Pension Plan for Bargaining Unit Employees of TriMet

PENSION FUNDING POLICY AND OBJECTIVES

The ATU TriMet Pension Trust is a tax exempt trust which holds assets and funds benefits under a single employer defined benefit Pension Plan for Bargaining Unit Employees of Tri-Met (Pension Plan or Plan). The assets of the Plan are held for the exclusive benefit of participants and beneficiaries under the terms of the retirement plan established pursuant to collective bargaining agreements between Tri-Met and Division 757 of the Amalgamated Transit Union (AFL-CIO) (ATU Division 757), 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.

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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 Pension Plan for the Bargaining Unit Employees of TriMet (Pension Plan or Plan). The Funding policy will provide a process for determining appropriate minimum contributions to the plan on a regular basis. The funding policy will ensure contribution levels that, at a minimum, provide funding as agreed in the Working and Wage Agreement. At June 30, 2013, the plan has a funded ratio of 59%, as compared with national averages for government plans exceeding 75%.

2. AUTHORITY

The Pension Plan was established by TriMet in 1979 pursuant to a collective bargaining agreement, and is governed by the 2008 Restatement of the Pension Plan for Bargaining Unit Employees of TriMet dated January 1, 2008. The plan is a governmental plan within the meaning of Section 414(d) of the Code.

3. ROLES AND RESPONSIBILTIIES

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 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 (15 years), the funding objective is to achieve a fully funded status. Given that the plan closed to new enrollment in August 2012, it is anticipated that existing employees eligible for benefits in the plan will, on average, retire within the next 10 years. Funding will be determined on an actuarial basis, and will, at a minimum, comply with amortization requirements as defined in the Working and Wage Agreement.

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 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 7.5%. 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 funds accrued employee benefits not covered by the actuarial value of assets. The amortization policy for the plan will not exceed 30 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 15 year amortization period, and reducing by 1 year annually, until the amortization period is 5 years. 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. Funding amounts will be determined via the annual budget process and may exceed the ADC.