

2.1.2

Policy Title: 2.1.2 Restricted Funds Related to Employee Benefits Plan

Section: 2.0 Financial Reporting

Last Approved: September 2016

BACKGROUND

The purpose of this policy is to ensure certain reserve funds with respect to the administration of the Association's Employee Benefits Plan are to be maintained and appropriately funded to provide for sound financial management of the Employee Benefits Plan. The funds held in each reserve are restricted funds that shall be used only for the purposes related to the management and administration of the Plan for which each is designated.

APPLICATION

This policy applies to the Association.

POLICY STATEMENT

1. General Requirements
 - 1.1. A review of Employee Benefits Plan's reserve funds, based on the latest ASO financial accounting report from the insurance carrier, is to occur at least every three (3) years subsequent to June 2014;
 - 1.2. If the Employee Benefits Plan is terminated, moneys remaining in any of the reserve funds, after satisfaction of all amounts to be paid out of each reserve, may be credited to the Unappropriated Reserve for the purposes of payment of any costs related to the windup of the Plan.
2. Reserves
 - 2.1. Risk Management & Research Reserve
 - 2.1.1. Information Only: There is no need for a Risk Management and Research Reserve at this time. Risk management and research is budgeted through consulting contracts that the Plan may enter into from time to time.
 - 2.2. Claims Reserve
 - 2.2.1. Purpose – The purposes of this reserve are
 - 2.2.1.1. to subsidize, as the Executive Director considers advisable, any benefits rate increases
 - 2.2.1.2. in the event that the EBP ceases operations due to a Plan wind up, to pay any benefits incurred in the 12 months prior to the wind up date, but not reported as of wind up date. For this reason, this reserve should remain in place for 12 months past any Plan wind up date
 - 2.2.2. Amount of Reserve – Moneys paid into this reserve shall be no less than the total of the following calculations of claims costs as documented in the latest ASO financial accounting report:

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- Incurred But Not Reported (IBNR) Reserve:
 - 8% of paid drug claims, plus expenses, plus
 - 10% of paid vision claims, plus expenses, plus
 - 18% of paid other extended health claims, plus expenses, plus
 - 10% of paid dental claims, plus expenses, plus
- Claims Fluctuation Reserve:
 - (10% of all paid claims plus expenses).

2.2.3. Funding – This reserve consists of any moneys that may be paid into the reserve from time to time, pursuant to the Employee Benefits Plan Operational Policy, from any operating surplus that exists at the end of the fiscal year.

2.3. Unappropriated Reserve

2.3.1. Purpose – The purposes of this reserve are:

- 2.3.1.1. To pay the administrative costs associated with the winding down of the EBP if the Plan is dissolved;
- 2.3.1.2. To pay costs incurred as a result of a significant group withdrawal from the Plan, creating a plan deficit,
- 2.3.1.3. To pay administrative expenditures that have not been budgeted for that were unforeseen and could not have been reasonably anticipated at the time the budget was approved and to address emergent situations that arise between budgets;
- 2.3.1.4. To fund unplanned and unanticipated deficits that may result at the end of the fiscal year;
- 2.3.1.5. To fund the development of administrative infrastructure to support the EBP in its role as a third party benefit administrator and policy holder.

2.3.2. Amount of Reserve

- 2.3.2.1. The amount held in this reserve shall be not less than \$1,000,000.
- 2.3.2.2. Funding – This reserve consists of any moneys that may be paid into the reserve from time to time, pursuant to the Employee Benefits Plan Operational Policy, from any operating surplus that exists at the end of the fiscal year.
- 2.3.2.3. Upon the windup of the Employee Benefits Plan department, any remaining funds in this reserve after all expenses are exhausted will be transferred to the General Operations Unappropriated Reserve.

REFERENCES

Financial and Operational Policy 2.1 – Reserves