

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
MEDICAL RESERVE FUND FOR DISTRICT RETIREES	35	6/7/00	

PURPOSE:

This policy is intended to provide a guideline for the prudent management of the District's medical reserve fund for retired employees and Board Members. The ultimate investment goal is the enhancement of the economic status of the reserve fund and the reduction of the impact of medical expense on the annual operating budget.

OBJECTIVE:

The fundamental financial objective of the medical reserve fund is to establish and receive contributions from the general fund operating reserves, which will remain approximately at the level necessary to meet the long-term obligation of the District's existing benefit package. The medical reserve fund is designed to accurately monitor and forecast expenditures and revenues, and insure the investment of moneys to the fullest extent possible.

The District will endeavor to make medical and dental coverage available for retired individuals and their dependents as described in the Memorandum of Understanding between the District and the Employee Associations. Retired employees will be eligible for continuation of coverage if they satisfy both the age and years of service requirements at the point full-time employment ceases.

DELEGATION OF AUTHORITY:

Under authority granted by the Board of Directors, the General Manager will administer the fund. The Department Head of Finance will be responsible for establishing the fund in the District's records with an initial deposit of \$4,000,000, provide reports, investing the fund balance to accrue interest and provide the accounting for transactions.

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REPORTING:

The Department Head of Finance will submit a report to the Board of Directors each year after the completion of the District's audit. This report will include the beginning fund balance, all cash received and expended for the fiscal year, and the closing balance as of June 30. This report will also include a complete description of the investment of the reserve fund, the type of investments, maturity dates and the average weighted yield.

Periodically, the District may request that an actuarial report be completed to determine the financial liability of the fund. A qualified actuary, in accordance with the principles and procedures established by the Actuarial Standards Board (ASB), should perform the actuarial valuation at least every five years. This report should include the fund assets, and the projected liability based on the most recent employee information.