
01/01/2004	70,246,877	109,024,236	38,777,359	64.43%	22,170,379	174.91%
01/01/2006	79,234,306	118,903,286	39,668,980	66.64%	24,814,583	159.86%
01/01/2008	90,885,080	131,268,314	40,383,234	69.24%	25,775,476	156.67%
01/01/2011	94,697,600	147,904,433	53,206,833	64.03%	27,627,175	192.59%

* *Not less than zero*

SECTION 4: Reporting Information for the Town of Natick Contributory Retirement System

EXHIBIT IV

Supplementary Information Required by the GASB

Valuation date	January 1, 2011
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Payments increase at 4.00% per year, with an 8% cap on increase in appropriation
Remaining amortization period	19 years from July 1, 2011
Asset valuation method	The difference between the total return and the expected return on a market value basis and is recognized over a ten-year period for the year ended December 31, 2008 and over a five-year period for all other years.
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	Based on years of service, ranging from 7.00% decreasing to 4.75% after 9 years of service for Group 1 employees, ranging from 7.00% decreasing to 5.00% after 7 years for service for Group 2 employees and ranging from 8.00% decreasing to 5.25% after 8 years for Group 4 employees.
Cost of living adjustments	3.00% of first \$12,000 of retirement income
Plan membership:	
Retired participants and beneficiaries receiving benefits	360
Inactive participants entitled to a return of their employee contributions	81
Inactive participants with a vested right to a deferred or immediate benefit	12
Active participants	<u>559</u>
Total	1,012

SECTION 4: Reporting Information for the Town of Natick Contributory Retirement System

EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method

Mortality Rates:

Healthy

Pre-Retirement: RP-2000 Employee Mortality Table

Post-Retirement: RP-2000 Healthy Annuitant Mortality Table

Disabled: RP-2000 Healthy Annuitant Mortality Table set forward 2 years

Termination Rates before Retirement:

Age	Groups 1 and 2 - Rate (%)			
	Mortality		Disability	Withdrawal
	Male	Female		
20	0.03	0.02	0.06	7.94
25	0.04	0.02	0.09	7.72
30	0.04	0.03	0.11	7.22
35	0.08	0.05	0.15	6.28
40	0.11	0.07	0.22	5.15
45	0.15	0.11	0.36	3.98
50	0.21	0.17	0.61	2.56
55	0.30	0.25	1.01	0.94
60	0.49	0.39	1.63	0.00

*Notes: 55% of the disability rates shown represent accidental disability.
 40% of the accidental disabilities will die from the same cause as the disability.
 55% of the death rates shown represent accidental death.*

SECTION 4: Reporting Information for the Town of Natick Contributory Retirement System

Age	Group 4 - Rate (%)			
	Mortality		Disability	Withdrawal
	Male	Female		
20	0.03	0.02	0.12	0.00
25	0.04	0.02	0.17	0.00
30	0.04	0.03	0.22	0.00
35	0.08	0.05	0.29	0.00
40	0.11	0.07	0.44	0.00
45	0.15	0.11	0.72	0.00
50	0.21	0.17	1.21	0.00
55	0.30	0.25	2.02	0.00
60	0.49	0.39	3.25	0.00

*Notes: 90% of the disability rates shown represent accidental disability.
 60% of the accidental disabilities will die from the same cause as the disability.
 90% of the death rates shown represent accidental death.*

Retirement Rates:

Rate (%)			
Age	Groups 1 and 2	Age	Group 4
55	5.0	50	10.0
56	2.5	51	2.0
57	2.5	52	2.0
58	2.5	53	2.0
59	2.5	54	2.0
60	2.5	55	25.0
61	2.5	56	5.0
62	25.0	57	5.0
63	10.0	58	5.0
64	10.0	59	5.0
65	10.0	60	25.0
66	100.0	61	5.0

SECTION 4: Reporting Information for the Town of Natick Contributory Retirement System

Retirement Rates (continued):

		Rate (%)	
Age	Groups 1 and 2	Age	Group 4
67	100.0	62	5.0
68	100.0	63	5.0
69	100.0	64	5.0
70	100.0	65	100.0

Unknown Data for Participants: Same as those exhibited by participants with similar known characteristics.

Age of Spouse: Female (or male) spouses 3 years younger (or older) than their spouses.

Percent Married: 85%

Net Investment Return: 8.00%

Interest on Employee Contributions: 3.50%

Salary Increases:	Years of Service	Group 1	Group 2	Group 4
	0	7.00%	7.00%	8.00%
	1	6.50%	6.50%	7.50%
	2	6.50%	6.50%	7.00%
	3	6.00%	6.00%	6.50%
	4	6.00%	6.00%	6.00%
	5	5.50%	5.50%	6.00%
	6	5.50%	5.50%	5.50%
	7	5.00%	5.00%	5.50%
	8	5.00%	5.00%	5.25%
	9 and later	4.75%	5.00%	5.25%

Includes allowance for inflation of 4½%.

Administrative Expenses: \$220,000 for calendar 2011, increasing 4.50% per year.

SECTION 4: Reporting Information for the Town of Natick Contributory Retirement System

Total Service	Total creditable service provided in the data.
2010 Salary:	2010 salaries are equal to salaries provided in the data, except for actives missing salary, where salaries were calculated from annualized contributions divided by the contribution rates provided.
Actuarial Value of Assets:	<p>Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected market return and is recognized over a five-year period (ten-year period for the 2008 investment loss), further adjusted, if necessary, to be within 20% of the market value.</p> <p>Market value of assets as reported in the Annual Statement.</p> <p>(Previously, a preliminary actuarial value is first determined by taking the actuarial value of assets at the beginning of the year and adding assumed investment earnings (at the assumed actuarial rate of return) and the net new money during the year (contributions less benefit payments and administrative expenses). Twenty percent of the difference between the market value of assets and the preliminary actuarial value of assets is added to the preliminary actuarial value. In order that the actuarial value not differ too significantly from the market value of assets, the final actuarial value of assets must be within 20% of the market value of assets.)</p>
Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method. Entry Age is the age of the participant less total creditable service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary.

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EXHIBIT VI
Summary of Plan Provisions

This exhibit summarizes the major provisions of Chapter 32 of the Laws of Massachusetts.

Plan Year: January 1 – December 31

Retirement Benefits

Employees covered by the Contributory Retirement Law are classified into one of four groups depending on job classification. Group 1 comprises most positions in state and local government. It is the general category of public employees. Group 4 comprises mainly police and firefighters. Group 2 is for other specified hazardous occupations. (Officers and inspectors of the State Police are classified as Group 3.)

The annual amount of the retirement allowance is based on the participant’s final three-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and multiplied by a percentage according to the following table based on the age of the participant at retirement:

Age Last Birthday at Date of Retirement

Percent	Group 1	Group 2	Group 4
2.5	65 or over	60 or over	55 or over
2.4	64	59	54
2.3	63	58	53
2.2	62	57	52
2.1	61	56	51
2.0	60	55	50
1.9	59	--	49
1.8	58	--	48
1.7	57	--	47
1.6	56	--	46
1.5	55	--	45

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A participant's final three-year average salary is defined as the greater of the highest consecutive three-year average annual rate of regular compensation and the average annual rate of regular compensation received during the last three years of creditable service prior to retirement. The \$30,000 cap on salary used in a benefit determination for any employee hired after January 1, 1979 has been removed.

The maximum annual amount of the retirement allowance is 80 percent of the participant's final three-year average salary. Any participant who is a veteran also receives an additional yearly retirement allowance of fifteen dollars per year of creditable service, not exceeding three hundred dollars. The veteran allowance is paid in addition to the 80 percent maximum.

Employee Contributions

Employees hired before January 1, 1975 contribute 5 percent of their salary; employees hired after December 31, 1974 and before January 1, 1984 contribute 7 percent; employees hired after January 1, 1984 contribute 8 percent; employees hired after July 1, 1996 contribute 9 percent. In addition, employees hired after December 31, 1978 contribute an additional 2 percent of salary in excess of \$30,000.

Employees hired after 1983 who leave with less than five years of credited service receive no interest on their contributions and employees who leave with five but less than ten years receive one-half the rate of regular interest otherwise payable.

Retirement Benefits (Superannuation)

Participants of Group 1, 2 or 4 may retire upon the attainment of age 55. For retirement at ages below 55, twenty years of creditable service is required.

Participants who terminate before age 55 with ten or more years of creditable service are eligible for a retirement allowance upon the attainment of age 55 (provided they have not withdrawn their accumulated deductions from the Annuity Savings Fund of the system).

Ordinary Disability Benefits

A participant who is unable to perform his job due to a non-occupational disability will receive a retirement allowance if he has ten or more years of creditable service and has not reached age 55. The annual amount of such allowance shall be determined as if the participant retired for superannuation at age 55, based on the

SECTION 4: Reporting Information for the Town of Natick Contributory Retirement System

amount of creditable service at the date of disability. For veterans, there is a minimum benefit of 50 percent of the participant's most recent year's pay plus an annuity based on his own contributions.

Accidental Disability Benefit

For a job-connected disability the benefit is 72 percent of the participant's most recent annual pay plus an annuity based on his own contributions, plus additional amounts for surviving children. Benefits are capped at 75 percent of annual rate of regular compensation for employees who become participants after January 1, 1988.

Death Benefits

In general, the beneficiary of an employee who dies in active service will receive a refund of the employee's own contributions. Alternatively, if the employee were eligible to retire on the date of his death, a spouse's benefit will be paid the full amount the employee would have received under Option C. The surviving spouse of a participant who dies with two or more years of credited service has the option of a refund of the employee's contributions or a monthly benefit regardless of eligibility to retire, if they were married for at least one year. There is also a minimum widow's pension of \$500 per month, and there are additional amounts for surviving children.

If an employee's death is job-connected, the spouse will receive 72 percent of the participant's most recent annual pay in addition to a refund of the participant's accumulated deductions, plus additional amounts for surviving children.

"Heart And Lung Law" And Cancer Presumption

Any case of hypertension or heart disease resulting in total or partial disability or death to a uniformed fireman or permanent participant of a police department is presumed to have been suffered in the line of duty, unless the contrary is shown by competent evidence. Any case of disease of the lungs or respiratory tract resulting in total disability or death to a uniformed fireman is presumed to have been suffered in the line of duty, unless the contrary is shown by competent evidence. There is an additional presumption for uniformed firemen that certain types of cancer are job-related if onset occurs while actively employed or within five years of retirement.

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Options

Participants may elect to receive a full retirement allowance payable for life under Option A. Under Option B a participant may elect to receive a lower monthly allowance in exchange for a guarantee that at his death any of his contributions not expended for annuity payments will be refunded to his beneficiary. Option C allows the participant to take a lesser retirement allowance in exchange for providing his survivor with two-thirds of the lesser amount. Option C pensioners who retire in 1988 or later will have their benefits converted from a reduced to a full retirement if the beneficiary predeceases the retiree.

Post-Retirement Benefits

The Board has adopted the provisions of Section 51 Chapter 127 of the Acts of 1999, which provide that the Retirement Board may approve an annual COLA in excess of the Consumer Price Index but not to exceed a 3% COLA on the first \$12,000 of a retirement allowance. Cost-of-living increases granted prior to July 1, 1998 are reimbursed by the Commonwealth and not reflected in this report.

