

EXECUTIVE SUMMARY

Keenan Financial Services is pleased to present our Supplemental Employee Retirement Plan (SERP) to Alum Rock Union Elementary School District, as a cost-savings, best-practice, innovative solution for the District. Keenan has been dedicated to creating and implementing innovative solutions for California public sector agencies for more than 44 years. To that end, we are confident that our SERP program will provide the Alum Rock Union Elementary School District with a solution that is both advantageous to your employees and cognizant of the value of the taxpayer dollar.

WHAT IS SERP?

SERP is a program designed to create incentives that effectively and efficiently increase and accelerate the retirement rate, in excess of the natural attrition rate. Many public agencies throughout California are looking for cost containment and cash flow strategies. SERP is an innovative turn-key program which has been used by many public entities to:

- Create Fiscal Savings
- Assist with Staff Reorganization
- Reward Long-Term Employees
- Enhance Retirement Benefits

HOW DOES SERP CREATE RESULTS?

Creating Fiscal Savings

SERP generates fiscal savings as a result of the salary differential of a retiring employee and a new-hire. In order to ensure that a SERP is an effective tool for Alum Rock Union Elementary School District's desired needs, Keenan's professional team evaluates numerous factors, including:

- Expected retirees without providing any incentives
- Expected retirees if an incentive is implemented
- Age and service demographics

In order to produce fiscal savings, a plan must generate a participation rate that is greater than the normal attrition rate expected in that specific year. By evaluating the specific factors above, Keenan is able to identify whether the SERP will provide the desired fiscal results for the District.

Our experience has demonstrated that the most effective cost-savings is realized through a SERP that is offered on a one-time basis only. However, depending on the

specific requirements and characteristics of your District, there are situations when the benefits of repeat occurrences are merited.

Assisting with Staff Reorganization

SERPs can be used very effectively as a restructuring tool. By generating a higher attrition rate, agencies can create a greater opportunity for:

- Reorganizing departments
- Revitalizing staff
- Creating upward mobility opportunities for existing staff
- Implementing a comprehensive, long-term hiring strategy

With these objectives in mind it is important to study the age and service demographics, as well as career paths of various classifications of employees. With a SERP, a district may either offer the plan to a wide range of employees, or to a specific category of employees who have been identified through the re-organizational effort.

As previously stated, a SERP used for human resource purposes can either take the form of a one-time incentive, or a multi-year plan. Depending on the long-term budget outlook and hiring strategies a multi-year plan may be appropriate.

Rewarding Long-Term Employees

Another objective of a supplemental retirement plan is to reward employees who have been loyal to the District and have achieved certain milestones in their service, while contributing to the success of the District's goals and objectives. A SERP is an excellent method of recognizing and rewarding these types of achievements while building morale among younger employees. From the employees' standpoint, the SERP allows them to retire with dignity and recognition of their efforts over the years.

The eligibility criteria for this type of plan are usually stringent, requiring employees to meet various age and service requirements. Many plans may also require the employees to have their service retirement from STRS and/or PERS become effective at the same time, rather than have the employee receive the additional benefits and move on to another district.

Enhancing Retirement Benefits

Any SERP that is offered enhances the retirement benefits of the participating employees. Some districts have chosen to permanently enhance retirement benefits, which can be done district-wide or for a select group of employees. SERP plans in this category are often implemented on a permanent basis and typically have stringent vesting provisions.

These types of plans are highly effective in retaining key employees. With vesting usually occurring at retirement, key employees are less likely to move on to another district as they would be giving up a valuable benefit.

Since these types of plans are attractive to employees, districts may want to consider negotiating a plan provision where the employees make contributions to fund a portion of the additional benefits. This may be accomplished on a tax-favorable basis like STRS and PERS.

WHY KEENAN?

While there are other companies that attempt to offer plans that are similar in their objectives to what Keenan's SERP achieves, no other firm has the scope of knowledge and expertise that we are able to bring to the District. Furthermore, we have built value into our program that exceeds what other companies are able to provide.

Keenan has been dedicated to providing solutions to the public sector for more than 40 years. Keenan is the only firm that provides brokerage and consulting services to existing employees as well as retirees. This allows us to gather a full scope of employee motivators related to retirement, as well as retention efforts. Other firms that "specialize" in public sector agencies provide only retirement related services or services only for current employees.

The Keenan SERP advantages include:

- A program that has evolved over the past 33 years, since first introduced
- Ability for local control in savings strategy (as opposed to solutions like STRS Golden Handshake)
- Knowledge of the "Return to Service" issues
- The only program in the marketplace that incorporates one-on-one retirement counselors to meet with employees, their spouses and/or their financial advisors



Alum Rock Union Elementary School District Summary Sheet

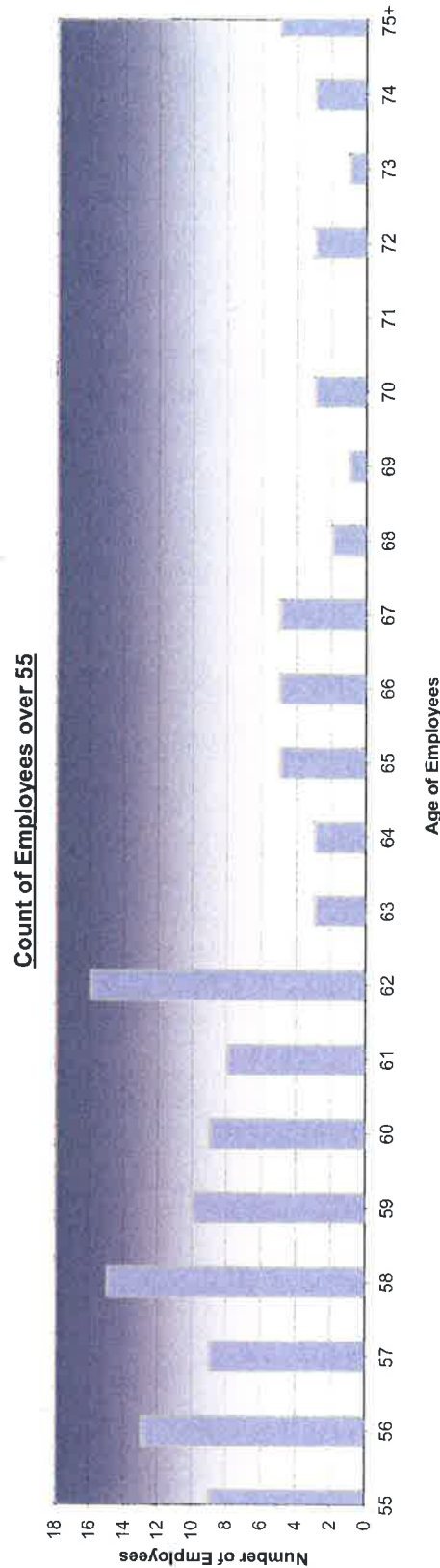
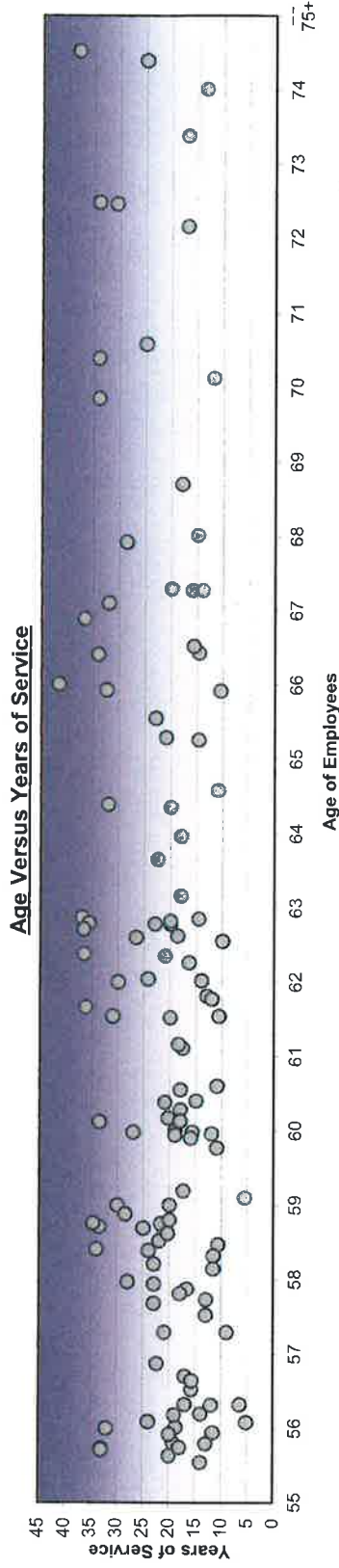
Classification	Plan Type	Total Number of Eligible	Normal Attrition	Projected Number of Eligible	Projected % of Eligible Retirees	Average Salary	Average Lifetime Benefit	Period Certain 5	Average Cost Per Retiree	Average Commission (billed separate)	Average Plan Savings per Employee	Total Projected Savings	Savings with No Plan	5 Year Projected Total Net Savings	Break Even Retirees
Certificated	65% of Salary - All Replaced - Eligible Age (min) 55 and Years of Service (min) 5	128	9	35	27%	\$100,208	\$323.18	\$1,081.30	\$65,135	\$3,257	\$152,258	\$5,329,020	\$1,985,849	\$3,343,172	13
Certificated	65% of Salary 11 not replaced - Eligible Age (min) 55 and Years of Service (min) 5	128	9	35	27%	\$100,208	\$323.18	\$1,081.30	\$65,135	\$3,257	\$276,507	\$9,677,760	\$3,104,096	\$6,573,664	11
Certificated	65% of Salary 18 not replaced - Eligible Age (min) 55 and Years of Service (min) 5	128	9	35	27%	\$100,208	\$323.18	\$1,081.30	\$65,135	\$3,257	\$355,575	\$12,445,140	\$3,815,708	\$8,629,432	11
Certificated	65% of Salary 25 not replaced - Eligible Age (min) 55 and Years of Service (min) 5	128	9	35	27%	\$100,208	\$323.18	\$1,081.30	\$65,135	\$3,257	\$434,643	\$15,212,519	\$4,527,320	\$10,685,200	10
Total		512	36	140	27%	\$100,208				\$13,027		\$42,664,439		\$29,231,467	

Average Years of Service-21; Total Eligible Employees: 128; Average Age-62.5

ANALYSIS OF DEMOGRAPHICS AND SERVICE

Alum Rock Union Elementary School District
Certificated

Age as of
August 1, 2019



Age of Employee	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75+
Number of Employees	9	13	9	15	10	9	8	16	3	3	5	5	5	2	1	3	0	3	1	3	5
Reverse Cumulative Totals	128	119	106	97	82	72	63	55	39	36	33	28	23	18	16	15	12	12	9	8	5
Reverse Cumulative %	100	93	83	76	64	56	49	43	30	28	26	22	18	14	13	12	9	9	7	6	4

Average Years of Service: 21 Total Eligible Employees: 128 Average Age: 62.5



Alum Rock Union Elementary School District

Supplemental Employee Retirement Plan (SERP)

Certificated
 ESTIMATED BENEFITS
 for:
Average Employee,
 (1) Benefit Based On 65% of Salary
 Commencement on:
August 1, 2019

ALT	MONTHLY ALTERNATIVE BENEFIT	MONTHLY AMOUNT
A	Life Only	\$323.18
B	Joint & 50% Survivor	\$297.22
C	Life or Ten (10) Years, Whichever is Longer	\$314.71

D	Five (5) Year - Monthly Payments *	\$1,081.30
E	Six (6) Year - Monthly Payments *	\$918.69
F	Seven (7) Year - Monthly Payments *	\$802.73
G	Eight (8) Year - Monthly Payments *	\$715.92
H	Nine (9) Year - Monthly Payments *	\$648.54
I	Ten (10) Year - Monthly Payments	\$594.78

Acceptance of the Supplemental Employee Retirement Plan (SERP) is contingent on the District's verification of eligibility.

Annuity benefits are provided by an insurance company and are estimates only. Estimated benefits are subject to change prior to actual purchase of annuity benefits. Estimated benefits may change due to changes in the data supplied by the District, changes in current interest rates, mortality assumptions, commission percentages and state premium tax.

The District may be subject to penalty fees for late premium payments and benefits may cease if all installment premiums are not paid in accordance with the installment premium schedule.

** Eligible for tax-deferred IRA Rollover. Subject to a mandatory 20% Federal tax withholding if not rolled over.*

(1) ASSUMPTIONS

Birthday: April 14, 1957
 Date of Hire: July 21, 1998
 Salary: \$100,208

CORRECTIONS

 District Verification