



# **GASB 74/75 INTERIM ACTUARIAL VALUATION**

## **Fiscal Year Ending June 30, 2023**

# **NOVATO FIRE PROTECTION DISTRICT**

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**October 18, 2023**

**Mr. Joe Valenti**  
**Novato Fire Protection District**  
**95 Rowland Way**  
**Novato, CA 94945**

This report summarizes the interim GASB actuarial valuation for the Novato Fire Protection District 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.



Tina Liu, EA, MAAA, FCA  
Actuary



Sandy DeKalb, ASA, MAAA  
Actuary

# Executive Summary

## Novato Fire Protection District Interim 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 District's Notes to Financial Statement.

	As of June 30, 2022	As of June 30, 2023
<b>Total OPEB Liability</b>	\$ 20,402,727	\$ 22,719,866
<b>Actuarial Value of Assets</b>	\$ (17,225,472)	\$ (15,992,062)
<b>Net OPEB Liability</b>	\$ 3,177,255	\$ 6,727,804
<b>Funded Ratio</b>	84.4%	70.4%

	FY 2021/22	FY 2022/23
<b>OPEB Expense</b>	\$ 103,973	\$ 984,158
<b>Annual Employer Contributions</b>	\$ 2,303,743	\$ 2,594,729
<b>Actuarially Determined Contribution</b>	\$ 1,232,285	\$ 795,676

	As of June 30, 2022	As of June 30, 2023
<b>Discount Rate</b>	7.00%	6.00%
<b>Expected Return on Assets</b>	7.00%	6.00%

	As of June 30, 2023
<b>Total Active Participants</b>	82
<b>Total Retiree Participants</b>	101

The active participants' number above may include active employees who currently have no health care coverage.

The counts as of June 30, 2023 were provided by the District and were not used as the basis for determining the liability

# GASB Disclosures

Novato Fire Protection District Interim 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
<b>Total OPEB Liability</b>					
Total OPEB Liability - beginning of year	\$ 20,402,727	\$ 18,607,379	\$ 18,317,588	\$ 18,560,623	\$ 17,969,570
Service cost	257,417	278,126	267,143	334,209	312,345
Interest	1,399,331	1,283,835	1,264,414	1,287,788	1,245,883
Change of benefit terms	0	0	0	0	0
Changes in assumptions	2,159,900	523,216	0	292,501	0
Differences between expected and actual experience	(137,065)	818,944	(180,464)	(1,161,809)	0
Benefit payments	(1,362,444)	(1,108,773)	(1,061,302)	(995,724)	(967,175)
Net change in total OPEB liability	\$ 2,317,139	\$ 1,795,348	\$ 289,791	\$ (243,035)	\$ 591,053
Total OPEB Liability - end of year	\$ 22,719,866	\$ 20,402,727	\$ 18,607,379	\$ 18,317,588	\$ 18,560,623
<b>Plan Fiduciary Net Position</b>					
Plan fiduciary net position - beginning of year	\$ 17,225,472	\$ 12,517,654	\$ 10,713,304	\$ 8,578,388	\$ 6,561,838
Contributions - employer	2,594,729	2,303,743	2,215,863	2,543,521	2,469,891
Contributions - active employees	0	0	0	0	0
Net investment income	(2,461,263)	3,517,690	655,206	594,812	526,229
Benefit payments	(1,362,444)	(1,108,773)	(1,061,302)	(995,724)	(967,175)
Trust administrative expenses	(4,432)	(4,842)	(5,416)	(7,693)	(12,395)
Net change in plan fiduciary net position	\$ (1,233,410)	\$ 4,707,818	\$ 1,804,351	\$ 2,134,916	\$ 2,016,550
Plan fiduciary net position - end of year	\$ 15,992,062	\$ 17,225,472	\$ 12,517,655	\$ 10,713,304	\$ 8,578,388
<b>Net OPEB Liability - end of year</b>	<b>\$ 6,727,804</b>	<b>\$ 3,177,255</b>	<b>\$ 6,089,724</b>	<b>\$ 7,604,284</b>	<b>\$ 9,982,235</b>
Plan fiduciary net position as % of total OPEB liability	70.4%	84.4%	67.3%	58.5%	46.2%
Covered employee payroll	\$ 10,203,080	\$ 9,769,209	\$ 9,258,400	\$ 8,945,314	\$ 8,684,771
Net OPEB liability as % of covered payroll	65.9%	32.5%	65.8%	85.0%	114.9%

\*Amounts above reflect a beginning of year measurement date; so the reconciliation for FY 2022/23 is from July 1, 2021 to June 30, 2022

\*\*Employer contributions and benefit payments for FY 22/23 include actual pay-as-you-go costs of \$1,186,510 plus an estimated implicit subsidy benefit payment of \$175,934. The difference between the expected and actual benefit payments are included in the experience gain/loss.

\*\*\*FY 22/23 end of year balance is based on the audited assets from "CalPERS CERBT GASB 75 Schedule of Changes in Fiduciary Net Position by Employer".

# GASB Disclosures

Novato Fire Protection District Interim 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
<b>Total OPEB Liability</b>	
Total OPEB Liability - beginning of year	\$ 17,465,760
Service cost	291,911
Interest	1,208,168
Change of benefit terms	0
Changes in assumptions	0
Differences between expected and actual experience	0
Benefit payments	(996,269)
Net change in total OPEB liability	\$ 503,810
Total OPEB Liability - end of year	\$ 17,969,570
<b>Plan Fiduciary Net Position</b>	
Plan fiduciary net position - beginning of year	\$ 4,998,651
Contributions - employer	1,989,494
Contributions - active employees	0
Net investment income	572,838
Benefit payments	(996,269)
Trust administrative expenses	(2,876)
Net change in plan fiduciary net position	\$ 1,563,187
Plan fiduciary net position - end of year	\$ 6,561,838
<b>Net OPEB Liability - end of year</b>	<b>\$ 11,407,732</b>
Plan fiduciary net position as % of total OPEB liability	36.5%
Covered employee payroll	\$ 8,684,771
Net OPEB liability as % of covered payroll	131.4%

# GASB Disclosures

Novato Fire Protection District Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

## Schedule of Employer Contributions

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

	FY 2022/23	FY 2021/22
Actuarially Determined Contribution (ADC)	\$ 795,676	\$ 1,232,285
Contributions in relation to the ADC	2,240,908	2,594,729
Contribution deficiency/(excess)	\$ (1,445,232)	\$ (1,362,444)
Covered employee payroll	\$ 10,414,604	\$ 10,203,080
Contribution as a % of covered payroll	21.5%	25.4%

\*Contributions in relation to the ADC and payroll amounts shown are for the actual fiscal year end and do not reflect the beginning of year measurement date as shown in prior pages. This is presented differently than in the FY 2022 report.



# GASB Disclosures

Novato Fire Protection District Interim 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	7.00%	7.00%
End of year	6.00%	7.00%
Service cost	\$ 257,417	\$ 278,126
Interest	1,399,331	1,283,835
Change of benefit terms	0	0
Projected earnings on OPEB plan investments	(1,248,031)	(917,186)
Reduction for contributions from active employees	0	0
OPEB plan administrative expenses	4,432	4,842
Current period recognition of deferred outflows / (inflows) of resources		
Differences between expected and actual experience	\$ (206,883)	\$ (184,038)
Changes in assumptions	520,312	160,328
Net difference between projected and actual earnings on OPEB plan investments	257,580	(521,934)
Total current period recognition	\$ 571,009	\$ (545,644)
Total OPEB expense	\$ 984,158	\$ 103,973

# GASB Disclosures

Novato Fire Protection District Interim 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, 2019	\$ 0	N/A	\$ 0	\$ 0
June 30, 2020	\$ (1,161,809)	4	\$ (290,453)	\$ 0
June 30, 2021	\$ (180,464)	6	\$ (30,077)	\$ (90,233)
June 30, 2022	\$ 818,944	6	\$ 136,491	\$ 545,962
June 30, 2023	\$ (137,065)	6	\$ (22,844)	\$ (114,221)

Changes in assumptions for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2023
June 30, 2019	\$ 0	N/A	\$ 0	\$ 0
June 30, 2020	\$ 292,501	4	\$ 73,126	\$ 0
June 30, 2021	\$ 0	N/A	\$ 0	\$ 0
June 30, 2022	\$ 523,216	6	\$ 87,203	\$ 348,810
June 30, 2023	\$ 2,159,900	6	\$ 359,983	\$ 1,799,917

# GASB Disclosures

Novato Fire Protection District Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

## 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, 2023
June 30, 2019	\$ (14,739)	5	\$ (2,947)	\$ 0
June 30, 2020	\$ 59,579	5	\$ 11,916	\$ 11,915
June 30, 2021	\$ 134,265	5	\$ 26,853	\$ 53,706
June 30, 2022	\$ (2,600,504)	5	\$ (520,101)	\$ (1,560,302)
June 30, 2023	\$ 3,709,294	5	\$ 741,859	\$ 2,967,435

As of fiscal year ending June 30, 2023	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 545,962	\$ (204,454)
Changes in assumptions	2,148,727	0
Net difference between projected and actual earnings in OPEB plan investments	1,472,754	0
Contributions subsequent to the measurement date	2,240,908	N/A
<b>Total</b>	<b>\$ 6,408,351</b>	<b>\$ (204,454)</b>

## Annual Amortization of Deferred Outflows / (Inflows)

The balances as of fiscal year ending June 30, 2023 of the deferred outflows / (inflows) of resources will be recognized in OPEB expense in the future fiscal years as noted below. Balances shown below do not include the recognition of any deferred outflows for contributions subsequent to the measurement date.

FYE	Balance
2024	\$ 791,282
2025	\$ 779,367
2026	\$ 752,513
2027	\$ 1,302,687
2028	\$ 337,140
Thereafter	\$ 0

Contributions subsequent to the measurement date (July 1, 2022 - June 30, 2022) include trust contribution of \$ 795,676, actual pay-as-you-go costs of \$1,249,053 and an estimated implicit subsidy benefit payment of \$196,179

# GASB Disclosures

## Novato Fire Protection District Interim 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 6.00%.
- The 1% decrease in discount rate would be 5.00%.
- The 1% increase in discount rate would be 7.00%.

As of June 30, 2023	Net OPEB Liability
1% Decrease	\$ 9,310,225
Current Discount Rate	\$ 6,727,804
1% Increase	\$ 4,567,905

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 6.25%, decreasing to an ultimate rate of 4.50%.
- The 1% decrease in health care trend rates would assume an initial rate of 5.25%, decreasing to an ultimate rate of 3.50%.
- The 1% increase in health care trend rates would assume an initial rate of 7.25%, decreasing to an ultimate rate of 5.50%.

As of June 30, 2023	Net OPEB Liability
1% Decrease	\$ 4,267,234
Current Trend Rates	\$ 6,727,804
1% Increase	\$ 9,671,367

\*The sensitivity results above account for 1% increase/decrease of the PEMHCA minimum contribution trend rate of 4% per year as well.

# GASB Disclosures

Novato Fire Protection District Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

## Asset Information

Asset Breakdown	FY 2021/22	FY 2022/23
<b>Assets</b>		
Cash and deposits	\$ 0	\$ 0
Securities lending cash collateral	0	0
Total cash	\$ 0	\$ 0
Receivables		
Contributions	\$ 0	\$ 0
Accrued interest	0	0
Total receivables	\$ 0	\$ 0
Investments		
Fixed income	\$ 0	\$ 0
Equities	0	0
Mutual Funds	17,225,472	15,992,062
Total investments	\$ 17,225,472	\$ 15,992,062
Total Assets	\$ 17,225,472	\$ 15,992,062
<b>Liabilities</b>		
Payables		
Investment management fees	\$ 0	\$ 0
Securities lending expense	0	0
Total liabilities	\$ 0	\$ 0
<b>Net Position Restricted to OPEB</b>	<b>\$ 17,225,472</b>	<b>\$ 15,992,062</b>

# GASB Disclosures

Novato Fire Protection District Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

## Asset Information (Continued)

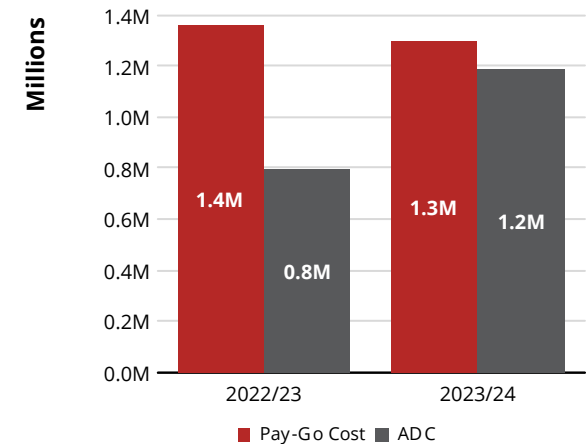
Asset Reconciliation	FY 2021/22	FY 2022/23
<b>Additions</b>		
Contributions Received		
Employer	\$ 2,303,743	\$ 2,594,729
Active employees	0	0
Total contributions	\$ 2,303,743	\$ 2,594,729
Investment Income		
Net increase in fair value of investments	\$ 3,517,690	\$ (2,461,263)
Interest and dividends	0	0
Investment expense, other than from securities lending	0	0
Securities lending income	0	0
Securities lending expense	0	0
Net investment income	\$ 3,517,690	\$ (2,461,263)
Total additions	\$ 5,821,433	\$ 133,466
<b>Deductions</b>		
Benefit payments	\$ 1,108,773	\$ 1,362,444
Administrative expenses	4,842	4,432
Other	0	0
Total deductions	\$ 1,113,615	\$ 1,366,876
Net increase in net position	\$ 4,707,818	\$ (1,233,410)
Net position restricted to OPEB		
Beginning of year	\$ 12,517,654	\$ 17,225,472
End of year	\$ 17,225,472	\$ 15,992,062

# Actuarially Determined Contributions

Novato Fire Protection District Interim GASB 74/75 Valuation For Fiscal Year Ending June 30, 2023

	FY 2022/23		FY 2023/24	
Discount rate (Funding)	7.00%		6.00%	
Payroll growth factor used for amortization	3.50%		3.50%	
Actuarial cost method	Entry Age Normal Level % of Salary		Entry Age Normal Level % of Salary	
Amortization type	Level Dollar		Level Dollar	
Amortization period (years)	9		8	
Actuarial Accrued Liability (AAL) - beginning of year	\$	20,402,727	\$	22,944,557
Actuarial Value of Assets (AVA) - beginning of year		(17,225,472)		(17,821,068)
Unfunded AAL - beginning of year	\$	3,177,255	\$	5,123,489
Normal Cost	\$	287,860	\$	341,215
Amortization of Unfunded AAL		455,762		778,364
Total normal cost plus amortization	\$	743,622	\$	1,119,579
Interest to end of year		52,054		67,175
Actuarially Determined Contribution - Preliminary	\$	795,676	\$	1,186,754
Expected Benefit Payments		1,220,227		1,445,232
<b>Actuarially Determined Contribution - Final</b>	<b>\$</b>	<b>795,676</b>	<b>\$</b>	<b>1,186,754</b>

## Cash Vs Accrual Accounting



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

FY 2022/23 and FY 2023/24 Actuarially Determined Contributions are shown for the actual fiscal years and do not reflect the beginning of year measurement date. They are assumed to be paid at the end of the fiscal years.

# Projection of GASB Disclosures

## Novato Fire Protection District Interim 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	\$ 20,402,727	\$ 22,719,866
Normal cost as of beginning of year	257,417	329,676
Exp. benefit payments during the year	(1,362,444)	(1,445,232)
Interest adjustment to end of year	1,399,331	1,340,247
Exp. TOL as of end of year	\$ 20,697,031	\$ 22,944,557
Actuarial Loss / (Gain)	2,022,835	TBD
<b>Actual TOL as of end of year</b>	<b>\$ 22,719,866</b>	<b>\$ TBD</b>

Discount rate as of beginning of year	7.00%	6.00%
Discount rate as of end of year	6.00%	TBD

Projection of Actuarial Value of Assets (AVA)	FY 2022/23	FY 2023/24
AVA as of beginning of year	\$ 17,225,472	\$ 15,992,062
Exp. employer contributions during the year	2,594,729	2,240,908
Exp. benefit payments during the year	(1,362,444)	(1,445,232)
Expected investment income	1,248,031	1,041,394
Exp. Trust administrative expenses	(4,432)	(8,064)
Exp. AVA as of end of year	\$ 19,701,356	\$ 17,821,068
Differences between expected and actual experience	(3,709,294)	TBD
<b>AVA as of end of year</b>	<b>\$ 15,992,062</b>	<b>\$ TBD</b>

Expected asset return as of beginning of year	7.00%	6.00%
Expected asset return as of end of year	6.00%	TBD

FY 2023/24 Expected Actuarial Value of Assets as of end of year is the actual assets from 6/30/23 CERBT statement.



# Discussion of Discount Rates

## Novato Fire Protection District Interim 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 6.00%, consistent with information provided by CERBT. The OPEB Plan's target asset allocation effective October 2022 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 CERBT – Strategy 1	Target Allocation	L/T Expected Real ROR <sup>1</sup>
Global Equity	49.00%	N/A
Global Debt Securities	23.00%	N/A
Inflation Assets	5.00%	N/A
Commodities	3.00%	N/A
REITs	20.00%	N/A
Total	100.00%	6.00%

Yield as of	June 30, 2021	June 30, 2022
Bond Buyer Go 20-Bond Municipal Bond Index	2.16%	3.54%
S&P Municipal Bond 20-Year High Grade Rate Index	2.19%	4.09%
Fidelity 20-Year Go Municipal Bond Index	1.94%	3.69%
Bond Index Range	1.94% - 2.19%	3.54% - 4.09%

3. The final equivalent single discount rate used for this year's valuation is 6.00%. The City's funding policy is to fund for its retiree health benefits through California Employers' Retiree Benefit Trust 1 and does not reimburse for its current retiree payments from the Trust.

<sup>1</sup> Consistent with the information provided by CERBT. L/T Expected Real ROR is not provided by asset class from CERBT and therefore shown as N/A here.

# Actuarial Methods and Assumptions

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## Novato Fire Protection District Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

For a complete summary of actuarial methods and assumptions, refer to the GASB 75 actuarial valuation report for the fiscal year ending June 30, 2022.

### Measurement Date

For fiscal year ending June 30, 2023, a June 30, 2022 measurement date was used.

### Actuarial Valuation Date

July 1, 2021

Liabilities as of June 30, 2022 are based on an actuarial valuation date of July 1, 2021 projected to June 30, 2022, reflecting actual premium increases and discount rate changes.

Liabilities as of June 30, 2021 are based on an actuarial valuation date of July 1, 2021 with no adjustments to get to the June 30, 2021 measurement date.

### Benefit Payments

OPEB plan benefit payments made subsequent the measurement date of June 30, 2022 are recognized as a deferred outflow of resources in the fiscal year ending June 30, 2023 financial reporting period. An offsetting cash credit adjustment for benefits paid during the fiscal year is made in the Plan Sponsor's journal entries. This adjustment is not explicitly shown in the GASB 75 report. The OPEB benefit payments subsequent the measurement date of June 30, 2022 will be reflected in the Plan Sponsor's Schedule of Changes in Net OPEB Liability disclosure in the FY 2023/24 reporting period.

### Discount Rate

6.00% as of June 30, 2022 and 7.00% as of June 30, 2021 for accounting disclosure purposes. Refer to the Discussion of Discount Rates section for more information on selection of the discount rate.

The discount rate was chosen by the District based on the information provided in the "Discussion of Discount Rates" section above.

### Long-Term Expected Rate of Return

6.00% as of June 30, 2022 and 7.00% as of June 30, 2021 under CERBT Asset Allocation Strategy 1. Refer to the Discussion of Discount Rates section for more information on selection of the discount rate.

### Payroll Growth

3.50% per annum

### 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.

# Actuarial Methods and Assumptions

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Novato Fire Protection District Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

## Health Care Trend Rates

FYE	Pre-65	PEMHCA MRC
2022	Actual*	Actual*
2023	6.25%	4.00%
2024	6.00%	4.00%
2025	5.75%	4.00%
2026	5.50%	4.00%
2027	5.25%	4.00%
2028	5.00%	4.00%
2029	4.75%	4.00%
2030+	4.50%	4.00%

\* FYE 2022 Health Care Trend Rates are based on the actual rate of increase from the medical premium rates from 2022 to 2023

**PEMHCA Minimum Required Contribution** The PEMHCA minimum required contribution (MRC) is assumed to increase 4% per year. Actual increases were reflected for 2023.

## 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.

**CalPERS 2021 Aging Factors** Aging factors are used to develop per capita costs by age for plans with limited credible exposure to develop plan-specific factors. Aging factors used for this valuation are the CalPERS 2021 aging factors. We are not aware of any weakness or limitations in the factors and have determined they are appropriate for performing this valuation.

# Actuary's Notes

## Novato Fire Protection District Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Interim year valuation results have been projected from the prior year's valuation, with adjustments for actual premium increases and CalPERS PEHMCA MRC increases from 2022 to 2023. The impact of this change was a slight decrease in liabilities.

Additionally, we have updated the discount rate assumption to 7.00% as of June 30, 2021 and 6.00% as of June 30, 2022. Refer to the Discussion of Discount Rates section for more information on selection of the discount rate. Making this change resulted in a significant increase in liabilities.

### Premium Rates

The District participates in the CalPERS Health Program, a community-rated program, for its medical coverage. The tables below summarize the 2023 monthly medical premiums for the primary medical plans in which the retirees are enrolled.

<b>2023 CalPERS Premiums - Region 1</b>	<b>Kaiser</b>	<b>BS Access+</b>	<b>BS Trio</b>	<b>PERS Gold</b>	<b>PERS Platinum</b>	<b>Western Health</b>
Retiree Only	\$ 913.74	\$ 1,035.21	\$ 888.94	\$ 825.61	\$ 1,200.12	\$ 760.17
Retiree plus Spouse	\$ 1,827.48	\$ 2,070.42	\$ 1,777.88	\$ 1,651.22	\$ 2,400.24	\$ 1,520.34
<b>2023 CalPERS Premiums - Region 1</b>	<b>UHC Alliance</b>	<b>Anthem HMO Select</b>	<b>Anthem HMO Traditional</b>	<b>Health Net SmartCare</b>	<b>PORAC</b>	
Retiree Only	\$ 1,044.07	\$ 1,128.83	\$ 1,210.71	\$ 1,174.50	\$ 825.00	
Retiree plus Spouse	\$ 2,088.14	\$ 2,257.66	\$ 2,421.42	\$ 2,349.00	\$ 1,875.00	

# Appendix

## Novato Fire Protection District Interim 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 6.00%.

Present Value of Employer Contributions	Explicit	Implicit	Total
Active	\$ 7,216,143	\$ 2,557,118	\$ 9,773,261
Retirees	\$ 13,592,413	\$ 1,593,439	\$ 15,185,852
<b>Total</b>	<b>\$ 20,808,556</b>	<b>\$ 4,150,557</b>	<b>\$ 24,959,113</b>

Total (Accrued) OPEB Liability	Explicit	Implicit	Total
Active	\$ 5,562,781	\$ 1,971,233	\$ 7,534,014
Retirees	\$ 13,592,413	\$ 1,593,439	\$ 15,185,852
<b>Total</b>	<b>\$ 19,155,194</b>	<b>\$ 3,564,672</b>	<b>\$ 22,719,866</b>

Projected Employer Contributions - FYE*	Explicit	Implicit	Total
2024	\$ 1,249,053	\$ 196,179	\$ 1,445,232
2025	\$ 1,182,226	\$ 211,052	\$ 1,393,278
2026	\$ 1,259,761	\$ 238,235	\$ 1,497,996
2027	\$ 1,326,010	\$ 246,171	\$ 1,572,181
2028	\$ 1,371,263	\$ 265,166	\$ 1,636,429
2029	\$ 1,411,759	\$ 275,977	\$ 1,687,736
2030	\$ 1,449,839	\$ 303,424	\$ 1,753,263
2031	\$ 1,487,279	\$ 339,008	\$ 1,826,287
2032	\$ 1,511,963	\$ 356,170	\$ 1,868,133

\* Projected Employer Contributions reflect a beginning of year measurement date; so FYE 2024 contributions are the projected contributions for the measurement period from July 1, 2022 to June 30, 2023