March 4, 2020

Ms. Kim Nguyen
Business Services
Santa Monica-Malibu Unified School District
1651 16th Street
Santa Monica, CA 90404

Re: Santa Monica-Malibu Unified School District ("District") GASB 75 Valuation

Dear Ms. Nguyen:

This report sets forth the results of our GASB 75 actuarial valuation of the District's retiree health insurance program as of July 1, 2019.

In June 2004, the Governmental Accounting Standards Board (GASB) issued its accrual accounting standards for retiree healthcare benefits, GASB 43 and GASB 45. GASB 43/45 require public employers such as the District to perform periodic actuarial valuations to measure and disclose their retiree healthcare liabilities for the financial statements of both the employer and the trust, if any, set aside to pre-fund these liabilities. In June 2015, GASB released new accounting standards for postretirement benefit programs, GASB 74 and GASB 75, which replace GASB 43 and GASB 45, respectively.

The District selected DFA, LLC (DFA) to perform an actuarial valuation of the retiree health insurance program as of July 1, 2019. This report may be compared with the valuation performed by DFA as of July 1, 2017, to see how the liabilities have changed since the last valuation.

Basis for Actuarial Valuation

To perform the valuation, we relied on the following information provided by the District:

- Census data for active employees and retirees
- Claims, premium, expense, and enrollment data
- Copies of relevant sections of healthcare documents, and
- (If applicable) trust statements prepared by the trustee

We also made certain assumptions regarding rates of employee turnover, retirement, and mortality, as well as economic assumptions regarding healthcare inflation and interest rates. Our assumptions are based on a standard set of assumptions used for similar valuations, modified as appropriate for the District.

A complete description of the actuarial assumptions used in the valuation is set forth in the Actuarial Assumptions section.

Certification

The actuarial certification, including a caveat regarding limitations of scope, if any, is contained in the Actuarial Certification section.

We have enjoyed working with the District on this project and are available to answer any questions you may have concerning any information contained herein.

Sincerely,
DFA, LLC

Carlos Diaz, ASA, EA, MAAA
Actuary

Molly McGee, ASA, MAAA
Actuary

Financial Results

In this section, we present financial results based on a long-term expected return on plan investments of 5.00%. This rate is based on our best estimate of expected long-term plan experience for partially funded plans such as the District's. Results for purposes of GASB 75 reporting are presented in the next section.

We have determined that the present value of all benefits expected to be paid by the District for its current and future retirees is $61,796,926 as of July 1, 2019. If the District were to place this amount in a fund earning interest at the rate of 5.00% per year, and all other actuarial assumptions were exactly met, the fund would have exactly enough to pay all expected benefits.

When we apportion the $61,796,926 into past service and future service components under the Entry Age, Level Percent of Pay Cost Method, the Total OPEB Liability is $43,084,402 as of July 1, 2019. This represents the present value of all benefits accrued through the valuation date if each employee's liability is expensed from hire date until retirement date as a level percentage of pay. The $43,084,402 is comprised of liabilities of $30,537,724 for active employees and $12,546,678 for retirees.

The District has adopted an irrevocable trust for the pre-funding of retiree healthcare benefits. As of July 1, 2019, the trust balance or Plan Fiduciary's Net Position (GASB 75) is $5,864,788.

The Net OPEB Liability, equal to the Total OPEB Liability over the Plan Fiduciary's Net Position, is $37,219,614.

This valuation includes benefits for 460 retirees and 1,316 active employees who may become eligible to retire and receive benefits in the future. It excludes employees hired after the valuation date.

<u>Implicit Subsidy and ASOP 6</u>

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 GASB 45/75 liabilities.

This valuation reflects the value of the implicit subsidy equal to $7,566,685.

Financial Results (continued)

Differences from Prior Valuation

The most recent prior valuation was completed as of July 1, 2017 by DFA. The Total OPEB Liability as of that date was $40,194,946, compared to $43,084,402 as of July 1, 2019 (determined using a discount rate of 5.00%).

Several factors have caused the Total OPEB Liability to change since 2017:

- An increase as employees accrue more service and get closer to receiving benefits.
- A decrease from a release of benefits.
- Changes in the plan census from new employees and differences between actual and expected retirement, terminations, and deaths.
- Changes in healthcare costs from differences between actual and expected healthcare trend; and
- Changes in actuarial assumptions and methodology for the current valuation.

To summarize, the most important changes were as follows:

1. A decrease of $2,385,300 resulting from an update to our valuation software; the update allows us to track experience more precisely over time.
2. A decrease of $363,516 from population experience (terminations, retirements, and mortality) different than expected.
3. A decrease of $205,709 from changes in healthcare premiums different than expected.
4. A decrease of $273,508 from changes in the District caps different than expected.
5. A decrease of $186,333 from changes in the PEMHCA minimum employer contribution and administrative fees different than expected.
6. An increase of $1,064,902 a change in healthcare trend rate (6.00% for 2019 decreasing to 5.00% in 2029).

The estimated changes from July 1, 2017 to July 1, 2019 are as follows:

Total OPEB Liability as of July 1, 2017	$40,194,946
Passage of time	5,238,920
Change in system	(2,385,300)
Change in census	(363,516)
Change in premium rates	(205,709)
Change in employer cap	(273,508)
Change in statutory provisions	(186,333)
Change in trend rate	1,064,902
Total OPEB Liability as of July 1, 2019	$43,084,402

GASB 75 Results

For financial reporting purposes, GASB 75 requires a discount rate that reflects the following:

a. The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position is projected to be enough to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return.
b. A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

The amount of the plan's projected fiduciary net position and the amount of projected benefit payments should be compared in each period of projected benefit payments.

Based on these requirements and the following information, we have determined a discount rate of 4.09% for GASB 75 reporting purposes:

Long-Term Expected Return on Assets	5.00%
Fidelity General Obligations AA - 20 Years Index at June 30, 2019	3.13%
GASB 75 Discount Rate	4.09%

GASB 75 Results (continued)

Santa Monica-Malibu Unified School District
Net OPEB Liabilities and Expense Under
GASB 75 Accrual Accounting Standard

	July 1, 2019[1]		
	Long-Term Return	**Municipal Bond Index**	**GASB 75 Rate**
Discount Rate	5.00%	3.13%	4.09%
Present Value of Future Benefits			
Active	$49,250,248	$74,198,664	$59,694,603
Retired	12,546,678	14,851,242	13,580,033
Total	$61,796,926	$89,049,906	$73,274,636
Total OPEB Liability (Actuarial Liability)			
Active	$30,537,724	$40,987,611	$35,116,689
Retired	12,546,678	14,851,242	13,580,033
Total	$43,084,402	$55,838,853	$48,696,722
Plan Fiduciary Net Position (Plan Assets)	$5,864,788	$5,864,788	$5,864,788
Net OPEB Liability (Unfunded Actuarial Liability)	$37,219,614	$49,974,065	$42,831,934
Sensitivity Analysis			
1% Decrease in Discount Rate	4.00%	2.13%	3.09%
Net OPEB Liability	$43,443,911	$59,103,285	$50,303,370
1% Increase in Discount Rate	6.00%	4.13%	5.09%
Net OPEB Liability	$32,086,411	$42,563,466	$36,716,734
1% Decrease in Trend Rate	5.00% decreasing to 4.00%	5.00% decreasing to 4.00%	5.00% decreasing To 4.00%
Net OPEB Liability	$31,352,756	$41,392,451	$35,799,924
1% Increase in Trend Rate	7.00% decreasing to 6.00%	7.00% decreasing to 6.00%	7.00% decreasing to 6.00%
Net OPEB Liability	$44,544,348	$60,940,466	$51,709,000

[1] For the District’s financial statements, DFA will provide separate schedules with supplemental GASB 75 information.

GASB 75 Results (continued)

Net OPEB Expense

We have determined the following components of the District's Net OPEB Expense for the measurement year ending June 30, 2020: Service Cost, Interest Cost, and Expected Return on Assets. The Service Cost represents the present value of benefits accruing in the current year. Interest Cost represents the interest on the Total OPEB Obligation. Expected Return on Assets is the expected return based on a 5.00% investment rate of return. Other components (Deferred Outflows and Inflows) will be determined based on the Net OPEB Obligation as of June 30, 2020.

We summarize the valuation results in the table on the next page. We provide results at three discount rates (the expected return on assets, the municipal bond index, and the GASB 75 rate, discussed above). All amounts are net of expected future retiree contributions, if any.

DFA will be available to assist the District and its auditors in preparing the footnotes and required supplemental information for compliance with GASB 75 (and GASB 74, if applicable). In the meantime, we are available to answer any questions the District may have concerning the report.

Actuarially Determined Contribution and Pay-As-You-Go with Implied Subsidy

We have calculated an actuarially determined contribution representing the Service Cost and a 30-year amortization (as a level percent of pay) of the Net OPEB Liability. We include the results in the table on the next page. We provide results at three discount rates (the expected long-term expected return on assets, the municipal bond index, and the GASB 75 rate).

An actuarially determined contribution is a potential payment to the plan determined using a contribution allocation procedure. It is not a required contribution, but a measurement commonly used to prefund OPEB benefits. We provide the amounts for illustrative purposes.

The actuarially determined contribution may be compared to the pay-as-you-go payment. The table shows the pay-as-you-go payment along with the projected implied subsidy payment.

The Funding Schedules section provides additional prefunding alternatives.

GASB 75 Results (continued)

Santa Monica-Malibu Unified School District
Net OPEB Liabilities and Expense Under
GASB 75 Accrual Accounting Standard

	July 1, 2019		
	Long-Term Return	**Municipal Bond Index**	**GASB 75 Rate**
Discount Rate	5.00%	3.13%	4.09%
Components of Net OPEB Expense for 2019-20			
Service Cost at Year-End	$2,037,265	$3,045,142	$2,467,889
Interest Cost	2,115,777	1,723,581	1,960,180
Expected Return on Assets	(293,239)	(293,239)	(293,239)
Subtotal	$3,859,803	$4,475,484	$4,134,830
Change in Deferred Outflows[2]			
Change in Deferred Inflows[2]			
Actuarially Determined Contribution (2019-20)			
Service Cost	$2,037,265	$3,045,142	$2,467,889
Amortization of Net OPEB Liability[3]	1,698,029	1,749,547	1,724,031
Total[4]	$3,735,294	$4,794,689	$4,191,920
Pay-As-You-Go Payment with Implied Subsidy (2019-20)			
Projected Pay-As-You-Go	$1,227,732	$1,227,732	$1,227,732
Projected Implied Subsidy	328,995	328,995	328,995
Total	$1,556,727	$1,556,727	$1,556,727

[2] To be determined based on the Total OPEB Obligation and Plan Fiduciary Net Position as of June 30, 2020.
[3] 30-year amortization (as a level percent of pay).
[4] Estimated Actuarially Determined Contribution for 2020-21:

	Long-Term Return	**Municipal Bond Index**	**GASB 75 Rate**
Total	$3,847,353	$4,938,529	$4,317,678

GASB 75 Results (continued)

Schedule of Changes in Net OPEB Liability (July 1, 2018 to June 30, 2019)

1. Total OPEB Liability	
a. Total OPEB Liability at July 1, 2018[5]	$42,740,577
b. Service Cost[6]	2,077,187
c. Interest Cost	2,100,375
d. Changes in plan provisions[5]	0
e. Difference between expected and actual experience[5]	0
f. Changes in assumptions and other inputs[5]	5,561,651
g. Benefit Payments[7]	(1,484,273)
h. Projected Total OPEB Liability at June 30, 2019	$50,995,517
i. Difference between expected and actual experience[8]	(3,264,350)
j. Changes in assumptions and other inputs[8]	965,555
k. Changes in plan provisions	0
l. Total OPEB Liability at June 30, 2019	$48,696,722
2. Plan Fiduciary Net Position	
a. Plan Fiduciary Net Position at July 1, 2018[5]	$5,530,170
b. Contributions[7]	1,484,273
c. Expected Investment Income	276,509
d. Benefit Payments[7]	(1,484,273)
e. Difference between actual and expected return on assets	62,550
f. Projected Plan Fiduciary Net Position at June 30, 2019	$5,869,229
g. Adjustment to audited fiduciary net position [8]	(4,441)
h. Plan Fiduciary Net Position at June 30, 2019	$5,864,788
3. Net OPEB Liability	
a. Projected Net OPEB Liability: (1h) - (2f)	$45,126,288
b. Net OPEB Liability: (1l) - (2h)	$42,831,934
4. Additional Net Deferred Outflows/(Inflows) of Resources: (3b) - (3a)	($2,294,354)

[5] From June 30, 2019 disclosure report, based on the July 1, 2017 actuarial valuation.
[6] Projected from July 1, 2017 valuation.
[7] Includes credit toward implicit subsidy.
[8] Deferred Outflow/Inflow of Resources established as of the July 1, 2019.

GASB 75 Results (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Type	Initial Amount	Date Established	Period (Years)	Annual Recognition[9]
Difference between expected/actual experience	0	06/30/2018	0.0	0
Difference between expected/actual return on assets	(20,887)	06/30/2018	5.0	(4,177)
Changes in assumptions or other inputs	0	06/30/2018	0.0	0
Difference between expected/actual experience	0	06/30/2019	0.0	0
Difference between expected/actual return on assets	(62,550)	06/30/2019	5.0	(12,510)
Changes in assumptions or other inputs	5,561,651	06/30/2019	8.5	654,312
Difference between expected/actual experience	(3,264,350)	07/01/2019	8.4	(388,613)
Difference between expected/actual return on assets	4,441	07/01/2019	5.0	888
Changes in assumptions or other inputs	965,555	07/01/2019	8.4	114,947

[9] Charge/(Credit).

Funding Schedules

There are many ways to approach the pre-funding of retiree healthcare benefits. In the sections above, we determined the annual expense for all District-paid benefits. The expense is an orderly methodology, developed by the GASB, to account for retiree healthcare benefits. However, the GASB 75 expense has no direct relation to amounts the District may set aside to pre-fund healthcare benefits.

The table on the next page provides the District with three alternative schedules for funding (as contrasted with expensing) retiree healthcare benefits. The schedules all assume that the retiree fund earns, or is otherwise credited with, 5.00% per annum on its investments, a starting Trust value of $5,864,788 as of July 1, 2019, 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 (3.00%) increase for the next 20 years.

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

By comparing the schedules, you can see the effect that early pre-funding has on the total amount the District will eventually have to pay. Because of investment earnings on fund assets, the earlier contributions are made, the less the District 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 table on the following page shows 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.**

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 Schedules (continued)

Sample Funding Schedules (Closed Group)
Starting Trust Value of $5,864,788 as of July 1, 2019

Year Beginning	Pay-as-you-go	Level Contribution for 20 years	Level % of Unfunded Liability	Constant Percentage Increase
2019	$1,227,732	$3,460,794	$3,432,030	$2,701,517
2020	1,265,494	3,460,794	3,283,347	2,782,563
2021	1,341,150	3,460,794	3,146,145	2,866,040
2022	1,455,009	3,460,794	3,020,798	2,952,021
2023	1,550,937	3,460,794	2,907,525	3,040,582
2024	1,659,108	3,460,794	2,804,708	3,131,799
2025	1,814,791	3,460,794	2,711,779	3,225,753
2026	1,955,778	3,460,794	2,629,164	3,322,526
2027	2,108,847	3,460,794	2,555,378	3,422,201
2028	2,309,530	3,460,794	2,489,800	3,524,867
2029	2,435,890	3,460,794	2,432,712	3,630,614
2030	2,607,621	3,460,794	2,381,186	3,739,532
2031	2,765,393	3,460,794	2,335,608	3,851,718
2032	2,954,837	3,460,794	2,294,807	3,967,269
2033	3,110,481	3,460,794	2,258,743	4,086,287
2034	3,278,359	3,460,794	2,225,874	4,208,876
2035	3,329,644	3,460,794	2,195,809	4,335,142
2036	3,430,201	3,460,794	2,165,638	4,465,197
2037	3,566,821	3,460,794	2,136,127	4,599,153
2038	3,650,799	3,460,794	2,107,577	4,737,127
2039	3,760,657	0	2,078,651	0
2040	3,822,651	0	2,049,530	0
2041	3,816,181	0	2,019,179	0
2042	3,867,774	0	1,986,516	0
2043	3,930,871	0	1,952,433	0
2044	4,011,879	0	1,916,983	0
2045	4,015,710	0	1,880,238	0
2046	4,059,493	0	1,841,203	0
2047	4,007,499	0	1,800,344	0
2048	4,024,122	0	1,756,765	0
2049	4,056,349	0	1,711,259	0
2050	4,014,210	0	1,663,945	0
2055	3,550,203	0	1,395,599	0
2060	2,941,269	0	1,050,270	0
2065	2,307,664	0	736,457	0
2070	1,629,738	0	516,430	0
2075	1,015,106	0	362,130	0

Note to auditor: when calculating the employer OPEB contribution for the year ending on the statement date, we recommend multiplying the actual District-paid premiums on behalf of retirees by a factor of 1.2130 to adjust for the implicit subsidy.

Plan Provisions

Active Employee Coverage

The District sponsors healthcare coverage under the California Public Employees Medical and Hospital Care Act ("PEMHCA"), commonly referred to as PERS Health. PEMHCA provides health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options. Participation in PEMHCA is financed in part by the District through contributions of amounts up to the premiums for either of the PEMHCA HMOs (including dependent coverage), plus coverage under one of the District's dental plans (Delta Dental and Delta Care). This contribution includes the statutory minimum ($136.00 per month for 2019) that the District designates for PEMHCA. The $136.00 per month increased to $139.00 per month in 2020 is scheduled by law to be indexed with medical inflation (CPI) for years 2021 and thereafter. The District also contributes the PEMHCA administrative fee of 0.27% of premium for all active employees.

Post-Retirement Coverage

The District also offers PEMHCA to its retirees. The District contributes the statutory minimum ($136.00 per month for 2019) as well as the administrative fee of 0.27% of premium to PEMHCA on behalf of each retiree eligible for and participating in PEMHCA. In addition, the District makes supplemental contributions towards eligible retirees' premiums until age 65 according to provisions of the District's agreements with its various employee groups, as described below.

Certificated and Management employees with at least 10 years of full-time equivalent service and age 55 or over may retire with District-paid medical and dental benefits. The Classified agreement does not specific a minimum age and service for retirement; for purposes of this valuation, we have assumed that Classified will be subject to the same provisions as the other groups.

The District contribution each year is set equal to the Blue Shield HMO or Kaiser HMO retiree-only premium plus the retiree-only premium for Delta Dental or Delta Care Dental. For retirees electing PERS Choice or PERS Care, the District contribution is limited to the Kaiser retiree-only premium.

Supplemental District contributions end at age 65, at which point retirees may elect to continue coverage for their further lifetime under PEMHCA and receive the statutory minimum District contribution (currently $136.00/month).

The following table shows January 1, 2019 monthly PERS Health (PEMHCA) premiums for retirees within the Los Angeles Area region, and Delta Dental premiums for all areas:

	Blue Shield HMO	Kaiser HMO	PERS Choice PPO	PERS Care PPO	Delta Dental
Retiree	$669.75	$618.64	$654.50	$843.78	$61.96
Retiree + 1	1,339.50	1,237.28	1,309.00	1,687.56	122.93
Family	1,741.35	1,608.46	1,701.70	2,193.86	157.33

Valuation Data

Retiree Census - Age distribution of retirees included in the valuation

Age	Total
Under 55	1
55-59	19
60-64	88
65-69	84
70-74	104
75-79	80
80-84	40
85+	44
All Ages	460
Average Age	72.4

Active Census - Age/service distribution of active employees included in the valuation

	Years of Service								
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
<25	7	1	0	0	0	0	0	0	8
25-29	66	3	2	0	0	0	0	0	71
30-34	101	42	12	3	0	0	0	0	158
35-39	71	22	50	16	5	0	0	0	164
40-44	49	19	46	58	27	2	0	0	201
45-49	39	30	52	48	49	9	0	0	227
50-54	26	25	31	34	45	28	2	0	191
55-59	18	18	21	34	26	21	11	2	151
60-64	5	15	11	18	24	12	9	4	98
65+	7	3	4	5	9	11	6	2	47
All Ages	389	178	229	216	185	83	28	8	1,316

Average Age: 46.3
Average Service: 12.8

Actuarial Assumptions

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

Valuation Date: July 1, 2019

Actuarial Cost Method: Entry Age, Level Percent of Pay

Discount Rate:

Long-term Expected Return	5.00%
Municipal Bond Index	3.13%
GASB 75	4.09%

Salary Increases: 3.00%

Withdrawal: Crocker-Sarason Table T-5 less mortality. Sample Rates:

Age	Rate
25	7.7%
35	6.3
45	4.0
55	0.9

Pre-retirement Mortality: RP-2014 Employee Mortality, without projection. Sample deaths per 1,000:

Age	Male	Female
25	0.48	0.17
35	0.52	0.29
45	0.97	0.66
55	2.79	1.67

Postretirement Mortality: RP-2014 Employee Mortality, without projection. Sample deaths per 1,000:

Age	Male	Female
55	5.74	3.62
60	7.78	5.19
65	11.01	8.05
70	16.77	12.87
75	26.83	20.94
80	44.72	34.84
85	77.50	60.50
90	135.91	107.13

Actuarial Assumptions (continued)

Assumptions (continued)

Retirement:

Age	Rate
50	5%
51	5%
52	5%
53	5%
54	5%
55	5%
56	5%
57	5%
58	5%
59	8%
60	10%
61	12%
62	15%
63	18%
64	20%
65	100%

Medical Claim Cost: Annual Per Retiree or Spouse

Age	Medical	Dental and Vision
50	$8,182	$744
55	9,486	744
60	10,996	744
64	12,376	744
65	4,254	744
70	4,254	744
75	4,254	744

Percent Electing Coverage: 70%

Spouse Coverage:
Future retirees: 50%
Current retirees: Actual dependent data used.
Female spouses are assumed to be three years younger than male spouses.

Administrative Fees: 0.27% of PEMHCA premiums

Increase in CalPERS minimum: 4.00%

Actuarial Assumptions (continued)

Assumptions (continued)

Medical Trend: Sample Rates:

Year	Pre-Medicare	Medicare	Dental
2019	6.00%	4.00%	4.00%
2020	5.90%	4.00%	4.00%
2021	5.80%	4.00%	4.00%
2022	5.70%	4.00%	4.00%
2023	5.60%	4.00%	4.00%
2024	5.50%	4.00%	4.00%
2025	5.40%	4.00%	4.00%
2026	5.30%	4.00%	4.00%
2027	5.20%	4.00%	4.00%
2028	5.10%	4.00%	4.00%
2029+	5.00%	4.00%	4.00%

Actuarial Certification

The results set forth in this report are based on our actuarial valuation of the health and welfare benefit plans of the Santa Monica-Malibu Unified School District ("District") as of July 1, 2019.

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 the District. We also made use of claims, premium, expense, and enrollment data, and copies of relevant sections of healthcare documents provided to us by the District, and (when applicable) trust statements prepared by the trustee and provided to us by the District.

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 GASB 74 and GASB 75, 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.

Each 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

Molly McGee, ASA, MAAA
Actuary