

Resolution 19-10-79

Exhibit A

# TriMet Defined Benefit Retirement Plan for Management and Staff Employees



## PENSION FUNDING POLICY AND OBJECTIVES

The TriMet Retirement Trust for Management and Staff Employees is a tax exempt trust which holds assets and funds benefits for the TriMet Defined Benefit Retirement Plan for Management and Staff Employees (Pension Plan or Plan). The Plan is closed to new participants. The assets of the Plan are held for the exclusive benefit of participants and beneficiaries under the terms of the Plan, and cannot be used to pay any benefits or expenses of any other retirement plan or trust. The benefits are funded by employer contributions and earnings from Pension Plan investments. The funding policy is to systematically fund the liabilities of the Plans on a sound actuarial basis, taking into account the closed status of Plan.

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## 1. PURPOSE OF THIS DOCUMENT

Tri-County Metropolitan Transportation District of Oregon hereby establishes this Pension Funding Policy (“funding policy”) for The TriMet Defined Benefit Retirement Plan for Management and Staff Employees (Pension Plan or Plan). The Funding policy will provide a process for determining appropriate minimum contributions to the plan on a regular basis. At June 30, 2019, the plan has a funded ratio of 93.1%, as compared with national averages for government plans exceeding 75%.

## 2. AUTHORITY

The Pension Plan was established by TriMet in 1970, and is currently governed by the 2008 Restatement of the Plan. The Plan is a governmental plan within the meaning of Section 414(d) of the Code.

## 3. ROLES AND RESPONSIBILITIES

### A. Overall Structure

#### i. TriMet Board of Directors

The TriMet Board of Directors is ultimately responsible for authorization of District spending, including funding of pension trusts, via the annual Adopted Budget. The Board hereby appoints TriMet’s Chief Financial Officer as liaison with actuaries and other professionals necessary to calculate funding amounts for the plan.

### B. Roles and Responsibilities of the Chief Financial Officer

#### i. Responsibilities of the Chief Financial Officer

- a. Work with actuaries to calculate minimum annual funding amounts
- b. delegating to, and monitoring the performance of, accounting staff, who will complete regular funding of contributions as calculated by the actuaries and appropriated in the annual agency budget; and
- c. maintaining a reporting system that provides a clear picture of the status of plan funding to the Board.

### C. Roles and Responsibilities of the Actuary

The actuary will provide studies that will:

- i. determine the long-term obligations faced by the Plan through annual actuarial valuations, and
- ii. calculate minimum plan contributions in accordance with the funding plan.

#### 4. FUNDING POLICY OBJECTIVES

Over the long-term (10 years or sooner), the funding objective is to achieve a fully funded status. Given that the plan closed to new enrollment in April 2003, it is anticipated that existing employees eligible for benefits in the plan will, on average, retire within the next 5 to 10 years. Minimum annual funding will be determined on an actuarial basis. The Trust will be considered fully funded when it reaches at least 93%.

#### 5. ACTUARIAL COST METHOD

The actuarial cost method is the method used to allocate the pension costs (and contributions) over an employee's working career. The policy objective is that each participant's benefit should be fully funded under a reasonable allocation method by the expected retirement date. Benefit costs should be determined as a level percentage of compensation and include expected income adjustments. For purposes of the calculation, the policy will be to utilize Entry Age Normal (level percentage of payroll) actuarial cost method in the calculation of contribution amounts.

#### 6. ASSET SMOOTHING METHOD

Asset smoothing method is the method used to recognize gains or losses in pension assets over a period of time, to reduce the impact of market volatility and provide stability to contributions. The asset smoothing method will be consistently applied to both gains and losses, and will not be reset as a result of high or low investment returns. For purposes of the calculation, a five-year period for "smoothing" investment experience, with the resulting value not less than 80%, nor greater than 120% of the market value of assets on the valuation date will be used.

#### 7. INVESTMENT RETURN ASSUMPTIONS

For purposes of the calculation, investment return assumptions will be evaluated by an independent pension investment advisor on a regular basis (at a minimum of every two years), and should reflect the nature of the investments held in the plan, and the historical and projected return rates anticipated for the investments. Currently, the rate of return assumption for the plan is 7.0%. Given the closed nature of the plan and the nature of the plan investments appropriate for a closed plan, it is anticipated that the rate of return assumption will decline over time.

#### 8. AMORTIZATION POLICY

The amortization policy determines the length of time and structure of the payments required to systematically fund accrued employee benefits not covered by the actuarial value of assets. The amortization policy for the plan will not exceed 20 years. The amortization policy of the plan will have an overall goal of stable costs for the District and intergenerational equity of costs (thus, the cost of the benefit is paid by the generation of tax payers who receives the services). The District will phase in an amortization period that reflects the remaining average work life of the employees eligible for benefits, beginning with a 10 year closed amortization

period (reducing by 1 year annually). The amortization period is intended to allow for the funding of the normal cost of the pension over the working life of the employee.

9. FREQUENCY OF CALCULATION

The calculation of the actuarially determined contribution (ADC) will be completed on an annual basis, in conjunction with the calculation of the Pension Liability. The ADC will be considered the minimum funding amount for the year until the Trust is deemed fully funded. Funding amounts will be determined via the annual budget process and may exceed the ADC.