



GASB 74/75 ACTUARIAL VALUATION

Fiscal Year Ending June 30, 2021

TOWN OF LINCOLN

CONTACT

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January 12, 2022

**John Ward, CPA
Town of Lincoln
100 Old River Road
Lincoln, RI 02865**

This report summarizes the GASB actuarial valuation for the Town of Lincoln 2020/21 fiscal year. To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with GASB Statement No. 74 (Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans) and GASB Statement No. 75 (Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions). This report may not be appropriate for other purposes. Please contact Nyhart prior to disclosing this report to any other party or relying on its content for any purpose other than that explained above. Failure to do so may result in misrepresentation or misinterpretation of this report.

The information presented herein is based on the actuarial assumptions and substantive plan provisions summarized in this report and participant information furnished to us by the Plan Sponsor. We have reviewed the employee census provided by the Plan Sponsor for reasonableness when compared to the prior information provided but have not audited the information at the source, and therefore do not accept responsibility for the accuracy or the completeness of the data on which the information is based. When relevant data may be missing, we may have made assumptions we feel are neutral or conservative to the purpose of the measurement. We are not aware of any significant issues with and have relied on the data provided.

The discount rate, other economic assumptions, and demographic assumptions have been selected by the Plan Sponsor with the concurrence of Nyhart. In our opinion, the actuarial assumptions are individually reasonable and in combination represent our estimate of anticipated experience of the Plan. All calculations have been made in accordance with generally accepted actuarial principles and practice.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following:

- plan experience differing from that anticipated by the economic or demographic assumptions;
- changes in economic or demographic assumptions;
- increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and
- changes in plan provisions or applicable law.

We did not perform an analysis of the potential range of future measurements due to the limited scope of our engagement.

To our knowledge, there have been no significant events prior to the current year's measurement date or as of the date of this report that could materially affect the results contained herein.

Neither Nyhart nor any of its employees has any relationship with the plan or its sponsor that could impair or appear to impair the objectivity of this report. Our professional work is in full compliance with the American Academy of Actuaries "Code of Professional Conduct" Precept 7 regarding conflict of interest. The undersigned meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Should you have any questions please do not hesitate to contact us.



Cody Kocher, ASA, MAAA
Actuary



David Murciano, ASA, MAAA, EA
Actuary

Executive Summary

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Summary of Results

Presented below is the summary of GASB 75 results for the fiscal year ending June 30, 2021 compared to the prior fiscal year as shown in the Town's Notes to Financial Statement.

	As of June 30, 2020		As of June 30, 2021	
Total OPEB Liability	\$	20,587,238	\$	24,997,455
Actuarial Value of Assets	\$	(7,006,321)	\$	(9,308,779)
Net OPEB Liability	\$	13,580,917	\$	15,688,676
Funded Ratio		34.0%		37.2%

	FY 2019/20		FY 2020/21	
OPEB Expense	\$	1,418,375	\$	1,834,339
Annual Employer Contributions	\$	1,886,424	\$	1,933,780
Actuarially Determined Contribution	\$	1,264,735	\$	1,548,401

	As of June 30, 2020		As of June 30, 2021	
Discount Rate		6.75%		6.75%
Expected Return on Assets		6.75%		6.75%

	As of June 30, 2021	
Total Active Participants		464
Total Retiree Participants		76

The active participants' number above may include active employees who currently have no health care coverage. Refer to Summary of Participants section for an accurate breakdown of active employees with and without coverage.

Executive Summary

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Summary of Results

Below is a breakdown of total GASB 75 liabilities allocated to past and current service compared to the prior year. The table below also provides a breakdown of the Total OPEB Liability allocated to pre- and post- Medicare eligibility. The liability shown below includes explicit (if any) and implicit subsidies. Refer to the Substantive Plan Provisions section for complete information on the Plan Sponsor's GASB subsidies.

Present Value of Future Benefits	As of June 30, 2020	As of June 30, 2021
Active Employees	\$ 13,923,093	\$ 13,075,491
Retired Employees	10,862,076	15,843,014
Total Present Value of Future Benefits	\$ 24,785,169	\$ 28,918,505

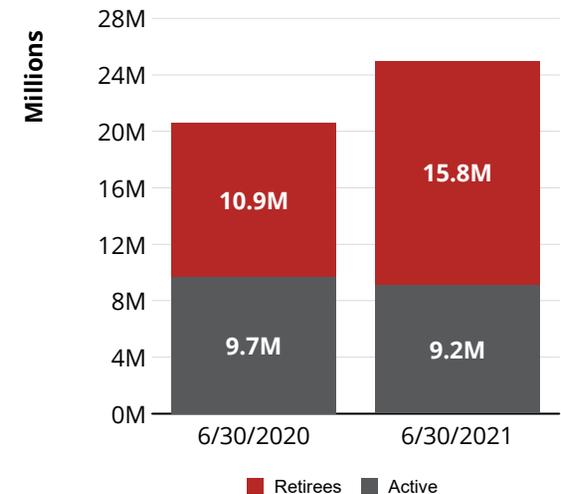
Total OPEB Liability	As of June 30, 2020	As of June 30, 2021
Active Pre-Medicare	\$ 6,968,105	\$ 6,682,991
Active Post-Medicare	2,757,057	2,471,450
Active Liability	\$ 9,725,162	\$ 9,154,441

Retiree Pre-Medicare	\$ 4,659,992	\$ 8,094,598
Retiree Post-Medicare	6,202,084	7,748,416
Retiree Liability	\$ 10,862,076	\$ 15,843,014

Total OPEB Liability	\$ 20,587,238	\$ 24,997,455
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	As of June 30, 2020	As of June 30, 2021
Discount Rate	6.75%	6.75%

Changes In Total OPEB Liability



Present Value of Future Benefits (PVFB) is the amount needed as of June 30, 2021 and June 30, 2020, to fully fund the Town's retiree health care subsidies for existing and future retirees and their dependents assuming all actuarial assumptions are met.

Total OPEB Liability is the portion of PVFB considered to be accrued or earned as of June 30, 2021 and June 30, 2020. This amount is a required disclosure in the Required Supplementary Information section.

GASB Disclosures

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Schedule of Changes in Net OPEB Liability and Related Ratios

OPEB Liability	FY 2020/21	FY 2019/20	FY 2018/19	FY 2017/18	FY 2016/17
Total OPEB Liability					
Total OPEB Liability - beginning of year	\$ 20,587,238	\$ 19,676,727	\$ 18,287,384	\$ 18,902,220	\$ 17,474,916
Service cost	466,086	453,128	490,133	486,994	494,754
Interest	1,369,694	1,313,614	1,226,993	1,268,985	1,283,840
Change of benefit terms	0	0	0	0	0
Changes in assumptions	1,148,354	0	(523,899)	0	2,226,107
Differences between expected and actual experience	2,974,484	503,794	1,415,712	(1,172,388)	(1,850,157)
Benefit payments	(1,548,401)	(1,360,025)	(1,219,596)	(1,198,427)	(727,240)
Net change in total OPEB liability	\$ 4,410,217	\$ 910,511	\$ 1,389,343	\$ (614,836)	\$ 1,427,304
Total OPEB Liability - end of year	\$ 24,997,455	\$ 20,587,238	\$ 19,676,727	\$ 18,287,384	\$ 18,902,220
Plan Fiduciary Net Position					
Plan fiduciary net position - beginning of year	\$ 7,006,321	\$ 6,074,153	\$ 4,944,103	\$ 4,071,710	\$ 2,912,230
Contributions - employer	1,933,780	1,886,424	1,948,878	1,804,537	1,534,402
Contributions - active employees	0	0	0	0	0
Net investment income	1,944,460	423,511	414,990	276,633	362,250
Benefit payments	(1,548,401)	(1,360,025)	(1,219,596)	(1,198,427)	(727,240)
Trust administrative expenses	(27,381)	(17,742)	(14,222)	(10,350)	(9,932)
Net change in plan fiduciary net position	\$ 2,302,458	\$ 932,168	\$ 1,130,050	\$ 872,393	\$ 1,159,480
Plan fiduciary net position - end of year	\$ 9,308,779	\$ 7,006,321	\$ 6,074,153	\$ 4,944,103	\$ 4,071,710
Net OPEB Liability - end of year	\$ 15,688,676	\$ 13,580,917	\$ 13,602,574	\$ 13,343,281	\$ 14,830,510
Plan fiduciary net position as % of total OPEB liability	37.2%	34.0%	30.9%	27.0%	21.5%
Covered employee payroll	\$ 33,628,114	\$ 29,018,945	\$ 33,645,972	\$ 32,927,613	\$ 31,814,119
Net OPEB liability as % of covered payroll	46.7%	46.8%	40.4%	40.5%	46.6%

* FY 2017/18 covered payroll is estimated based on FY 2016/17 payroll increased by the inflation assumption (3.5%).

GASB Disclosures

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Schedule of Employer Contributions

The Actuarially Determined Contributions (ADC) shown below are based on the Annual Required Contribution (ARC) calculated in prior GASB 45 actuarial valuations as shown in the Town's financial statements.

	FY 2020/21	FY 2019/20	FY 2018/19	FY 2017/18	FY 2016/17
Actuarially Determined Contribution (ADC)	\$ 1,548,401	\$ 1,264,735	\$ 1,271,875	\$ 1,333,965	\$ 1,352,133
Contributions in relation to the ADC	1,933,780	1,886,424	1,948,878	1,804,537	1,534,402
Contribution deficiency/(excess)	\$ (385,379)	\$ (621,689)	\$ (677,003)	\$ (470,572)	\$ (182,269)
Covered employee payroll	\$ 33,628,114	\$ 29,018,945	\$ 33,645,972	\$ 32,927,613	\$ 31,814,119
Contribution as a % of covered payroll	5.8%	6.5%	5.8%	5.5%	4.8%
	FY 2015/16	FY 2014/15	FY 2013/14	FY 2012/13	FY 2011/12
Actuarially Determined Contribution (ADC)	\$ 1,322,413	\$ 1,343,607	\$ 1,384,923	\$ 1,430,251	\$ 2,170,685
Contributions in relation to the ADC	1,170,316	1,349,652	1,407,376	1,647,621	762,617
Contribution deficiency/(excess)	\$ 152,097	\$ (6,045)	\$ (22,453)	\$ (217,370)	\$ 1,408,068
Covered employee payroll	\$ 31,685,123	\$ 30,610,535	\$ 30,793,333	\$ 29,752,013	N/A
Contribution as a % of covered payroll	3.7%	4.4%	4.6%	5.5%	N/A

*FY 2017/18 covered payroll is estimated based on FY 2016/17 payroll increased by the inflation assumption (3.5%).

GASB Disclosures

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

OPEB Expense

OPEB Expense	FY 2020/21	FY 2019/20
Discount Rate		
Beginning of year	6.75%	6.75%
End of year	6.75%	6.75%
Service cost	\$ 466,086	\$ 453,128
Interest	1,369,694	1,313,614
Change of benefit terms	0	0
Projected earnings on OPEB plan investments	(484,812)	(426,892)
Reduction for contributions from active employees	0	0
OPEB plan administrative expenses	27,381	17,742
Current period recognition of deferred outflows / (inflows) of resources		
Differences between expected and actual experience	\$ 355,959	\$ (139,788)
Changes in assumptions	422,090	230,698
Net difference between projected and actual earnings on OPEB plan investments	(322,059)	(30,127)
Total current period recognition	\$ 455,990	\$ 60,783
Total OPEB expense	\$ 1,834,339	\$ 1,418,375

GASB Disclosures

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Deferred Outflows / (Inflows) of Resources

Deferred Outflows / (Inflows) of Resources represents the following items that have not been recognized in the OPEB Expense:

1. Differences between expected and actual experience of the OPEB plan
2. Changes of assumptions
3. Differences between projected and actual earnings in OPEB plan investments (for funded plans only)

The initial amortization period for the first two items noted above is based on expected future service lives while the difference between the projected and actual earnings in OPEB plan investment is amortized over five years. All balances are amortized linearly on a principal only basis and new bases will be created annually for each of the items above.

Differences between expected and actual experience for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2021
June 30, 2017	\$ (1,850,157)	7	\$ (264,308)	\$ (528,617)
June 30, 2018	\$ (1,172,388)	6	\$ (195,398)	\$ (390,796)
June 30, 2019	\$ 1,415,712	6	\$ 235,952	\$ 707,856
June 30, 2020	\$ 503,794	6	\$ 83,966	\$ 335,862
June 30, 2021	\$ 2,974,484	6	\$ 495,747	\$ 2,478,737

Changes in assumptions for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2021
June 30, 2017	\$ 2,226,107	7	\$ 318,015	\$ 636,032
June 30, 2018	\$ 0	N/A	\$ 0	\$ 0
June 30, 2019	\$ (523,899)	6	\$ (87,317)	\$ (261,948)
June 30, 2020	\$ 0	N/A	\$ 0	\$ 0
June 30, 2021	\$ 1,148,354	6	\$ 191,392	\$ 956,962

GASB Disclosures

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Deferred Outflows / (Inflows) of Resources (Continued)

Net Difference between projected and actual earnings in OPEB plan investments for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2021
June 30, 2017	\$ (114,477)	5	\$ (22,897)	\$ 0
June 30, 2018	\$ 17,986	5	\$ 3,597	\$ 3,598
June 30, 2019	\$ (57,524)	5	\$ (11,505)	\$ (23,009)
June 30, 2020	\$ 3,381	5	\$ 676	\$ 2,029
June 30, 2021	\$ (1,459,648)	5	\$ (291,930)	\$ (1,167,718)

As of fiscal year ending June 30, 2021	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 3,522,455	\$ (919,413)
Changes in assumptions	1,592,994	(261,948)
Net difference between projected and actual earnings in OPEB plan investments	0	(1,185,100)
Total	\$ 5,115,449	\$ (2,366,461)

Annual Amortization of Deferred Outflows / (Inflows)

The balances as of June 30, 2021 of the deferred outflows / (inflows) of resources will be recognized in OPEB expense in the future fiscal years as noted below.

FYE	Balance
2022	\$ 478,888
2023	\$ 475,292
2024	\$ 628,490
2025	\$ 479,175
2026	\$ 687,143
Thereafter	\$ 0

GASB Disclosures

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Sensitivity Results

The following presents the Net OPEB Liability as of June 30, 2021, calculated using the discount rate assumed and what it would be using a 1% higher and 1% lower discount rate.

- The current discount rate is 6.75%.
- The 1% decrease in discount rate would be 5.75%.
- The 1% increase in discount rate would be 7.75%.

As of June 30, 2021	Net OPEB Liability
1% Decrease	\$ 18,835,179
Current Discount Rate	\$ 15,688,676
1% Increase	\$ 13,093,200

The following presents the Net OPEB Liability as of June 30, 2021, using the health care trend rates assumed and what it would be using 1% higher and 1% lower health care trend rates.

- The current health care trend rate starts at an initial rate of 8.00%, decreasing to an ultimate rate of 4.50%.
- The 1% decrease in health care trend rates would assume an initial rate of 7.00%, decreasing to an ultimate rate of 3.50%.
- The 1% increase in health care trend rates would assume an initial rate of 9.00%, decreasing to an ultimate rate of 5.50%.

As of June 30, 2021	Net OPEB Liability
1% Decrease	\$ 12,937,278
Current Trend Rates	\$ 15,688,676
1% Increase	\$ 19,041,550

GASB Disclosures

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Asset Information

Asset Breakdown	FY 2019/20	FY 2020/21
Assets		
Cash and deposits	\$ 0	\$ 0
Securities lending cash collateral	0	0
Total cash	\$ 0	\$ 0
Receivables		
Contributions	\$ 0	\$ 0
Accrued interest	0	0
Total receivables	\$ 0	\$ 0
Investments		
Fixed income	\$ 2,732,465	\$ 3,630,424
Equities	3,713,350	4,933,653
Mutual Funds	560,506	744,702
Total investments	\$ 7,006,321	\$ 9,308,779
Total Assets	\$ 7,006,321	\$ 9,308,779
Liabilities		
Payables		
Investment management fees	\$ 0	\$ 0
Securities lending expense	0	0
Total liabilities	\$ 0	\$ 0
Net Position Restricted to OPEB	\$ 7,006,321	\$ 9,308,779

* Asset Allocation for FY 2020/21 and FY 2019/20 is estimated based on the OPEB Trust target allocation.

GASB Disclosures

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Asset Information (Continued)

Asset Reconciliation	FY 2019/20	FY 2020/21
Additions		
Contributions Received		
Employer	\$ 1,886,424	\$ 1,933,780
Active employees	0	0
Total contributions	\$ 1,886,424	\$ 1,933,780
Investment Income		
Net increase in fair value of investments	\$ 423,511	\$ 1,944,460
Interest and dividends	0	0
Investment expense, other than from securities lending	0	0
Securities lending income	0	0
Securities lending expense	0	0
Net investment income	\$ 423,511	\$ 1,944,460
Total additions	\$ 2,309,935	\$ 3,878,240
Deductions		
Benefit payments	\$ 1,360,025	\$ 1,548,401
Administrative expenses	17,742	27,381
Other	0	0
Total deductions	\$ 1,377,767	\$ 1,575,782
Net increase in net position	\$ 932,168	\$ 2,302,458
Net position restricted to OPEB		
Beginning of year	\$ 6,074,153	\$ 7,006,321
End of year	\$ 7,006,321	\$ 9,308,779

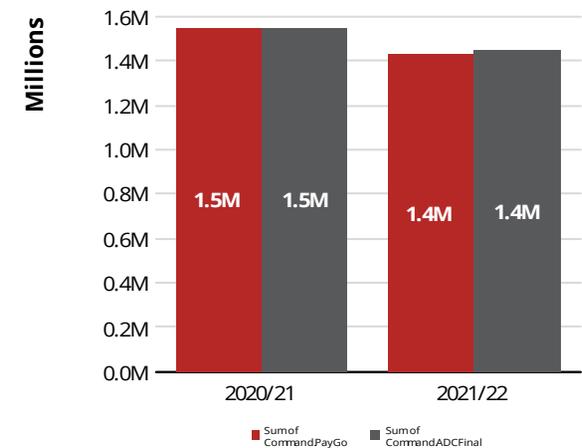
* Asset Allocation for FY 2020/21 and FY 2019/20 is estimated based on the OPEB Trust target allocation.

Actuarially Determined Contributions

Town of Lincoln GASB 74/75 Valuation For Fiscal Year Ending June 30, 2021

	FY 2020/21		FY 2021/22	
Discount rate (Funding)	6.75%		6.75%	
Payroll growth factor used for amortization	3.50%		3.50%	
Actuarial cost method	Entry Age Normal Level % of Salary		Entry Age Normal Level % of Salary	
Amortization type	Level % of Salary		Level % of Salary	
Amortization period (years)	26		25	
Actuarial Accrued Liability (AAL) - beginning of year	\$	20,587,238	\$	24,997,455
Actuarial Value of Assets (AVA) - beginning of year		(7,006,321)		(9,308,779)
Unfunded AAL - beginning of year	\$	13,580,917	\$	15,688,676
Normal Cost	\$	466,086	\$	466,789
Amortization of Unfunded AAL		748,490		887,230
Total normal cost plus amortization	\$	1,214,576	\$	1,354,019
Interest to end of year		81,984		91,396
Actuarially Determined Contribution - Preliminary	\$	1,296,560	\$	1,445,415
Expected Benefit Payments		1,548,401		1,426,503
Actuarially Determined Contribution - Final	\$	1,548,401	\$	1,445,415

Cash Vs Accrual Accounting



Actuarially Determined Contribution (ADC) is the target or recommended contribution to a defined benefit OPEB plan, which if paid on an ongoing basis, will provide sufficient resources to fund future costs for services to be earned and liabilities attributed to past services. This is typically higher than the pay-as-you-go cost because it includes recognition of employer costs expected to be paid in future accounting periods.

Projection of GASB Disclosures

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

The Total OPEB Liability (TOL) is expected to change on an annual basis as a result of expected and unexpected events. Under normal circumstances, it is generally expected to have a net increase each year. Below is a list of the most common events affecting the total OPEB liability and whether they increase or decrease the liability.

Expected Events

- Increases in TOL due to additional benefit accruals as employees continue to earn service each year
- Increases in TOL due to interest as the employees and retirees age
- Decreases in TOL due to benefit payments

Unexpected Events

- Increases in TOL when actual premium rates increase more than expected. A liability decrease occurs when the reverse happens.
- Increases in TOL when more new retirements occur than expected or fewer terminations occur than anticipated. Liability decreases occur when the opposite outcomes happen.
- Increases or decreases in TOL depending on whether benefits are improved or reduced.

Projection of Total OPEB Liability (TOL)	FY 2020/21	FY 2021/22
TOL as of beginning of year	\$ 20,587,238	\$ 24,997,455
Normal cost as of beginning of year	466,086	466,789
Exp. benefit payments during the year	(1,548,401)	(1,426,503)
Interest adjustment to end of year	1,369,694	1,671,478
Exp. TOL as of end of year	\$ 20,874,617	\$ 25,709,219
Actuarial Loss / (Gain)	4,122,838	TBD
Actual TOL as of end of year	\$ 24,997,455	\$ TBD

Discount rate as of beginning of year	6.75%	6.75%
Discount rate as of end of year	6.75%	TBD

Projection of Actuarial Value of Assets (AVA)	FY 2020/21	FY 2021/22
AVA as of beginning of year	\$ 7,006,321	\$ 9,308,779
Exp. employer contributions during the year	1,933,780	1,445,415
Exp. benefit payments during the year	(1,548,401)	(1,426,503)
Expected investment income	484,812	628,043
Exp. Trust administrative expenses	(27,381)	(27,926)
Exp. AVA as of end of year	\$ 7,849,131	\$ 9,927,808
Differences between expected and actual experience	1,459,648	TBD
AVA as of end of year	\$ 9,308,779	\$ TBD

Expected asset return as of beginning of year	6.75%	6.75%
Expected asset return as of end of year	6.75%	TBD

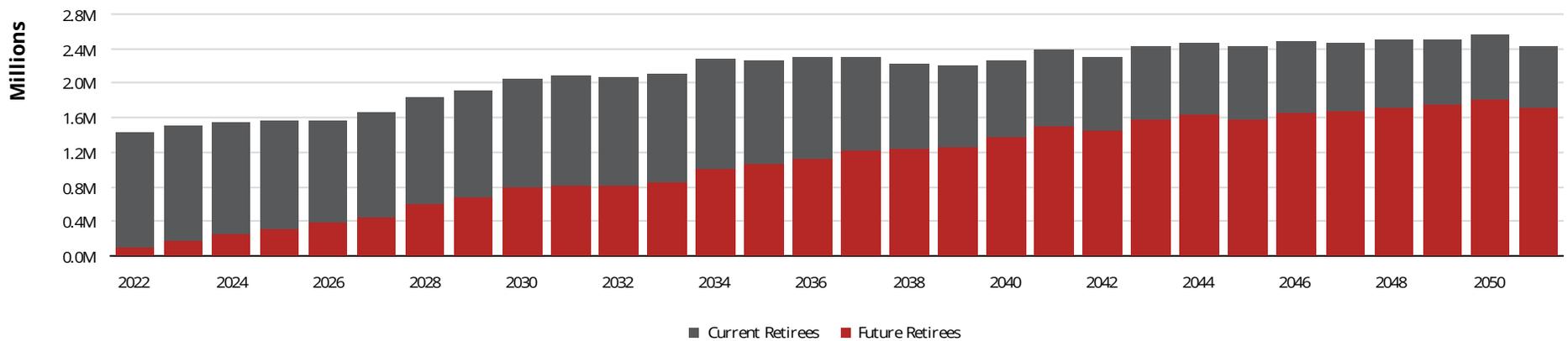
Cash Flow Projections

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

The below projections show the actuarially estimated employer-paid contributions for retiree health benefits for the next thirty years. Results are shown separately for a closed group of current/future retirees. These projections include explicit and implicit subsidies.

FYE	Current Retirees	Future Retirees*	Total	FYE	Current Retirees	Future Retirees*	Total	FYE	Current Retirees	Future Retirees*	Total
2022	\$ 1,331,822	\$ 94,681	\$ 1,426,503	2032	\$ 1,257,503	\$ 805,610	\$ 2,063,113	2042	\$ 856,240	\$ 1,449,370	\$ 2,305,610
2023	\$ 1,318,469	\$ 181,610	\$ 1,500,079	2033	\$ 1,255,373	\$ 846,890	\$ 2,102,263	2043	\$ 850,098	\$ 1,581,436	\$ 2,431,534
2024	\$ 1,306,580	\$ 243,794	\$ 1,550,374	2034	\$ 1,268,779	\$ 1,000,811	\$ 2,269,590	2044	\$ 842,117	\$ 1,636,767	\$ 2,478,884
2025	\$ 1,248,856	\$ 309,420	\$ 1,558,276	2035	\$ 1,188,722	\$ 1,062,925	\$ 2,251,647	2045	\$ 832,079	\$ 1,593,119	\$ 2,425,198
2026	\$ 1,190,289	\$ 382,757	\$ 1,573,046	2036	\$ 1,168,529	\$ 1,120,704	\$ 2,289,233	2046	\$ 819,764	\$ 1,666,079	\$ 2,485,843
2027	\$ 1,209,755	\$ 452,664	\$ 1,662,419	2037	\$ 1,071,305	\$ 1,222,436	\$ 2,293,741	2047	\$ 804,976	\$ 1,675,566	\$ 2,480,542
2028	\$ 1,225,963	\$ 599,495	\$ 1,825,458	2038	\$ 989,373	\$ 1,233,761	\$ 2,223,134	2048	\$ 787,523	\$ 1,718,100	\$ 2,505,623
2029	\$ 1,243,294	\$ 673,244	\$ 1,916,538	2039	\$ 946,444	\$ 1,250,907	\$ 2,197,351	2049	\$ 767,287	\$ 1,751,119	\$ 2,518,406
2030	\$ 1,254,193	\$ 783,600	\$ 2,037,793	2040	\$ 905,974	\$ 1,361,796	\$ 2,267,770	2050	\$ 744,188	\$ 1,823,411	\$ 2,567,599
2031	\$ 1,280,273	\$ 814,531	\$ 2,094,804	2041	\$ 882,602	\$ 1,510,002	\$ 2,392,604	2051	\$ 718,232	\$ 1,715,573	\$ 2,433,805

Projected Employer Pay-go Cost



* Projections for future retirees do not take into account future new hires.

Discussion of Discount Rates

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Under GASB 74, the discount rate used in valuing OPEB liabilities for funded plans as of the Measurement Date must be based on the long-term expected rate of return on OPEB plan investments that are expected to be used to finance future benefit payments to the extent that (a) they are sufficient to pay for the projected benefit payments and (b) the OPEB plan assets are invested using a strategy that will achieve that return. When the OPEB plan investments are insufficient to cover future benefit payments, a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA /Aa or higher (or equivalent quality on another rating scale) must be used.

For the current valuation:

1. The long-term expected rate of return on OPEB plan investment is 6.75%. This was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are then combined to produce the long-term expected rate of return by weighting them based on the target asset allocation percentage and adding in expected inflation (1.60%). The best estimates of arithmetic real rates of return (based on information provided for fiscal year ending June 30, 2020)¹ for each major asset class included in the OPEB Plan's target asset allocation are summarized in the following table.
2. The discount rate used when the OPEB plan investments are insufficient to pay for future benefit payments are selected from the range of indices as shown in the table below, where the range is given as the spread between the lowest and highest rate shown.
3. The final equivalent single discount rate used for this year's valuation is 6.75%. This is with the expectation that the Town and the School will contribute the Actuarially Determined Contribution annually to the OPEB Trust.

Asset Class	Target Allocation	L/T Expected Real ROR
U.S. Equity	37.1%	5.10%
Non-U.S. Equity	15.9%	7.40%
U.S. Aggregate Bonds	12.0%	1.20%
Intermediate-Term Credit	7.2%	1.90%
Short-Term Credit	4.8%	1.70%
Intermediate-Term TIPS	15.0%	0.70%
REITs	8.0%	4.00%

Yield as of	July 1, 2020	June 30, 2021
Bond Buyer Go 20-Bond Municipal Bond Index	2.21%	2.16%
S&P Municipal Bond 20-Year High Grade Rate Index	2.66%	2.19%
Fidelity 20-Year Go Municipal Bond Index	2.45%	1.94%
Bond Index Range	2.21% - 2.66%	1.94% - 2.19%

¹ If the long-term expected return of the OPEB portfolio has changed since the prior valuation, the discount rate will need to be re-evaluated.

Summary of Plan Participants

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Active Town Police Employees

Actives with coverage	Single	Non-Single	Total	Avg. Age	Avg. Svc	Salary
Healthmate C2C	2	28	30	39.8	11.9	\$ 2,109,189
Total actives with coverage	2	28	30	39.8	11.9	\$ 2,109,189
Total actives without coverage			2	29.6	4.6	\$ 114,973

Active School Employees

Actives with coverage	Single	Non-Single	Total	Avg. Age	Avg. Svc	Salary
Healthmate C2C	84	249	333	47.9	14.1	\$ 24,649,819
Total actives with coverage	84	249	333	47.9	14.1	\$ 24,649,819
Total actives without coverage			99	45.9	11.4	\$ 6,754,133

Actives without coverage are assumed not to elect coverage with the Town/School at retirement. They have been excluded from the GASB valuation.

Summary of Plan Participants

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Active Age-Service Distribution – Town

Age	Years of Service										Total	
	< 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up		
Under 25	1											1
25 to 29		3	1									4
30 to 34		1	3	1								5
35 to 39		1	6	2								9
40 to 44					4							4
45 to 49			1		3	2						6
50 to 54			1									1
55 to 59				1								1
60 to 64								1				1
65 to 69												0
70 & up												0
Total	1	5	12	4	7	2	0	1	0	0		32

Summary of Plan Participants

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Active Age-Service Distribution – School

Age	Years of Service										Total	
	< 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up		
Under 25	12											12
25 to 29	11	16	1									28
30 to 34	7	6	14									27
35 to 39	8	11	6	1	5							31
40 to 44	4	12	7	4	33	9						69
45 to 49	5	16	10	2	14	22	3					72
50 to 54	6	9	6	6	16	11	16	2				72
55 to 59	1	1	9	4	20	14	8	10	1			68
60 to 64	2	3	1	1	12	13	4	3				39
65 to 69		1	3	1	2	3	1	1				12
70 & up						1					1	2
Total	56	75	57	19	102	73	32	16	1	1		432

Summary of Plan Participants

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Town Police Officer Retirees

Retirees with coverage	Single	Non-Single	Total	Avg. Age
Healthmate C2C	12	31	43	64.1
Classic	0	1	1	63.9
Total retirees with coverage	12	32	44	64.1

School Retirees

Retirees with coverage	Single	Non-Single	Total	Avg. Age
Healthmate C2C	29	1	30	61.7
Total retirees with coverage	29	1	30	61.7

Retiree Age Distribution

Age	Town	School
< 45		
45 to 49	3	
50 to 54	8	2
55 to 59	6	3
60 to 64	8	22
65 to 69	5	2
70 to 74	7	1
75 to 79	3	
80 to 84	2	
85 to 89	1	
90 & up	1	
Total	44	30

Substantive Plan Provisions

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Eligibility

Town Police Officers	Town police officers are eligible for lifetime retiree health benefits at 20 years of service with mandatory retirement at 25 years of service. There is no age requirement to get retiree health benefits.
Town Employees	Town general employees do not have access to the retiree health benefits other than for temporary COBRA coverage.
School Teachers/Administrators	Certified Teachers and certain Administrators positions are eligible for retiree health benefits until Medicare eligibility once they meet the retirement eligibility requirements of Rhode Island Employees Retirement System (RI ERS).
School Support Staff	Support staff employees are eligible for retiree health benefits until Medicare eligibility once they meet the retirement eligibility requirements of Rhode Island Municipal Employees Retirement System (RI MERS).

RI MERS Eligibility Requirements

Employees eligible to retire as of 7/1/2012 are not impacted by the new eligibility requirements described below. Prior to 7/1/2012, employees were eligible to retire at the earlier of: (i) age 58 with 10 years of service credit or (ii) 30 years of service (no age requirement).

For employees who are not eligible to retire as of 7/1/2012:

- a) Members with less than five years of contributing service credit on 6/30/2012 may retire at their Social Security normal retirement age.
- b) Members with at least five years of contributing service credit on 6/30/2012 may retire at an individually determined age, which is the result of interpolating the member's prior Retirement Date (described in previous paragraph) and the retirement age applicable to members hired after 6/30/2012 (described in item (a) above).
- c) Members with at least ten years of contributing service credit on 6/30/2012 may retire at their prior Retirement Date (described in previous paragraph) if they continue to work and contribute until that date.

Substantive Plan Provisions

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

RI MERS Eligibility Requirements (Continued)

All members who are within five years of reaching their retirement eligibility date (described in the paragraphs above) may retire at any time if they have at least 20 years of service.

Effective on 7/1/2015, employees are also eligible to retire upon attainment of age 65 with 30 years of service, age 64 with 31 years of service, age 63 with 32 years of service, or age 62 with at least 33 years of service. These are additional eligibility requirements, which means that if employees are eligible to retire under the current eligibility requirements, they may do so.

RI ERS Eligibility Requirements

RI ERS eligibility requirements is the earlier of each employee's (a) Article 7 or (b) RIRSA eligibility dates which vary by Schedules summarized below:

Schedules	Vested with 10 years of contributing service credit as of 7/1/2005	Eligible to retire as of 9/30/2009
A	Y	Y*
B	N	Y**
AB	Y	N
B1	N	N
B2	Employees that became a member of RI ERS after 9/30/2009	

* Schedule A members were eligible to retire as of 9/30/2009 if they had (i) 28 years of service as of 9/30/2009 or (ii) had 10 years of contributing service and were age 60 as of 9/30/2009.

** Schedule B members were eligible to retire as of 9/30/2009 if they had 10 years of contributing service and were age 65 as of 9/30/2009.

Substantive Plan Provisions

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

RI ERS Eligibility Requirements

(Continued)

Article 7 Eligibility Date

There are no changes to Schedule A and Schedule B members retirement eligibility dates. These employees may retire at any time once they meet the prior RI ERS eligibility rules. The prior RI ERS eligibility rules are:

- Schedule A – earlier of (i) 28 years of service or (ii) age 60 with 10 years of contributing service.
- Schedule B – earlier of (i) age 65 with 10 years of contributing service or (ii) age 59 with 29 years of contributing service.

Minimum retirement age under Article 7 for Schedule AB and B1 members is 62 with “proportional downward adjustment” toward an earlier retirement age based on years of service as of 9/30/2009 (referred to as “frozen service credit”).

Schedule B2 members minimum retirement age under Article 7 is age 62 without “proportional downward adjustment” toward an earlier retirement age.

RIRSA Eligibility Date

Employees with less than five years of contributing service credit on 6/30/2012 may retire at the Social Security normal retirement age (not higher than 67).

For employees with at least five years of contributing service credit on 6/30/2012, minimum retirement age is 59 with “proportional downward adjustment” toward an earlier retirement date based on years of service prior to 7/1/2012, but not earlier than 59.

Employees with at least 10 years of contributing service credit on 6/30/2012 may retire at their Article 7 eligibility date if they continue to work and contribute until that date. If they are within five years of reaching RIRSA retirement eligibility date and have at least 20 years of service, they may retire at any time.

Effective on 7/1/2015, employees are also eligible to retire upon attainment of age 65 with 30 years of service, age 64 with 31 years of service, age 63 with 32 years of service, or age 62 with at least 33 years of service. These are additional eligibility requirements, which means that if employees are eligible to retire under the current eligibility requirements, they may do so.

Substantive Plan Provisions

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Explicit Subsidy

Town Police Officers

Retired police officers hired prior to July 1, 2013 receive 100% of their premiums, individual or family, paid for by the Town for life. Those hired on/after July 1, 2013 receive 100% of their premiums paid by the Town for life for individual coverage only. Retiree is responsible for the full incremental cost of spouse and dependent coverage. Officers who become disabled in the line of duty are also eligible for the same benefit.

School Teachers/Administrators

The school will pay a percentage of premium for retired teachers and administrators based on years of service at retirement as shown below.

Years of Service at Retirement	If retired before 7/1/2016	If retire on/after 7/1/2016
0 – 9	Not eligible	Not eligible
10 – 14	0.0%	0.0%
15	50.0%	47.5%
16	60.0%	57.0%
17	70.0%	66.5%
18	80.0%	76.0%
19	90.0%	85.5%
20+	100.0%	95.0%

The subsidy percentage applies to individual coverage only. Spouses are allowed on the plan but the retiree pays the full incremental cost of spouse and dependent coverage.

Support Staff

None

Substantive Plan Provisions

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Spouse Benefit

Upon death of the retiree or active employee (regardless of whether he is eligible to retire or not) the spousal coverage will revert to COBRA.

Retiree Cost Sharing

Retirees are required to contribute the portion of premiums not covered by the Town and School explicit subsidies.

Life Insurance

None, this benefit is not offered for Town police officers and School retirees have to pay the full cost of coverage.

Medical Benefit

Same benefit options are available to retirees as active employees. The health plans are self-insured except for Plan 65 which is fully insured and community-rated. Teachers who retire after June 30, 2017 may only choose the Healthmate C2C \$250/\$500 plan. Some current retired teachers can remain in the Classic and Healthmate C2C plans at retirement.

The monthly premiums by plan effective July 1, 2021 are as shown below:

Town Police	Individual	Family
Healthmate C2C	\$ 823.31	\$ 1,983.36
Classic	\$ 951.25	\$ 2,291.57
Plan 65 with Rx	\$ 696.27	N/A

School	Individual	Family
Teachers – Healthmate C2C	\$ 1,009.48	\$ 2,491.43
Teachers – Healthmate C2C \$250/\$500	\$ 941.14	\$ 2,322.76
Teachers - Classic	\$ 1,087.77	\$ 2,684.63
Support – Healthmate C2C	\$ 956.67	\$ 2,361.09

Actuarial Methods and Assumptions

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

The actuarial assumptions used in this report represent a reasonable long-term expectation of future OPEB outcomes. As national economic and Town and School experience change over time, the assumptions will be tested for ongoing reasonableness and, if necessary, updated.

There are changes to the actuarial methods and assumptions since the last GASB valuation, which was for the fiscal year ending June 30, 2020. Refer to Actuary's Notes section for complete information on these changes. For the current year GASB valuation, we have also updated the per capita costs. We expect to update health care trend rates, per capita costs, mortality rates, and the discount rate in the next full GASB valuation, which will be for the fiscal year ending June 30, 2023.

Measurement Date	June 30, 2021
Actuarial Valuation Date	June 30, 2021 with no adjustments to get to the June 30, 2021 measurement date. Liabilities as of July 1, 2020 are based on an actuarial valuation date of July 1, 2019 projected to July 1, 2020 on a "no gain / loss" basis.
Discount Rate	6.75% as of July 1, 2020 and 6.75% as of June 30, 2021 for accounting and funding disclosure purposes. Refer to the Discussion of Discount Rate section for more information on the selection of the discount rate.
Inflation Rate	2.5% per year
Cost Method	Allocation of Actuarial Present Value of Future Benefits for services prior and after the Measurement Date was determined using Entry Age Normal Level % of Salary method where: <ul style="list-style-type: none">• Service Cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant's benefit at retirement; and• Annual Service Cost is a constant percentage of the participant's salary that is assumed to increase according to the Payroll Growth.
Asset Valuation Method	Market Value
Employer Funding Policy	The Town and School are expected to contribute the Actuarially Determined Contributions annually.
Census Data	Census information was provided by the Town and School in December 2021. We have reviewed it for reasonableness and no material modifications were made to the census data.

Actuarial Methods and Assumptions

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Payroll Growth

Payroll growth assumption that includes both general wage inflation and merit / productivity increases is based on the assumptions used in the RI ERS and MERS actuarial valuations as of June 30, 2020 and Town of Lincoln Police actuarial valuation as of January 1, 2019. Sample rates are as shown below.

Service	Teachers / Administrators	Support Staff	Age	Police
0	13.00%	7.25%	20	6.00%
5	8.00%	5.50%	30	4.00%
10	7.00%	3.75%	40	3.50%
15	3.00%	3.50%	50	3.50%
20	3.00%	3.25%	60	3.00%
23+	3.00%	3.25%		

Health Care Coverage Election Rate

Active Town Police Officers: 100%
 Active School Employees with 10 to 14 years of service and current coverage: 20%
 Active School Employees with 15 to 16 years of service and current coverage: 80%
 Active School Employees with 17 to 18 years of service and current coverage: 90%
 Active School Employees with 19 or more years of service and current coverage: 100%
 Active School Support Staff with current coverage: 5%
 Active School Employees with no coverage: 0%

Inactive employees with current coverage: 100%
 Inactive employees with no coverage: 0%

Spousal Coverage

Spousal coverage and age for current retirees is based on actual data. Active employees who currently elect spousal coverage are assumed to elect spousal coverage at retirement.

Husbands are assumed to be three years older than wives.

Actuarial Methods and Assumptions

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Mortality

Healthy Actives and Retirees:

- Police: SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2021
- Teachers: SOA Pub-2010 Teachers Headcount Weighted Mortality Table fully generational using Scale MP-2021
- All Others: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021

Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021

Disabled Police Retirees: SOA Pub-2010 Public Safety Disabled Headcount Weighted Mortality Table fully generational using Scale MP-2021

Disabled Non-Police Retirees: SOA Pub-2010 Non-Safety Disabled Headcount Weighted Mortality Table fully generational using Scale MP-2021

Turnover Rate

Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility under their respective pension plan. Sample annual withdrawal rates are as shown below. Police rates are based on the Town of Lincoln Police pension actuarial valuation as of January 1, 2019 while non-police rates are based on the RI ERS and MERS actuarial valuations as of June 30, 2020.

Service	Teachers / Administrators	Support Staff	Age	Male Police	Female Police
0	15.8%	17.5%	15	12.5%	15.0%
5	5.1%	6.1%	25	5.0%	7.5%
10	2.2%	2.7%	35	2.5%	3.5%
15	1.4%	1.7%	45	1.0%	1.5%
20	1.0%	1.5%	55	0.0%	0.5%
24	0.8%	0.6%	60	0.0%	0.0%

Actuarial Methods and Assumptions

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Disability

Sample annual disability rates for Town Police are as shown below. These rates are based on the disability assumption used in the State Police Retirement actuarial valuation as of June 30, 2016. 75% of disabilities are assumed to be line-of-duty. No disability benefit is valued for School employees.

Age	Rate
25	0.17%
35	0.29%
45	0.72%
55	1.21%

Retirement Rate

Town Police Officers

Retirement rates are based on Town of Lincoln Police pension actuarial valuation as of January 1, 2019.

Age	<20 YOS	20+ YOS
40 - 49	0.0%	20.0%
50	0.0%	50.0%
51 - 54	0.0%	20.0%
55 - 57	0.0%	100.0%
58	100.0%	100.0%

School Support Staff

Retirement rates are based on the assumptions used in the RI MERS actuarial valuation report as of June 30, 2020, which is a flat 20% per year retirement probability for members eligible for unreduced retirement. A 35% retirement probability at first eligibility will be applied if they have reached age 65 or with at least 25 years of service.

School Teachers and Administration

Retirement rates are based on the assumptions used in the RI ERS actuarial valuation report as of June 30, 2020, which is a flat 25% per year retirement probability for members eligible for unreduced retirement. A 60% retirement probability at first eligibility will be applied if they have reached age 65 or with at least 25 years of service.

Actuarial Methods and Assumptions

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Health Care Trend Rates

FYE	Medical/Rx	FYE	Medical/Rx
2022	8.0%	2026	6.0%
2023	7.5%	2027	5.5%
2024	7.0%	2028	5.0%
2025	6.5%	2029+	4.5%

The initial trend rate was based on a combination of employer history, national trend surveys, and professional judgment.

The ultimate trend rate was selected based on historical medical CPI information.

Retiree Contributions

Retiree contributions are assumed to increase according to health care trend rates.

Actuarial Methods and Assumptions

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Per Capita Costs

Annual per capita costs were calculated based on the Town and School monthly premium rates effective on July 1, 2021 actuarially increased using health index factors and current enrollment. The costs are assumed to increase with health care trend rates. Annual per capita costs by plan are as shown below:

The per capita costs represent the cost of coverage for a retiree-only population.

Actuarial standards require the recognition of higher inherent costs for a retired population versus an active population.

Age	Police HM		Teachers/Admin HM C2C		Teachers/Admin HM C2C \$250		Support Staff HM	
	Male	Female	Male	Female	Male	Female	Male	Female
50 - 54	\$ 11,400	\$ 13,100	\$ 11,400	\$ 13,100	\$ 10,600	\$ 12,200	\$ 10,800	\$ 12,400
55 - 59	\$ 15,500	\$ 15,000	\$ 15,400	\$ 14,900	\$ 14,300	\$ 13,900	\$ 14,600	\$ 14,100
60 - 64	\$ 20,300	\$ 18,400	\$ 20,200	\$ 18,300	\$ 18,800	\$ 17,000	\$ 19,100	\$ 17,300
65+	\$ 8,355	\$ 8,355	N/A	N/A	N/A	N/A	N/A	N/A

Employees are assumed to elect at retirement the same plan as their current active health plan, except for active School Certified and Administrators who are assumed to elect Healthmate C2C \$250 plan at retirement.

Explicit Subsidy

The difference between (a) the premium rate and (b) the retiree contribution. Below is an example of the monthly explicit subsidies for a retired police officer under 65 hired on/after July 1, 2013 who is enrolled in the Healthmate C2C plan.

	Premium Rate	Retiree Contribution	Explicit Subsidy
	A	B	C = A - B
Retiree	\$ 823.31	\$ 0.00	\$ 823.31
Spouse	\$ 1,160.05	\$ 1,160.05	\$ 0.00

Actuarial Methods and Assumptions

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Implicit Subsidy

The difference between (a) the per capita cost and (b) the premium rate. Below is an example of the monthly implicit subsidies for a 60 – 64 male retired police officer with spouse of the same age enrolled in the Healthmate C2C plan.

	Per Capita Cost	Premium Rate	Implicit Subsidy
	A	B	C = A - B
Retiree	\$ 1,691.67	\$ 823.31	\$ 868.36
Spouse	\$ 1,533.33	\$ 1,160.05	\$ 373.28

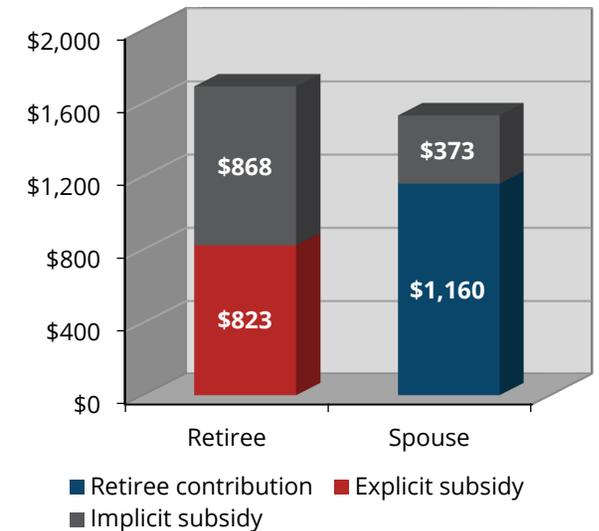
All employers that utilize premium rates based on blended active/retiree claims experience will have an implicit subsidy. There is an exception for Medicare plans using a true community-rated premium rate.

GASB Subsidy Breakdown

Below is a breakdown of the GASB 74/75 monthly total cost for a male 60 – 64 retired police officer hired on/after July 1, 2013 and his spouse of the same age enrolled in the Healthmate C2C plan.

	Retiree	Spouse
Retiree contribution	\$ 0.00	\$ 1,160.05
Explicit subsidy	\$ 823.31	\$ 0.00
Implicit subsidy	\$ 868.36	\$ 373.28
Total monthly cost	\$ 1,691.67	\$ 1,533.33

GASB Subsidy Breakdown



APPENDIX

The background features a complex geometric design. It consists of several overlapping, semi-transparent shapes. A large, light gray shape occupies the upper portion of the frame. Below it, there are various white and light gray shapes that create a sense of depth and layering. A prominent, solid red shape is located in the bottom right corner, extending towards the center. The overall aesthetic is clean, modern, and minimalist.

Appendix

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Comparison of Participant Demographic Information

The active participants' number below may include active employees who currently have no health care coverage. Refer to Summary of Participants section for an accurate breakdown of active employees with and without coverage.

	As of July 1, 2021			As of July 1, 2019		
	Town	School	Total	Town	School	Total
Active Participants	32	432	464	36	419	455
Inactive Participants	44	30	74	39	20	59
Averages for Actives						
Age	39.1	47.4	46.9	39.3	48.3	47.6
Service	11.5	13.5	13.3	11.5	13.7	13.6
Average Age for Inactives	64.1	61.7	63.1	65.7	61.8	64.4

Appendix

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Detailed Actuary's Notes

There have been no substantive plan provision changes since the last full valuation, which was for the fiscal year ending June 30, 2019.

The following assumptions have been updated:

1. Mortality tables have been updated as follows, causing a slight decrease in liability:
 - a. Police (active and retired): SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2021
 - b. Teachers (active and retired) : SOA Pub-2010 Teachers Headcount Weighted Mortality Table fully generational using Scale MP-2021
 - c. All Others (active and retired): SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021
 - d. Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021
 - e. Disabled Police Retirees: SOA Pub-2010 Public Safety Disabled Headcount Weighted Mortality Table fully generational using Scale MP-2021
 - f. Disabled Non-Police Retirees: SOA Pub-2010 Non-Safety Disabled Headcount Weighted Mortality Table fully generational using Scale MP-2021

2. Turnover rates for Teachers and Administrators have been updated based on the rates used in the RI ERS actuarial valuation as of June 30, 2020. This change caused a slight increase in liabilities.

3. Health care trend rates have been reset to an initial rate of 8.0% decreasing by 0.5% annually to an ultimate rate of 4.5%. This change caused an increase in liabilities.

Appendix

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

GASB Results by Group

Below is the summary of the GASB results for fiscal year ending June 30, 2021 based on the Entry Age Normal Level % of Pay cost method with a discount rate of 6.75%.

Group	Total OPEB Liability		Actuarial Value of Assets		Net OPEB Liability	
	As of June 30, 2021		As of June 30, 2021		As of June 30, 2021	
Town	\$	21,701,810	\$	(8,965,956)	\$	12,735,854
School	\$	3,295,645	\$	(342,823)	\$	2,952,822
Total	\$	24,997,455	\$	(9,308,779)	\$	15,688,676

GLOSSARY

The background features a series of overlapping, semi-transparent geometric shapes. A large, light gray shape occupies the upper portion of the frame. Below it, a white shape overlaps the gray one. In the bottom right corner, a vibrant red shape overlaps both the white and gray shapes. The overall composition is clean and modern, with sharp lines and a limited color palette.

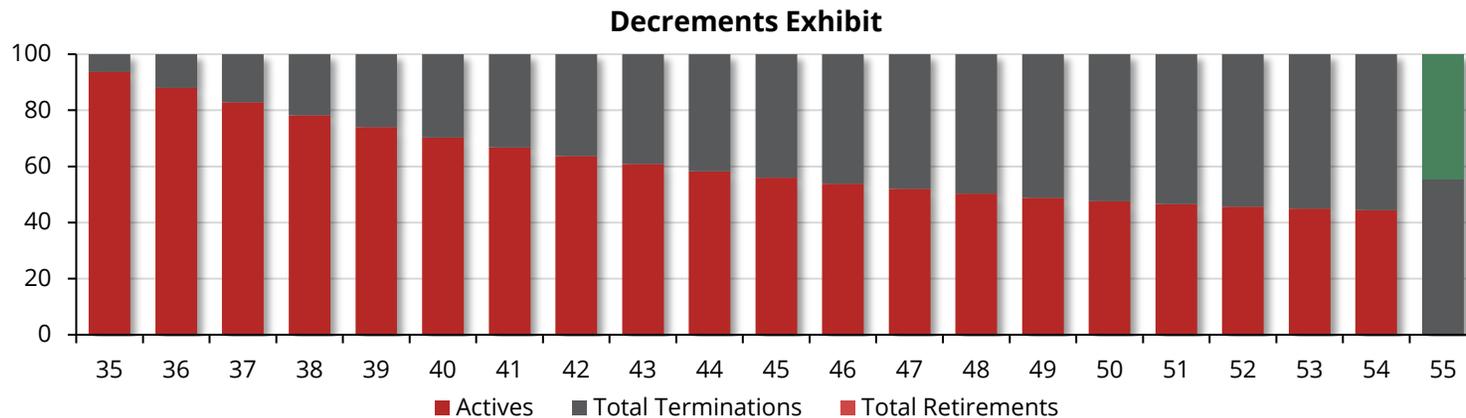
Glossary – Decrements Exhibit

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. Starting with 100 employees at age 35, the illustrated actuarial assumptions show that 44.43 employees out of the original 100 are expected to retire and could elect retiree health benefits at age 55.

Age	# Remaining Employees	# of Terminations per Year ²	# of Retirements per Year	Total Decrements
35	100.000	6.276	0.000	6.276
36	93.724	5.677	0.000	5.677
37	88.047	5.136	0.000	5.136
38	82.911	4.648	0.000	4.648
39	78.262	4.209	0.000	4.209
40	74.053	3.814	0.000	3.814
41	70.239	3.456	0.000	3.456
42	66.783	3.131	0.000	3.131
43	63.652	2.835	0.000	2.835
44	60.817	2.564	0.000	2.564
45	58.253	2.316	0.000	2.316

Age	# Remaining Employees	# of Terminations per Year	# of Retirements per Year	Total Decrements
46	55.938	2.085	0.000	2.085
47	53.853	1.866	0.000	1.866
48	51.987	1.656	0.000	1.656
49	50.331	1.452	0.000	1.452
50	48.880	1.253	0.000	1.253
51	47.627	1.060	0.000	1.060
52	46.567	0.877	0.000	0.877
53	45.690	0.707	0.000	0.707
54	44.983	0.553	0.000	0.553
55	44.430	0.000	44.430	44.430



² The above rates are illustrative rates and are not used in our GASB calculations.

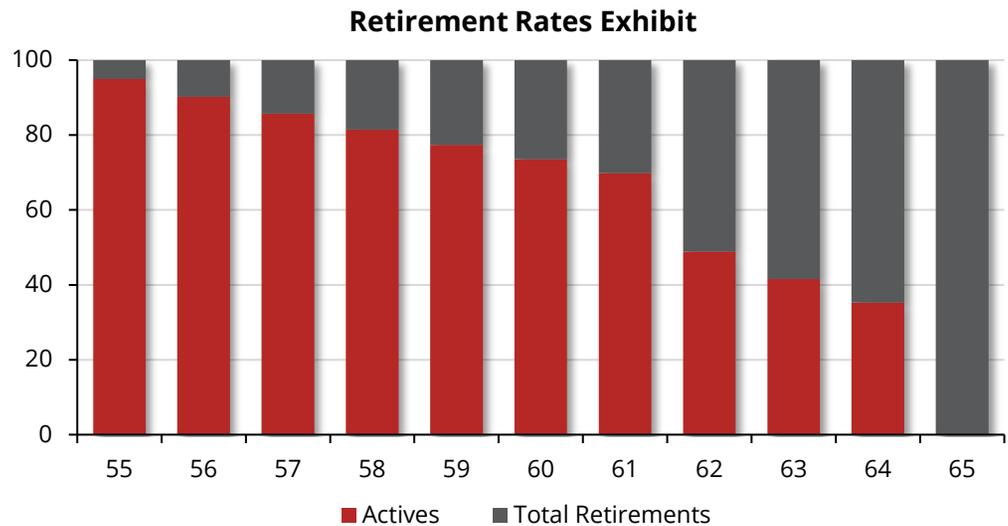
Glossary – Retirement Rates Exhibit

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. The illustrated retirement rates show the number of employees who are assumed to retire annually based on 100 employees age 55 who are eligible for retiree health care coverage. The average age at retirement is 62.0.

Age	Active Employees BOY	Annual Retirement Rates*	# Retirements per Year	Active Employees EOY
55	100.000	5.0%	5.000	95.000
56	95.000	5.0%	4.750	90.250
57	90.250	5.0%	4.513	85.738
58	85.738	5.0%	4.287	81.451
59	81.451	5.0%	4.073	77.378
60	77.378	5.0%	3.869	73.509
61	73.509	5.0%	3.675	69.834
62	69.834	30.0%	20.950	48.884
63	48.884	15.0%	7.333	41.551
64	41.551	15.0%	6.233	35.318
65	35.318	100.0%	35.318	0.000

* The above rates are illustrative rates and are not used in our GASB calculations.



Glossary – Definitions

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

GASB 75 defines several unique terms not commonly employed in the funding of pension and retiree health plans. The definitions of the terms used in the GASB actuarial valuations are noted below.

1. **Actuarial Assumptions** – Assumptions as to the occurrence of future events affecting health care costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided health care benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.
2. **Actuarial Cost Method** – A procedure for determining the Actuarial Present Value of Future Benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Service Cost and a Total OPEB Liability.
3. **Actuarially Determined Contribution** - A target or recommended contribution to a defined benefit OPEB plan for the reporting period, determined in accordance with the parameters and in conformity with Actuarial Standards of Practice.
4. **Actuarial Present Value** – The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:
 - a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, Social Security, marital status, etc.);
 - b. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned; and
 - c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.
5. **Deferred Outflow / (Inflow) of Resources** – represents the following items that have not been recognized in the OPEB Expense:
 - a. Differences between expected and actual experience of the OPEB plan
 - b. Changes in assumptions
 - c. Differences between projected and actual earnings in OPEB plan investments (for funded plans only)
6. **Explicit Subsidy** – The difference between (a) the amounts required to be contributed by the retirees based on the premium rates and (b) actual cash contribution made by the employer.
7. **Funded Ratio** – The actuarial value of assets expressed as a percentage of the Total OPEB Liability.

Glossary – Definitions

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

8. **Healthcare Cost Trend Rate** – The rate of change in the per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.
9. **Implicit Subsidy** – In an experience-rated healthcare plan that includes both active employees and retirees with blended premium rates for all plan members, the difference between (a) the age-adjusted premiums approximating claim costs for retirees in the group (which, because of the effect of age on claim costs, generally will be higher than the blended premium rates for all group members) and (b) the amounts required to be contributed by the retirees.
10. **OPEB** – Benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave.
11. **OPEB Expense** – Changes in the Net OPEB Liability in the current reporting period, which includes Service Cost, interest cost, changes of benefit terms, expected earnings on OPEB Plan investments, reduction of active employees' contributions, OPEB plan administrative expenses, and current period recognition of Deferred Outflows / (Inflows) of Resources.
12. **Pay-as-you-go** – A method of financing a benefit plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.
13. **Per Capita Costs** – The current cost of providing postretirement health care benefits for one year at each age from the youngest age to the oldest age at which plan participants are expected to receive benefits under the plan.
14. **Present Value of Future Benefits** – Total projected benefits include all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future service. The actuarial present value of total projected benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Expressed another way, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.
15. **Real Rate of Return** – the rate of return on an investment after adjustment to eliminate inflation.

Glossary – Definitions

Town of Lincoln GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

16. **Select and Ultimate Rates** – Actuarial assumptions that contemplate different rates for successive years. Instead of a single assumed rate with respect to, for example, the investment return assumption, the actuary may apply different rates for the early years of a projection and a single rate for all subsequent years. For example, if an actuary applies an assumed investment return of 8% for year 20W0, then 7.5% for 20W1, and 7% for 20W2 and thereafter, then 8% and 7.5% select rates, and 7% is the ultimate rate.
17. **Service Cost** – The portion of the Actuarial Present Value of projected benefit payments that are attributed to a valuation year by the Actuarial Cost Method.
18. **Substantive Plan** – The terms of an OPEB plan as understood by the employer(s) and plan members.
19. **Total OPEB Liability** – That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Benefits which is attributed to past periods of employee service (or not provided for by the future Service Costs).