October 31, 2018

PRIVATE

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

Re: Palisades Charter High School Actuarial Valuation

Dear Mr. Wood:

We are presenting our report of the actuarial valuation conducted on behalf of Palisades Charter High School (PCHS) for its retiree health program for the fiscal year ending June 30, 2018.

The purpose of the report is to measure PCHS's liability for postretirement health benefits and to determine PCHS's accounting requirements under the Financial Accounting Standard Board Statement No. 106 (FAS 106) and158 codified under ASC 715 for PCHS's fiscal year ending June 30, 2018.

The Nyhart Company is an employee owned actuarial, benefits and compensation consulting firm specializing in group health and retiree health and qualified pension plan valuations. We have set forth the results of our valuation in this report.

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

Sincerely,
NYHART

Luis Murillo, ASA, MAAA
Consulting Actuary

Randy Gomez, FSA, MAAA
Consulting Actuary

LM:rl

Enclosure

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Palisades Charter High School

Actuarial Valuation
Retiree Health Program
Fiscal Year Ending June 30, 2018

August 2018

Palisades Charter High School
Actuarial Valuation
Retiree Health Program
Fiscal Year Ending June 30, 2018

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SECTION I. EXECUTIVE SUMMARY

Background

At the request of Palisades Charter High School (PCHS), Nyhart has performed an actuarial valuation of PCHS's postretirement welfare benefits for its fiscal year ending June 30, 2018. The valuation was prepared in accordance with the assumptions and methods specified by FAS 106 and FAS 158 as codified by ASC 715.

PCHS provides for the continuation of retiree health benefits to eligible employees at retirement. Retiree health benefits include medical, prescription drug, dental and vision coverage. PCHS currently pays the cost of coverage for the retiree and any covered dependents during the lifetime of the retiree. The PPO plans require an employer contribution. Eligibility for retiree health benefits varies based on when an employee was hired. Employees hired on or after July 1, 2009 (July 1, 2012 for PESPU employees) are not eligible for PCHS-paid retiree health benefits. Section V of the report details the plan provisions applicable to each employee group.

PCHS currently provides a contribution for medical, dental and vision benefits to 27 retirees. In addition, there are approximately 100 eligible active employees earning service credit towards eligibility for future retiree health benefits. Detailed information on the census data included in the valuation is presented in Section VI of the report.

Results of the Retiree Health Valuation

We have determined the actuarial liability or expected postretirement benefit obligation (EPBO) for the PCHS retiree health plan, as of July 1, 2017, is $20,928,968. This represents the present value of all contributions and benefits projected to be paid by PCHS for future retirees. If PCHS were to place this amount in a fund earning interest at the rate of 5% per year, and all other actuarial assumptions were met, the fund would have enough to pay all expected benefits. The valuation does not consider employees not yet hired as of the valuation date.

The actuarial liability is apportioned into the past service, current service and future service components using the projected unit credit cost method as required under FAS 106. The past service component is referred to as the accumulated postretirement benefit obligation or APBO and the current service component is referred to as the service cost. The APBO at July 1, 2017 is $16,874,687 and the service cost for the 2017/2018 fiscal year is $592,886.

Changes from Prior Valuation

The valuation reflects demographic and healthcare cost changes since the prior valuation. In addition, there were several assumption changes as noted in Section VII including updates to the medical and dental trend rates, and updates to the retirement and turnover. A reconciliation of the approximate change in the actuarial liability from the prior valuation is provided in the following table:

July 1, 2015 Valuation – 5.0% Discount Rate	**$20.4 Million**
Expected increase due to passage of time (interest less benefits paid)	1.6 Million
Decrease due to net experience gain (primarily healthcare cost less than assumed)	(1.7 Million)
Net increase due to assumption changes	(0.5 Million)
Inclusion of implicit subsidy	1.1 Million
July 1, 2017 Valuation – 5.0% Discount Rate	**$20.9 Million**

Fiscal Year 2017/2018 Net Periodic Postretirement Benefit Cost (Expense)

The results of the valuation including a reconciliation of the funded status of the plan at July 1, 2017 and projected to July 1, 2018 along with the development of the fiscal year 2017/2018 net periodic postretirement welfare benefit cost (expense) are presented in Section II of the report.

The fiscal year 2017/2018 net periodic postretirement welfare benefit cost is $1,982,846. The postretirement welfare benefit cost is the amount PCHS expenses as the cost of the retiree health program on its income statement each fiscal year and is calculated independent of any cash contributions or actual welfare benefit payments.

A projection for the fiscal year ending June 30, 2019 is also provided.

Funding

PCHS has not informed us of any funds eligible as plan assets under FAS 106. Under FAS 106, assets cannot be considered as employer contributions or plan assets unless they are segregated and restricted (usually in a trust) to be used for postretirement benefits. Currently, PCHS funds for retiree health benefits on a pay-as-you-go basis but has annually set aside monies earmarked for the payment of future retiree health benefits. The reported value of the assets set aside at June 30, 2018 is $6,383,360.

Section IV of the report shows the funded status reflecting the assets set aside at June 30, 2018. The funded status of the plan is 38% (assets set aside at June 30, 2018 divided by the projected APBO at June 30, 2018 = $6,383,360/$16,874,687). PCHS is currently contributing $691,000 per year for the payment of current and future retiree health benefits. The expected 2018/19 PCHS cost for health benefits for its current retirees is approximately $344,748. The excess over actual payments will be set aside for the payment of future retiree health benefits. If PCHS continues to contribute $691,000 per year, the contribution is estimated to exceed actual retiree health benefit payments in around 10 years. At that time, if PCHS continues to contribute $691,000 and uses the accumulated assets to pay future benefit amounts the accumulated assets will be depleted during the 2039/2040 fiscal year. This assumes that little or no earnings are allocated to the accumulated PCHS contributions in future years. PCHS has commenced investing the set aside assets and future earnings, depending on the investment strategy, may extend this date.

Section IV of the report provides sample funding strategies determined assuming different asset return rates, different payment patterns and different payment periods.

Actuarial Basis

The actuarial valuation is based on the assumptions and methods outlined in Section VII of the report. To the extent that a single or a combination of assumptions is not met the future liability may fluctuate significantly from its current measurement. As an example, the healthcare cost increase anticipates that the rate of increase in medical cost will be at moderate levels and decline over several years. Increases higher than assumed would bring larger liabilities and expensing requirements. The impact of a 1% higher and 1% lower healthcare trend rate is provided in Section II-E.

Another key assumption used in the valuation is the discount rate which is based on the expected rate of return of plan assets. The valuation is based on a discount (interest) rate of 5%. A 1% decrease in the discount rate would increase the APBO by 22%. A 1% increase in the discount rate would decrease the APBO by 16%.

ASC 715 requires that implicit rate subsidies be considered in the valuation of medical costs. An implicit rate subsidy occurs when the rates for retirees are the same as for active employees. Since pre-Medicare retirees are typically much older than active employees, their actual medical costs are almost always higher than for active employees. The valuation results were determined using the higher expected costs associated with retired employees assuming that the underlying morbidity is similar to other similarly situated California-based plans.

Scheduled to take effect in 2022, the "Cadillac Tax" is a 40% non-deductible excise tax on employer-sponsored health coverage that provides high-cost benefits. For insured plans, the insurance company is responsible for payment of the excise tax. For self-funded plans, the employer is responsible for payment of the excise tax. The valuation assumes that the PCHS premiums for covered health benefits remain below the projected dollar thresholds in all future years.

The valuation is based on the census information provided by PCHS. To the extent that the data provided lacks clarity in interpretation or is missing relevant information, this can result in liabilities different than those presented in the report. Often missing or unclear information is not identified until future valuations.

SECTION II. FINANCIAL RESULTS

A. Valuation Results as of July 1, 2017

The table below presents the employer liabilities associated with PCHS's retiree health benefits determined in accordance with FAS 106. The expected postretirement benefit obligation (EPBO) is the present value of all benefits projected to be paid under the program. The accumulated postretirement benefit obligation (APBO) reflects the amount attributable to the past service of current employees and retirees. The service cost reflects the accrual attributable for the current period.

1. Expected Postretirement Benefit Obligation (EPBO)	
Actives Not Fully Eligible	$13,398,017
Actives Fully Eligible	3,132,943
Retirees	4,398,008
Total EPBO	$20,928,968
2. Accumulated Postretirement Benefit Obligation (APBO)	
Actives Not Fully Eligible	$ 9,343,736
Actives Fully Eligible	3,132,943
Retirees	4,398,008
Total APBO	$16,874,687
3. Service Cost	$ 592,886
No. of Active Employees	100
Average Age	54
Average Past Service	19
No. of Retired Employees	27
Average Age	70

B. Reconciliation of Funded Status at July 1, 2017, Projected to June 30, 2018 and June 30, 2019

	Actual 6/30/2017	Projected 6/30/2018	Projected 6/30/2019
1. Accumulated Postretirement Benefit Obligation (APBO)			
Actives Not Fully Eligible	($ 9,343,736)	($10,403,809)	($11,546,530)
Actives Fully Eligible	(3,132,943)	(3,289,590)	(3,370,560)
Retirees	(4,398,008)	(4,382,949)	(4,332,240)
Total APBO	($16,874,687)	($18,076,348)	($19,249,329)
2. Plan Assets*	0	0	0
3. Funded Status	($16,874,687)	($18,076,348)	($19,249,329)
4. Unrecognized Transition Obligation	7,727,382	7,175,426	6,623,470
5. Unrecognized Prior Service Cost	0	0	0
6. Unrecognized Net (Gain)/Loss	(426,611)	(426,611)	(426,611)
7. (Accrued)/Prepaid Postretirement Benefit Cost	($ 9,573,916)	($11,327,533)	($13,052,470)

C. Net Periodic Postretirement Benefit Cost for Fiscal Year Ending

	6/30/2018	6/30/2019
1. Service Cost	$ 592,886	$ 622,530
2. Interest Cost	838,004	895,199
3. Expected Return on Assets	0	0
4. Amortization of Net (Gain)/Loss	0	0
5. Amortization of Prior Service Cost	0	0
6. Amortization of Transition Obligation	551,956	551,956
7. Net Periodic Postretirement Benefit Cost	$1,982,846	$2,069,685

D. Benefit Payments for Fiscal Year Ending

	6/30/2018	6/30/2019
1. Actual/Projected Benefit Payments	$ 229,229	$ 344,748

* PCHS has not reported any FASB eligible plan assets but has set aside assets and has commenced investing these assets for the future payment of retiree health benefits. The amount of set aside assets at June 30, 2018 is $6,383,360.

E. <u>Sample Disclosure for Fiscal Year Ending June 30, 2018</u>

	Projected 6/30/2018
1. Change in Benefit Obligation	
Benefit Obligation at Beginning of Year	$16,874,687
Service Cost	592,886
Interest Cost	838,004
Change Due to Plan Amendments	0
Change Due to (Gain)/Loss	0
Projected Benefits Paid	(229,229)
Benefit Obligation at End of Year	$18,076,348
2. Change in Plan Assets	
Fair Value of Plan Assets at Beginning of Year	$ 0
Expected/Actual Return of Plan Assets	0
Employer Contributions	232,785
Actual Benefits Paid	(232,785)
Fair Value of Plan Assets at End of Year	$ 0
3. Funded Status (2. minus 1.)	($18,076,348)
Unrecognized Net (Gain)/Loss	(426,611)
Unrecognized Prior Service Cost	0
Unrecognized Transition Obligation	7,175,426
Net Amount Recognized	($11,327,533)
4. Amount Recognized in Unrestricted Assets	
Net Actuarial (Gain)/Loss	(426,611)
Prior Service Cost	0
Unrecognized Net Transition Obligation	7,175,426
Net Amount Recognized	$ 6,748,815
5. Weighted Average Assumptions for Disclosure	
Discount Rate	5.0%
Initial Healthcare Trend Rate	7.0%
Ultimate Healthcare Trend Rate	5.0%
6. Components of Net Periodic Benefit Cost	
Service Cost)	$ 592,886
Interest Cost	838,004
Expected Return on Assets	(0)
Amortization of Net (Gain)/Loss	0
Amortization of Prior Service Cost	0
Amortization of Transition Obligation	551,956
Net Periodic Postretirement Benefit Cost	$1,982,846
7. Effect of a 1% Increase in Healthcare Trend	
Benefit Obligation	$3,515,760
Total Service Cost and Interest Cost	$ 340,974

	Projected 6/30/2018
8. Effect of a 1% Decrease in Healthcare Trend	
Benefit Obligation	($2,744,517)
Total Service Cost and Interest Cost	($ 263,035)

9. Estimated Future Benefit Payments	
2017/2018	$ 355,785
2018/2019	$ 344,748
2019/2020	$ 393,809
2020/2021	$ 451,284
2021/2022	$ 508,563
2022/2023	$ 556,405
2023/2024	$ 638,344
2024/2025	$ 698,948
2025/2026	$ 842,331
2026/2027	$ 940,591

SECTION III. PROJECTED CASH FLOWS

The valuation process includes the projection of the expected benefits to be paid under the Plan. This expected cash flow takes into account the likelihood of each employee reaching age for eligibility to retire and receive health benefits. The projection is performed by applying the turnover assumption to each active employee for the period between the valuation date and early retirement date. Once the employees reach the earliest retirement date, a certain percent are assumed to enter the retiree group each year. Once reaching the maximum retirement age all remaining employees are assumed to have retired. Employees already over the maximum retirement age as of the valuation date are assumed to retire immediately. The per capita cost as of the valuation date is projected to increase at the applicable healthcare trend rates both before and after the employee's assumed retirement. The projected per capita costs are multiplied by the number of expected future retirees in a given future year to arrive at the cash flow for that year. Also, a certain number of retirees will leave the group each year due to expected deaths and this group will cease to be included in the cash flow from that point forward. Because this is a closed-group valuation, the number of retirees dying each year will eventually exceed the number of new retirees, and the size of the cash flow will begin to decrease and eventually go to zero.

The expected employer cash flows for selected future years are provided in the following table:

Projected Employer Cash Flows – Representative Years

Fiscal Year	Future Retirees	Retired Employees	PCHS Total
2017/18	$ 0	$ 229,229	$ 229,229
2018/19	$ 81,473	$ 263,275	$ 344,748
2019/20	$ 120,323	$ 273,486	$ 393,809
2020/21	$ 166,186	$ 285,098	$ 451,284
2021/22	$ 215,603	$ 292,960	$ 508,563
2022/23	$ 257,123	$ 299,282	$ 556,405
2023/24	$ 334,470	$ 303,874	$ 638,344
2024/25	$ 391,170	$ 307,778	$ 698,948
2025/26	$ 447,446	$ 314,752	$ 762,198
2026/27	$ 525,317	$ 317,014	$ 842,331
2027/28	$ 622,329	$ 318,262	$ 940,591
2028/29	$ 691,805	$ 318,386	$ 1,010,191
2029/30	$ 773,419	$ 317,275	$ 1,090,694
2030/31	$ 866,294	$ 303,532	$ 1,169,826
2031/32	$ 966,551	$ 299,765	$ 1,266,316
2032/33	$ 1,036,299	$ 294,556	$ 1,330,855
2033/34	$ 1,136,388	$ 287,848	$ 1,424,236
2034/35	$ 1,223,449	$ 279,608	$ 1,503,057
2035/36	$ 1,284,785	$ 269,828	$ 1,554,613
2036/37	$ 1,346,838	$ 258,534	$ 1,605,372
2037/38	$ 1,412,897	$ 245,795	$ 1,658,692
2038/39	$ 1,485,996	$ 231,725	$ 1,717,721
2039/40	$ 1,539,191	$ 216,489	$ 1,755,680
2040/41	$ 1,586,177	$ 200,309	$ 1,786,486
2041/42	$ 1,620,781	$ 183,458	$ 1,804,239
2042/43	$ 1,682,685	$ 166,235	$ 1,848,920
2043/44	$ 1,725,045	$ 148,940	$ 1,873,985
2044/45	$ 1,739,805	$ 131,871	$ 1,871,676
2045/46	$ 1,759,383	$ 115,299	$ 1,874,682
2050/51	$ 1,809,634	$ 47,359	$ 1,856,993
2055/56	$ 1,675,237	$ 12,412	$ 1,687,649
2060/61	$ 1,399,282	$ 1,833	$ 1,401,115
2065/66	$ 1,032,928	$ 136	$ 1,033,064
2070/71	$ 648,658	$ 0	$ 648,658
2075/76	$ 330,996	$ 0	$ 330,996
2080/81	$ 129,791	$ 0	$ 129,791
2085/86	$ 36,793	$ 0	$ 36,793
2090/91	$ 6,819	$ 0	$ 6,819
2095/96	$ 706	$ 0	$ 706
2100/01	$ 36	$ 0	$ 36
All Years	$66,005,303	$8,060,903	$74,066,206

SECTION IV. FUNDING ANALYSIS

There are multiple ways to approach funding a retiree health plan. The net periodic benefit cost (expense) determined under FAS 106 is one method, of many, that could be used to pre-fund benefits. The annual expense amount will fluctuate from year to year based on the asset performance and as the population matures. The FAS 106 expense amortizes the initial accumulated postretirement benefit obligation (also referred to as the actuarial accrued liability) over 20-years on a straight-line basis (with a separate interest component) and defers any recognition of actuarial gains and losses until the amount exceeds a 10% corridor.

Our recommended funding approach is to amortize the remaining unfunded actuarial accrued liability over a reasonable period to represent the average remaining period for the active employees since this is a frozen group. A determination of the annual funding requirement of the current period is presented below:

1. Development of Unfunded Actuarial Accrued Liability	
Projected Actuarial Accrued Liability at 7/1/2018	$18,076,348
Reported Value of Plan Funds at 6/30/2018*	(6,383,360)
Unfunded Actuarial Accrued Liability (UAAL)	$11,692,988
15 Year Fixed Dollar UAAL Payment (principal & interest)	$ 1,072,885
2. Recommended Funding Contribution	
Normal Cost (Current Fiscal Year Accrual)	$ 592,886
15 Year Fixed Dollar UAAL Payment (principal & interest)	1,072,885
Recommended Contribution Payable at Beginning of Fiscal Year	$ 1,665,771
Interest at 5% to End of Fiscal Year	83,289
Recommended Contribution Payable at End of Fiscal Year	$ 1,749,060

* PCHS has set aside funds earmarked for the payment of future retiree health benefits. The reported value of set aside funds at June 30, 2018 is $6,383,360.

The development of the recommended contribution is consistent with funding methods that might be used to pre-fund pension benefits. The normal cost component of the recommended funding contribution will tend to decrease over time as the group is frozen. The amortization of the UAAL will stay constant and then drop to zero after 15 years; however, future experience gains and losses will result in decreases or increases as additional amortization bases are added.

A more simplified approach to pre-fund the postretirement health benefits could be adopted by PCHS. Presented below are our best estimate to pre-fund the entire PCHS obligation (the present value of projected payments) for its current active employees and retirees using the level-dollar method over varying periods of time and assuming varying asset return rates on the liability. PCHS may want to use these as parameters for a minimum or maximum funding amount.

	Expected Long Term Asset Rate of Return		
	5.0%	6.0%	4.0%
Present Value of Projected Benefits (PVPB)	$21,740,457	$17,970,656	$26,736,807
Reported Value of Plan Funds	(6,383,360)	(6,383,360)	(6,383,360)
Unfunded PVPB	$15,357,097	$11,587,296	$20,353,447
Level Dollar Funding			
20 Year PVPB Payment	$1,167,177	$940,968	$1,438,194
25 Year PVPB Payment	$1,032,047	$844,288	$1,251,147
30 Year PVPB Payment	$ 946,213	$784,087	$1,130,319

We have listed below some financial advantages that may be achieved by pre-funding retiree health benefits. Of course, pre-funding will have to be weighed against alternative uses of the contribution amounts.

- The earlier contributions are made, the less PCHS contributions in aggregate will have to be made to fulfill its obligations.
- Pre-funding can mitigate any resulting adverse impact on credit rating that could result from disclosure of liabilities.
- Pre-funding may provide additional benefit security to current and future retirees.

SECTION V. SUMMARY OF PLAN PROVISIONS

This study analyzes the post-retirement health benefit program provided by PCHS.

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 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
  - Hired before 3/12/84 must have 5 consecutive years of service just prior to retirement
  - Hired after 3/11/84 but before 7/1/87 - must have 10 consecutive years of service just prior to retirement
  - Hired after 6/30/87 but before 6/1/92 - must have 15 consecutive years of service just prior to retirement or 20 years of service with 10 years of consecutive years of service just prior to retirement
  - Hired after 5/31/92 age + consecutive years of qualifying service at retirement greater than or equal to 80
  - Hired after 2/28/07 age + consecutive years of qualifying service at retirement greater than or equal to 80 & at least 15 consecutive years of qualifying service at retirement
  - Hired after 6/30/09 age + consecutive years of qualifying service at retirement greater than or equal to 85 & at least 25 consecutive years of qualifying service at retirement
* Retiree must be enrolled in Medicare Part A if eligible; and must enroll in Part B

All employees except PESPU employees hired on or after July 1, 2009 are not eligible for PCHS-paid health benefits at retirement. PESPU employees hired after June 30, 2012 are not eligible for PCHS-paid health benefits at retirement. Employees who defer their retirement after separation from service with PCHS are not eligible for PCHS-paid health benefits.

Premium Rates

PCHS provides retiree health coverage through health plans available through SISC. The following table summarizes the current monthly premiums for the health benefit coverage provided by PCHS.

Medical Plans:

10/1/2017 to 9/30/2018	Kaiser HMO/ Sr. Adv.	California Care HMO	BC/ Medco 90/$10	BC/ Medco 90/$20	BC/ Medco 80/$20	Companion Care
Retiree Only	$ 551	$ 807	$1,015	$ 941	$ 816	NA
Retiree Plus Spouse	$1,102	$1,147	$1,425	$1,325	$1,152	NA
Retiree Plus Family	$1,558	$1,459	$1,812	$1,684	$1,465	NA
Retiree Only - Medicare	$ 205	$ 544	$ 544	$ 542	$ 538	$437
Retiree Plus Spouse - Medicare	$ 410	$1,088	$1,088	$1,084	$1,076	$874

:

10/1/2018 to 9/30/2019	Kaiser HMO/ Sr. Adv.	California Care HMO	BC/ Medco 90/$10	BC/ Medco 90/$20	BC/ Medco 80/$20	Companion Care
Retiree Only	$ 551	$ 815	$1,026	$ 951	$ 824	NA
Retiree Plus Spouse	$1,102	$1,158	$1,440	$1,338	$1,164	NA
Retiree Plus Family	$1,559	$1,473	$1,831	$1,702	$1,480	NA
Retiree Only - Medicare	$ 225	$ 574	$ 506	$ 506	$ 490	$419
Retiree Plus Spouse - Medicare	$ 450	$1,148	$1,012	$1,012	$ 980	$838

Dental & Vision Plans:

10/1/2017 to 9/30/2018	Delta Premier Incentive Plan	Delta PPO Plan	VSP Vision Plan
Retiree Only	$ 53	$ 60	$12.30
Retiree Plus Spouse	$106	$120	$24.60
Retiree Plus Family	$139	$158	$36.90

10/1/2018 to 9/30/2019	Delta Premier Incentive Plan	Delta PPO Plan	VSP Vision Plan
Retiree Only	$ 53	$ 60	$12.30
Retiree Plus Spouse	$106	$120	$24.60
Retiree Plus Family	$139	$158	$36.90

SECTION VI. VALUATION DATA

The valuation was based on the census furnished to us by PCHS. The following tables display the age distribution for retirees, and the age/service distribution for active employees.

Age Distribution of Eligible Retired Participants & Beneficiaries

	All Retirees
<55	0
55-59	0
60-64	2
65-69	11
70-74	10
75+	4
Total:	27
Average Age:	70.3
Average Retirement Age:	65.1

Age/Service Distribution of All Active Employees

	Service									
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	Total
20-24	0									0
25-29	0									0
30-34	0	1								1
35-39	0	2	4	1						7
40-44	0	1	8	3	1	1				14
45-49	0	0	7	4	5	4				20
50-54	0	2	6	0	3	5				16
55-59	0	2	6	5	2	1	3	1		20
60-64	0	0	6	3	1	4	1	0	1	16
65-69	0	0	1	0	2	0	0	0	0	3
70+	0	1	1	0	1	0	0	0	0	3
Total:	0	9	39	16	15	15	4	1	1	100

Average Age:	52.5
Average Service:	18.5
Average Hire Age:	34.0

SECTION VII. SUMMARY OF ACTUARIAL ASSUMPTIONS & METHODS

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

Fiscal Year: July 1st to June 30th

Measurement Date: July 1, 2017

Applicable Accounting Standards: ASC 715

Discount Rate: 5.0%

Return on Assets: Not applicable

Pre-retirement Turnover: Termination rates are based on the most recent rates used by CalPERS and the California State Teachers Retirement System (STRS) for the pension valuation. Sample rates are in the following tables:

	Entry Age			
Service	20	30	40	50
0	17.30%	15.25%	13.19%	11.14%
5	10.94%	8.70%	6.46%	1.07%
10	8.01%	5.72%	0.74%	0.25%
15	6.52%	4.18%	0.32%	0.02%
20	4.93%	0.38%	0.02%	0.02%
25	3.28%	0.10%	0.02%	0.02%
30	0.15%	0.02%	0.02%	0.02%

Termination rates for Certificated employees and Management employees in STRS are based on the most recent rates used by the California State Teachers Retirement System (STRS) pension valuation. Sample rates for male and females are as follows:

Service	Male	Female
0	16.0%	15.0%
5	3.5%	3.0%
10	1.8%	1.8%
15	1.2%	1.2%
20	0.9%	0.9%
25	0.7%	0.7%
30	0.6%	0.6%

[Prior valuation used following tables:]

Service	Male	Female
0	16.0%	15.0%
5	3.9%	3.9%
10	1.8%	1.8%
15	0.9%	0.9%
20	0.5%	0.5%
25	0.3%	0.3%
30	0.2%	0.2%

Mortality Rates: RPH2014 mortality table with generational projection scale MP-2017

[Prior valuation used following tables:]

Mortality rates are based on the following rates:

	Actives		Retirees*	
Age	Males	Females	Males	Females
25	0.023%	0.013%		
30	0.033%	0.014%		
35	0.034%	0.018%		
40	0.057%	0.034%		
45	0.076%	0.041%		
50	0.103%	0.063%		
55	0.143%	0.093%	0.164%	0.118%
60	0.238%	0.179%	0.300%	0.254%
65	0.435%	0.368%	0.596%	0.468%
70			1.095%	0.864%
75			1.886%	1.451%
80			3.772%	2.759%

* Rates applicable to future retirees include a 2 year setback.

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%

* Of those having met eligibility to receive pension benefits. The percentage refers to the probability that an active employee who has reached the stated age will retire within the following year.

Retirement Eligibility Age: The earliest retirement age assumed for employees who participate in STRS is age 55. The earliest retirement age assumed for employees who participate in PERS is age 50. The last retirement age is assumed to be age 70 or age first eligible, if greater than age 70.

Participation Rates: 100% of future active employees are assumed to elect retiree health coverage at retirement – 50% are assumed to elect HMO coverage and 50% are assumed to elect PPO coverage. Of those electing coverage approximately 50% are assumed to elect coverage for their spouse. Female spouses are assumed to be three years younger than male spouses.

Claim Cost Development: The valuation claim costs are based on the premiums paid for medical insurance coverage. The District 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. The current valuation contains an estimate of the implicit rate subsidy.

Medical Trend Rates:

Year	Trend
2018/19	Actual
2019/20	7.0%
2020/21	6.5%
2021/22	6.0%
2022/23	5.5%
2023/24+	5.0%

Dental & Vision Trend Rates:

Year	Trend
2017/18+	3.0%

Actuarial Cost Method: The actuarial cost method used was Projected Unit Credit with service prorate. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at first full retirement eligibility age. The Normal Cost for a plan year is the expected increase in the Accrued Liability during the plan year.

All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by PCHS were included in the valuation.

Actuarial Value of Assets: As of the valuation date there are no eligible plan assets.

SECTION VIII. ACTUARIAL CERTIFICATION

The results set forth in this report are based on the actuarial valuation of the retiree health benefit plans of Palisades Charter High School (PCHS) as of July 1, 2017.

The valuation was performed in accordance with generally accepted actuarial principles and practices and in accordance with FASB statements No. 106 and 158. We relied on census data for active employees and retirees provided to us by PCHS. We also made use of plan information, premium information, and enrollment information 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 anticipated experience and actuarial cost of the retiree health benefits program. The discount rate, expected return on assets, and other economic assumptions were selected by PCHS.

I am a member of the American Academy of Actuaries and believe I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Certified by:

Luis Murillo

Luis Murillo, ASA, MAAA
Consulting Actuary

Randy Gomez

Randy Gomez, FSA, MAAA
Consulting Actuary

October 31, 2018
Date