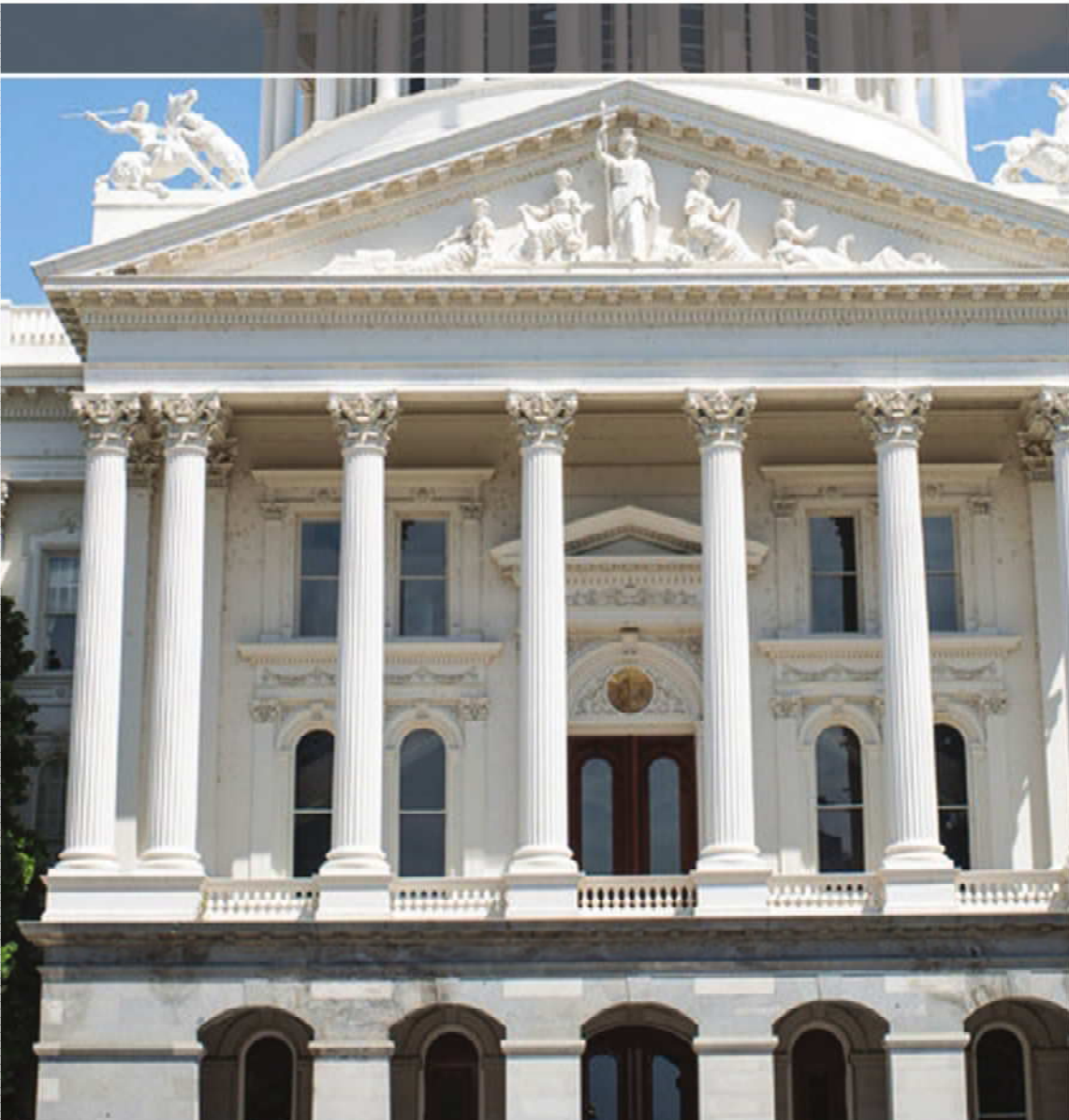


GASB 27/45

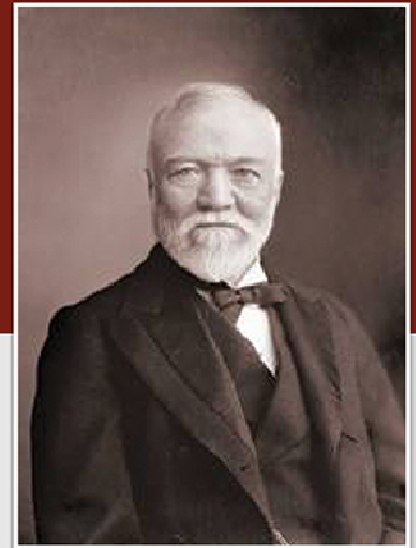
A Whole New Way of Thinking



IBG BENEFITS
MANAGEMENT
COMPANY INC.

"Take away my factories, my plants, my railroads, my ships, my transportation. Take away my money, strip me of all these. But leave me my men and women and in two to three years I will have them all again."

-ANDREW CARNEGIE



The sentiments of Carnegie are well known to government and municipal officials. The backbone and driving force of government are not the buildings and vehicles or even the laws that exist on a given day – the driving force that allows governments to provide for their citizenry are the men and women, civil servants and elected officials alike, who make the decisions, implement the policies and provide the services that make our cities, counties, and states attractive to residents and businesses.

A happy workforce is a productive workforce and the ability to guarantee the future health and medical benefits of government workers is essential to a government's ability to recruit, retain and motivate employees. The issuance of GASB Statement 45 is designed to insure that the governments' properly account for and report their future liability for the Other Post Employment Benefits offered to government workers. The termination or reduction of benefits is neither the answer nor an option. Raising taxes is politically unpopular, issuing more bonds may be fiscally unsound.

When was the last time your benefits consulting firm assembled a room full of attorneys, actuaries, accountants, bankers, insurance and benefits professionals to find a REAL SOLUTION for your underfunded Pension and OPEB liabilities?

Pay-as-you-go, got up and went, courtesy of the Governmental Accounting Standards Board's issuance of Statements 27 and 45. As a result, governments that provide Pension and Other Post Employment Benefits (OPEB) must actuarially determine the amount of their future liability. While these accounting rules do not mandate the funding of the future liability, they do require that the liability be accounted for in the government's financial statement.

The True Impact of GASB 27 (to be amended by GASB 68 in June, 2014) and 45 is not the amount of the liability for retiree benefits the number and liability have always existed. What has changed is the the amount is now known to the public. It is available to employees, unions, creditors, voters, and most importantly bond and credit rating agencies.

Having received the mandated actuarial valuation the government's financial liability is quantified and the question becomes – ***"What do we do now?"***



While many of the major actuarial and benefits consulting firms have risen to the occasion of providing the needed actuarial valuation for governments, they have failed to provide more than a cookie-cutter approach for resolving the issue of unfunded liabilities.

\$6.6 T

Is an estimate of Pension and Other Post Employment Benefit (OPEB) liabilities for local governments. The estimate is estimated that P is \$4.6 Trillion, and in a dozen years the pension has fallen. It was funded in 2011, but not funded in 2000; it is actuarially calculated. Contribution amount has doubled since 2000. In addition to an estimated \$6.6 trillion underfunded OPEB.

1. Andrew G. Biggs, Resident, the American Enterprise for Public Sector Pension: How Funded Are They, Really?

2. Girard Miller, Governing OPEB Made Easier, February



IBG Benefits Management Co., Inc. is a leader in employee benefit plan design and implementation. IBG-BMC has developed a number of proprietary solutions to assist cities, counties, states, school districts and other government entities impacted by GASB accounting rules to continue to provide Pension and OPEB benefits in a cost effective and prudent manner.

401Rx Plan®

Utilizing an approach designed for and highly successful in private industry, the 401 Rx Plan® has been specifically tailored to allow governments of all size to fully fund future retiree health care benefits. Utilizing an actuarial health care funding model, the 401 Rx Plan® can provide for the full funding of retiree health benefits in a manner which will exempt a governmental unit from the reporting and disclosure requirements of GASB 45. Imagine, the ability to continue to recruit, reward and motivate government workers with:

- ▶ No Reduction in Retiree Health Benefits
- ▶ No Increase in Vesting
- ▶ No Increase in Governmental Debt
- ▶ Greater Flexibility in Health Care Selection

ARC Trust™

The ARC Trust™ is a proprietary Pension and OPEB funding solution designed to significantly or fully fund a government's Retiree liabilities in as few as 15-20 years. The ARC Trust™ is specially designed to hold insurance policies purchased on the lives of government employees (with employee consent) with borrowed funds that are secured by the insurance policies themselves. The government has no liability on the loan and the trust assets are irrevocably pledged so that they can only be used to fund employee retirement benefits.

The ARC Trust™ is powered by The ABIL Plan™ (Asset Backed Insurance Lending) through a joint venture with NIW Companies, Inc. who have leveraged their relationships with the world's largest insurance companies to design insurance products optimized for rapid and sustained cash growth. This, coupled with special financing arrangements and the credit worthiness of state and local governments, allows for the securing of low cost loans with rates as low as LIBOR + 1.5%. The result is a Pension and OPEB leveraged funding arrangement that provides a solution that really works.

IBG Choice Plan™

For those governments that allow retiring workers to receive compensation for their accumulated vacation, sick leave and personal leave time, the Choice Plan™ allows governments to partially fund a retiree's health care benefits with such funds. The accumulated leave time is monetized and contributed either to a Section 401(a) retirement plan or a Retiree Health Plan. The advantage to the government is that there is no additional cost as the plan is funded with money which would be paid to a retiring worker in any case. The advantage to the retiree is that funds placed in the retiree health account are received tax free and the retiree has greater freedom on how the funds are used for health care or otherwise.

trillion

the total unfunded
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liabilities for state and
ts in the U.S. It is
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nd that over the past
average public
en to about 75%
versus about 103%
in addition, the
ated Annual Required
ount has more than
001.¹ This is in
estimated \$2 trillion of
PEB liabilities.³

nt Scholar at
Institute,
How Well
7, July 2012
a Magazine,
January 2012



\$6.6 Trillion

Is an estimate of the total unfunded Pension and Other Post Employment Benefit (OPEB) liabilities for state and local governments in the U.S. It is estimated that Pension underfunding is \$4.6 Trillion, and that over the past dozen years the average public pension has fallen to about 75% funded in 2011, versus about 103% funded in 2000; in addition, the actuarially calculated Annual Required Contribution amount has more than doubled since 2001.¹ This is in addition to an estimated \$2 trillion of underfunded OPEB liabilities.²

¹ Andrew G. Biggs, Resident Scholar at the American Enterprise Institute, Public Sector Pensions: How Well Funded Are They, Really?, July 2012

² Girard Miller, Governing Magazine, OPEB Made Easier, February 2012





Allied Risk Group, Inc. is a national employee benefits and risk management firm serving professional practices, businesses, governments, labor organizations and not-for-profit organizations. The firm brings together attorneys, financial advisors, corporate, benefits and insurance professionals to provide a multi-disciplinary perspective to employee benefits, executive compensation and risk management plan designs.

Employee benefits and risk management involve complex issues for clients that require multidimensional analysis and solutions. Simply throwing insurance at a problem doesn't fix the problem. True cost reduction, rate stability and income maximization require a thorough understanding of the underlying issues from multiple vantage points in order to develop an appropriate solution.

"We all want progress, but if you're on the wrong road, progress means doing an about-turn and walking back to the right road; in that case, the man who turns back soonest is the most progressive."

- C. S. Lewis

Employee Benefits • Executive Compensation • Risk Management

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