Executive Protection Group

Wealth & Health Insurance Co.

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How the ABIL™ Plan Works

1. BANK

Bank loans funds to a trust created to fund a public entity's OPEB* liability.

2. TRUST

The trust uses the loan to fund premiums for the investment grade life insurance policies. The policies act as part of the collateral for the loan.

3. LOAN VALUE

The difference between the value of the policies (which is determined by investment performance, mortality and policy charges) and the loan offsets the OPEB liability.

4. LOAN PAYOFF

The loan is paid off after the value of the policies exceeds the loan's principle and rolled-up interest.

5. INCOME/CASH

After loan payoff, the trust can either continue the policies and withdraw an income stream to apply against the ARC; or surrender the policies and receive cash to satisfy the UAAL

6. RETIREMENT

All of these steps are taken to ensure the viability of benefits to employees upon retirement.

Why Finance?

Financing investment grade life insurance allows for the purchase of these assets when the government has collateral available, but limited cash, which is often the case with public agencies. In many cases a government's credit rating or letter of credit can serve as the collateral (required when the loan is larger than the cash value of the life policies only), thus eliminating the need for the government to securitize with liquid assets.