

FINANCE

Fund Balance and Solvency

Under Policy No. 220, the Trustees for the Everett School Employee Benefit Trust (“Trustees”) are responsible for ensuring that the Everett School Employee Benefit Trust (“Trust”) is managed:

- effectively and prudently, in full compliance with law and the Trust.
- for the exclusive purposes of providing benefits to participants in the Trust and defraying the costs of administering the Trust.

The Trustees believe this responsibility includes the requirement that sufficient funds be retained to meet the Trust’s liquidity needs, which vary from time to time. To retain this stable financial base and to comply with regulatory solvency requirements, the Trust needs to maintain a Trust fund balance sufficient to: (i) pay claims for benefits funded directly by the Trust, (ii) pay costs associated with administering the Trust, and (iii) provide financial reserves for unanticipated benefit and cost expenditures and/or revenue shortfalls of an emergency nature.

The Trustees will develop and adopt procedures for carrying out this Policy.

Reference: 200 Financial Policy
 220 Investment Guidelines and Rules
 250P Fund Balance and Solvency

Legal Reference: WAC 80-65-040

Proposed: December 2010
Approved:

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In order to retain a stable financial base and comply with regulatory solvency requirements, the Trustees shall:

1. Maintain sufficient funds to meet the Trust's liquidity needs;
2. Establish reserves in an amount equal to the sum of eight weeks of (i) claim costs for all benefits funded directly by the Trust, (ii) costs, and (iii) expenses;
3. Maintain an aggregate stop-loss insurance policy with an attachment point set at or below one hundred twenty-five percent of annual expected claim costs for all benefits funded directly by the Trust; and
4. In addition to establishing the reserves in item 2. above, establish by resolution an additional contingency reserve in an amount equal to the sum of (i) eight weeks of claims costs for all benefits funded directly by the Trust, (ii) costs, and (iii) expenses.

In lieu of the requirements in 1., 2., 3. and 4. above, the Trustees may obtain an independent actuarial study and fund the Trust to the actuarially determined liability.

If at any time during a program year the requirements in 1. and 3., or 4. are not met, the Trustees shall notify the Washington State risk manager of the condition, and comply with the risk manager's corrective action plan.

Reference: 100.3P Third Party Administrators, Consultants and Advisors
200 Financial Policy
220 Investment Guidelines and Rules
250 Fund Balance and Solvency
440 Reports

Legal Reference: WAC 82-65-040

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