February 15, 2024

Juan Pablo Herrera
Chief Business Officer
Palisades Charter High School (PCHS)
15777 Bowdin Street
Pacific Palisades, CA 90272

Re: ASC 715-60 Retiree Medical Final Disclosures for June 30, 2023 and Net Postretirement Benefit Cost for Fiscal Years Ending June 30, 2023 and June 30, 2024

Dear Juan Pablo:

This report sets forth the results of our actuarial valuation of the PCHS's post-retirement medical plan as of June 30, 2023.

Enclosed are the following exhibits that develop our results:

- Executive Summary
- Postretirement Benefit Obligations and Funded Status
- Net Periodic Benefit Cost and Changes in Unrestricted Net Assets
- Changes in Accrued Cost and Unrecognized Items
- Accumulated Postretirement Benefit Obligation
- Additional Information
- Funding Schedule
- Benefit plan provisions
- Valuation data
- Actuarial assumptions
- Actuarial certification.

We appreciate the opportunity to be of service to PCHS and are available to answer any questions you may have regarding this report.

Sincerely,
Foster & Foster Consulting Actuaries, Inc.

Carlos Diaz, ASA, EA, MAAA
Senior Consulting Actuary

Executive Summary

The purpose of this report is to assist PCHS in complying with the accounting and disclosure requirements of ASC 715-60 for the 2022-2023 fiscal year and determine PCHS's annual expense for the 2023-2024 fiscal year.

Some of the highlights of our findings are as follows:

- The postretirement benefit obligations and annual expense under the accrual accounting standards of ASC 715-60, using a valuation date of June 30, 2023, are as follows:

Expected Postretirement Benefit Obligation	$18,618,814
Accumulated Postretirement Benefit Obligation	16,982,950
Fair Value of Plan Assets	4,983,286
Funded Status (Liability)	(11,999,664)
Net Periodic Benefit Cost for 2022-2023	$1,186,499
Total Recognized in CUNA for 2022-2023	(498,374)
Net Periodic Benefit Cost for 2023-2024	$1,162,576
Total Recognized in CUNA for 2023-2024	(243,658)

- The Accumulated Postretirement Benefit Obligation increased by approximately 0.8% compared to the amount reported in PCHS's June 30, 2022 financial statement. The estimated changes are as follows:

Benefit obligation at beginning of year	$16,849,037
Service cost	346,419
Interest cost	825,540
Benefits paid	(684,825)
Change in census	(58,397)
Change in healthcare premiums different than expected	(298,521)
Change in employer caps different than expected	3,697
Benefit obligation at end of year	$16,982,950

- The Fair Value of Plan Assets increased by approximately 2.7% compared to the amount reported in PCHS's June 30, 2022 financial statement.

	06/30/2023	06/30/2022
Benefit obligation	$16,982,950	$16,849,037
Fair Value of Plan Assets	4,983,286	4,852,673

The balance of this report describes our findings in detail.

Disclosure – Postretirement Benefit Obligations and Funded Status

	Fiscal Year End		
	06/30/2024 Projected	06/30/2023 Actual	06/30/2022 Actual
Change in Benefit Obligation			
Benefit obligation at beginning of year	$16,982,950	$16,849,037	$14,438,638
Service cost	333,377	346,419	431,934
Interest cost	834,705	825,540	710,371
Plan participants' contributions	0	0	0
Amendments	0	0	0
Actuarial (gains)/losses	0	(353,221)	1,736,241
Benefits paid[a]	(584,869)	(684,825)	(468,147)
Benefit obligation at end of year	**$17,566,163**	**$16,982,950**	**$16,849,037**
Change in Plan Assets			
Fair value at beginning of year	$4,983,286	$4,852,673	$0
Actual (expected) return on plan assets	249,164	130,613	(147,327)
Employer contributions[a]	584,869	684,825	5,468,147
Plan participants' contributions	0	0	0
Benefits paid[a]	(584,869)	(684,825)	(468,147)
Other disbursements	0	0	0
Fair value at end of year	**$5,232,450**	**$4,983,286**	**$4,852,673**
Funded Status	**$(12,333,713)**	**$(11,999,664)**	**$(11,996,364)**
Amounts Recognized in Statement of Financial Position (SFP)			
Non-current assets	$0	$0	$0
Current liabilities	(617,109)	(584,869)	(557,329)
Non-current liabilities	(11,716,604)	(11,414,795)	(11,439,035)
Total recognized in SFP	**$(12,333,713)**	**$(11,999,664)**	**$(11,996,364)**
Amounts Recognized in Changes in Unrestricted Net Assets (CUNA)			
Net transition obligation	$3,863,690	$4,415,646	$4,967,602
Prior service cost (credit)	0	0	0
Net actuarial loss (gain)	(4,636,374)	(4,944,672)	(4,998,254)
Total recognized in CUNA	**$(772,684)**	**$(529,026)**	**$(30,652)**
Total Recognized in SFP and CUNA	**$(13,106,397)**	**$(12,528,690)**	**$(12,027,016)**
Weighted Average Assumptions			
Discount rate	5.00%	5.00%	5.00%
Expected return on assets	5.00%	5.00%	5.00%
Assumed Healthcare Trend Rates			
Initial medical/Rx rate	5.50%	6.00%	6.50%
Ultimate medical/Rx rate	4.00%	4.00%	4.00%
Year ultimate rate is reached	2070	2070	2070

[a] Includes adjustment for implicit subsidy credit ($56,553, $40,888, and $43,754 for 2023-24, 2022-23, and 2021-22, respectively).

Disclosure – Net Periodic Benefit Cost and Changes in Unrestricted Net Assets

	Fiscal Year End		
	06/30/2024	**06/30/2023**	**06/30/2022**
	Projected	**Actual**	**Actual**
Net Periodic Benefit Cost			
Service cost	$333,377	$346,419	$431,934
Interest cost	834,705	825,540	710,371
Expect return on assets	(249,164)	(242,634)	(82,888)
Amortization of transition obligation	551,956	551,956	551,956
Amortization of prior service cost	0	0	0
Amortization of net loss (gain)	(308,298)	(294,782)	(498,721)
Total Net Periodic Benefit Cost (NPBC)	**$1,162,576**	**$1,186,499**	**$1,112,652**
Other Changes Recognized in Changes in Unrestricted Net Assets (CUNA)			
Prior service cost for period	$0	$0	$0
Net loss (gain) for period	0	(241,200)	1,966,456
Amortization of transition obligation	(551,956)	(551,956)	(551,956)
Amortization of prior service cost	0	0	0
Amortization of net loss (gain)	308,298	294,782	498,721
Total recognized in CUNA	**$(243,658)**	**$(498,374)**	**$1,913,221**
Total Recognized in NPBC and CUNA	**$918,918**	**$688,125**	**$3,025,873**
Weighted Average Assumptions			
Discount rate	5.00%	5.00%	5.00%
Expected return on assets	5.00%	5.00%	5.00%
Assumed Healthcare Trend Rates			
Initial medical/Rx rate	6.00%	6.50%	6.00%
Ultimate medical/Rx rate	4.00%	4.00%	4.00%
Year ultimate rate is reached	2070	2070	2070

Supplemental Information – Changes in Accrued Cost and Unrecognized Items

	Fiscal Year End		
	06/30/2024	**06/30/2023**	**06/30/2022**
	Projected	**Actual**	**Actual**
Change in (Accrued) Benefit Cost			
(Accrued) benefit cost at beginning	$(12,528,690)	$(12,027,016)	$(16,382,511)
Net periodic benefit cost	(1,162,576)	(1,186,499)	(1,112,652)
Employer contributions	584,869	684,825	5,468,147
(Accrued) benefit cost at end of year	**$(13,106,397)**	**$(12,528,690)**	**$(12,027,016)**
Change in Net Transition Obligation			
Net transition obligation at beginning	$4,415,646	$4,967,602	$5,519,558
Amount recognized	(551,956)	(551,956)	(551,956)
Other adjustments	0	0	0
Net transition obligation at end of year	**$3,863,690**	**$4,415,646**	**$4,967,602**
Change in Unrecognized Prior Service Cost			
Unrecognized prior service cost at beginning of year	$0	$0	$0
Amount recognized	0	0	0
Amendments	0	0	0
Other adjustments	0	0	0
Unrecognized prior service cost at end of year	**$0**	**$0**	**$0**
Change in Unrecognized Net Loss (Gain)			
Unrecognized net loss (gain) at beginning of year	$(4,944,672)	$(4,998,254)	$(7,463,431)
Amount recognized	308,298	294,782	498,721
Actuarial losses (gains) deferred	0	(241,200)	1,966,456
Other adjustments	0	0	0
Unrecognized net loss (gain) at end of year	**$(4,636,374)**	**$(4,944,672)**	**$(4,998,254)**
Recognition of Cumulative Net Loss (Gain)			
1. Cumulative loss (gain) at beginning of year	$(4,944,672)	$(4,998,254)	$(7,463,431)
2. Greater of benefit obligation and fair value of asset	16,982,950	16,849,037	14,438,638
3. 10% corridor of (2)	1,698,295	1,684,904	1,443,864
4. Amount subject to recognition	(3,246,377)	(3,313,350)	(6,019,567)
5. Average future service	10.53	11.24	12.07
6. Amount to recognize: (4) ÷ (5)	**$(308,298)**	**$(294,782)**	**$(498,721)**

Supplemental Information – Accumulated Postretirement Benefit Obligation

Accumulated Postretirement Benefit Obligation (APBO) by Status

	Fiscal Year End		
	06/30/2024	**06/30/2023**	**06/30/2022**
	Projected	**Actual**	**Actual**
Actives fully eligible	3,245,935	3,091,367	2,504,315
Other actives	6,983,372	6,333,327	6,501,007
Retirees	7,336,856	7,558,256	7,843,715
Total	**$17,566,163**	**$16,982,950**	**$16,849,037**

Effect on APBO of a 1% Increase or Decrease in Healthcare Trend Rates

As of June 30, 2023	1% Increase	1% Decrease
Accumulated postretirement benefit obligation	$19,813,653	$14,701,730
Amount change	2,830,703	(2,281,220)
Percent change	16.7%	-13.4%

Implicit Subsidy and ASOP 6

When premiums charged for retiree healthcare are lower than expected claims, an implicit subsidy is realized. This occurs, for example, when pre-Medicare retirees are afforded medical coverage at the same rates as active employees.

Actuarial Standard of Practice No. 6 (ASOP 6), revised in May 2014, provides guidance in measuring OPEB obligations and determining periodic costs or actuarially determined contributions. The standard specifies that in (almost all instances), the actuary must include the value of this implicit subsidy in the liabilities.

This valuation reflects a value for the implicit subsidy equal to $1,883,378.

Supplemental Information – Additional Information

Expected Benefit Payments (Based on Age-Adjusted Costs)

Fiscal Year Begin	Pay-as-You-Go	Adjustment	Age-Adjusted
2023	$528,316	$56,553	$584,869
2024	559,453	57,656	617,109
2025	582,686	55,731	638,417
2026	624,064	62,164	686,228
2027	685,149	73,971	759,120
2028-2032	4,110,612	525,538	4,636,150

Other Information

1. Amounts invested in each major category of assets, investment policy:

Equities	4.83%
Mutual Funds	25.83%
Government Securities	67.10%
Cash	2.24%

2. Best estimate of contributions to be made in the June 30, 2024 fiscal year: $584,869.
3. Amount recognized in Statement of Financial Position as of June 30, 2023: $(11,999,664).
4. Amounts to be recognized as components of net postretirement benefit cost over the June 30, 2024 fiscal year:

Net transition obligation	$551,956
Net actuarial (gain)/loss	$(308,298)
Net prior service cost/(credit)	$0

Funding Schedule

There are many ways to approach the pre-funding of retiree healthcare benefits. In the Disclosure section, we determined the annual expense for all PCHS-paid benefits. The expense is an orderly methodology, developed by the FASB, to account for retiree healthcare benefits. This amount will fluctuate from year to year based on the asset performance and as the population matures. However, the Net Periodic Benefit Cost (NPBC) has no direct relation to amounts PCHS may set aside to pre-fund healthcare benefits.

The table on the next page provides PCHS with three alternative schedules for funding (as contrasted with expensing) retiree healthcare benefits. The schedules assume that retiree funds are held internally and earn, or are otherwise credited with, an average of 5.00% per year on investments, and that contributions and benefits are paid mid-year.

The schedules are:

1. A level contribution amount for the next 20 years.
2. A level percent of the Unfunded Accrued Liability.
3. A constant percentage (3%) increase for the next 20 years.

We provide these funding schedules to give PCHS a sense of the various alternatives available to it to pre-fund its retiree healthcare obligation. The funding schedules are simply different examples of how PCHS may choose to spread its costs.

By comparing the schedules, you can see the effect that early pre-funding has on the total amount PCHS will eventually have to pay. Because of investment earnings on fund assets, the earlier contributions are made, the less PCHS will have to pay in the long run. Of course, the advantages of pre-funding will have to be weighed against other uses of the money.

The tables on the following pages show the required annual outlay under the pay-as-you-go method and each of the above schedules. The three funding schedules include the "pay-as-you-go" costs; therefore, the amount of pre-funding is the excess over the "pay-as-you-go" amount.

These numbers are computed on a closed group basis and assume no new entrants.

Treatment of Implicit Subsidy

We exclude the implicit subsidy from these funding schedules because we do not recommend that the District pre-fund for the full age-adjusted costs reflected in the liabilities shown in the first section of this report. If the District's premium structure changes in the future to explicitly charge under-age 65 retirees for the full actuarial cost of their benefits, this change will be offset by a lowering of the active employee rates (all else remaining equal), resulting in a direct reduction in District operating expenses on behalf of active employees from that point forward. For this reason, among others, we believe that pre-funding of the full GASB liability would be redundant.

Funding Schedule (continued)

Sample Funding Schedules (Closed Group)
Starting Asset Value of $4,983,286 as of June 30, 2023

Fiscal Year Beginning	Pay-as-you-go	Level Contribution for 20 years	Level % of Unfunded Liability	Constant Percentage Increase
2023	$528,316	$905,830	$1,524,120	$707,097
2024	559,453	905,830	1,391,153	728,310
2025	582,686	905,830	1,272,150	750,159
2026	624,064	905,830	1,165,479	772,664
2027	685,149	905,830	1,069,949	795,844
2028	727,302	905,830	984,419	819,719
2029	771,589	905,830	907,516	844,311
2030	821,997	905,830	838,214	869,640
2031	871,959	905,830	775,597	895,729
2032	917,765	905,830	718,794	922,601
2033	962,894	905,830	667,017	950,279
2034	1,016,763	905,830	619,578	978,788
2035	1,049,937	905,830	569,409	1,008,151
2036	1,071,186	905,830	509,996	1,038,396
2037	1,101,995	905,830	456,788	1,069,548
2038	1,133,100	905,830	409,138	1,101,634
2039	1,141,553	905,830	366,465	1,134,683
2040	1,163,190	905,830	328,249	1,168,724
2041	1,179,299	905,830	294,024	1,203,786
2042	1,181,158	905,830	263,375	1,239,899
2043	1,185,005	0	235,926	0
2044	1,188,367	0	211,343	0
2045	1,199,226	0	189,328	0
2046	1,188,019	0	169,612	0
2047	1,190,944	0	151,955	0
2048	1,183,676	0	136,142	0
2049	1,174,120	0	121,979	0
2050	1,128,168	0	109,295	0
2051	1,114,512	0	97,934	0
2052	1,087,920	0	87,758	0
2053	1,059,153	0	78,644	0
2054	1,028,215	0	70,480	0
2055	1,004,391	0	63,167	0
2055	1,004,391	0	63,167	0
2060	804,389	0	36,563	0
2065	568,959	0	21,195	0
2070	338,213	0	12,297	0

Benefit Plan Provisions

PCHS provides health benefits to certain eligible employees at retirement. The retiree health benefits provided are a continuation of the medical including prescription drugs, dental and vision benefits provided to active employees. The retiree health coverage is paid for entirely by PCHS for the lifetime of the retiree except retirees electing the higher PPO plans must pay the difference in cost. Survivors of deceased retirees may continue health coverage, at their own expense.

Eligibility for retiree health benefits requires the following:

- Future retiree must be enrolled in the health plan prior to retirement date.
- Future retiree must be in receipt of monthly payment from STRS or PERS.
- Active employees must meet the following years of service requirements at retirement as described in the respective bargaining agreements.

UTLA	
Date of Hire	Service Requirement
Before March 11, 1984	Five consecutive years prior to retirement
March 11, 1984 to June 30, 1987	10 consecutive years prior to retirement
July 1, 1987 to May 31, 1992	15 consecutive years prior to retirement, or 20 with 10 consecutive years prior to retirement
June 1, 1992 to June 30, 2009	Age plus consecutive years of qualifying service greater than or equal to 80, with at least 10 consecutive years of qualifying service
On or after July 1, 2009	Not eligible for PCHS-paid health benefits

PESPU	
Date of Hire	Service Requirement
Before March 11, 1984	Five consecutive years prior to retirement
March 11, 1984 to June 30, 1987	10 consecutive years prior to retirement
July 1, 1987 to May 31, 1992	15 consecutive years prior to retirement, or 20 years with 10 consecutive years prior to retirement
June 1, 1992 to June 30, 2008	Age plus consecutive years of qualifying service greater than or equal to 80, with at least 10 consecutive years of qualifying service
July 1, 2008 to June 30, 2012	Age plus consecutive years of qualifying service greater than or equal to 80, with at least 20 consecutive years of qualifying service
On or after July 1, 2012	Not eligible for PCHS-paid health benefits

- Retirees must be enrolled in Medicare Part A if eligible; and must enroll in Part B.

Employees who defer their retirement after separation from service with PCHS are not eligible for PCHS-paid health benefits.

PCHS provides retiree health coverage through health plans available through SISC. The following table summarizes the monthly premiums for the health benefit coverage provided by PCHS. These rates went into effect as of October 1, 2022:

	Kaiser	California Care	Blue Cross 90/$10	Blue Cross 90/$20	Blue Cross 80/$20	Companion Care
Retiree Only	NA	$982.00	$1,126.00	$1,044.00	$905.00	NA
Retiree Plus Spouse	NA	1,390.00	1,580.00	1,468.00	1,277.00	NA
Retiree Plus Family	NA	1,768.00	2,009.00	1,866.00	1,624.00	NA
Retiree Only - Medicare	$193.00	$591.00	$516.00	$516.00	$516.00	$384.00
Retiree Plus Spouse - Medicare	386.00	1,182.00	1,032.00	1,032.00	1,032.00	768.00

	Delta Premier	Delta PPO Plan	VSP Vision Plan
Retiree Only	$50.00	$57.80	$12.30
Retiree Plus Spouse	100.00	116.00	24.60
Retiree Plus Family	132.00	159.60	36.90

Valuation Data

Age distribution of retirees included in the valuation

Age	Count
Under 55	2
55-59	1
60-64	5
65-69	11
70-74	17
75-79	10
80-84	2
85+	0
Total	48
Average Age	70.0

Age/Years of service distribution of active employees included in the valuation

	Year of Service								
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
<25	0	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	0	0	0
35-39	0	0	0	2	0	0	0	0	2
40-44	0	0	1	3	0	0	0	0	4
45-49	0	0	2	9	2	0	0	0	13
50-54	0	0	0	7	5	6	0	0	18
55-59	0	0	0	10	1	5	2	0	18
60-64	0	0	2	5	1	1	1	0	10
65+	0	0	0	4	4	0	0	0	8
All Ages	0	0	5	40	13	12	3	0	73

Average Age	55.1
Average Service	20.8

Actuarial Assumptions

The liabilities set forth in this report are based on the following actuarial assumptions:

Valuation Date:	June 30, 2023
Measurement Date:	June 30, 2023
Census Date:	June 30, 2023
Discount Rate:	5.00% – based on discussions between PCHS and financial advisors and subject to auditor approval.
Return on Assets:	5.00%
Pre-retirement Turnover:	CalSTRS 2020 turnover assumption.
Mortality:	RPH2014 mortality table with generational projection scale MP-2021.

Retirement Rates:

Age	Male	Female
55	2.7%	4.5%
56	1.8%	3.2%
57	1.8%	3.2%
58	2.7%	4.1%
59	4.5%	5.4%
60	6.3%	9.0%
61	6.3%	9.0%
62	10.8%	10.8%
63	13.5%	16.2%
64	10.8%	13.5%
65	10.8%	14.4%
66	10.0%	13.5%
67	10.0%	13.5%
68	10.0%	13.5%
69	10.0%	13.5%
70	100.0%	100.0%

Medical Claim Cost: Annual Per Retiree or Spouse:

Age	Medical	Dental/Vision
50	$10,272	$794
55	12,444	794
60	15,012	794
64	17,784	794
65	5,628	794
70	5,424	794
75	5,832	794

Trend Rate:

Year	Pre-Medicare	Medicare	Dental/Vision
2023	6.00%	4.50%	3.00%
2024	5.50%	4.50%	3.00%
2025-2029	5.25%	4.50%	3.00%
2030-2039	5.00%	4.00%	3.00%
2040-2049	4.75%	4.00%	3.00%
2050-2069	4.50%	4.00%	3.00%
2070+	4.00%	4.00%	3.00%

Percent of Retirees with Spouses: Future Retirees: 50% married or with domestic partner; female spouses assumed three years younger than male spouses.

Current Retirees: Actual spousal ages used if applicable.

Amortization of unrecognized gains and losses: Minimum method under FAS 106.

Actuarial Certification

The results set forth in this report are based on our actuarial valuation of the health and welfare benefit plans of the Palisades Charter High School (PCHS), as of June 30, 2023.

The valuation was performed in accordance with generally accepted actuarial principles and practices. We relied on census data for active employees and retirees provided to us by PCHS. We also made use of claims, premium, expense, and enrollment data, and copies of relevant sections of healthcare documents provided to us by PCHS.

The assumptions used in performing the valuation, as summarized in this report, and the results based thereupon, represent our best estimate of the actuarial costs of the program under FASB ASC 715-60, and the existing and proposed Actuarial Standards of Practice for measuring post-retirement healthcare benefits.

Throughout the report, we have used unrounded numbers, because rounding and the reconciliation of the rounded results would add an additional, and in our opinion unnecessary, layer of complexity to the valuation process. By our publishing of unrounded results, no implication is made as to the degree of precision inherent in those results. Clients and their auditors should use their own judgment as to the desirability of rounding when transferring the results of this valuation report to the clients' financial statements.

The undersigned actuary meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

Certified by:

Carlos Diaz, ASA, EA, MAAA
Actuary