

WHAT IS GASB 45?

GASB 45 requires Other Post Employment Benefits (called "OPEBs") to be recognized as an expense and obligation on the agency's financial statements. The most common OPEB is health benefits provided to employees after retirement. GASB 43 is a related statement that will require certain disclosures related to the fund's financial statements.

Implementation by all agencies is required by fiscal year 2009-10.

For more information: GASB web site — <http://www.gasb.org>, or SISC web site — <http://sisc.kern.org/gasb45>.

SISC GASB 45 TRUST

In many cases throughout the state the financial impact of GASB 45 compliance will be substantial. Several private entities have developed GASB 45 programs to capitalize on this opportunity. Due to the high fees most companies are charging, the SISC Board and member agencies requested that SISC develop its own GASB 45 program. The message we heard is that employers need:

- A prudent place to invest GASB 45 funds;
- A competitive rate of return; and
- An entity that has low overhead so admin. fees won't consume a large portion of the interest earnings

Based on the above, the SISC GASB 45 Trust was developed and implemented July 1, 2006.

WHO CAN PARTICIPATE?

The SISC GASB 45 Trust is available to public schools, colleges or education agencies in the State of California, or any other political subdivision or instrumentality thereof. . . such as cities and counties.

Numerous employers have already joined the plan, and millions of dollars are on deposit.

SISC GASB 45 TEAM

Self-Insured Schools of California, SISC

Cindy Mattern, Chief Financial Officer
P.O. Box 1808 • 1300 17th Street
Bakersfield, CA 93303-1808
(661) 636-4882 • (800) 972-1727
cimattern@kern.org -or- siscgasb45trust@kern.org

The Segal Company

Melanie Walker, JD, Vice President
6300 S. Syracuse Way, Ste 750
Englewood, CO 80111
(303) 714-9942
mwalker@segalco.com

Wells Fargo Advisors

Fredric S. Bayles, III, CIMA
Managing Director
11682 El Camino Real, Suite 305
San Diego, CA 92130-2045
(800) 538-8301
fred.bayles@wellsfargoadvisors.com

U.S. Bank

Fran Schoenfeld
Relationship Manager
8121 Michelson Drive
Suite 300, LM-CA-D13T
Irvine, CA 92612
(949) 224-7204
fran.schoenfeld@usbank.com

Demsey, Filliger & Associates

Louis Filliger, FSA
21006 Devonshire, Ste 205
Chatsworth, CA 91311
(818) 718-1266
lfilliger@demseyfilliger.com

Daniels, Phillips, Vaughan & Bock

Patrick Paggi, Partner
300 New Stine Road
Bakersfield, CA 93309
(661) 834-7411
patrick@dpsvb.com

SISC **GASB45** TRUST



• simple

• cost effective

• prudent investor standard



SISC GASB 45 TRUST PLAN FEATURES

- **Irrevocable Trust under California State law and IRC Section 115** Although it is an irrevocable trust, the Trust Agreement does allow for assets in excess of liabilities to be returned to the employer.
- **JPA/Multiple Employer Trust**
 - a. SISC is a JPA created under Calif. Gov't Code Section 6507
 - b. We are a non-profit government entity
- **Private Letter Ruling from IRS confirms:**
 - a. Income earnings are tax-exempt
 - b. Contributions to and Payments from the Trust, are tax-exempt
- **Type of Trust:** Directed Trust
- **Trustee: U.S. Bank**

U.S. Bank serves as the Trustee, but does not exercise discretionary authority. The Administrator (SISC) and Investment Consultant (Wells Fargo Advisors) select investment managers based on the Investment Policy and market conditions. The employer is not required to provide any instruction with respect to the selection of the portfolio allocations or individual investments.
- **Complies with:**
 - a. California Constitution regarding investment in equities, and
 - b. The Uniform Fiduciary Standards of Care
- **Investment Policy**

The Trust will follow a formal Investment Policy written to comply with the prudent investor standard.
- **Pooled Trust**

The SISC GASB 45 Trust is a pooled total return portfolio with individual employer accounts. Focus on growth and income through a balanced asset allocation approach (moderate growth risk profile), utilizing mutual funds. It is actively managed to take advantage of market conditions.
- **Best-of-Breed Investment Managers**

The Trust uses and selects best-of-breed investment managers in each of the various mutual fund asset classes. A range of stringent criteria are used to evaluate and select each manager in its asset class.

ADMINISTRATION BY SISC

- Process contributions, distributions.
- Provide employers with Quarterly & Annual Statements that include return on investment, asset allocation, activity, and cover letter that reviews Trust performance, market conditions, economy, comparison to benchmark, future outlook, etc.
- Information reviewed by auditors, and full audit conducted annually.
- SISC will appoint a Trustee (U.S. Bank), and direct the Trustee, in conjunction with Wells Fargo Advisors, with respect to investments of the Trust.
- SISC will maintain all necessary records for administration of the Trust, and will monitor and document activities of other partners.

ALL-INCLUSIVE, LOW FEES

The program will utilize a single Trust Agreement, Trustee, Investment Policy, and investment strategy for all members. Our goal is to keep it simple and cost effective. Investment costs will be deducted each quarter based on account value. Returns for the Trust are net of all fees and expenses.

Annual fee example, \$2 million account value:

Trustee fee		
All members (5 basis pts) .05%	=	\$1,000/year
SISC admin. fee		
Member schools (5 basis pts) .05%	=	\$1,000/year
SISC admin. fee		
Non-member schools (10 basis pts) .10%	=	\$2,000/year
SISC admin. fee		
Non-school agencies (15 basis pts) .15%	=	\$3,000/year

There are no extra setup fees, disbursement or transaction fees to the member agency. SISC is a government entity administered by the Kern County Office of Education. We are NOT profit-oriented. SISC fees are set to meet expenses or "break-even," not to provide a profit margin.

ENROLLMENT PROCESS

- **Board Resolution and Participation Agreement**

Immediate acceptance upon receipt of Board Resolution and Participation Agreement. Contributions accepted immediately.
- **Copy of actuarial study before fiscal year end**

Other than the \$50,000 minimum balance, SISC will not stipulate how much of your OPEB obligation must be funded. The contribution amount will be determined by each agency. As needed, submit a Disbursement Request (with supporting documentation) for payment of eligible retiree expenses. We will not restrict distributions out of the Trust other than for eligible retiree costs (e.g. you don't have to be in the plan for a certain period of time, have your ARC fully funded, etc.).

SISC requires a minimum three year term in the program. There are no penalties for cessation of adding funds, withdrawal, or termination.

SISC'S QUALIFICATIONS AND EXPERIENCE

SISC was established in 1978 and currently serves more than 400 education agencies throughout the state offering programs for: Workers' Compensation, Property & Liability, Health Benefits, IRC Section 125 Flex Plan, Defined Benefit Plan, and SISC GASB 45 Trust.

SISC has extensive experience as custodian of assets for public agencies. We have been managing public funds since inception in 1978-79.

- **Combined program budgets are well over \$1 billion**
- **Currently manage over \$444 million of public fund investments**

Pooling resources provides agencies with a more stable, long-term solution. SISC has an excellent reputation and is well-respected statewide. We strive to provide the best coverage, programs and service to our members while keeping costs affordable and stable.