



GASB 74/75 ACTUARIAL VALUATION

Fiscal Year Ending June 30, 2021

CITY OF FOLSOM

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October 18, 2021

**Fawn Ramirez
City of Folsom
50 Natoma Street
Folsom, CA 95630**

This report summarizes the GASB actuarial valuation for the City of Folsom 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.

A handwritten signature in black ink that reads "Sandy DeKalb".

Sandy DeKalb ASA, EA, MAAA
Actuary

A handwritten signature in black ink that reads "John Mallows".

John Mallows, FSA, MAAA
Actuary

Executive Summary

City of Folsom 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 City's Notes to Financial Statement.

	As of June 30, 2020	As of June 30, 2021
Total OPEB Liability	\$ 103,873,278	\$ 101,567,450
Actuarial Value of Assets	\$ (7,221,026)	\$ (9,105,123)
Net OPEB Liability	\$ 96,652,252	\$ 92,462,327
Funded Ratio	7.0%	9.0%

	FY 2019/20	FY 2020/21
OPEB Expense	\$ 3,987,775	\$ 3,259,444
Annual Employer Contributions	\$ 4,932,280	\$ 5,139,343

	As of June 30, 2020	As of June 30, 2021
Discount Rate	5.50%	5.50%
Expected Return on Assets	5.50%	5.50%

	As of June 30, 2021
Total Active Participants	159
Total Retiree Participants	334

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

City of Folsom 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	\$ 49,058,041	\$ 42,062,410
Retired Employees	66,349,560	67,937,058
Total Present Value of Future Benefits	\$ 115,407,601	\$ 109,999,468

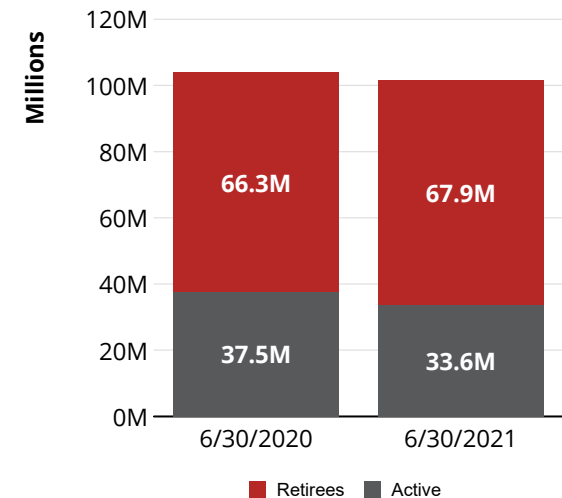
Total OPEB Liability	As of June 30, 2020	As of June 30, 2021
Active Pre-Medicare	\$ 16,557,708	\$ 16,129,307
Active Post-Medicare	20,966,010	17,501,085
Active Liability	\$ 37,523,718	\$ 33,630,392

Retiree Pre-Medicare	\$ 19,209,466	\$ 20,415,934
Retiree Post-Medicare	47,140,094	47,521,124
Retiree Liability	\$ 66,349,560	\$ 67,937,058

Total OPEB Liability	\$ 103,873,278	\$ 101,567,450
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	As of June 30, 2020	As of June 30, 2021
Discount Rate	5.50%	5.50%

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 City'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

City of Folsom 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	\$ 103,873,278	\$ 101,419,464	\$ 109,050,417	\$ 115,494,096	\$ 113,028,453
Service cost	1,397,788	1,355,366	2,305,252	2,208,096	2,148,999
Interest	5,656,980	5,530,728	4,806,648	5,040,097	4,259,868
Change of benefit terms	0	0	0	0	0
Changes in assumptions	(836,918)	0	(6,686,894)	(9,590,919)	0
Differences between expected and actual experience	(3,624,335)	0	(3,828,632)	0	0
Benefit payments	(4,899,343)	(4,432,280)	(4,227,327)	(4,100,953)	(3,943,224)
Net change in total OPEB liability	\$ (2,305,828)	\$ 2,453,814	\$ (7,630,953)	\$ (6,443,679)	\$ 2,465,643
Total OPEB Liability - end of year	\$ 101,567,450	\$ 103,873,278	\$ 101,419,464	\$ 109,050,417	\$ 115,494,096
Plan Fiduciary Net Position					
Plan fiduciary net position - beginning of year	\$ 7,221,026	\$ 6,391,423	\$ 5,585,140	\$ 4,768,431	\$ 3,853,948
Contributions - employer	5,139,343	4,932,280	4,727,327	4,600,953	4,393,224
Contributions - active employees	0	0	0	0	0
Net investment income	1,644,097	329,603	306,283	316,709	464,483
Benefit payments	(4,899,343)	(4,432,280)	(4,227,327)	(4,100,953)	(3,943,224)
Trust administrative expenses	0	0	0	0	0
Net change in plan fiduciary net position	\$ 1,884,097	\$ 829,603	\$ 806,283	\$ 816,709	\$ 914,483
Plan fiduciary net position - end of year	\$ 9,105,123	\$ 7,221,026	\$ 6,391,423	\$ 5,585,140	\$ 4,768,431
Net OPEB Liability - end of year	\$ 92,462,327	\$ 96,652,252	\$ 95,028,041	\$ 103,465,277	\$ 110,725,665
Plan fiduciary net position as % of total OPEB liability	9.0%	7.0%	6.3%	5.1%	4.1%
Covered employee payroll	\$ 16,766,110	\$ 17,888,010	\$ 17,367,000	N/A	N/A
Net OPEB liability as % of covered payroll	551.5%	540.3%	547.2%	N/A	N/A

* Payroll is shown for eligible actives only

GASB Disclosures

City of Folsom 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	5.50%	5.50%
End of year	5.50%	5.50%
Service cost	\$ 1,397,788	\$ 1,355,366
Interest	5,656,980	5,530,728
Change of benefit terms	0	0
Projected earnings on OPEB plan investments	(403,668)	(365,278)
Reduction for contributions from active employees	0	0
OPEB plan administrative expenses	0	0
Current period recognition of deferred outflows / (inflows) of resources		
Differences between expected and actual experience	\$ (906,084)	\$ 0
Changes in assumptions	(2,228,371)	(2,523,926)
Net difference between projected and actual earnings on OPEB plan investments	(257,201)	(9,115)
Total current period recognition	\$ (3,391,656)	\$ (2,533,041)
Total OPEB expense	\$ 3,259,444	\$ 3,987,775

GASB Disclosures

City of Folsom 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	\$ 0	N/A	\$ 0	\$ 0
June 30, 2018	\$ 0	N/A	\$ 0	\$ 0
June 30, 2019	\$ (3,828,632)	1	\$ 0	\$ 0
June 30, 2020	\$ 0	N/A	\$ 0	\$ 0
June 30, 2021	\$ (3,624,335)	4	\$ (906,084)	\$ (2,718,251)

Changes in assumptions for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2021
June 30, 2017	\$ 0	N/A	\$ 0	\$ 0
June 30, 2018	\$ (9,590,919)	4	\$ (2,019,141)	\$ 0
June 30, 2019	\$ (6,686,894)	1	\$ 0	\$ 0
June 30, 2020	\$ 0	N/A	\$ 0	\$ 0
June 30, 2021	\$ (836,918)	4	\$ (209,230)	\$ (627,688)

GASB Disclosures

City of Folsom 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	\$ 0	N/A	\$ 0	\$ 0
June 30, 2018	\$ (95,898)	5	\$ (19,180)	\$ (19,178)
June 30, 2019	\$ 14,650	5	\$ 2,930	\$ 5,860
June 30, 2020	\$ 35,675	5	\$ 7,135	\$ 21,405
June 30, 2021	\$ (1,240,429)	5	\$ (248,086)	\$ (992,343)

As of fiscal year ending June 30, 2021	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 0	\$ (2,718,251)
Changes in assumptions	0	(627,688)
Net difference between projected and actual earnings in OPEB plan investments	0	(984,256)
Total	\$ 0	\$ (4,330,195)

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	\$ (1,372,513)
2023	\$ (1,353,335)
2024	\$ (1,356,262)
2025	\$ (248,085)
2026	\$ 0
Thereafter	\$ 0

GASB Disclosures

City of Folsom 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 5.50%.
- The 1% decrease in discount rate would be 4.50%.
- The 1% increase in discount rate would be 6.50%.

As of June 30, 2021	Net OPEB Liability
1% Decrease	\$ 106,107,188
Current Discount Rate	\$ 92,462,327
1% Increase	\$ 81,239,906

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 6.50%, decreasing to an ultimate rate of 4.50%.
- The 1% decrease in health care trend rates would assume an initial rate of 5.50%, decreasing to an ultimate rate of 3.50%.
- The 1% increase in health care trend rates would assume an initial rate of 7.50%, decreasing to an ultimate rate of 5.50%.

As of June 30, 2021	Net OPEB Liability
1% Decrease	\$ 80,592,876
Current Trend Rates	\$ 92,462,327
1% Increase	\$ 106,947,406

GASB Disclosures

City of Folsom 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	\$ 18,809	\$ 11,598
Securities lending cash collateral	0	0
Total cash	\$ 18,809	\$ 11,598
Receivables		
Contributions	\$ 0	\$ 0
Accrued interest	0	0
Total receivables	\$ 0	\$ 0
Investments		
Fixed income	\$ 3,998,170	\$ 4,500,134
Equities	2,791,916	4,010,818
Mutual Funds	430,940	594,171
Total investments	\$ 7,221,026	\$ 9,105,123
Total Assets	\$ 7,239,835	\$ 9,116,721
Liabilities		
Payables		
Investment management fees	\$ 18,809	\$ 11,598
Securities lending expense	0	0
Total liabilities	\$ 18,809	\$ 11,598
Net Position Restricted to OPEB	\$ 7,221,026	\$ 9,105,123

GASB Disclosures

City of Folsom 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	\$ 4,932,280	\$ 5,139,343
Active employees	0	0
Total contributions	\$ 4,932,280	\$ 5,139,343
Investment Income		
Net increase in fair value of investments	\$ 329,603	\$ 1,644,097
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	\$ 329,603	\$ 1,644,097
Total additions	\$ 5,261,883	\$ 6,783,440
Deductions		
Benefit payments	\$ 4,432,280	\$ 4,899,343
Administrative expenses	0	0
Other	0	0
Total deductions	\$ 4,432,280	\$ 4,899,343
Net increase in net position	\$ 829,603	\$ 1,884,097
Net position restricted to OPEB		
Beginning of year	\$ 6,391,423	\$ 7,221,026
End of year	\$ 7,221,026	\$ 9,105,123

Projection of GASB Disclosures

City of Folsom 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	\$ 103,873,278	\$ 101,567,450
Normal cost as of beginning of year	1,397,788	1,169,455
Exp. benefit payments during the year	(4,899,343)	(4,899,343)
Interest adjustment to end of year	5,656,980	5,517,601
Exp. TOL as of end of year	\$ 106,028,703	\$ 103,355,163
Actuarial Loss / (Gain)	(4,461,253)	TBD
Actual TOL as of end of year	\$ 101,567,450	\$ TBD

Discount rate as of beginning of year	5.50%	5.50%
Discount rate as of end of year	5.50%	TBD

Projection of Actuarial Value of Assets (AVA)	FY 2020/21	FY 2021/22
AVA as of beginning of year	\$ 7,221,026	\$ 9,105,123
Exp. employer contributions during the year	4,899,343	4,899,343
Exp. benefit payments during the year	(4,899,343)	(4,899,343)
Expected investment income	397,156	500,782
Exp. Trust administrative expenses	0	0
Exp. AVA as of end of year	\$ 7,618,182	\$ 9,605,905
Differences between expected and actual experience	1,486,941	TBD

AVA as of end of year	\$ 9,105,123	\$ TBD
Expected asset return as of beginning of year	5.50%	5.50%
Expected asset return as of end of year	5.50%	TBD

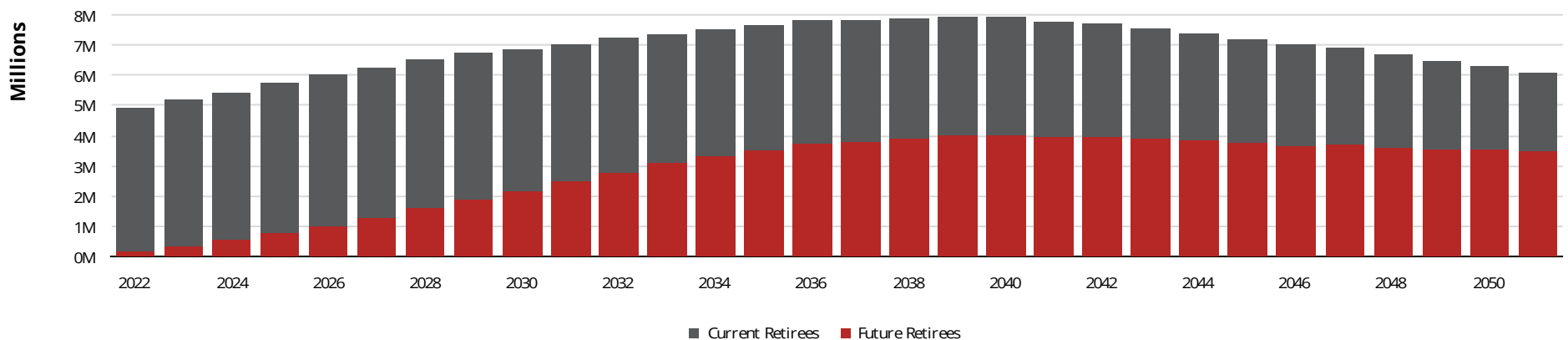
Cash Flow Projections

City of Folsom 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	\$ 4,743,551	\$ 155,792	\$ 4,899,343	2032	\$ 4,446,488	\$ 2,772,924	\$ 7,219,412	2042	\$ 3,743,174	\$ 3,970,775	\$ 7,713,949
2023	\$ 4,843,374	\$ 330,987	\$ 5,174,361	2033	\$ 4,290,810	\$ 3,063,301	\$ 7,354,111	2043	\$ 3,661,670	\$ 3,894,901	\$ 7,556,571
2024	\$ 4,900,859	\$ 524,591	\$ 5,425,450	2034	\$ 4,195,609	\$ 3,307,926	\$ 7,503,535	2044	\$ 3,568,609	\$ 3,836,415	\$ 7,405,024
2025	\$ 5,003,372	\$ 757,783	\$ 5,761,155	2035	\$ 4,125,363	\$ 3,529,986	\$ 7,655,349	2045	\$ 3,464,173	\$ 3,733,541	\$ 7,197,714
2026	\$ 5,033,348	\$ 1,008,561	\$ 6,041,909	2036	\$ 4,084,162	\$ 3,743,558	\$ 7,827,720	2046	\$ 3,348,626	\$ 3,665,212	\$ 7,013,838
2027	\$ 4,970,402	\$ 1,280,362	\$ 6,250,764	2037	\$ 4,011,768	\$ 3,829,150	\$ 7,840,918	2047	\$ 3,222,352	\$ 3,672,017	\$ 6,894,369
2028	\$ 4,959,494	\$ 1,578,647	\$ 6,538,141	2038	\$ 3,953,847	\$ 3,916,295	\$ 7,870,142	2048	\$ 3,085,582	\$ 3,571,331	\$ 6,656,913
2029	\$ 4,878,329	\$ 1,862,190	\$ 6,740,519	2039	\$ 3,918,155	\$ 4,046,131	\$ 7,964,286	2049	\$ 2,926,238	\$ 3,514,594	\$ 6,440,832
2030	\$ 4,674,911	\$ 2,179,282	\$ 6,854,193	2040	\$ 3,871,320	\$ 4,051,015	\$ 7,922,335	2050	\$ 2,759,697	\$ 3,517,120	\$ 6,276,817
2031	\$ 4,518,690	\$ 2,480,452	\$ 6,999,142	2041	\$ 3,813,045	\$ 3,969,072	\$ 7,782,117	2051	\$ 2,587,247	\$ 3,495,513	\$ 6,082,760

Projected Employer Pay-go Cost



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

Discussion of Discount Rates

City of Folsom 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 assumed to be 5.50%. 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 (2.75%). The best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan's target asset allocation as of June 30, 2021 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.

Asset Class	Target Allocation	L/T Expected Real ROR
Fixed Income	50.0%	1.75%
Equities and Real Estate	50.0%	4.75%
Total	100.00%	

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%

3. The final equivalent single discount rate used for this year's valuation is 5.50%. This discount rate assumes the City continues to fully fund for its retiree health benefits under its current investment strategy. In addition to the direct payment of current retiree benefits, the City makes discretionary contributions that have ranged between \$450,000 and \$500,000 annually. Note for FY 2020/21 the discretionary amount was reduced, but it has since been restored to \$500,000 for FY 2021/22.

Summary of Plan Participants

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Active Employees

Actives without coverage	Total	Avg. Age	Avg. Svc	Salary
Total actives without coverage	159	50.4	19.9	\$ 16,766,110

Enrollment information above is for full-time employees who are eligible for retiree health care benefits only.

Summary of Plan Participants

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Active Age-Service Distribution

Age	Years of Service									Total
	0 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	
20 to 24										0
25 to 29										0
30 to 34										0
35 to 39			3	4						7
40 to 44			3	20	2					25
45 to 49				32	12	6				50
50 to 54			2	16	17	5	2			42
55 to 59			1	8	8	5	1			23
60 to 64			1	3	2	1	1			8
65 to 69				2	2					4
70 & up										0
Total	0	0	10	85	43	17	4	0	0	159

Summary of Plan Participants

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Retirees

Retirees with coverage	Single	Non-Single	Total	Avg. Age
Kaiser HDHP	2	8	10	59.3
Kaiser HMO	24	35	59	59.6
Sutter Health Plus HMO	8	12	20	59.1
Western Health Advantage HMO	42	42	84	61.4
Kaiser Senior Advantage	60		60	71.1
United Healthcare Senior Advantage	40	61	101	72.8
Total retirees with coverage	176	158	334	66.0

Retiree Age Distribution

Age	Retirees
< 45	
45 to 49	
50 to 54	14
55 to 59	67
60 to 64	86
65 to 69	69
70 to 74	62
75 to 79	17
80 to 84	11
85 & up	8
Total	334

Substantive Plan Provisions

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

This study analyzes the post-retirement health benefit plans provided by the City. The postretirement health plans and the City's obligation vary by employee group as described below.

The City provides lifetime retiree health benefits including prescription drug, dental and vision benefits to eligible retirees. Eligibility for retiree health benefits requires retirement on or after age 50 with at least 5 consecutive years of City eligible service. The City's contribution toward the cost of retiree medical insurance shall not exceed the maximum contribution paid by the City for active employee medical insurance for the categories of employee only (for retiree only), employee plus one (for retiree plus one dependent), and employee plus one plus \$100 (for retiree plus two or more dependents). The current maximum contribution for each category is as follows:

2021 Maximum Contribution	Early Retiree Under 55	Early Retiree 55 – 64 (Retired after 7/1/2007)	Over 65 Retiree
Retiree Only	\$ 601.00	\$ 601.00	\$ 601.00
Retiree +1 Dependent	\$ 1,203.00	\$ 1,203.00	\$ 1,203.00
Retiree +2 or more Dependents	\$ 1,567.00	\$ 1,303.00	\$ 1,303.00

The City's maximum contribution shall be adjusted each year by an amount not to exceed 3% depending on the percent increase in the Consumer Price Index (CPI). The City also provides a contribution for dental and vision to retirees with at least 5 years of service. For members of FPOA, effective March 1, 2019, the contribution for dental and vision shall be equal to 5% for every year of service and not to exceed 80% of the dental and vision rate. Benefits are payable for the life of the retiree and spouse coverage will continue after the death of the retiree. Employees hired on or after May 8, 2007 are not eligible for postretirement health benefits.

Premium Rates

The tables below summarize the 2021 monthly retiree premiums for the primary health plans in which retirees are enrolled.

Early Retiree Under 55	Kaiser HMO	Sutter Health Plus HMO	Western Health Advantage HMO
Retiree Only	\$ 793.81	\$ 752.40	\$ 806.26
Retiree +1 Dependent	\$ 1,587.61	\$ 1,499.00	\$ 1,612.53
Retiree +2 or more Dependents	\$ 2,063.88	\$ 1,948.80	\$ 2,096.27

Early Retiree 55 – 64 (Retired after 7/1/2007)	Kaiser HMO	Sutter Health Plus HMO	Western Health Advantage HMO
Retiree Only	\$ 793.81	\$ 752.40	\$ 806.26
Retiree +1 Dependent	\$ 1,587.61	\$ 1,499.00	\$ 1,612.53
Retiree +2 or more Dependents	\$ 2,063.88	\$ 1,948.80	\$ 2,096.27

Substantive Plan Provisions

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Over 65 Retiree	Kaiser Senior Advantage	United Healthcare Senior Supplement
Retiree Only	\$ 360.94	\$ 469.78
Retiree +1 Dependent	\$ 721.88	\$ 939.56

Actuarial Methods and Assumptions

City of Folsom 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 City 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 discount rate, health care trend rates, mortality table, and per capita costs again in the next full GASB valuation, which will be for the fiscal year ending June 30, 2023.

Measurement Date	For fiscal year ending June 30, 2021, June 30, 2021 measurement date was used.
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 June 30, 2019 projected to June 30, 2020 on a "no loss / no gain" basis.
Funding Policy	In addition to the direct payment of current retiree benefits, the City makes discretionary contributions that have ranged between \$450,000 and \$500,000 annually. Note for FY 2020/21 the discretionary amount was reduced, but it has since been restored to \$500,000 for FY 2021/22.
Expected Return on Assets	5.50% per annum; assumes that the City invests in its current asset allocation
Actuarial Value of Assets	The actuarial value of assets is equal to the market value of assets
Discount Rate	5.50% as of July 1, 2021 and June 30, 2020 for accounting disclosure purposes Refer to the Discussion of Discount Rates section for more information on selection of the discount rate.
Payroll Growth	3.00% per annum, in aggregate
Inflation Rate	2.75% per annum

Actuarial Methods and Assumptions

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

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:

- 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.

Census Data

Census information was provided by the District and it was provided in June 2021. We have reviewed it for reasonableness and no material modifications were made to the census data.

Health Care Coverage Election Rate

95% of eligible active employees are assumed to elect medical coverage at retirement. Actual plan coverage is used for current retirees.

Spousal Coverage

80% of future retirees electing coverage are assumed to elect coverage for their spouse if retiree is eligible for a City contribution for the spouse. Male spouses are assumed to be 3 years older than female spouses. Actual spouse coverage is used for current retirees.

Mortality

General: SOA Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2020

Police and fire: SOA Pub-2010 Public Safety Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2020

Surviving Spouses: SOA Pub-2010 Contingent Survivors Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2020

[Mortality rates as of the prior valuation were based on the CalPERS 2017 pension plan valuation.]

Disability

None

Pre-retirement Turnover

According to the termination rates under the 2017 experience study for the CalPERS pension plan.

Actuarial Methods and Assumptions

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Retirement Rate

According to the retirement rates under the most recent CalPERS pension plan valuation. According to the following retirement tables:

- Miscellaneous Tier 1: 2.7% @55
- Miscellaneous Tier 2: 2.0% @55
- Miscellaneous Tier 3: 2.0% @62
- Safety Tier 1: 3.0% @50
- Safety Tier 2: 2.0% @50
- Safety Tier 3: 2.7% @57
- Firefighter Tier 1: 3.0% @50
- Firefighter Tier 2: 2.0% @50
- Firefighter Tier 3: 2.7% @57

Health Care Trend Rates

Medical and prescription costs are adjusted in future years by the following trends:

FYE	Medical/Rx	FYE	Medical/Rx
2021	6.50%	2026	5.25%
2022	6.25%	2027	5.00%
2023	6.00%	2028	4.75%
2024	5.75%	2029+	4.50%
2025	5.50%		

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.

Per Capita Costs

The valuation claim costs are based on the premiums paid for medical insurance coverage. The City participates in a community rated plan. An implicit rate subsidy can exist when the non-Medicare rates for retirees are the same as for active employees. Since non-Medicare eligible retirees are typically much older than active employees, their actual medical costs are typically higher than for active employees. Sample representative annual claim costs for an individual under age 65 are provided in the table below:

Age	Kaiser HMO	Sutter Health Plus HMO	Western Health Advantage HMO
50 - 54	\$ 10,500	\$ 10,000	\$ 10,700
55 - 59	\$ 13,100	\$ 12,400	\$ 13,300
60 - 64	\$ 16,600	\$ 15,700	\$ 16,900

Actuarial Methods and Assumptions

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

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 male retiree age 60 with spouse of the same age enrolled in the Kaiser HMO plan.

	Premium Rate	Retiree Contribution	Explicit Subsidy
	A	B	C = A - B
Retiree	\$ 793.81	\$ 192.81	\$ 601.00
Spouse	\$ 793.81	\$ 191.81	\$ 602.00

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 male retiree age 60 with spouse of the same age enrolled in the Kaiser HMO plan.

	Per Capita Cost	Premium Rate	Implicit Subsidy
	A	B	C = A - B
Retiree	\$1,383.33	\$ 793.81	\$ 589.52
Spouse	\$1,383.33	\$ 793.81	\$ 589.52

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.

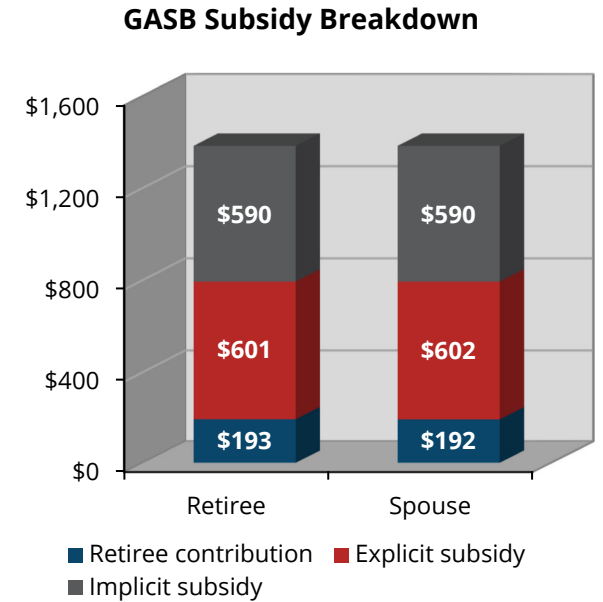
Actuarial Methods and Assumptions

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

GASB Subsidy Breakdown

Below is a breakdown of the GASB 75 monthly total cost for a retiree age 60 with spouse of the same age enrolled in the Kaiser HMO plan.

	Retiree		Spouse	
Retiree contribution	\$	192.81	\$	191.81
Explicit subsidy	\$	601.00	\$	602.00
Implicit subsidy	\$	589.52	\$	589.52
Total monthly cost	\$	1,383.33	\$	1,383.33



APPENDIX

The background features a complex geometric design. It consists of several overlapping, semi-transparent shapes. A large, solid red shape is prominent in the lower right quadrant. To its left, there are various shades of gray and white shapes, some of which are semi-transparent, creating a layered effect. The overall composition is clean and modern, with sharp lines and a limited color palette.

Appendix

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Comparison of Participant Demographic Information

	As of July 1, 2019	As of July 1, 2021
Active Participants	187	159
Retired Participants	350	372
Averages for Active		
Age	49.6	49.6
Service	18.1	19.0
Averages for Inactive		
Age	65.0	66.0

Appendix

City of Folsom 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 GASB valuation, which was for the fiscal year ending June 30, 2019.

The following assumptions have also been updated:

1. Mortality table has been updated to the following tables. Mortality rates as of the prior valuation were based on the CalPERS 2014 pension plan valuation.
 - General: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2020
 - Police and fire: SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2020
 - Surviving spouses: SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2020

The impact of this change is a decrease in liabilities for the City.

2. Health care trend rates have been reset to an initial rate of 6.5% decreasing by 0.5% annually to an ultimate rate of 4.50% as shown below. This change caused a slight increase in liabilities for the City.

FYE	Prior - HMO	Prior - HMO	Current
2021	6.50%	7.00%	6.50%
2022	6.00%	6.50%	6.25%
2023	5.50%	6.00%	6.00%
2024	5.00%	5.50%	5.75%
2025	5.00%	5.00%	5.50%
2026	5.00%	5.00%	5.25%
2027	5.00%	5.00%	5.00%
2028	5.00%	5.00%	4.75%
2029	5.00%	5.00%	4.50%

Appendix

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Valuation Results Summary

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 5.5%.

Present Value of Employer Contributions	Explicit	Implicit	Total
Active	\$ 33,163,760	\$ 8,898,650	\$ 42,062,410
Retirees	\$ 59,098,744	\$ 8,838,314	\$ 67,937,058
Total	\$ 92,262,504	\$ 17,736,964	\$ 109,999,468

Total (Accrued) OPEB Liability	Explicit	Implicit	Total
Active	\$ 26,571,300	\$ 7,059,092	\$ 33,630,392
Retirees	\$ 59,098,744	\$ 8,838,314	\$ 67,937,058
Total	\$ 85,670,044	\$ 15,897,406	\$ 101,567,450

Projected Employer Contributions	Explicit	Implicit	Total
2022	\$ 3,639,028	\$ 1,260,315	\$ 4,899,343
2023	\$ 3,840,900	\$ 1,333,461	\$ 5,174,361
2024	\$ 4,051,412	\$ 1,374,038	\$ 5,425,450
2025	\$ 4,270,513	\$ 1,490,642	\$ 5,761,155
2026	\$ 4,503,059	\$ 1,538,850	\$ 6,041,909
2027	\$ 4,742,327	\$ 1,508,437	\$ 6,250,764
2028	\$ 4,997,721	\$ 1,540,420	\$ 6,538,141
2029	\$ 5,231,154	\$ 1,509,366	\$ 6,740,520
2030	\$ 5,427,980	\$ 1,426,213	\$ 6,854,193
2031	\$ 5,629,592	\$ 1,369,550	\$ 6,999,142

GLOSSARY

The background features a complex geometric design. The top half is a solid dark gray. Below this, there are several overlapping, semi-transparent shapes in various shades of gray and white, creating a layered effect. A prominent, solid red shape enters from the bottom right corner, extending towards the center of the page.

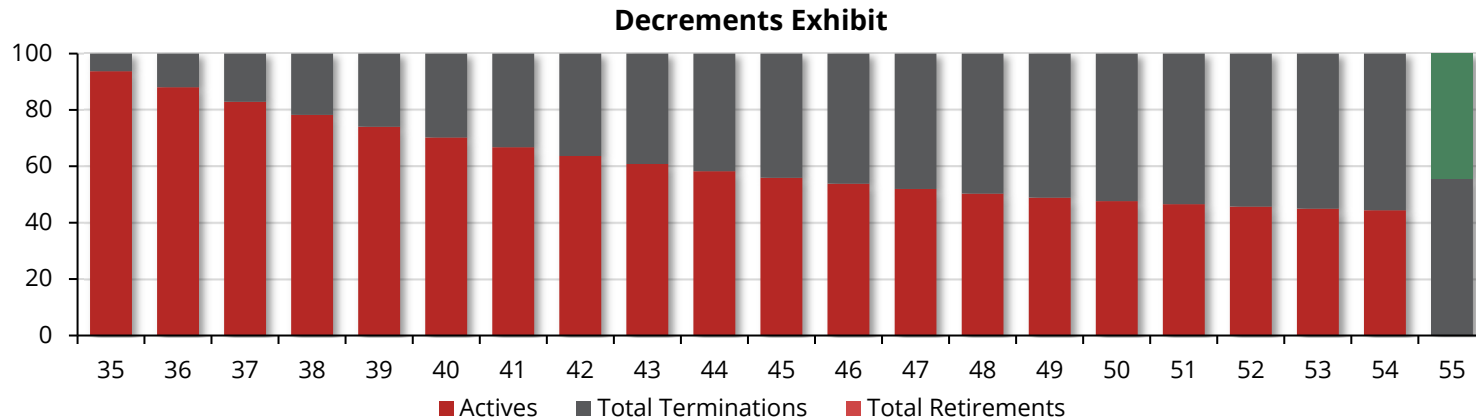
Glossary – Decrements Exhibit

City of Folsom 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 ¹	# 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



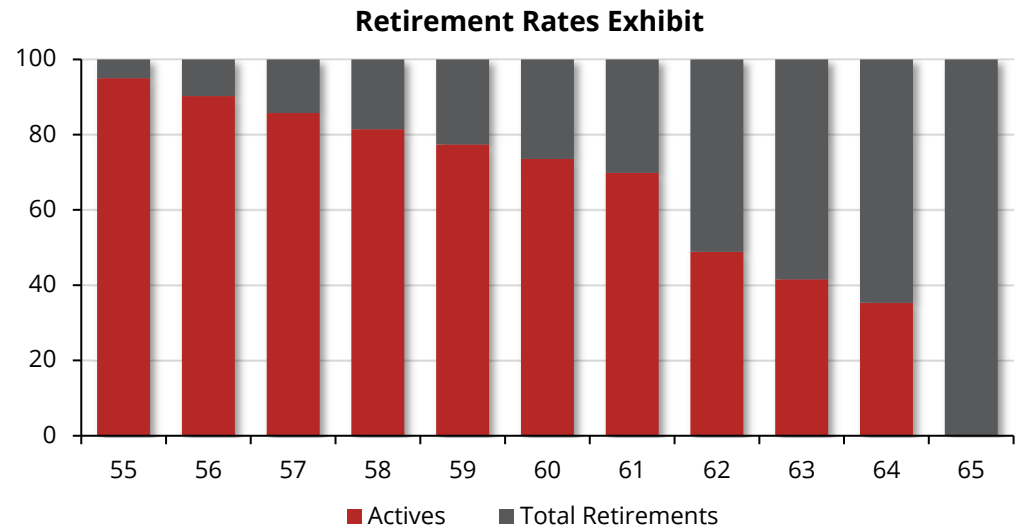
¹ The above rates are illustrative rates and are not used in our GASB calculations.

Glossary – Retirement Rates Exhibit

City of Folsom 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

City of Folsom 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

City of Folsom 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

City of Folsom 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 2020, then 7.5% for 2021, and 7% for 2022 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).