

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.

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

WHAT IS GASB 75?

GASB 75 replaces the requirements of GASB 45 and GASB 57 and establishes new accounting and financial reporting requirements for OPEB plans. Unfunded OPEB liabilities will now be recognized on the face of an agency's financial statements. Liabilities will increase significantly for agencies not pre-funding OPEB benefits, however pre-funding is not required. Smaller plans are also now going to be required to have biennial actuarial valuations performed. GASB 74 is a related statement that will replace GASB 43. GASB 75 is effective for fiscal years starting after June 15, 2017.

SISC OPEB TRUST

In many cases throughout the state the financial impact of GASB 45 & 75 compliance will be substantial. Several private entities have developed OPEB 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 OPEB program. The message we heard is that employers need:

- A prudent place to invest OPEB 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

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 TRUST TEAM

Self-Insured Schools of California, SISC

Kim Sloan CPA, Chief Financial Officer
Megan Hanson, Coordinator
P.O. Box 1808 · 2000 K St.
Bakersfield, CA 93303-1808
(661) 636-4411 · (800) 972-1727
mehanson@siscschools.org
<http://sisc.kern.org/opebtrust>

Graystone Consulting

Morgan Stanley Wealth Management

4350 La Jolla Village Dr., Ste. 1000
San Diego, CA 92122
(858) 597-7740

The Segal Company

7951 E. Maplewood Ave., Ste. 327
Greenwood Village, CO 80111
(303) 241-5880

U.S. Bank Institutional Trust & Custody

633 W. 5th Street
Los Angeles, CA 90071

Total Compensation Systems

5655 Lindero Canyon Rd., Ste. 223
Westlake Village, CA 91362
(805) 751-6745

Daniells, Phillips, Vaughan & Bock

300 New Stine Road
Bakersfield, CA 93309
(661) 834-7411



SISC

Self-Insured Schools of California
Schools Helping Schools

Larry E. Reider Education Center (physical)
2000 K Street – 5th Floor
Bakersfield, CA 93301-4533

P.O. Box 1808
Bakersfield, CA 93303-1808 (mailing)

sisc.kern.org

A joint powers authority administered by the Kern County
Superintendent of Schools Office, John G. Mendiburu, Ed.D., Superintendent

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SISC

Self-Insured Schools of California
Schools Helping Schools

SISC GASB 45 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 (Graystone Consulting) 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 three investment strategy allocation approaches, 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 Graystone Consulting, 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 and Investment Policy with three investment strategy options available (conservative, moderate, and long-term growth). 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 Superintendent of Schools. 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.

• Select an investment strategy

• 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 retirement 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 470 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 over \$3 billion

• Currently manage over \$1 billion 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 services to our members while keeping costs affordable and stable.