



nyhart
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GASB 74/75 ACTUARIAL VALUATION

Fiscal Year Ending June 30, 2023

CITY OF FOLSOM

CONTACT

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September 29, 2023

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

This report summarizes the GASB actuarial valuation for the City of Folsom 2022/23 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. Asset information has been provided to us by the trustee. 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 are compliant with the continuing education requirements of the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States.

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



Sandy DeKalb, ASA, MAAA
Actuary



John Mallows, FSA, MAAA
Actuary

Executive Summary

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Summary of Results

Presented below is the summary of GASB 75 results for the fiscal year ending June 30, 2023 compared to the prior fiscal year as shown in the City's Notes to Financial Statement.

	As of June 30, 2022	As of June 30, 2023
Total OPEB Liability	\$ 96,507,729	\$ 100,430,790
Actuarial Value of Assets	\$ (7,850,344)	\$ (8,977,594)
Net OPEB Liability	\$ 88,657,385	\$ 91,453,196
Funded Ratio	8.1%	8.9%

	FY 2021/22	FY 2022/23
OPEB Expense	\$ 3,605,320	\$ 4,167,576
Annual Employer Contributions	\$ 5,674,361	\$ 5,340,526

	As of June 30, 2022	As of June 30, 2023
Discount Rate	5.50%	5.50%
Expected Return on Assets	5.50%	5.50%

	As of June 30, 2023
Total Active Participants	110
Total Retiree Participants	407

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, 2023

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, 2022	As of June 30, 2023
Active Employees	\$ 43,902,442	\$ 30,721,080
Retired Employees	61,450,976	77,123,342
Total Present Value of Future Benefits	\$ 105,353,418	\$ 107,844,422

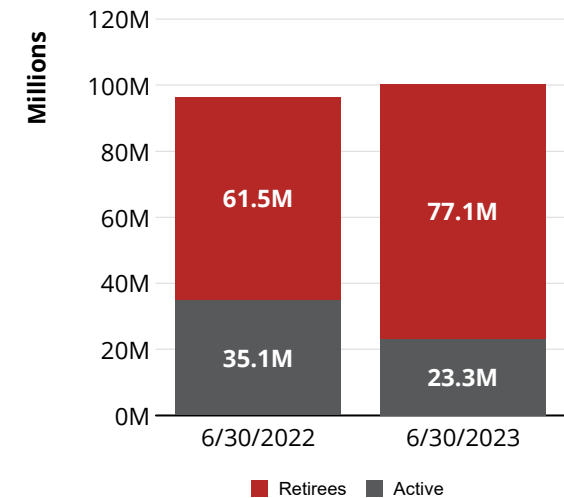
Total OPEB Liability	As of June 30, 2022	As of June 30, 2023
Active Pre-Medicare	\$ 16,925,362	\$ 10,655,032
Active Post-Medicare	18,131,391	12,652,416
Active Liability	\$ 35,056,753	\$ 23,307,448

Retiree Pre-Medicare	\$ 17,632,162	\$ 22,585,614
Retiree Post-Medicare	43,818,814	54,537,728
Retiree Liability	\$ 61,450,976	\$ 77,123,342

Total OPEB Liability	\$ 96,507,729	\$ 100,430,790
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	As of June 30, 2022	As of June 30, 2023
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, 2023 and June 30, 2022, 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, 2023 and June 30, 2022. 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, 2023

Schedule of Changes in Net OPEB Liability and Related Ratios

OPEB Liability	FY 2022/23	FY 2021/22	FY 2020/21	FY 2019/20	FY 2018/19
Total OPEB Liability					
Total OPEB Liability - beginning of year	\$ 96,507,729	\$ 101,567,450	\$ 103,873,278	\$ 101,419,464	\$ 109,050,417
Service cost	1,162,729	1,169,455	1,397,788	1,355,366	2,305,252
Interest	5,240,542	5,510,140	5,656,980	5,530,728	4,806,648
Change of benefit terms	0	0	0	0	0
Changes in assumptions	435,195	0	(836,918)	0	(6,686,894)
Differences between expected and actual experience	1,925,121	(6,564,955)	(3,624,335)	0	(3,828,632)
Benefit payments	(4,840,526)	(5,174,361)	(4,899,343)	(4,432,280)	(4,227,327)
Net change in total OPEB liability	\$ 3,923,061	\$ (5,059,721)	\$ (2,305,828)	\$ 2,453,814	\$ (7,630,953)
Total OPEB Liability - end of year	\$ 100,430,790	\$ 96,507,729	\$ 101,567,450	\$ 103,873,278	\$ 101,419,464
Plan Fiduciary Net Position					
Plan fiduciary net position - beginning of year	\$ 7,850,344	\$ 9,105,123	\$ 7,221,026	\$ 6,391,423	\$ 5,585,140
Contributions - employer	5,340,526	5,674,361	5,139,343	4,932,280	4,727,327
Contributions - active employees	0	0	0	0	0
Net investment income	627,250	(1,754,779)	1,644,097	329,603	306,283
Benefit payments	(4,840,526)	(5,174,361)	(4,899,343)	(4,432,280)	(4,227,327)
Trust administrative expenses	0	0	0	0	0
Net change in plan fiduciary net position	\$ 1,127,250	\$ (1,254,779)	\$ 1,884,097	\$ 829,603	\$ 806,283
Plan fiduciary net position - end of year	\$ 8,977,594	\$ 7,850,344	\$ 9,105,123	\$ 7,221,026	\$ 6,391,423
Net OPEB Liability - end of year	\$ 91,453,196	\$ 88,657,385	\$ 92,462,327	\$ 96,652,252	\$ 95,028,041
Plan fiduciary net position as % of total OPEB liability	8.9%	8.1%	9.0%	7.0%	6.3%
Covered employee payroll	\$ 12,985,824	\$ 17,227,178	\$ 16,766,110	\$ 17,888,010	\$ 17,367,000
Net OPEB liability as % of covered payroll	704.3%	514.6%	551.5%	540.3%	547.2%

* FY 2023 benefit payments are estimated based on the FY 2022 valuation. Employer contributions include these estimated benefit payments plus the additional \$500,000 payment the City contributes to the trust each year.

GASB Disclosures

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Schedule of Changes in Net OPEB Liability and Related Ratios (Continued)

OPEB Liability	FY 2017/18	FY 2016/17
Total OPEB Liability		
Total OPEB Liability - beginning of year	\$ 115,494,096	\$ 113,028,453
Service cost	2,208,096	2,148,999
Interest	5,040,097	4,259,868
Change of benefit terms	0	0
Changes in assumptions	(9,590,919)	0
Differences between expected and actual experience	0	0
Benefit payments	(4,100,953)	(3,943,224)
Net change in total OPEB liability	\$ (6,443,679)	\$ 2,465,643
Total OPEB Liability - end of year	\$ 109,050,417	\$ 115,494,096
Plan Fiduciary Net Position		
Plan fiduciary net position - beginning of year	\$ 4,768,431	\$ 7,850,344
Contributions - employer	4,600,953	4,393,224
Contributions - active employees	0	0
Net investment income	316,709	(3,531,913)
Benefit payments	(4,100,953)	(3,943,224)
Trust administrative expenses	0	0
Net change in plan fiduciary net position	\$ 816,709	\$ (3,081,913)
Plan fiduciary net position - end of year	\$ 5,585,140	\$ 4,768,431
Net OPEB Liability - end of year	\$ 103,465,277	\$ 110,725,665
Plan fiduciary net position as % of total OPEB liability	5.1%	4.1%
Covered employee payroll	N/A	N/A
Net OPEB liability as % of covered payroll	N/A	N/A

GASB Disclosures

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

OPEB Expense

OPEB Expense	FY 2022/23	FY 2021/22
Discount Rate		
Beginning of year	5.50%	5.50%
End of year	5.50%	5.50%
Service cost	\$ 1,162,729	\$ 1,169,455
Interest	5,240,542	5,510,140
Change of benefit terms	0	0
Projected earnings on OPEB plan investments	(445,335)	(514,348)
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	\$ (1,905,616)	\$ (2,547,323)
Changes in assumptions	(64,165)	(209,230)
Net difference between projected and actual earnings on OPEB plan investments	179,421	196,626
Total current period recognition	\$ (1,790,360)	\$ (2,559,927)
Total OPEB expense	\$ 4,167,576	\$ 3,605,320

GASB Disclosures

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

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, 2023
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)	\$ (906,083)
June 30, 2022	\$ (6,564,955)	4	\$ (1,641,239)	\$ (3,282,477)
June 30, 2023	\$ 1,925,121	3	\$ 641,707	\$ 1,283,414

GASB Disclosures

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Deferred Outflows / (Inflows) of Resources (Continued)

Changes in assumptions for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2023
June 30, 2017	\$ 0	N/A	\$ 0	\$ 0
June 30, 2018	\$ (9,590,919)	4	\$ 0	\$ 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)	\$ (209,228)
June 30, 2022	\$ 0	N/A	\$ 0	\$ 0
June 30, 2023	\$ 435,195	3	\$ 145,065	\$ 290,130

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, 2023
June 30, 2019	\$ 14,650	5	\$ 2,930	\$ 0
June 30, 2020	\$ 35,675	5	\$ 7,135	\$ 7,135
June 30, 2021	\$ (1,240,429)	5	\$ (248,086)	\$ (496,171)
June 30, 2022	\$ 2,269,127	5	\$ 453,825	\$ 1,361,477
June 30, 2023	\$ (181,915)	5	\$ (36,383)	\$ (145,532)

GASB Disclosures

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Deferred Outflows / (Inflows) of Resources (Continued)

As of fiscal year ending June 30, 2023	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 1,283,414	\$ (4,188,560)
Changes in assumptions	290,130	(209,228)
Net difference between projected and actual earnings in OPEB plan investments	726,909	0
Total	\$ 2,300,453	\$ (4,397,788)

Annual Amortization of Deferred Outflows / (Inflows)

The balances as of June 30, 2023 of the deferred outflows / (inflows) of resources will be recognized in OPEB expense in the future fiscal years as noted below.

FYE	Balance
2024	\$ (1,793,287)
2025	\$ (685,109)
2026	\$ 417,444
2027	\$ (36,383)
2028	\$ 0
Thereafter	\$ 0

GASB Disclosures

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Sensitivity Results

The following presents the Net OPEB Liability as of June 30, 2023, 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, 2023	Net OPEB Liability
1% Decrease	\$ 104,143,898
Current Discount Rate	\$ 91,453,196
1% Increase	\$ 80,956,550

The following presents the Net OPEB Liability as of June 30, 2023, 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 7.00%, decreasing to an ultimate rate of 4.50%.
- The 1% decrease in health care trend rates would assume an initial rate of 6.00%, decreasing to an ultimate rate of 3.50%.
- The 1% increase in health care trend rates would assume an initial rate of 8.00%, decreasing to an ultimate rate of 5.50%.

As of June 30, 2023	Net OPEB Liability
1% Decrease	\$ 80,468,316
Current Trend Rates	\$ 91,453,196
1% Increase	\$ 104,736,498

* Health care trend rates also include the impact of increases or decreases to post-65 medical/rx and dental/vision trend rates. The current trend rates for post-65 benefits are an initial rate of 6.50% decreasing by 0.25% per year to an ultimate rate of 4.50%.

GASB Disclosures

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Asset Information

Asset Breakdown	FY 2021/22		FY 2022/23	
Assets				
Cash and deposits	\$	23,866	\$	20,904
Securities lending cash collateral		0		0
Total cash	\$	23,866	\$	20,904
Receivables				
Contributions	\$	0	\$	0
Accrued interest		0		0
Total receivables	\$	0	\$	0
Investments				
Fixed income	\$	4,172,645	\$	4,386,417
Equities		3,113,866		3,947,214
Mutual Funds		563,833		643,963
Total investments	\$	7,850,344	\$	8,977,594
Total Assets	\$	7,874,210	\$	8,998,497
Liabilities				
Payables				
Investment management fees	\$	23,866	\$	20,904
Securities lending expense		0		0
Total liabilities	\$	23,866	\$	20,904
Net Position Restricted to OPEB	\$	7,850,344	\$	8,977,594

GASB Disclosures

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Asset Information (Continued)

Asset Reconciliation	FY 2021/22	FY 2022/23
Additions		
Contributions Received		
Employer	\$ 5,674,361	\$ 5,340,526
Active employees	0	0
Total contributions	\$ 5,674,361	\$ 5,340,526
Investment Income		
Net increase in fair value of investments	\$ (1,754,779)	\$ 627,250
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	\$ (1,754,779)	\$ 627,250
Total additions	\$ 3,919,582	\$ 5,967,776
Deductions		
Benefit payments	\$ 5,174,361	\$ 4,840,526
Administrative expenses	0	0
Other	0	0
Total deductions	\$ 5,174,361	\$ 4,840,526
Net increase in net position	\$ (1,254,779)	\$ 1,127,250
Net position restricted to OPEB		
Beginning of year	\$ 9,105,123	\$ 7,850,344
End of year	\$ 7,850,344	\$ 8,977,594

Projection of GASB Disclosures

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

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 health care costs 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 2022/23	FY 2023/24
TOL as of beginning of year	\$ 96,507,729	\$ 100,430,790
Normal cost as of beginning of year	1,162,729	1,023,877
Exp. benefit payments during the year	(4,840,526)	(5,588,941)
Interest adjustment to end of year	5,240,542	5,428,368
Exp. TOL as of end of year	\$ 98,070,474	\$ 101,294,094
Actuarial Loss / (Gain)	2,360,316	TBD
Actual TOL as of end of year	\$ 100,430,790	\$ 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 2022/23	FY 2023/24
AVA as of beginning of year	\$ 7,850,344	\$ 8,977,594
Exp. employer contributions during the year	5,340,526	5,588,941
Exp. benefit payments during the year	(4,840,526)	(5,588,941)
Expected investment income	445,335	493,767
Exp. Trust administrative expenses	0	0
Exp. AVA as of end of year	\$ 8,795,679	\$ 9,471,361
Differences between expected and actual experience	181,915	TBD
AVA as of end of year	\$ 8,977,594	\$ TBD

Expected asset return as of beginning of year	5.50%	5.50%
Expected asset return as of end of year	5.50%	TBD

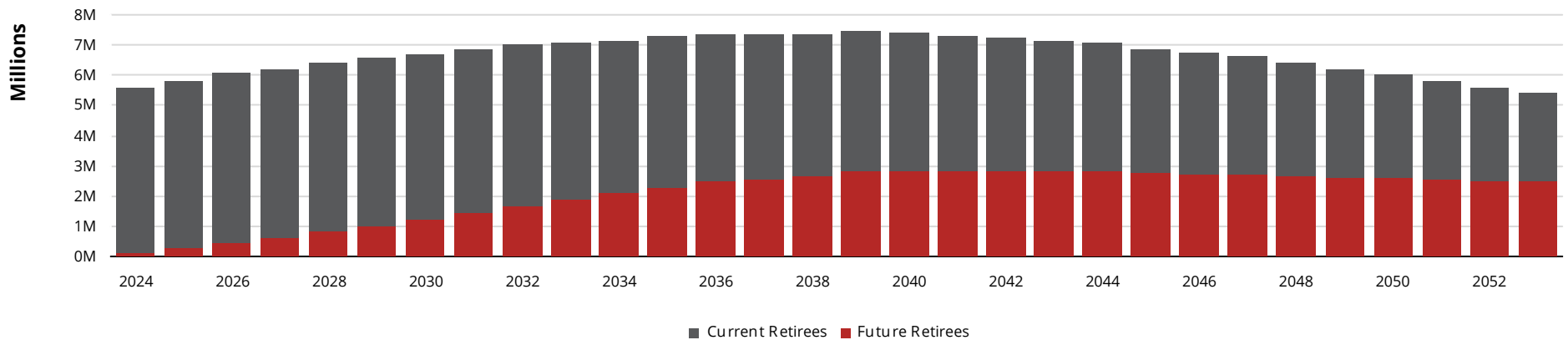
Cash Flow Projections

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

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
2024	\$ 5,464,261	\$ 124,680	\$ 5,588,941	2034	\$ 5,056,099	\$ 2,079,924	\$ 7,136,023	2044	\$ 4,224,553	\$ 2,818,687	\$ 7,043,240
2025	\$ 5,542,020	\$ 273,997	\$ 5,816,017	2035	\$ 4,974,361	\$ 2,283,826	\$ 7,258,187	2045	\$ 4,121,199	\$ 2,745,086	\$ 6,866,285
2026	\$ 5,604,002	\$ 443,449	\$ 6,047,451	2036	\$ 4,890,663	\$ 2,469,492	\$ 7,360,155	2046	\$ 4,005,791	\$ 2,721,005	\$ 6,726,796
2027	\$ 5,573,215	\$ 634,307	\$ 6,207,522	2037	\$ 4,813,767	\$ 2,545,820	\$ 7,359,587	2047	\$ 3,878,590	\$ 2,729,947	\$ 6,608,537
2028	\$ 5,586,438	\$ 823,247	\$ 6,409,685	2038	\$ 4,697,115	\$ 2,666,897	\$ 7,364,012	2048	\$ 3,740,005	\$ 2,633,856	\$ 6,373,861
2029	\$ 5,551,833	\$ 1,003,084	\$ 6,554,917	2039	\$ 4,654,888	\$ 2,808,109	\$ 7,462,997	2049	\$ 3,590,617	\$ 2,569,295	\$ 6,159,912
2030	\$ 5,439,890	\$ 1,229,811	\$ 6,669,701	2040	\$ 4,597,845	\$ 2,810,458	\$ 7,408,303	2050	\$ 3,431,211	\$ 2,573,108	\$ 6,004,319
2031	\$ 5,382,720	\$ 1,433,638	\$ 6,816,358	2041	\$ 4,501,849	\$ 2,788,288	\$ 7,290,137	2051	\$ 3,262,756	\$ 2,552,541	\$ 5,815,297
2032	\$ 5,333,000	\$ 1,654,573	\$ 6,987,573	2042	\$ 4,417,117	\$ 2,830,578	\$ 7,247,695	2052	\$ 3,086,372	\$ 2,505,161	\$ 5,591,533
2033	\$ 5,157,900	\$ 1,894,504	\$ 7,052,404	2043	\$ 4,315,709	\$ 2,821,585	\$ 7,137,294	2053	\$ 2,903,353	\$ 2,504,049	\$ 5,407,402

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, 2023

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 estimated from the expected return by asset class as provided in the Annual Update of GIC Capital Market Assumptions compared to the Plan's target asset allocation. The OPEB Plan's target asset allocation as of June 30, 2023 is 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%	N/A
Equities and Real Estate	50.0%	N/A
Total	100.00%	5.50%

Yield as of	June 30, 2022	June 30, 2023
Bond Buyer Go 20-Bond Municipal Bond Index	3.54%	3.65%
S&P Municipal Bond 20-Year High Grade Rate Index	4.09%	4.13%
Fidelity 20-Year Go Municipal Bond Index	3.69%	3.86%
Bond Index Range	3.54% - 4.09%	3.65% - 4.13%

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.

Summary of Plan Participants

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Active Employees

Actives with coverage	Total	Avg. Age	Avg. Svc	Salary
Miscellaneous	70	53.5	21.7	\$ 7,929,082
Fire	19	48.3	21.6	\$ 2,617,394
Safety	21	48.2	20.1	\$ 2,439,348
Total actives with coverage	110	51.6	21.4	\$ 12,985,824

Active employees who currently have no coverage are assumed not to elect coverage at retirement. Active employees hired on or after May 8, 2007 are not eligible for post-retirement health benefits. These have been excluded from the GASB valuation.

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, 2023

Active Age-Service Distribution

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											0
25 to 29											0
30 to 34											0
35 to 39					2						2
40 to 44					14	2					16
45 to 49					15	12	3				30
50 to 54					9	14	8	1			32
55 to 59					6	3	6				15
60 to 64					3	4	4				11
65 to 69					2	1	1				4
70 & up											0
Total	0	0	0	0	51	36	22	1	0	0	110

Summary of Plan Participants

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Retirees

Retirees with coverage	Total	Avg. Age
UHC Medicare	129	73.0
Kaiser HMO / Senior Advantage	132	66.0
Western Health Advantage HMO	42	61.0
Sutter Health HMO	10	59.5
Kaiser HDHP	12	61.3
Western Health Advantage HDHP	13	61.8
Sutter Health HDHP	6	58.9
VALIC HRA	21	58.6
Dental / Vision Coverage Only	42	69.8
Total retirees with coverage	407	67.2

Retiree Age Distribution

Age	Retirees
< 45	1
45 to 49	2
50 to 54	21
55 to 59	60
60 to 64	92
65 to 69	87
70 to 74	76
75 to 79	35
80 to 84	20
85 to 89	8
90 & up	5
Total	407

Substantive Plan Provisions

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

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:

2023 Maximum Contribution	
Retiree Only	\$ 638.00
Retiree +1 Dependent	\$ 1,276.00
Retiree +2 or more Dependents	\$ 1,662.00

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 2023 monthly retiree premiums for the primary health plans in which retirees are enrolled.

Active / Under 65 Retiree	Kaiser HMO	Sutter Health Plus HMO	Western Health Advantage HMO
Member Only	\$ 770.14	\$ 843.80	\$ 887.96
Member +1 Dependent	\$ 1,540.27	\$ 1,680.80	\$ 1,775.93
Member +2 or more Dependents	\$ 2,002.36	\$ 2,185.10	\$ 2,308.69

Active / Under 65 Retiree	Kaiser HDHP	Sutter Health Plus HDHP	Western Health Advantage HDHP
Member Only	\$ 626.33	\$ 675.80	\$ 650.13
Member +1 Dependent	\$ 1,252.66	\$ 1,346.20	\$ 1,300.27
Member +2 or more Dependents	\$ 1,628.46	\$ 1,749.00	\$ 1,690.34

Substantive Plan Provisions

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Over 65 Retiree	Kaiser Senior Advantage	United Healthcare Senior Supplement
Retiree Only	\$ 312.17	\$ 471.89
Retiree +1 Dependent	\$ 624.33	\$ 943.78

Actuarial Methods and Assumptions

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

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.

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.

There are changes to the actuarial assumptions since the last GASB valuation, which was for the fiscal year ending June 30, 2022. 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, 2025.

Measurement Date	For fiscal year ending June 30, 2023, a June 30, 2023 measurement date was used.
Actuarial Valuation Date	June 30, 2023 Liabilities as of June 30, 2023 are based on an actuarial valuation date of June 30, 2023 with no adjustments to get to the June 30, 2023 measurement date. Liabilities as of June 30, 2022 are based on an actuarial valuation date of June 30, 2021 projected to June 30, 2022 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.
Discount Rate	5.50% as of June 30, 2022 and June 30, 2023 for accounting disclosure purposes Refer to the Discussion of Discount Rates section for more information on selection of the discount rate.
Payroll Growth	2.8% per year plus salary merit increases from the 2021 CalPERS pension plan valuation
Inflation Rate	2.75% per year The inflation rate is based on the current economic environment and future expectations.

Actuarial Methods and Assumptions

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

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 City in July 2023 as of June 2023. 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.

The participation rates are based on the City's historical experience.

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.

The spousal coverage is based on the City's historical experience.

Family Coverage Load

The valuation explicitly values retiree and spouse coverage. A load of 1.5% was applied to the explicit liability to account for retirees electing family coverage.

Mortality

General: SOA Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2021

Police and Fire: SOA Pub-2010 Public Safety Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2021

Surviving Spouses: SOA Pub-2010 Contingent Survivors Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2021

The plan does not have sufficient data to have credible experience. Therefore, mortality assumptions are set to reflect general population trends based upon Pub-2010 Mortality tables and the most recent generational projection scale MP-2021 released by the Society of Actuaries (SOA) for future mortality improvements.

Actuarial Methods and Assumptions

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Disability None

Turnover Rate According to the termination rates under the 2021 CalPERS pension plan valuation.

Retirement Rate According to the retirement rates under the 2021 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	FYE	Pre-65	FYE	Post-65
	2023	7.00%	2023	6.50%
2024	6.75%	2024	6.25%	
2025	6.50%	2025	6.00%	
2026	6.25%	2026	5.75%	
2027	6.00%	2027	5.50%	
2028	5.75%	2028	5.25%	
2029	5.50%	2029	5.00%	
2030	5.25%	2030	4.75%	
2031	5.00%	2031+	4.50%	
2032	4.75%			
2033+	4.50%			

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.

Dental and Vision Trend Rates The City's dental rates are assumed to increase at 4% per year. The City's vision rates are assumed to increase at 3% per year.

City Maximum Contribution The City's maximum contribution is assumed to increase at a rate of 3% per year.

Actuarial Methods and Assumptions

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

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.

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.

Annual per capita costs are as shown below:

Age	Kaiser HMO	Sutter HMO	WHA HMO	Kaiser HDHP	Sutter HDHP	WHA HDHP
50 – 54	\$ 10,600	\$ 11,600	\$ 12,200	\$ 8,600	\$ 9,300	\$ 8,900
55 – 59	\$ 13,100	\$ 14,400	\$ 15,100	\$ 10,700	\$ 11,500	\$ 11,100
60 – 64	\$ 16,700	\$ 18,300	\$ 19,200	\$ 13,600	\$ 14,600	\$ 14,100

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

	Premium Rate	Retiree Contribution	Explicit Subsidy
	A	B	C = A - B
Retiree	\$ 770.14	\$ 132.14	\$ 638.00
Spouse	\$ 770.13	\$ 132.13	\$ 638.00

Actuarial Methods and Assumptions

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

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

	Per Capita Cost	Premium Rate	Implicit Subsidy
	A	B	C = A - B
Retiree	\$ 1,391.67	\$ 770.14	\$ 621.53
Spouse	\$ 1,391.67	\$ 770.13	\$ 621.54

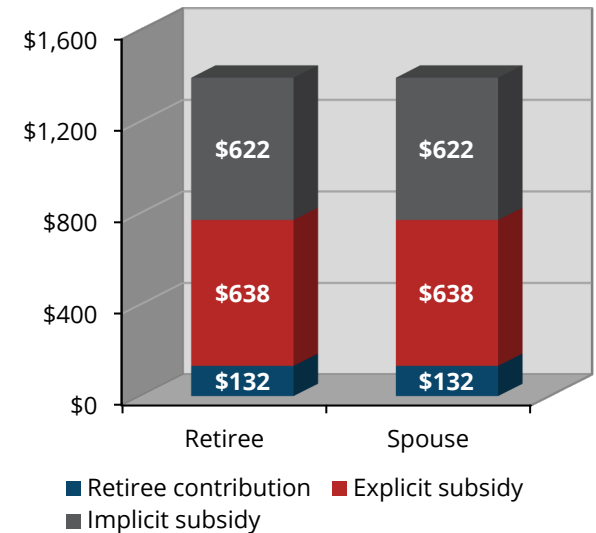
All employers that utilize premium rates based on blended active/retiree claims experience will have an implicit subsidy. There is an exception for Medicare plans using a true community-rated premium rate.

GASB Subsidy Breakdown

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

	Retiree	Spouse
Retiree contribution	\$ 132.14	\$ 132.13
Explicit subsidy	\$ 638.00	\$ 638.00
Implicit subsidy	\$ 621.53	\$ 621.54
Total monthly cost	\$ 1,391.67	\$ 1,391.67

GASB Subsidy Breakdown



Models

ProVal

Valuation software developed by Winklevoss Technologies, LLC. This software is widely used for the purpose of performing postretirement medical valuations. We coded the plan provisions, assumptions, methods, and participant data summarized in this report, and reviewed the liability and cost outputs for reasonableness. We are not aware of any weakness or limitations in the software and have determined it is appropriate for performing this valuation.

HealthMAPS Manual

Rating manual developed by WTW. Aging factors are used to develop per capita costs by age for plans with limited credible exposure to develop plan-specific factors. We are not aware of any weakness or limitations in the factors and have determined they are appropriate for performing this valuation.

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 bottom right corner. 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.

Appendix

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

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 June 30, 2021	As of June 30, 2023
Active Participants	159	110
Retired Participants	372	407
Averages for Active		
Age	49.6	51.6
Service	19.0	21.4
Averages for Inactive		
Age	66.0	67.2

Appendix

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

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, 2021.

The following assumptions have been updated:

1. Mortality tables have been to the following:
 - a. General: SOA Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2021
 - b. Police and Fire: SOA Pub-2010 Public Safety Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2021
 - c. Surviving Spouses: SOA Pub-2010 Contingent Survivors Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2021

The impact of these changes is a slight increase in liabilities.

2. Termination rates have been updated according to the termination rates under the 2021 CalPERS pension plan valuation. These updates led to a decrease in liabilities.
3. Retirement rates have been updated according to the retirement rates under the 2021 CalPERS pension plan valuation. This change caused a slight decrease in liabilities.
4. Salary scale has been updated to 2.80% per year plus salary merit tables for miscellaneous, firefighters, and police employees according to the 2021 CalPERS pension plan experience study. This update led to a decrease in liabilities.
5. Health care trend rates have been updated to an initial rate of 7.00% decreasing by 0.25% annually to an ultimate rate of 4.50% for pre-65 and 6.50% decreasing by 0.25% annually to an ultimate rate of 4.50% for post-65. This change caused an increase in liabilities for the City.
6. There have been updates City's maximum contribution. This change caused a slight increase in liabilities.

In addition, claims costs and premiums were updated for 2023 which caused a decrease in liabilities. The updated census data resulted in an increase in liabilities.

Appendix

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Valuation Results Summary

Below is the summary of the GASB results for fiscal year ending June 30, 2023 based on the Entry Age Normal Level % of Pay cost method with a discount rate of 5.50%.

Present Value of Employer Contributions	Explicit	Implicit	Total
Active	\$ 24,384,725	\$ 6,336,355	\$ 30,721,080
Retirees	\$ 68,449,573	\$ 8,673,769	\$ 77,123,342
Total	\$ 92,834,298	\$ 15,010,124	\$ 107,844,422

Total (Accrued) OPEB Liability	Explicit	Implicit	Total
Active	\$ 18,557,483	\$ 4,749,965	\$ 23,307,448
Retirees	\$ 68,449,573	\$ 8,673,769	\$ 77,123,342
Total	\$ 87,007,056	\$ 13,423,734	\$ 100,430,790

Projected Employer Contributions - FYE	Explicit	Implicit	Total
2024	\$ 4,341,775	\$ 1,247,166	\$ 5,588,941
2025	\$ 4,500,261	\$ 1,315,756	\$ 5,816,017
2026	\$ 4,678,644	\$ 1,368,807	\$ 6,047,451
2027	\$ 4,857,718	\$ 1,349,804	\$ 6,207,522
2028	\$ 5,037,121	\$ 1,372,564	\$ 6,409,685
2029	\$ 5,204,149	\$ 1,350,767	\$ 6,554,916
2030	\$ 5,374,956	\$ 1,294,745	\$ 6,669,701
2031	\$ 5,550,537	\$ 1,265,820	\$ 6,816,357
2032	\$ 5,715,350	\$ 1,272,222	\$ 6,987,572
2033	\$ 5,860,768	\$ 1,191,637	\$ 7,052,405

GLOSSARY

The background features a series of overlapping, semi-transparent geometric shapes. A large, solid red shape is positioned in the bottom right corner. To its left, there are several overlapping shapes in various shades of gray and white, creating a layered, architectural effect. The top half of the image is a solid, medium-gray color.

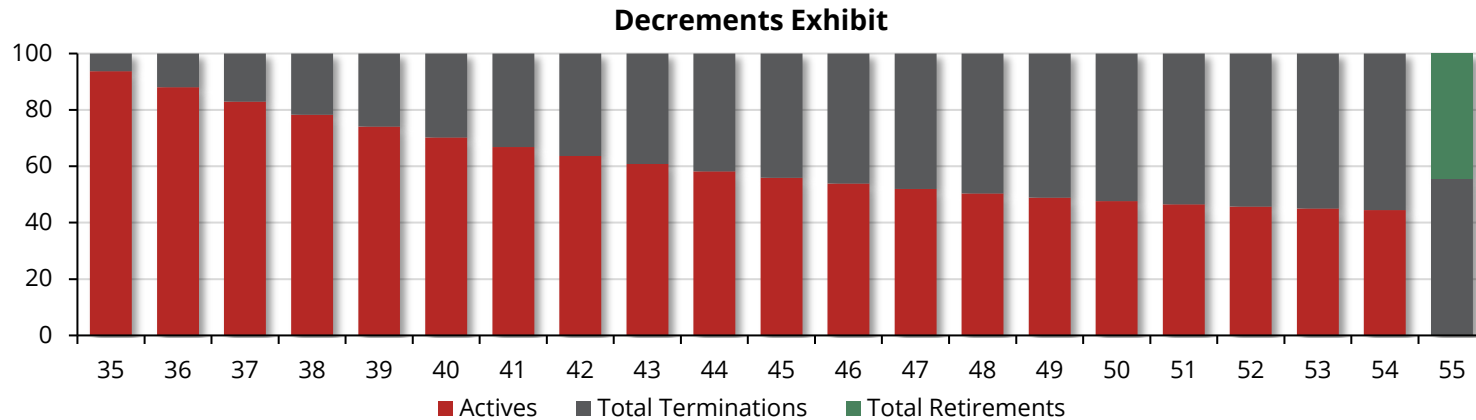
Glossary – Decrements Exhibit

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

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



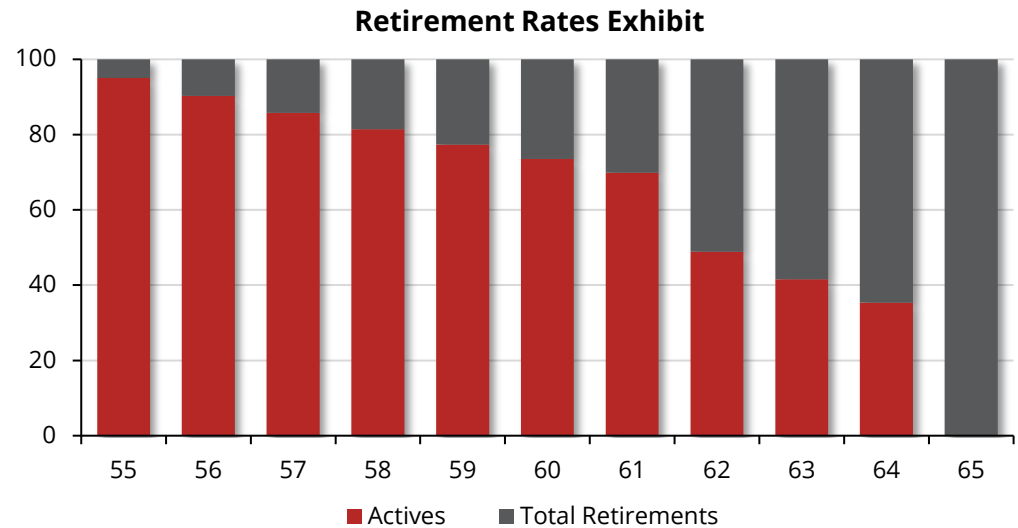
¹ The above rates are illustrative rates and are not used in our GASB calculations.

Glossary – Retirement Rates Exhibit

City of Folsom GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

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, 2023

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, 2023

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, 2023

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).