



**GASB Has Become Effective
Now What?**

A Public Agency Update

Respectfully Presented By:

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Keenan Financial Services

Keenan

Associates

Keenan
Associates

800 Public Entities

Sean Smith

Keenan
HealthCare

125 Health Care Clients

Sean Smith

Keenan
Financial Services

300 Financial Services Clients Sean Smith

ICS Innovative Care Systems, Inc.

125 Disability Plans

Debby Kweller

Meritage Insurance Group

A Hawaiian Captive

Sean Smith

Keenan

Associates

- Broker/Consultant/Claims Administrator
- Niche agency formed in 1972
- 700 plus employees — 10 offices
- The largest privately held brokerage firm in California
- 17th in nation of the 40,000 Brokers/Consultants/TPAs
- 45% of corporation owned by employees — ESOP

Keenan

Associates

- Employee Benefits and Worksite Programs
- Retirement & GASB Compliance Plans
- Property & Liability and Workers' Compensation
- TPA (W/C - Benefits - Disability - P&C - SDI)
- Risk Management (Loss Control)
- Disability Management and Family Leave Administration
- Managed Care — PPO and Bill Review

Background

- Dramatic increase in healthcare premiums since the late 1990s
- School district/local government ability to afford retiree health benefits are being strained
- GASB Statement 45 requires governmental entities to report expense & liability for retiree benefits on their financial statements
- Proactive measures needed to assist future retirees with their retiree healthcare needs
- Win-Win Opportunities

Objectives

- Reduce GASB liability
- Develop comprehensive GASB Compliance Plan
- Manage fiduciary liability
- Improve investment earnings
- Control future benefits cost/maintain generational equity

GASB 43 & 45 Overview

- GASB 45 requires valuation and financial reporting
- Required change from cash to accrual accounting
- GASB 43 creates the Substantive Plan
- Phase I effective dates commenced July 1, 2007

The Substantive Plan

- Key elements in the Substantive Plan to meet the “Understandings of the Parties” are as follows:
 - Specify the benefit design in detail
 - Detail eligibility
 - Outline Employer/Employee cost-sharing
 - Relevant sections of Collective Bargaining Agreements (past and current)
 - Communications between Employer and Plan Members
 - Historical practice patterns
 - Funding plan
 - Update when changes are made
- In essence the “Substantive Plan” is the one document that fully describes all aspects of your Plan and is a requirement for full compliance of GASB 45 & 43.

How are Public Agencies Responding?

- Our Turnkey Program – Futuris
 - Our data base shows \$700 million set aside by 200 California Public Agencies
 - 20 Irrevocable Trusts being implemented
 - 20 Substantive Plans being implemented
 - Additional 15 Trusts and Plans in process

Cost Reduction Strategies

- Plan enrollment eligibility audit
- Active employee retiree medical opt-out incentive
- Two-tier early retirement plans
- Retiree Medical Trust
- Benefit consulting for active and retired employee plans
- Investment rates of return – Compared to actuarial valuation discount rate

Thank You!