

December 4, 2020

Ms. Wendy Zhang
Assistant Superintendent
Milpitas Unified School District
1331 East Calaveras Blvd.
Milpitas, CA 95035

Re: Engagement Letter for GASB 75 Actuarial Services for 2021

Ms. Zhang:

This letter will set forth our agreement for my services and fees, in connection with the calculation of the liabilities of your retiree health benefits program (the Program), and the amounts to be recorded on your financial statements under GASB Statement 75.

Scope of Services

The services to be provided under this engagement are the calculations under Statement of Governmental Accounting Standards No. 75 (GASB 75) for the Program sponsored by the District for certain current and former employees. These steps will be included:

- Consultation regarding the assumptions to be used. The primary assumptions to be decided are the discount rate, the rates of future increases in health care costs, rates of turnover and retirement, and mortality. Based on industry norms, my own experience and the District's expectations, I will recommend assumptions for this purpose for your consideration. It is understood that the District has responsibility for choosing all the assumptions.
- Using my proprietary actuarial valuation software, I will calculate the actuarial present value of the District's benefit obligations under the Program as of June 30, 2020. With this information, I will calculate the amounts that the District needs to accrue and disclose under GASB 75 for the fiscal year ending June 30, 2021.
- I will prepare a written report to summarize this information. The report will include an executive summary. The report will also include summaries of the participant data, the actuarial assumptions and methods, and the Program's provisions. The report will include results for both the 2019-2020 and 2020-2021 fiscal years. The report is intended to serve as

documentation for the computations of the Program's obligations and of GASB 75 cost, and for audit by your independent auditors as needed. My fee assumes that I will provide at most five bound hard copies of the report.

- After June 30, 2021 interest rates have been released, I will use the results of the June 30, 2020 valuation to calculate the liabilities of the Program as of June 30, 2021. This will be combined with the June 30, 2020 results to compute the amount the District will need to accrue and disclose under GASB 75 for the 2021-2022 fiscal year. My expectation is that I will communicate this information to you via emails, and will formally document these calculations in the June 30, 2022 valuation report. At the District's request, I will prepare a special report to document the accruals and disclosure information for the year ending June 30, 2022.

Fees

My fees for the services described in this engagement letter will be as follows:

- For the June 30, 2020 actuarial valuation and report, and the determination of GASB 75 accruals and disclosure information for the fiscal year ending June 30, 2021: **\$ 3,500**. I will invoice this amount upon preparation of the draft report.
- For the calculations of benefit obligations as of June 30, 2021, and the determination of GASB 75 accruals and disclosure information for the 2021-2022 year: **\$1,500**.
- If the District wishes a special separate report to document the accruals and disclosure information for the year ending June 30, 2022: **\$1,000**

I am available for additional services that are related to this study. My hourly billing rate is \$200 per hour. I will participate in meetings via conference call at no charge.

Thank you for giving me the opportunity to propose on this project. I appreciate this opportunity to work with you. Please sign below and return a copy of this letter to me at the address shown above. If you have any questions or need additional clarification, please call me at 707-824-9600.

Sincerely,

ACCEPTED BY:

Nick Franceschine, F.S.A.
Consulting Actuary
North Bay Pensions LLC
550 Du Franc Ave.
Sebastopol, CA 95472

DATE