



# Lincoln Finance Committee

**Articles 15 & 16**  
**OPEB Contributions**  
Town Meeting  
March 24, 2018

# OPEB Liability



Town of Lincoln  
Finance Committee

- Post-employment Benefits other than Pensions (OPEB)
- Reporting requirement for current & future retiree health benefit obligations
- Prior approach – PAYGO: we continue to make payments on this basis
- GASB 45 approach effective in 2007– measure total obligation of current & future retiree health benefits determined
- Determined by actuarial valuation
- Amortized over 30 years
- Prior approach: add  $1/30^{\text{th}}$  of liability per year to Balance Sheet
- GASB 74/75 approach, effective FY '18: immediately recognize full OPEB liability on Balance Sheet

# Progress on OPEB

- Lincoln's obligation originally calculated at \$61.7 million
- Cost reduction strategies
  - 2008 – 2015: Create and fund Trust Fund, adopt Section 18, use MIIA & PRIT, plan design changes and healthcare cost reductions, FinComm Policy adopted.
  - 2017: Moved prescription drug coverage to Medicare plans
  - 2018: Increased ER co-pays, eliminated one higher premium plan to new hires
- Most recent net liability as of 7/1/2015 : \$43.4 million
  - \$18.1mm Lincoln School                      \$10.9mm Hanscom School                      \$9.9mm Town
  - \$3.0mm Police                                      \$1.3mm Fire                                      \$0.3mm Water Bd
- New actuarial valuation as of 7/1/2017 will be done this fall
- Upward pressures on liability
  - Mortality
  - Health care costs
  - Time

# Contributions to Trust Fund

	Town	Hanscom	Water Bd	Total	
2009		\$400k		\$400k	Investment returns (interest & adjustments for fair market value) of \$1,268k as of 3/2018
2010	\$100k	\$200k		\$300k	
2011	\$100k	\$200k		\$300k	
2012	\$150k	\$400k		\$550k	
2013	\$250k	\$400k		\$650k	
2014	\$350k	\$150k		\$500k	
2015	\$450k	\$100k		\$550k	
2016	\$650k	\$100k	\$20k	\$770k	
2017	\$750k	\$100k	\$30k	\$880k	
2018	\$850k	tbd	\$30k	\$880k	
<b>2019 proposed</b>	<b>\$950k</b>	<b>tbd</b>	<b>\$30k</b>	<b>\$980k</b>	
<b>Total w/ proposed</b>	<b>\$4,600k</b>	<b>\$2,050k</b>	<b>\$110k</b>	<b>\$6,760k</b>	<b>\$8,028k</b>

- Water Board: budget annual contribution of its Net ARC: \$30k for FY '19
- L-S funding its OPEB Trust: Lincoln portion FY '19: ~\$50k

# **Back Up Slide**

# Most Recent Actuarial Assessment

	Town & Lincoln			Total
	School	Hanscom School	Water	
Accrued Liability - Actives	18,291,229	5,640,181	273,475	24,204,885
Accrued Liability - Retirees	15,452,955	7,522,821	-	22,975,776
<b>Total Accrued Liability</b>	<b>33,744,184</b>	<b>13,163,002</b>	<b>273,475</b>	<b>47,180,661</b>
Market Value of Assets (Trust Fund)	1,524,656	2,285,736	4,100	3,814,492
<b>Unfunded Actuarial Accrued Liability</b>	<b>32,219,528</b>	<b>10,877,266</b>	<b>269,375</b>	<b>43,366,169</b>
<b>Annual Required Contribution (ARC)</b>				
Normal Cost	1,647,857	534,297	49,593	2,231,747
Amortization of UAAL	1,971,034	665,418	16,479	2,652,931
<b>Total ARC</b>	<b>3,618,891</b>	<b>1,199,715</b>	<b>66,072</b>	<b>4,884,678</b>
Expected payments (PAYGO) (includes implicit rate subsidy)	1,007,914	526,698	-	1,534,612
Net Normal Cost	639,943	7,599	49,593	697,135
<b>Net ARC</b>	<b>2,610,977</b>	<b>673,017</b>	<b>66,072</b>	<b>3,350,066</b>