

Effective: October 1, 2017

1. PURPOSE

In order to assure that the Lee County Mosquito Control and the Lee County Hyacinth Control District's (LCMHCD) Other Post-Employment Benefits (OPEB) program is financially sustainable, the program should accumulate adequate resources in a systematic and disciplined manner over the active service life of benefitting employees. LCMHCD's OPEB Funding Policy documents the method the LCMHCD will use to determine annual contributions to fund the long-term cost of benefits to District employees and retirees. The policy also:

- Demonstrates prudent financial management practices
- Promotes long-term and strategic thinking
- Provides guidance in making annual budget decisions
- Demonstrates to employees retirees, and the public how OPEB will be funded to ensure adequate funding for benefits

2. BACKGROUND

On November 8, 1984, the Board of Commissioners was presented with Florida Statute 112.0801 (1) which required all former personnel who retired before October 1, 1987, as well as those who retire on or after such date, and their eligible dependents, the option of continuing to participate in the group insurance plan or self-insurance plan. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. As a result of the statute, the Board of Commissioners of LCMHCD complied with the provisions of the statute but also voted to provide retired employees, with ten years of service, hospitalization insurance as follows: (1) 75% of the premium cost to be paid by LCMHCD and (2) 25% of the premium cost to be paid by the retired employee (the same benefit provided to active employees). The adopted policy provided for LCMHCD to pay for the benefit annually.

LCMHCD continued the policy as adopted except that the requirement to work ten years to be eligible for premium assistance was decreased to six years. In May of 2008, LCMHCD management notified all retirees that LCMHCD intended to continue the practice of assisting retired employees by paying a portion of their health insurance premium as long as it was financially feasible, and reminded them that the payment of a portion of the premium was never a guaranteed benefit. LCMHCD further said that the cost of the assistance on the Blue Cross Blue Shield group plan was becoming a cause for fiscal concern. LCMHCD notified the retiree's that those that did not qualify to use Medicare could continue under the current group plan and would continue to receive the same premium assistance. Retirees over the Medicare age were notified that LCMHCD would offer a Medicare supplemental insurance policy and that LCMHCD would continue to provide premium assistance for each retiree. The premium assistance would be 75% of the cost of the supplemental policy. Retirees that decided to continue coverage under the Blue Cross Blue Shield group plan that were eligible to receive Medicare benefits would receive premium assistance at 75% of the premium of the Medicare supplemental plan.

Due to the rising cost of providing health insurance to LCMHCD employees and retirees, the Board of Commissioners changed the premium assistance for retiring employees in June of 2012. The policy change increased the vesting requirement from six years to ten years to employees hired prior to July 1, 2011 and eliminated premium assistance to employees hired after that date upon retirement. Employees hired after July 1, 2011, in accordance with Florida Statutes, could continue participation in LCMHCD health insurance policies; however, no premium assistance would be provided.

In August of 2012, the Board of Commissioners revisited the change in the vesting requirement as it applied to a few employees that were close to retirement age and had worked for the District for just a few years. The Board provided for a continuation of the six-year vesting period for those few employees.

A written policy to define the retiree benefits was created and the Board of Commissioners approved the policy in September of 2015. The policy states that employees hired prior to July 1, 2011 that were participating in the Florida Retirement System Pension or Investment plans who retire from LCMHCD as defined by Florida Statute 112.0801(2) and continue group health insurance are eligible to receive the same premium assistance as active employees. Employees hired after July 1, 2011 are able to continue the District's group health insurance without premium assistance. The policy also defines the applicability to dependents and changes in status after retirement.

Even with the changes made to reduce the accumulating premium assistance benefit LCMHCD found that the pay-as-you-go system (paying only current premium assistance benefits) was not effectively reducing the accumulating liability. LCMHCD's financial statements were negatively affected and the premium assistance benefit was consuming resources that may be needed for vital programs and services. To address the problem LCMHCD determined that a Retiree Health Insurance Trust fund (RHITF) should be established and that pay-as-you-go payments along with additional contributions should begin. The additional contributions would allow the trust to invest the funds on deposit and grow the funds available for premium assistance. In fiscal years ended September 30, 2015, 2016 and 2017 LCMHCD contributed \$1,000,000, \$1,000,000 and \$2,000,000 to the trust and continued the pay-as-you-go premium assistance to retirees to allow the trust to accumulate assets. On May 8, 2017, the Trust board adopted the plan document and voted to begin paying premium assistance benefits for retirees on October 1, 2017.

As of September 30, 2016, the estimated net OPEB obligation was \$13,692,699. As of July 31, 2017, the trust had \$4,257,733 available to pay for premium assistance benefits and operating expenses. As of June 1, 2017, there were 82 retired employees or dependents of retired employees on the Medicare supplemental plan. There were also 17 retired employees on the BCBS health insurance plan. (Please see the attached schedule of estimated premium assistance).

3. POLICY

LCMHCD engaged an OPEB actuary to determine the District's Actuarially Determined Contributions (ADC) in 2011. LCMHCD will continue the valuation biennially to continue to determine the status of the OPEB obligation, account for annual cost and long-term obligation and to determine the funding progress of LCMHCD contributions. Both LCMHCD and the RHITF will review and evaluate the valuation for the completeness and accuracy of

the employee census data and the reasonableness of the estimates and assumptions used in the calculations. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to constant revision as actual experience is compared with past expectations and new estimates are made about the future.

It is the intention of LCMHCD to follow the Government Finance Officers Association (GFOA) recommendations. The objective of LCMHCD is to fund the long-term costs of the benefits promised to participants. LCMHCD acknowledges that the appropriate way to attain reasonable assurance that benefits will remain sustainable is for the RHITF to accumulate resources via contribution for future benefit payments in a systematic and disciplined manner during the active service life of the benefitting employees.

LCMHCD will continue to appropriate in its annual budget contributions to the RHITF as long as financially feasible. The promise to pay health insurance premium benefits to retirees is the responsibility of the RHITF. LCMHCD original promise to pay health insurance benefits or the current budgeting of contributions to the RHITF was not nor is not intended to be a vested or guaranteed benefit.

Funding of the RHITF should be transparent to all parties, including employees, retirees, and residents. In order to achieve this transparency, the following information shall be available on the RHITF web site www.?????????.

- a. Copies of the biennial actuarial valuations for the LCMHCD OPEB plan.
- b. The Lee County Mosquito and the Lee County Hyacinth Control Districts' annual audited financial statement. The report will include information on the LCMHCD OPEB plan.
- c. The Lee County Mosquito and the Lee County Hyacinth Control District budget.