January 10, 2018

Mr. Greg Wood
Chief Business Officer
Palisades Charter High School
15777 Bowdoin Street
Pacific Palisades, CA 90272

Re: Retiree Health Benefits Study

Dear Mr. Wood:

Palisades Charter High School (PCHS) sponsors a retiree health benefits program for eligible employees at retirement. PCHS recently (in 2016) had Nyhart complete an actuarial valuation to provide the information necessary to comply with accounting requirements applicable to its program. Under the current plan the retiree health coverage is paid for entirely by PCHS for the lifetime of the eligible retiree except retirees electing the higher PPO plans must pay the difference in cost. PCHS is currently reviewing possible changes to the retiree health benefits program including PCHS contribution towards eligible coverage. PCHS is has requested assistance from Nyhart in order to measure the impact on costs. The proposed changes include the following:

- Option 1. Existing employees (excludes currently retired) will no longer receive a PCHS contribution for spouse and dependent coverage.
- Option 2. Existing employees (excludes currently retired) will no longer receive future increases in PCHS contributions. The contributions will be fixed based on the amounts from the prior valuation.
- Option 3. Existing employees (excludes currently retired) will receive a PCHS contribution based on the premium cost for the Kaiser HMO.

In order to measure the impact of the above changes, we updated the prior valuation results to reflect the described change only. All other plan provisions, assumptions and methods remain the same. Exhibit A shows the impact on the present value of the expected benefit obligation (EPBO), the accumulated benefit obligation (APBO - portion earned) and the service cost (cost for portion being earned in the upcoming period). The impact is measured assuming the change was in effect for the prior valuation. While the liabilities will change over time, the relative change will be similar.

We also performed additional analysis on the prior valuation to get liabilities on an individual basis. Exhibit B provides age service tables with the active employee counts as well as the total (average in the second table) EPBO, APBO and normal cost for those employees. This grid could be used by PCHS to determine the feasibility of eliminating future liability with a defined contribution arrangement.

As indicated above, the analysis of the cost and individual impact is based on the results and underlying assumptions as outlined in recent actuarial valuation report.

We have enjoyed working on this assignment and are available to answer any questions.

Sincerely,
NYHART

Marilyn K Jones, ASA, MAAA, EA, FCA
Consulting Actuary

Enclosures

MKJ:rl

EXHIBIT A. COMPARISON OF LIABILITIES UNDER CURRENT PLAN TO PLAN OPTIONS

The table below shows a comparison of impact on the plan liabilities under the current plan to the following plan options:

- Option 1. Existing employees (excludes currently retired) will no longer receive a PCHS contribution for spouse and dependent coverage.
- Option 2. Existing employees (excludes currently retired) will no longer receive future increases in PCHS contributions. The contributions will be fixed based on the amounts from the prior valuation.
- Option 3. Existing employees (excludes currently retired) will receive a PCHS contribution based on the premium cost for the Kaiser HMO.

Liability	Current Plan	Option 1	Option 2	Option 3
EPBO	$21,282,703	$17,455,628	$9,802,008	$13,956,387
Decrease from Current Plan		*($3,827,076)*	*($11,480,696)*	*($7,326,316)*
APBO	$16,064,296	$13,384,683	$8,328,800	$10,877,918
Decrease from Current Plan		*($2,679,613)*	*($7,735,496)*	*($5,186,377)*
Normal Cost	$628,005	$491,874	$204,598	$364,448
Decrease from Current Plan		*($136,131)*	*($423,407)*	*($263,557)*

The EPBO is the present value (in current dollars) of the PCHS expected benefits obligation, the APBO, is the accumulated benefit obligation (portion considered earned) and the normal cost is the cost for portion being earned in the upcoming period. The impact is measured assuming the change was in effect in the most recent (2016) valuation.