

ASEA/AFSCME Local 52 Health Benefits Trust

Methodology for Determining a Reasonable Level of Health Trust Reserves

The Trust shall hold reserves sufficient to fund outstanding Trust liabilities and provide protection against fluctuations in expected claims, eligibility, and Trust income.

The sufficiency of Trust reserves shall be determined by the Board of Trustees. The minimum amount to be held by the Trust in allocated reserves is no less than the Trust's Incurred But Not Reported (IBNR) claims liability and terminal liability. The Trustees recognize it is prudent to hold additional funds in unallocated reserves; the amount of unallocated reserves may vary according to the Trust's circumstances but should generally range between 2 months of claims and Trust expenses and one year of claims and expenses. At their discretion, the Trustees may determine circumstances warrant increasing or decreasing the unallocated reserves outside of this range.

The Board of Trustees shall review the status of Trust reserves:

- Each year, in conjunction with the determination of rates and plan design for the following plan year, and
- As necessary and prudent throughout the course of the plan year.

The annual review shall include the following considerations:

1. Estimated Incurred But Not Reported (IBNR) and terminal liabilities.
2. Participant eligibility, including:
 - a. Eligibility history and expected changes for actives, COBRA participants, and participants on extended eligibility,
 - b. Demographic history and expected changes, for both members and dependents, and
 - c. Expected changes in work patterns, hours worked (full time or part time), or work locations.
3. Current claims costs and other Trust expenses.
4. Expected increase/decrease in claims, due to:
 - a. Health care trend,
 - b. Anticipated variations in utilization, and
 - c. Plan changes made by the Trust.
5. Legislation or legal requirements which may result in increased/decreased liability.
6. Changes in service provider contracts which may result in increased/decreased liability.
7. Anticipated contribution rates (employer and employee), the date of current Collective Bargaining Agreement expiration, and the probability of contract funding.

Should the Trustees determine that the level of Trust reserves must increase or decrease, the Trustees may make changes to contribution rates, plan design or other factors. Such changes may be accomplished over a period of time, as determined by the Trustees.

This Policy is adopted this December 9, 2004, replaces any previously adopted versions, and is effective until revoked, revised, or amended.

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