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# City of Folsom

**Nyhart Actuary & Employee Benefits**

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**GASB No. 75 ACTUARIAL VALUATION**

**Fiscal Year Ending June 30, 2020**

**(Measured at June 30, 2020)**

**Retiree Health Plan**  
**GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2020)**  
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**City of Folsom**  
**City of Folsom**  
**50 Natoma Street**  
**Folsom, CA 95630**

7/24/2020

This report summarizes the GASB actuarial valuation for the City of Folsom's Other Post Employment Benefit (OPEB) for the fiscal year ending June 30, 2020 (measured at June 30, 2020). Nyhart prepared this report to meet employer financial accounting requirements under Governmental Accounting Standards Board (GASB) Statement No. 75 (Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions). 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. 75.

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 roll-forward techniques); 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, appearing to read 'S. Datta', with a stylized flourish at the end.

Suraj Datta, ASA, MAAA, MBA  
Consulting Actuary

**Retiree Health Plan**  
**GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2020)**  
**Valuation Results Summary**

As of Valuation Date: June 30, 2019

	<b>Explicit</b>	<b>Implicit</b>	<b>Total</b>
<b>Present Value of Employer Contributions</b>			
Actives	\$ 36,803,463	\$ 8,097,607	\$ 44,901,070
Retirees	58,963,283	8,112,064	67,075,347
<b>Total</b>	<b>\$ 95,766,746</b>	<b>\$ 16,209,671</b>	<b>\$ 111,976,417</b>

<b>Total (Accrued) OPEB Liability</b>			
Actives	\$ 28,216,309	\$ 6,127,808	\$ 34,344,117
Retirees	58,963,283	8,112,064	67,075,347
<b>Total</b>	<b>\$ 87,179,592</b>	<b>\$ 14,239,872</b>	<b>\$ 101,419,464</b>

	<b>Explicit</b>	<b>Implicit</b>	<b>Total</b>
<b>Projected Employer Contributions</b>			
2020	\$ 3,424,661	\$ 1,007,619	\$ 4,432,280
2021	3,619,149	1,119,901	4,739,050
2022	3,828,043	1,193,806	5,021,849
2023	4,052,433	1,248,597	5,301,030
2024	4,284,118	1,257,321	5,541,439
2025	4,511,614	1,325,971	5,837,585
2026	4,769,343	1,360,358	6,129,701
2027	5,016,877	1,281,403	6,298,280
2028	5,276,107	1,305,454	6,581,561
2029	5,522,732	1,305,725	6,828,457

**Actuarial Assumptions as of Valuation Date**

Inflation	2.75%
Salary increases	3.00%
Discount rate	5.50%

**Plan Membership**

Inactive plan members or beneficiaries currently receiving benefits	317
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	187
	<b>504</b>

**Retiree Health Plan**  
**GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2020)**  
**GASB 75 Summary**

**Net OPEB Liability**

The components of the Net OPEB Liability at June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability	\$ 103,873,278	\$ 101,419,464	\$ 109,050,417	\$ 115,494,096
Plan fiduciary net position	(7,221,026)	(6,391,423)	(5,585,140)	(4,768,431)
Net OPEB Liability	<u>\$ 96,652,252</u>	<u>\$ 95,028,041</u>	<u>\$ 103,465,277</u>	<u>\$ 110,725,665</u>
Plan fiduciary net position as a % of the Total OPEB Liability	6.95%	6.30%	5.12%	4.13%
OPEB Expense for the Fiscal Year Ended June 30,	\$ 3,987,775	\$ (6,264,736)	\$ 4,394,054	\$ 5,944,384

**Actuarial Assumptions**

The Total OPEB Liability was determined using the following actuarial assumptions.

Inflation	2.75%	2.75%	2.75%	2.75%
Salary increases	3.00%	3.00%	2.75%	2.75%
Investment rate of return	5.50%	5.50%	5.25%	5.25%
Discount rate	5.50%	5.50%	4.40%	3.80%

**Plan Membership**

The Total OPEB Liability was determined based on the plan membership as of June 30,

	<u>2019</u>	<u>2019</u>	<u>2017</u>	<u>2017</u>
Inactive plan members or beneficiaries currently receiving benefits	317	317	302	302
Inactive plan members entitled to but not yet receiving benefits	0	0	0	0
Active plan members	<u>187</u>	<u>187</u>	<u>214</u>	<u>214</u>
	504	504	516	516

**Retiree Health Plan**  
**GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2020)**  
**Statement of Fiduciary Net Position**

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	<b>June 30, 2020</b>
<b>Assets</b>	
Cash and deposits	18,809
Securities lending cash collateral	0
Total cash	\$ 18,809
Receivables:	
Contributions	\$ 0
Due from broker for investments sold	0
Investment income	0
Accrued Income	0
Total receivables	\$ 0
Investments:	
Fixed income obligations and mutual funds	\$ 3,998,170
Domestic equities	\$ 2,218,839
International equities	\$ 573,077
Alternative assets/private equity	\$ 430,940
Total investments	\$ 7,221,026
Total assets	\$ 7,221,026
<b>Liabilities</b>	
Payables:	
Investment management fees	\$ 0
Due to broker for investments purchased	\$ 18,809
Collateral payable for securities lending	\$ 0
Other	0
Total liabilities	\$ 18,809
<b>Net position restricted for OPEB</b>	<b>\$ 7,221,026</b>

**Retiree Health Plan**

**GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2020)**

**Statement of Changes in Fiduciary Net Position**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<b>Additions</b>				
Contributions:				
Employer	\$ 4,932,280	\$ 4,727,327	\$ 4,600,953	\$ 4,393,224
Member	0	0	0	0
Nonemployer Contributing Entity	0	0	0	0
Total contributions	<u>\$ 4,932,280</u>	<u>\$ 4,727,327</u>	<u>\$ 4,600,953</u>	<u>\$ 4,393,224</u>
Investment income:				
Net increase in fair value of investments	\$ 329,603	\$ 306,283	\$ 316,709	\$ 464,483
Interest and dividends	0	0	0	0
Less investment expense, other than from securities lending	0	0	0	0
Net income other than from securities lending	<u>\$ 329,603</u>	<u>\$ 306,283</u>	<u>\$ 316,709</u>	<u>\$ 464,483</u>
Securities lending income	0	0	0	0
Less securities lending expense	0	0	0	0
Net income from securities lending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net investment income	<u>\$ 329,603</u>	<u>\$ 306,283</u>	<u>\$ 316,709</u>	<u>\$ 464,483</u>
Other	0	0	0	0
Total additions	<u>\$ 5,261,883</u>	<u>\$ 5,033,610</u>	<u>\$ 4,917,662</u>	<u>\$ 4,857,707</u>
<b>Deductions</b>				
Benefit payments	\$ 4,432,280	\$ 4,227,327	\$ 4,100,953	\$ 3,943,224
Administrative expense	0	0	0	0
Other expense	0	0	0	0
Total deductions	<u>\$ 4,432,280</u>	<u>\$ 4,227,327</u>	<u>\$ 4,100,953</u>	<u>\$ 3,943,224</u>
<b>Net increase in net position</b>	<u>\$ 829,603</u>	<u>\$ 806,283</u>	<u>\$ 816,709</u>	<u>\$ 914,483</u>
<b>Net position restricted for OPEB</b>				
Beginning of year	<u>\$ 6,391,423</u>	<u>\$ 5,585,140</u>	<u>\$ 4,768,431</u>	<u>\$ 3,853,948</u>
End of year	<u>\$ 7,221,026</u>	<u>\$ 6,391,423</u>	<u>\$ 5,585,140</u>	<u>\$ 4,768,431</u>

Note: The employer contributions include retiree benefit payments inclusive of subsidy not reimbursed from the trust.

**Retiree Health Plan**  
**GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2020)**  
**Schedule of Changes in Net OPEB Liability and Related Ratios**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>				
Service cost	\$ 1,355,366	\$ 2,305,252	\$ 2,208,096	\$ 2,148,999
Interest	5,530,728	4,806,648	5,040,097	4,259,868
Changes of benefit terms	0	0	0	0
Differences between expected and actual experience	0	(3,828,632)	0	0
Changes of assumptions	0	(6,686,894)	(9,590,919)	0
Benefit payments, including refunds of member contributions	(4,432,280)	(4,227,327)	(4,100,953)	(3,943,224)
<b>Net change in Total OPEB Liability</b>	<u>2,453,814</u>	<u>(7,630,953)</u>	<u>(6,443,679)</u>	<u>2,465,643</u>
<b>Total OPEB Liability - beginning</b>	101,419,464	109,050,417	115,494,096	113,028,453
<b>Total OPEB Liability - ending (a)</b>	<u>\$ 103,873,278</u>	<u>\$ 101,419,464</u>	<u>\$ 109,050,417</u>	<u>\$ 115,494,096</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 4,932,280	\$ 4,727,327	\$ 4,600,953	\$ 4,393,224
Contributions - member	0	0	0	0
Contributions - nonemployer contributing member	0	0	0	0
Net investment income	329,603	306,283	316,709	464,483
Benefit payments, including refunds of member contributions	(4,432,280)	(4,227,327)	(4,100,953)	(3,943,224)
Administrative expenses	0	0	0	0
Other expense	0	0	0	0
<b>Net change in plan fiduciary net position</b>	<u>\$ 829,603</u>	<u>806,283</u>	<u>\$ 816,709</u>	<u>\$ 914,483</u>
<b>Plan fiduciary net position - beginning</b>	6,391,423	5,585,140	4,768,431	3,853,948
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 7,221,026</u>	<u>\$ 6,391,423</u>	<u>\$ 5,585,140</u>	<u>\$ 4,768,431</u>
<b>Net OPEB Liability - ending (a) - (b)</b>	<u>\$ 96,652,252</u>	<u>\$ 95,028,041</u>	<u>\$ 103,465,277</u>	<u>\$ 110,725,665</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	7.0%	6.3%	5.1%	4.1%
<b>Covered - employee payroll*</b>	\$ 17,888,010	\$ 17,367,000	Not Available	Not Available
<b>Net OPEB Liability as percentage of covered-employee payroll</b>	540.3%	547.2%	Not Available	Not Available

\*A 3% increase has been applied to the 2019 payroll and is used for 2020 aggregate payroll

**Retiree Health Plan**  
**GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2020)**  
**OPEB Expense**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Service cost	\$ 1,355,366	\$ 2,305,252	\$ 2,208,096	\$ 2,148,999
Interest on Total OPEB Liability	5,530,728	4,806,648	5,040,097	4,259,868
Projected earnings on OPEB plan investments	(365,278)	(320,933)	(311,032)	(464,483)
Reduction for contributions from active employees	0	0	0	0
OPEB plan administrative expense	0	0	0	0
Changes of benefit terms	0	0	0	0
Other changes	0	0	0	0
Current period recognition of deferred outflows/(inflows) of resources				
Differences between Expected & Actual Experience in measurement of the Total OPEB Liability	0	(3,828,632)	0	0
Changes of assumptions	(2,523,926)	(9,210,821)	(2,523,927)	0
Differences between Projected & Actual Earnings on OPEB Plan Investments	(9,115)	(16,250)	(19,180)	0
<b>Annual OPEB Expense</b>	<u>\$ 3,987,775</u>	<u>\$ (6,264,736)</u>	<u>\$ 4,394,054</u>	<u>\$ 5,944,384</u>

**Retiree Health Plan**

**GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2020)**

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

Differences between expected and actuarial experience in measurement of the Total OPEB Liability for the period ending:	Initial Balance	Initial Amortization Period	Annual Recognition	06/30/2020 Balance
June 30, 2020	\$ 0	3.0	\$ 0	\$ 0
June 30, 2019	(3,828,632)	1.0	0	0
Total			\$ 0	\$ 0

Changes of assumptions for the period ending:	Initial Balance	Initial Amortization Period	Annual Recognition	06/30/2020 Balance
June 30, 2020	\$ 0	3.0	\$ 0	\$ 0
June 30, 2019	(6,686,894)	1.0	0	0
June 30, 2018	(9,590,919)	3.8	(2,523,926)	(2,019,141)
Total			\$ (2,523,926)	\$ (2,019,141)

Differences between projected and actual earnings on OPEB plan investments for the period ending:	Initial Balance	Initial Amortization Period	Annual Recognition	06/30/2020 Balance
June 30, 2020	\$ 35,675	5.0	\$ 7,135	\$ 28,540
June 30, 2019	14,650	5.0	2,930	8,790
June 30, 2018	(95,898)	5.0	(19,180)	(38,358)
Total			\$ (9,115)	\$ (1,028)

The balances as of June 30, 2020 of the deferred outflows/(inflows) of resources will be recognized in OPEB expense for the period ending June 30,

2021	\$ (2,028,256)
2022	\$ (9,113)
2023	\$ 10,065
2024	\$ 7,135
2025	\$ 0
Thereafter	\$ 0

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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, 2020 are summarized in the following table:

<b>Asset class</b>	<b>Target allocation</b>	<b>Long-term expected real rate of return</b>
Equities and Real Estate	50.0%	4.75%
Fixed Income	50.0%	1.75%
Total	100.0%	

Long-term expected rate of return is 5.50%.

**Retiree Health Plan**  
**GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2020)**  
**Net OPEB Liability Sensitivity**

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**Discount rate**

The discount rate used to measure the Total OPEB Liability is 5.50%.

**Sensitivity of the Net OPEB Liability to changes in the discount rate**

The following presents the Net OPEB Liability, calculated using the discount rate of 5.50%, as well as what the Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.50%) or 1-percentage-point higher (6.50%) than the current rate:

	<b>1% Decrease (4.50%)</b>	<b>Current Discount Rate (5.50%)</b>	<b>1% Increase (6.50%)</b>
Net OPEB Liability	\$ 111,055,977	\$ 96,652,252	\$ 84,830,060

**Sensitivity of the Net OPEB Liability to changes in healthcare cost trend rates**

	<b>1% Decrease (5.50% decreasing to 3.50%)</b>	<b>Current Healthcare Cost Trend Rates (6.50% decreasing to 4.50%)</b>	<b>1% Increase (7.50% decreasing to 5.50%)</b>
Net OPEB Liability	\$ 83,200,165	\$ 96,652,252	\$ 113,193,003

**Retiree Health Plan**  
**GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2020)**  
**Schedule of Contributions**

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This schedule is not required for OPEB plans with no actuarially determined contributions.

**Retiree Health Benefits  
GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2020)  
Benefit Plan Provisions**

The valuation was based on the census furnished to us by the City. The following tables display the age distribution for retirees and the age/service distribution for active employees as of the Valuation Date.

Age Distribution of Eligible Retired Participants & Beneficiaries

	Covered	Waived	Total
<55	26	2	28
55-59	67	6	73
60-64	90	6	96
65+	<u>134</u>	<u>19</u>	<u>153</u>
Total:	317	33	350
Average Age:	64.7	68.5	65.0

Age/Service Distribution of All Active Benefit Eligible Employees\*

Age	Service									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	
<20	0									0
20-24	0									0
25-29	0									0
30-34	0	0	0							0
35-39	0	0	9	5						14
40-44	0	0	17	15	5					37
45-49	0	0	14	24	14	1				53
50-54	0	0	6	16	15	5	1			43
55-59	0	0	6	11	6	2	0			25
60-64	0	0	1	6	2	1	1			11
65-69	0	0	1	1	1	0	0	0	0	3
70+	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Total:	0	0	54	79	43	9	2	0	0	187
Average Age:			49.6							
Average Service:			18.1							
Annual Payroll:			\$17,367,000							

\*Excludes 245 employees ineligible for post-retirement health benefits

**Retiree Health Benefits**  
**GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2020)**  
**Benefit Plan Provisions**

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:

2019 Maximum Contribution	Early Retiree 55 - 64		
	Early Retiree Under 55	(Retired after 7/1/2007)	Over 65 Retiree
Retiree Only	\$ 575.00	\$ 575.00	\$ 575.00
Retiree +1 Dependent	\$1,150.00	\$1,150.00	\$1,150.00
Retiree + 2 or more Dependents	\$1,498.00	\$1,250.00	\$1,250.00

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 post-retirement health benefits.

Premium Rates

The tables below summarize the 2019 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	Aetna PPO
Early Retiree Only	\$ 696.94	\$ 696.55	\$ 737.23	\$2,063.41
Early Retiree +1 Dependent	\$1,393.86	\$1,388.08	\$1,474.47	\$4,126.84
Early Retiree + 2 or more Dependents	\$1,812.02	\$1,804.13	\$1,916.79	\$5,364.89

Early Retiree 55-64 (Retired after 7/1/2007)	Kaiser HMO	Sutter Health Plus HMO	Western Health Advantage HMO	Aetna PPO
Early Retiree Only	\$ 696.94	\$ 696.55	\$ 737.23	\$2,063.41
Early Retiree +1 Dependent	\$1,393.86	\$1,388.08	\$1,474.47	\$4,126.84
Early Retiree + 2 or more Dependents	\$1,812.02	\$1,804.13	\$1,916.79	\$5,364.89

**Retiree Health Benefits**  
**GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2020)**  
**Benefit Plan Provisions**

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<b>Over 65 Retiree</b>	<b>Kaiser Senior Advantage</b>	<b>United Healthcare Senior Supplement</b>
Retiree Only	\$ 379.08	\$ 501.67
Retiree +1 Dependent	\$ 758.16	\$1,003.34

**Retiree Health Benefits**  
**GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2020)**  
**Actuarial Assumptions and Methods**

The liabilities set forth in this report are based on the actuarial assumptions described in this section.

- Fiscal Year: July 1<sup>st</sup> to June 30<sup>th</sup>
- Valuation Date: June 30, 2019
- Measurement Date: June 30, 2020 for FYE2020
- Funding Policy: In addition to the direct payment of current retiree benefits, the City makes discretionary contributions to a GASB eligible trust which, in the recent past, have ranged between \$450,000 and \$500,000 annually.
- Asset Return: 5.50% per annum.
- Discount Rate: 5.50% per annum. Based on the current funding practice and the actuarial assumptions used, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.
- Inflation: 2.75% per annum
- Payroll Increases: 3.0% per annum, in aggregate
- Pre-retirement Turnover: According to the termination rates under the most recent CalPERS pension plan valuation. Sample rates for Miscellaneous employees are as follows:

Service	Entry Age			
	20	30	40	50
0	17.42%	16.06%	14.68%	13.32%
5	8.68%	7.11%	5.54%	0.97%
10	6.68%	5.07%	0.71%	0.38%
15	5.03%	3.47%	0.23%	0.04%
20	3.70%	0.21%	0.05%	0.01%
25	2.29%	0.05%	0.01%	0.01%
30	0.05%	0.01%	0.01%	0.01%

**Retiree Health Benefits**  
**GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2020)**  
**Actuarial Assumptions and Methods**

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Sample rates for Firefighter employees are as follows:

Service	Entry Age			
	20	30	40	50
0	9.5%	9.5%	9.5%	9.5%
5	2.6%	2.6%	2.6%	1.0%
10	0.9%	0.9%	0.3%	0.3%
15	0.8%	0.8%	0.2%	0.2%
20	0.7%	0.2%	0.2%	0.2%
25	0.6%	0.1%	0.1%	0.1%
30	0.1%	0.1%	0.1%	0.1%

Sample rates for Police employees are as follows:

Service	Entry Age			
	20	30	40	50
0	10.1%	10.1%	10.1%	10.1%
5	2.5%	2.5%	2.5%	0.9%
10	1.8%	1.8%	0.5%	0.5%
15	1.1%	1.1%	0.3%	0.3%
20	0.8%	0.2%	0.2%	0.2%
25	0.7%	0.1%	0.1%	0.1%
30	0.1%	0.1%	0.1%	0.1%

**Retiree Health Benefits**  
**GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2020)**  
**Actuarial Assumptions and Methods**

Pre-retirement Mortality: According to the pre-retirement mortality rates under the most recent CalPERS pension plan valuation. Sample deaths per 1,000 employees applicable to employees are as follows:

Age	Males	Females
25	0.4	0.2
30	0.5	0.3
35	0.6	0.4
40	0.8	0.5
45	1.1	0.7
50	1.6	1.0
55	2.3	1.4
60	3.1	1.8

Post-retirement Mortality: According to the post-retirement mortality rates under the most recent CalPERS pension plan valuation. Sample deaths per 1,000 employees applicable to Miscellaneous and Safety retirees are as follows:

Age	Males	Females
55	6.0	4.2
60	7.1	4.4
65	8.3	5.9
70	13.1	9.9
75	22.1	17.2
80	39.0	29.0
85	69.7	52.4
90	129.7	98.9

Retirement Age: 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

**Retiree Health Benefits**  
**GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2020)**  
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- Participation Rates: 95% of active employees meeting eligibility requirements are assumed to elect retiree health coverage at retirement.
- Spouse 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.
- Dependent Coverage: Not explicitly valued.
- Claim Cost Development: 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	\$ 9,100	\$ 9,100	\$ 9,600
55-59	\$11,100	\$11,100	\$11,800
60-64	\$13,900	\$13,900	\$14,700

City Maximum Contribution: Assumed to increase each year by an amount not to exceed 3% depending on the percent increase in the Consumer Price Index (CPI).

Medical Trend Rates: Medical costs are adjusted in future years by the following trends:

Year	
2019	Actual
2020	6.5%
2021	6.0%
2022	5.5%
2023+	5.0%

Medicare Participation: 100%

**Retiree Health Benefits**  
**GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2020)**  
**Actuarial Assumptions and Methods**

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Actuarial Cost Method: The actuarial cost method used to determine the allocation of the retiree health actuarial liability to the past (accrued), current and future periods is the Entry Age Normal (EAN) cost method. The EAN cost method is a projected benefit cost method which means the “cost” is based on the projected benefit expected to be paid at retirement.

The EAN normal cost equals the level annual amount of contribution from the employee’s date of hire (entry date) to their retirement date that is sufficient to fund the projected benefit. As required by GASB 75, the normal cost is calculated to remain level as a percentage of pay. The EAN actuarial accrued liability equals the present value of all future benefits for retired and current employees and their beneficiaries less the portion expected to be funded by future normal costs

All employees eligible as of the Valuation Date in accordance with the provisions of the Plan listed in the data provided by the City were included in the valuation.

Market Value of Assets: Any assets of the plan will be valued on a market value basis.

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.

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.

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% are the select rates, and 7% is the ultimate rate.
17. **Service Cost** – The portion of the Actuarial Present Value of projected benefit payments that is 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).