

## From the Director's Desk



**Tom Grabill, ESC**  
Executive Director

Recently the Division of School Finance of the Indiana Department of Education published calendar year 2003 data for Indiana school corporations. This data shows that one dollar (\$1) out of every five dollars (\$5) spent in the schools' general fund is spent for employee benefits which are no longer a fringe item or a minor cost item.

With tight budgets expected to continue to be the norm for the next few years, employee benefits need to be managed just like any other school budget cost item. Thus, the focus of this newsletter will be on two of the items that fall into the employee benefits category: medical benefits and unfunded severance/retirement liabilities. Whether it is General

Motors, steel mills in northwest Indiana, or Indiana school corporations, these two issues are critical issues.

Two of the school corporations we worked with during the last two years have fashioned severance/retirement benefit buyouts that changed their programs from a defined benefit program to a defined contribution. MSD of Perry Township solved a \$140,000,000 unfunded liability problem with a \$26,000,000 pension bond buyout. Madison Consolidated Schools freed up approximately \$750,000 in general fund appropriations that had previously been used to pay retiree severance and health insurance. Both school corporations had to invest time and effort to accomplish their goals.

### Educational Services Company

**3535 E. 96th Street**  
**Suite 126**  
**Indianapolis, IN 46240**

**Phone: (317) 818-3535**  
**or (888) 351-3535**

**Fax: (317) 818-3533**

**Business hours:**  
**7:30 a.m. to 4 p.m.,**  
**Monday-Friday**

### Let Us Help You

Educational Services Company provides pension/severance assistance in the following areas:

- School Board Training;
- Complete actuarial services, including initial study, "live modeling tool," confirmation statements for verification, and communicating deposit amounts;
- Assistance with crafting buyout solutions;
- Assistance to administration and employee groups in selecting vendors for investment options;
- Financial advisor for bonding decisions.

### Lighten Up!

#### Deep Observations on Life:

"A study in the Washington Post says that women have better verbal skills than men. I just want to say to the authors of that study: 'Duh!'"

*Conan O'Brien*

"I think that's how Chicago got started. Bunch of people in New York said, 'Gee, I'm enjoying the crime and the poverty, but it just isn't cold enough. Let's go West.'"

*Richard Jeni*

Whether the issue is medical benefits or unfunded liability, these issues must be managed in a proactive basis. More time and attention to these issues will have to become the rule rather than the exception.

### School Boards and Financial Health Analyses

It looks like the 2005-2006 school year will have several new school superintendents and business managers. Simultaneously, the new money available for school corporations for the next two budget years appears to be less than 2%, and, at the same time, many central office positions are being eliminated or reduced.

School corporations will need to become more efficient in their current operations as well as look to the capital projects fund and transfers to help beleaguered general and transportation funds. With budgets as tight as they are, there is just no room for mistakes.

The financial health analysis is an excellent tool for a new superintendent or a new school board to use to find out exactly where they are in terms of finance. Many of the new items in "Across the Board" reflect budget activities for new central office administrators.

We can design a budget assistance program for any size school corporation.

# Someone You Should Know

Not everyone who works with the consultants at Educational Services Company knows its chief benefits consultant, Doug Cassman. Recently Doug responded to a series of questions posed by Educational Services Company, and what follows are his responses. Doug Cassman is definitely **Someone You Should Know**.



**Doug Cassman**

## **ESC: Discuss your professional experiences before Educational Services Company.**

Like so many of our other consultants, I've been blessed to work with several organizations of various sizes. I worked in two insurance agencies that focused on Property and Casualty and worked in or started their employee benefits department. Next I was involved in a large well-financed Indiana company that wanted to change from a slow methodical company to a fast growing publicly-traded company—Acordia School Benefits, part of Acordia, Inc. The first and third businesses were built and were building on their expertise in industry niches. They learned how their service/product fit the needs of a particular business, and then they pursued many of those same industry businesses to maximize their effectiveness. Each of these experiences taught me something different that influences me today.

## **ESC: What advice, tips, or suggestions do you have for school corporations in Indiana?**

From the employee benefits perspective, it has to be for school corporations to manage their medical programs on an active basis, not once a year at renewal time. School systems need to get an insurance committee actively working on a menu of thoughts, understanding each idea, what it will do, how it will be accepted, and how it must communicate that thought to convince employees to adopt this idea. We have some real winners in the state that execute this practice very well, some that are close, and some that are just beginning or re-starting an insurance committee. School boards and their employees need to understand that they are on the same side of the issue when it comes to the cost of the coverage...whatever is not spent in the health plan can be used on salary and wages.

## **ESC: What is your vision for ESC ten years into the future?**

I'm not sure I can foresee that far into the future, but I can tell you that I see a few changes for ESC in the next few years.

First, I'd like to say a big thank you to all the professionals that have had a hand in the development of Educational Services Company. From the beginning conversations in 1986 with Patrick Henry in Evansville, Ed Adams in New Albany, Ed Camden in Wayne Township, Jerry Moore in Perry

Township, Bill Schooler in Hammond, John Young in Fort Wayne, and Joe Scher in Elkhart, this company is the result of many discussions with those "advisors." Obviously, the Executive Directors with which we've been blessed—David Anderson, Pearson Miller and now Tom Grabill—have molded the company to fit some of their own ideas of where ESC should focus attention. Each of these gentlemen had different approaches to take the company through each of the various levels of our development, and did so brilliantly.

What we know today is that we need to be easy to work with, and that means have our consultants available in several parts of the state, geographically, but also electronically. We're doing a fairly good job in our growth in staff around the state, and we will have video conferencing available this year for committee meetings and board meetings when one of our experts needs to be in two parts of the state at the same time. We have remained an independent organization since day one, and do not have affiliations with any company. We think that's important, and we know our clients recognize and value that commitment.

We see more interconnectivity between local school corporations and the economic development goals of their community. We want to be of help in that area as well and are building toward that end.

## **ESC: What do you enjoy about your job?**

In addition to working on strategic ideas, I get to operate as a consultant, and visit with "soon-to-be retired" administration people to let them know of our interest in them. It is fascinating to me to learn of all the varied interests that the professional administrators throughout Indiana have.

I truly do like to visit with the experienced people that work in the K-12 school corporations in the State of Indiana.

## **ESC: Tell us a little-known fact about you.**

Well, I've attended several of the universities in our state over the years, after four years in Bloomington, as I've participated in continuing education or just pursued an interest.

I've been at IU obviously, and while I've never admitted it to any of our Purdue graduates within ESC, I took a pension class in West Lafayette in the early 80s. I also took other pension classes at IUPUI, and most recently attended an Indiana Economic Development course at Ball State for a week in January of 2005. And—Oh, Yes—I took an ethics class at IU in Bloomington in the fall of 1988. And no, that was not some sort of punishment or training because of some civil litigation.

So I'm working my way around the state, and have several more colleges or universities to attend.

---

# Dr. Don Dyck Added To Consultant Team



**Dr. Don Dyck**

Don began his career as an educator in Ohio where he first taught high school mathematics. He also served as a principal and Assistant to the Superintendent, and was a Superintendent of schools himself from 1983-1997. After leaving the superintendency, Don became a Senior Fellow at the Center for Leadership in School Reform in Louisville, Kentucky, and, finally, a Senior Associate for Planning Advocates, Inc., Delaware, Ohio.

Dr. Dyck has both bachelor's and master's degrees from Indiana University and a Ph.D. in Educational Foundations and Research from the Ohio State University. He also is involved in many professional and civic associations, including, among others, the American Association of School Administrators; Brownsburg, Indiana, Key Communicators Council; Phi Delta Kappa International; Rotary

International, where he was the 2001 Paul Harris fellow. He is also a member of the Council for Educational Facilities Planners International.

Don joined ESC in March, and his first project in Indiana was as part of a team that did a feasibility study for the Danville Community schools. He led the facilities evaluation portion of the study, and he used documents from the Council for Educational Facilities Planners to facilitate the study. Dr. John McKinney, Superintendent of the Danville schools, commented that he was very pleased with the work of Dr. Dyck and would hire him again in an instant.

Don also will be involved with the facilities component of the high school feasibility study for the Whitley County schools.

***Educational Services Company is delighted to have Dr. Don Dyck as its newest consultant.***

---

## Unfunded Liability

The 2001 General Assembly made SEA 199 a law which essentially accomplished two things. First, the law established that any growth in a school corporation's unfunded severance/retirement liability since June 30, 2001, must be funded on an actuarially sound basis. This part of the law is still in effect. The second thing that SEA 199 did was allow school corporations to sell bonds to fund a solution to the unfunded liability problem.

The 2003 General Assembly passed HEA 1088, which made two changes to SEA 199. One change was to extend the deadline for selling pension bonds from December 31, 2003, to December 31, 2004. The second was to change the maximum bonding limit from 2% of its net assessed value to 2% of its true tax value. The limit change essentially tripled the amount of money in bonds that a school corporation could sell, and opened more realistic opportunities for complete liability buy-outs.

The 2005 General Assembly recently passed legislation to provide selected school corporations with one more opportunity to solve unfunded severance/retirement liability problems. For the 60+ school corporations that did not sell pension bonds at all, a new deadline of July 1, 2006 has been established. For the 40+ school corporations that sold

pension bonds before April 14, 2003, a second opportunity to sell pension bonds has been provided. The statute states that the new limit for these school corporations getting a second opportunity is 2% of the true tax value at the time the first bond issue was sold less the amount previously issued.

Educational Services Company recommends that school corporations start as quickly as possible to solve this pension/retirement issue for two reasons. First, pension bonds sold in the last six months of the calendar year are more efficient (fewer bonds need to be sold) than those sold during the first six months of the calendar year. Second, we encourage school corporations to negotiate a buy-out deal prior to selling bonds, and this task can be time-consuming. Also, if you have overlooked your obligation for special education or vocational co-ops, you may wish to include those areas in your planning. In July, 2004, Educational Services Company sponsored and supported a two-week workshop session in Indianapolis to assist school districts in their efforts to reach a solution with their employee groups. We will be holding similar sessions to further assist school corporations: July 18-29, 2005, and February 6-17, 2006.

Please call us to get started.

**Return Service Requested**

## Across the Board

---

Consultants for Educational Services Company continue to stay busy with special studies, budget assistance, facilities planning, and actuarial and benefits consulting.

**Niles Pfafman**, recently retired from Northwest Allen County Schools, is facilitating a transportation study at Whitley County Consolidated Schools helping board members plan for the future of the school corporation.

**Ralph Egloff** is busy working on a financial health analysis at North Gibson School Corporation.

**Tim Jackson** is providing budget assistance to the new superintendent at Cloverdale Community School Corporation, Carrie Milner, as well as doing budget assistance with Benton Community Schools.

**Pete Apple** is working on equipment specifications and purchases for new buildings at Franklin Township Community School Corporation and MSD of Wayne Township.

**Jerry Moore, Don Dyck, George Dickison, and Pete Rupp** are scheduled to start a high school feasibility study later this year at Whitley County.

**Bev Walters** is close to finishing her interim assignment as high school treasurer at Greenfield High School.

**Tony Broadwell** will start a budget project July 1 at Centerville-Abington Community Schools to assist the new superintendent, Phil Stevenson.

**Bill Roberson**, beginning July 1, will assist Mount Pleasant Township on budget development and approval.

**Joe Scher** has been busy working with facility planning assistance for the South LaPorte County Special Education Cooperative.

**Denny Deeter and Jeannie Zurawski** are busy with an unfunded liability study for the South Ripley Community School Corporation and the planning for forfeiture reallocations for *VEBA* and *401a* plans.

**Doug Cassman** continues to be busy with benefits consulting and conversion strategy planning for unfunded liability buyouts.

**Dave Widdifield** is beginning work at Crawford County Community School Corporation on a review of their medical insurance program.

**Nate Day** has been actively involved in financial advisor activities for bond issues that have recently closed at Clark Pleasant Community School Corporation, Cloverdale Community School Corporation, North White Community School Corporation, Nettle Creek Community School Corporation, and Madison Consolidated Schools.

**Larry Renihan** recently completed and submitted a report to the Rush County Schools concerning educational space specifications for elementary and middle schools.