

Post Retirement Medical Plan & Trust

*a single employer plan sponsored by
Truckee Meadows Water Authority*



TO: Board of Trustees of the Post Retirement Medical Plan & Trust
FROM: Jeff Tissier, TMWA Chief Financial Officer
DATE: June 6, 2011
SUBJECT: **Review and approval of Funding and Operating Account Investment Policies**

Recommendation

TMWA staff recommends the Post Retirement Medical Plan and Trust (PRMPT) approve the proposed Funding Policy and the Operating Account Investment Policy.

Suggested Motion

The Trustees move to approve the proposed Funding Policy and the proposed Operating Account Investment Policy for the PRMPT.

Proposed Funding Policy

TMWA recognizes an actuarial based Annual Required Contribution (ARC) to be deposited with the Trust. The ARC has historically been greater than the total expenses of the trust but at some point in the near future the ARC may be less than the total expenses of the trust.

It is recommended, as a policy, that when the ARC is greater than the combined expenses of the Trust that funding of Trust expenses occur first and that any remaining funds be transferred to the Retirement Benefit Investment Fund (RBIF).

For example, if TMWA funds the Trust on a biannual basis then the Trust expenses for the ensuing 6 months are funded, after taking into account any remaining bank balances, and such monies placed in the Trust's operating account to meet those expected obligations. Any remaining amount is then transferred to the RBIF to be invested according to RBIF policies. Accordingly if TMWA funds the trust on an annual basis then the next 12 months of Trust expenses are funded and such monies are placed into the Trust's operating account with any remaining monies placed with the RBIF. The Trust budget and/or financial forecasts will be used as the mechanism to determine the expenses to be funded.

If on the other hand, total trust expenses are greater than the ARC being transferred to the Trust, the Trust will have to look to the funds held in the RBIF to make up the shortfall. It is recommended that monies be transferred from the RBIF once or twice a year since transfers must occur on specific dates and to reduce the administrative burden and expense of more frequent transfers.

Proposed Operating Account Investment Policy

Monies that are placed into the Trust's operating account should be invested in a prudent manner when possible in securities that are secure and/or federally insured through the Federal Deposit Insurance Corporation. These investments will mature in a time and manner that meets the

liquidity requirements of the Trust. The Trustees authorize the TMWA Chief Financial Officer and/or designee to place these investments after conferring with the Trustees on the type of investments available and proposed maturities. Secure investments are considered obligations of the United States Treasury such a T-bills, obligations of federal agencies, or insured certificates of deposit. The suite of investments offered by the bank will be presented to the Trustees for investment consideration.