

ASC 715-60 OPEB ACTUARIAL SERVICES

**EL CAMINO REAL
CHARTER HIGH SCHOOL**

BIDDER FIRM:

DFA, LLC

CONTACT PERSON:

Carlos Diaz, Consulting Actuary

February 22, 2022



TABLE OF CONTENTS

- 1. **Transmittal Letter**1
- 2. **Project Understanding**2
- 3. **Qualifications and Experience**3
- 4. **Compensation and Timeline**6
- 5. **Resumes of Proposed Personnel**.....7

1. TRANSMITTAL LETTER

February 22, 2022

Gregory Wood
Chief Business Officer
El Camino Real Charter High School
5440 Valley Circle Blvd.
Woodland Hills, CA 91367

Dear Greg:

DFA LLC (“DFA”) is very interested in establishing a long-standing relationship with the El Camino Real Charter High School (“ECRCHS”), as your retiree health actuary and consultant. This letter is in response to your informal request for proposal to provide actuarial services for ECRCHS.

DFA has been a provider of actuarial consulting services to public sector entities in California for more than 19 years. The size of our client population (over 400) is a testimony to our ability to understand client requirements, to our willingness to meet our clients’ needs with fair pricing of services, and to the quality of our work. Mr. Demsey first created Brian R. Demsey + Associates, Inc. in the 1970’s, subsequently managed the Actuarial, Benefits & Compensation practice for Ernst & Young’s West Region and then founded DFA. We have certain business relationships that span 50 years and are organized to meet the needs of our clients for the next 50 years.

We would be honored to be selected as your actuary and consultant to all actuarial services requested by ECRCHS. We are committed to provide services to all our clients for as long as they deem us to be the best suited actuary to meet their needs. While our estimated fees are considerably smaller than our competitors, it should be noted we have a completely different business model. We have no ‘brick and mortar’ costs nor do we have the costs associates with legacy systems. Further, smaller costs should not be an indicator of quality. We are the choice of more than 400 clients precisely due to the quality of our work.

We believe that all the information you require is contained herein, and you may feel free to contact us for further information. Thank you.

Sincerely,



Carlos Diaz, ASA, MAAA, EA
Consulting Actuary

Phone: (310) 765-0086
Email: cdiaz@dfa-actuaries.com

2. PROJECT UNDERSTANDING

Annual Actuarial Valuation. DFA will provide ECRCHS with an actuarial report as of June 30, 2022, setting forth all ECRCHS's obligations for the postretirement medical program. Our report will contain the following information:

- Executive Summary covering key results of the valuation.
- Disclosure of the Expected and Accumulated Postretirement Benefit Obligations (EPBO and APBO) as of June 30, 2022, and the Net Periodic Postretirement Benefit Cost (NPPBC) for the fiscal years ending June 30, 2022 and June 30, 2023.
- Reconciliation of Funded Status and NPPBC as of June 30, 2022 and June 30, 2023 (projected).
- Determination of implicit subsidy.
- Projected annual pay-as-you-go expenditures for the next 50 years.
- Projected funding alternatives (following discussion with ECRCHS).
- Summary of plan provisions, actuarial assumptions, and certification.

All services shall be provided in accordance with the Actuarial Standards of Practice, the Actuarial Code of Professional Conduct, and the requirements detailed by the Financial Accounting Standards Board in the Accounting Standards Codification 715-60 ("ASC 715-60").

We will provide ASC 715-60 compliant valuations every year for the applicable measurement period. We will also be prepared to assist in implementing any new accounting statements and other financial pronouncements related to OPEB and provide ongoing professional consultation.

Financial Projections. DFA will provide ECRCHS (25-year) financial projections of the APBO, funded status, NPBC (including components), and expected benefit payments. The projections will reflect current economic assumptions (including current level of funding) and alternative scenarios as discussed with (approved by) ECRCHS during a discovery phase. Scenarios may include alternative funding illustrations, increase in employee counts, and expected return on assets. Financial projections will be performed as required by ECRCHS (and may include annual, less periodic, or ad hoc requests).

3. QUALIFICATIONS AND EXPERIENCE

Founded in 2002, DFA is a single-member LLC, registered to perform business in the state of California and qualified to perform services in the remaining 49 states. Our headquarters are in Laguna Niguel, California.

Our principles have always been to provide accurate, timely and reasonably priced actuarial reports to clients. These principles are the firm's focus. DFA's hundreds of clients are proof that our business processes work to our clients' advantage. We carefully follow each client's demographic experiences, plan benefit nuances, and underlying factors to support actuarial assumptions that are both appropriate and compliant with the applicable accounting standards (FASB and GASB) and the Actuarial Standards of Practice.

For all our clients, compensation and benefits are discussed at each level of the organization. Our first and foremost responsibility is to report the actuarial values of your programs. Along the way, we hope to provide you with decision-supporting facts and a forum for discussion.

DFA is an independent company. Our clients can be sure that there is no institution that influences our response to their questions. No person directly or indirectly connected to ECRCHS will receive any compensation from DFA. DFA does not have any commitments or potential commitments that may affect DFA's ability to perform the contract.

DFA has no debt, either short-term or long-term, and have shown a profit for each of the previous fiscal years. Moreover, we have had no litigation in the history of our firm.

We will gladly provide a list of references upon request.

3. QUALIFICATIONS AND EXPERIENCE (CONTINUED)

We are a team of highly qualified actuaries. The project team to be assigned to the actuarial and consulting team for ECRCHS has completed more than 150 actuarial consulting assignments each year for the past two years. Our clients are:

Client Categories	
Cities	Irrigation Districts
Counties	K-12 School Districts
City Offices of Education	Mosquito & Vector Control Districts
Community Colleges	Park & Recreation Districts
Fire Protection Districts	Public Transportation Authorities
Flood Control Districts	Water Districts
Housing Authorities	

In all, we have over 400 clients (including over 30 cities) and have performed over 2,000 actuarial assignments to date, including but not limited to ASC 715-60 (Formerly FAS 106, 132R and 158). We are proud of our practical experience and believe it sets us apart from other firms.

By having performed so many valuations, and having discussed the results with our clients, we have a good understanding of how to communicate clearly and concisely. We have been told on many occasions that our reports are very well-organized, and easy to read and understand.

We invite you to visit our website at <https://dfa-actuaries.com/> for more information about our firm.

We are also excited to share with you that an [article](#) written by our actuaries for the CSMFO magazine, published the California Society of Municipal Finance Officers. In this article, we examine a comprehensive framework for addressing the increasing concerns of governmental plan sponsors. Specifically, we review Michigan Public Act 202, Protecting Local Government Retirement and Benefits Act, and consider how its framework addresses increasing concerns related to rising long-term costs, recent transparency requirements, and fulfilling benefit promises among governmental plan sponsors.

3. QUALIFICATIONS AND EXPERIENCE (CONTINUED)

Project Manager: Carlos Diaz will be the project manager signing the valuations and reports submitted to ECRCHS. He will be ECRCHS’s primary contact during all phases of the project including proposal review, contract approval, calculation, and production of the final deliverables. Carlos is an Associate of the Society of Actuaries, an Enrolled Actuary, and a Member of the American Academy of Actuaries. Carlos can be reached at:

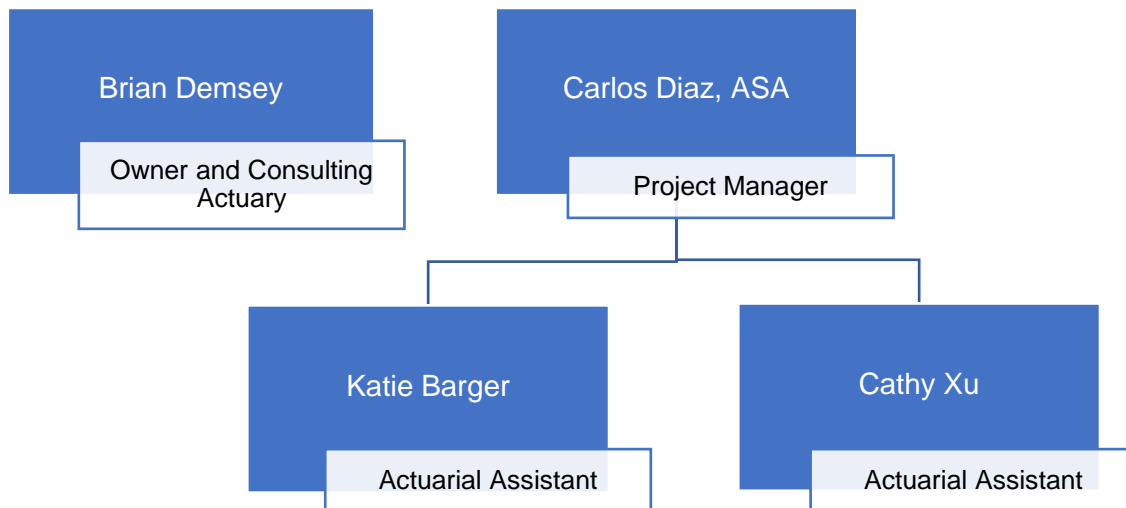
Phone: (310) 765-0086

Email: cdiaz@dfa-actuaries.com

Senior Consultant: Brian Demsey will assist with quality control and review the ‘state’ of plan design, funding levels, and progress of your peers.

Actuarial Assistants: Carlos will be assisted by Katie Barger and Cathy Xu. Ms. Barger and Ms. Xu will serve as your contacts for collecting/managing data and managing project to meet deliverable dates.

The staff resumes are attached on Page 7 (Section 5).



4. COMPENSATION AND TIMELINE

Our flat fee (including telephone support to explain and discuss the report) will be as follows:

	2021-2022	2022-2023 ¹	2023-2024 ¹
Actuarial Report as of June 30, 2022	\$4,000	\$4,000	\$4,000
Financial Projections	1,500 ²	1,500 ^{2,3}	1,500 ^{2,3}
Meeting with ECRCHS staff or board to explain the report and discuss any other issues or concerns	No Charge	No Charge	No Charge
Total Fee	\$5,500	\$5,500	\$5,500

¹ Initial three-year term is subject to ERCRCHSs approval.

² Includes three scenarios and projected benefit payments. Additional projections may be subject to additional fees and subject to ERCRCHSs pre-approval.

³ Financial projections in second and third year of term are subject to ERCRCHSs approval.

The total fee is all-inclusive based on Project Understanding outlined in Section 2. Fees are invoiced separately upon completion of the respective task.

We are available to meet with you and your staff (or board) to explain the report and to discuss the recent changes in our lives, the potential impact on financial and insurance markets, the ramifications of distance learning or remote working, and any other concerns you may have. We are available to meet virtually, in person, or by telephone at no additional charge.

In general, our turnaround time is four to six business weeks after receiving census and plan information from ECRCHS. But we will work with you to meet your timing needs. The table below provides a sample work plan and schedule, using July 1, 2022, as a hypothetical starting date.

Task	Provider	Date
Provide census and benefit data	ECRCHS	06/01
Review data	DFA	06/01 – 06/08
Send data questions	DFA	06/08
Respond to data questions	ECRCHS	06/08 – 06/15
Determine benefit obligations and OPEB cost, prepare OPEB projections, prepare valuation report	DFA	06/15 – 06/27
Send draft actuarial report	DFA	06/27
Approve draft report	ECRCHS	06/27 – 06/30
Send final/signed report	DFA	06/30

5. RESUMES OF PROPOSED PERSONNEL

Brian Demsey

Mr. Demsey began his actuarial career with Marsh & McLennan in Buffalo, New York as an actuarial trainee, dealing with a broad range of corporations regarding the design, pricing, communication, and administration of their retirement plans. He created a new actuarial company in 1976 in Newport Beach, California, providing of retirement plan actuarial services to law firms, banks, insurances companies and recordkeeping companies. That company was later purchased by an international actuarial company. Mr. Demsey then became a partner with Ernst & young where he managed the West Coast Actuarial, Benefits and Compensation practice, and assembled and managed a staff of experts in each of these fields. In 2002, Mr. Demsey co-founded Demsey, Filliger & Associates, which currently serves more than 400 clients, with an emphasis on public sector retiree medical and pension valuations. Outside of his actuarial and consulting work, Mr. Demsey was a founder of the Beckman Laser institute and Medical Clinic, a member of various boards (including CHOC at Mission Hospital) overseeing non-profit entities, and a very avid waterman.

Carlos Diaz, ASA, EA, MAAA

Mr. Diaz started his actuarial career in 1987 and joined DF&A in 2017 as a senior actuary specializing in pensions and other employee benefits. He has 34 years of actuarial consulting experience serving as client manager, project manager, and actuary. His experience includes nine years with Foster Higgins and 20 years at Buck Consultants. Mr. Diaz is an applied mathematics graduate of the University of California, Los Angeles. He is an Associate of the Society of Actuaries (1993), an Enrolled Actuary (1996), and a Member of the American Academy of Actuaries (1998). He has spoken at the Western Pension & Benefits in Los Angeles and Phoenix. In his spare time, Mr. Diaz enjoys listening to music, reading, and traveling.

Katie Barger

Ms. Barger began her actuarial experience in the pension industry working at The Epler Company, on defined benefit and defined contribution plans, for public and private sector clients. She is a mathematics graduate of the University of California, Davis. Ms. Barger's experience in the public sector includes sixteen years as a high school mathematics teacher in California and Colorado. While teaching, she earned her master's degree at Colorado State University in Educating Teachers and Adult Leaders. Her proficiency in mathematics and project management skills, led her to return to the actuarial field, and joined DFA in 2015 to round her decade of actuarial experience. Ms. Barger relaxes from work with her family. She is cofounder of the TBI Center of Carlsbad, an avid gardener and enthusiastic community service volunteer.

Cathy Xu

Ms. Xu is a financial graduate of the University of Illinois, Urbana-Champaign. Her years of actuarial experience started working at DFA back in 2008. She is the in-house specialist on the upcoming Aspen Portal (DFA website). Ms. Xu also facilitates the data collection, preparation of the valuation process, writing proposals, and interacting with clients. She has passed three SOA exams and is planning to pursue an actuarial career and to sit more exams later. In her spare time, Ms. Xu enjoys reading, traveling, and watching movies.



DFA, LLC

19 years

In business

Actuarial consulting company
Headquarters in Laguna Niguel, CA
Offices in CA, SD, and VA
Single-member LLC
Registered in CA – qualified in all states



Services

GASB 74/75 OPEB
GASB 67/68/73 Pension
GASB 68 Cost-Sharing
ASC 715
IBNR (AB 1200)
Plan Design and Consulting
Experience Studies

Staff



Brian Demsey	Owner, Consultant
Carlos Diaz	Senior Actuary
Katie Barger	Analyst
Cathy Xu	Analyst



(310) 765-0086



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Clients



Education



Cities and Counties



Transportation



Housing



Fire Districts



Irrigation



Parks and Recreation



Public Utilities

What our *clients* appreciate

- Friendly and knowledgeable consultants
- Competitive flat-rate fees
- Clear and concise reports
- Efficient turnaround with focus on the client's timeline
- Ongoing guidance and consulting

What the *auditors* appreciate

- Reports align with annual reporting requirements
- Available for direct communication
- Efficient delivery for meeting reporting deadlines
- Knowledgeable and experienced actuaries
- Competitive fees

DFA currently has 191 active education clients in California. Below is a sample list of clients comparable to ECRCHS or located in Southern California. We are available to provide a more comprehensive list or references on request.

Alvina Elementary Charter School District
Palisades Charter High School
San Jose Charter Academy
Stellar Charter School
Western Sierra Charter Schools

California State University Fresno Association
California State University Fresno Foundation
California State University Fullerton Auxiliary Services Corporation
California State University Northridge Associated Students
California State University Northridge The University Corporation
California State University Northridge University Student Union
California State University San Marcos CSUSM Corporation
University Enterprises Corporation at CSUSB

ABC Unified School District	Lakeside Union School District
Acton Agua-Dulce Unified School District	Lompoc Unified School District
Alhambra Unified School District	Los Angeles County Office of Education
Anaheim Elementary School District	Lowell Joint School District
Anaheim Union High School District	Montecito Union School District
Baldwin Park Unified School District	Moorpark Unified School District
Bellflower Unified School District	Muroc Joint Unified School District
Brawley Elementary School District	Newhall School District
Brawley Union High School District	Ojai Unified School District
Brea Olinda Unified School District	Orange Unified School District
Brentwood Union School District	Paramount Unified School District
Buena Park School District	Pasadena Unified School District
Calipatria Unified School District	Rancho Santa Fe School District
Centinela Valley Union High School District	Rialto Unified School District
Central Union High School District	Rio School District
Colton Joint Unified School District	Riverside County Office of Education
Covina-Valley Unified School District	San Diego Community College District
Cucamonga School District	Santa Maria-Bonita School District
El Centro Elementary School District	Santa Monica-Malibu Unified School District
El Monte Union High School District	Santa Paula Unified School District
El Tejon Unified School District	Sulphur Springs Union School District
Escondido Union High School District	Sunnyvale School District
Glendora Unified School District	Taft Union High School District
Hacienda La Puente Unified School District	Torrance Unified School District
Holtville Unified School District	Tustin Unified School District
Huntington Beach Union High School District	University Enterprises Corporation at CSUSB
Imperial Unified School District	Upland Unified School District
Inglewood Unified School District	West Covina Unified School District
Jamul-Dulzura Union School District	Wilsona School District
Keppel Union School District	Woodlake Unified School District