

HOUSE No. 4097

The Commonwealth of Massachusetts

In the Year Two Thousand Nine

An Act AUTHORIZING THE TOWN OF DEDHAM TO ESTABLISH A GROUP INSURANCE LIABILITY FUND. ..

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. As used in this act, the following words shall have the following meanings:-

2 "Normal cost of post retirement benefits", that portion of the actuarial present value of
3 future premium costs and claim costs payable by the town on behalf of, or direct payments to,
4 retired employees, including school teachers, of the town and the eligible surviving spouses or
5 dependents of deceased employees, including school teachers, of the town, pursuant to this act,
6 which is allocable to a particular fiscal year, as determined by an actuary pursuant to section 2.

7 "Post retirement benefit liability", the present value of the town's obligation for future
8 premium costs and claim costs payable by the town on behalf of, or direct payments to, retired
9 and prospective retired employees of the town and the eligible surviving spouses or dependents
10 of deceased and prospectively deceased employees of the town, attributed by the terms of the
11 plan to the employee's service rendered to the date of the measurement, pursuant to this act as
12 determined by an actuary, pursuant to section 2.

13 "Premium costs and claim costs", the amounts payable by the town for the provision of
14 retiree health and life insurance.

15 "Unfunded post retirement benefit liability", the difference between the post retirement
16 benefit liability on the measurement date and the actuarial value of the assets of the group
17 insurance liability fund on the same date, as determined by an actuary, pursuant to section 2.

18 "Unfunded post retirement benefit liability amortization payments", the amount which,
19 when paid into the group insurance liability fund annually over a period of years, together with
20 the normal cost of post retirement benefits for each year of said period of years, will reduce to
21 zero at the end of said period, the unfunded post retirement benefit liability in existence as of the
22 beginning of said period, as determined by an actuary.

23 SECTION 2. (a) There shall be in the town of Dedham a group insurance liability fund,
24 which shall be under the supervision and management of the town's contributory retirement
25 board established under paragraph (b) of subdivision (4) of section 20 of chapter 32 of the
26 General Laws. The town treasurer shall be the custodian of the fund and may employ an outside
27 custodial service.

28 (b) The fund shall be credited with all amounts appropriated or otherwise made available
29 by the town for the purposes of meeting the current and future premium costs and claim costs
30 payable by the town on behalf of, or direct payments to, retired employees of the town and the
31 eligible surviving spouses or dependents of deceased employees of the town pursuant to this act.
32 Amounts in the fund including any earnings or interest accruing from the investment of such
33 amounts shall be expended only for the payment of such premium costs and claim costs payable
34 by the town on behalf of, or direct payments to, retired employees of the town and the eligible

35 surviving spouses or dependents of deceased employees of the town, except as otherwise
36 provided in this act, and only in accordance with a schedule of such payments developed by an
37 actuary in consultation with the town's contributory retirement board. Subject in each instance to
38 the approval of the town's contributory retirement board, the town treasurer shall invest and
39 reinvest the amounts in the fund not needed for current disbursement consistent with the prudent
40 person rule, but no funds may be invested directly in mortgages or in collateral loans. The fund
41 shall be subject to the public employee retirement administration commission's triennial audit.

42 (c) The board may employ any qualified bank, trust company, corporation, firm or person
43 to advise it on the investment of the fund and may pay from the fund for such advice and such
44 other services as determined by the town's contributory retirement board.

45 SECTION 3. (a) An actuary shall determine, as of January 1, 2008, and no less frequently
46 than every second year thereafter, the normal cost of post retirement benefits, the post retirement
47 benefit liability, and the unfunded post retirement benefit liability. All such determinations shall
48 be made in accordance with generally accepted actuarial standards, and the actuary shall make a
49 report of such determinations. The report shall, without limitation, detail the demographic and
50 economic actuarial assumptions used in making such determinations, and each such report
51 subsequent to the first such report shall also include an explanation of the changes, if any, in the
52 demographic and economic actuarial assumptions employed and the reasons for any such
53 changes, and shall also include a comparison of the actual expenses by the town for premium
54 costs and claim costs constituting the post retirement benefit liability during the period since the
55 last such determination, and the amount of such expenditures which were predicted pursuant to
56 the previous such report for the period.

57 (b) An actuary, in consultation with the town's contributory retirement board, shall
58 establish a schedule of annual payments to be made to the group insurance liability fund
59 designed to reduce to zero the unfunded post retirement benefit liability. The schedule shall
60 reduce the initial unfunded post retirement benefit liability over a period of years not to exceed
61 30. Any additional unfunded liability created subsequent to the last such determination by the
62 provision of any new benefit or by any increase in the premium share payable by the town shall
63 be separately so amortized over the 15 years following the date of the determination in which
64 such additional liability is first recognized. Each such annual payment shall be equal to the sum
65 of the unfunded post retirement benefit liability amortization payment required for such year and
66 the payments required to meet the normal cost of post retirement benefits for such fiscal year.

67 (c) All payments for the purposes of meeting the town's share of premium costs and claim
68 costs or direct payments to retired employees of the town and the surviving spouses or
69 dependents of deceased employees of the town pursuant to this act shall be made from the group
70 insurance liability fund in accordance with a schedule of disbursements established by the
71 actuary.

72 SECTION 4. This act shall take effect upon its passage.