LANE TRANSIT DISTRICT
PENSION PLAN FOR BARGAINING UNIT EMPLOYEES

Pension Funding Policy and Objectives

PURPOSE

The Financial Health goal for the Lane Transit District ("District") Board of Directors ("Board") is to maintain the District's financial condition while keeping our pension payment commitments. Achieving this goal requires that pension liabilities be managed for long-term sustainability. Long-term sustainability means that the Annual District contributions are affordable and sufficient to meet our pension commitments in both the near and long term.

This policy addresses the Lane Transit District and Amalgamated Transit Union Local No 757 Pension Trust. The Lane Transit District and Amalgamated Transit Union Local No 757 Pension Trust is a tax-exempt trust that holds assets and funds benefits under a single employer defined benefit plan of the same name. 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 Lane Transit District 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 purpose of this policy is to provide a process to determine an appropriate actuarially determined contribution (ADC) in order to systematically fund the liabilities of the Plan on a sound actuarial basis. The Funding Policy reflects ADC that, at a minimum, provides funding as agreed in the Working and Wage Agreement. This funding policy may be amended by the Board at any time, for any reason. Although citations in this document will be updated from time to time, the core principles will only change through Board resolution.

At January 1, 2022 the Plan had an actuarial funded ratio of 79.3 percent

BACKGROUND

1. AUTHORITY

   The Plan was established by Lane Transit District in 1972 pursuant to a collective bargaining agreement and is governed by the 2015 Restatement of the Pension Plan for Bargaining Unit Employees of Lane Transit District. Section 16.1 of the Plan discusses the Employer making contributions to the Plan. The Plan is a governmental plan within the meaning of Section 414(d) of the Internal Revenue Code.

2. ROLES AND RESPONSIBILITIES

   A. Roles and Responsibilities of the Lane Transit District Board of Directors

      1. The Lane Transit District 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 Lane Transit District's

Director of Finance as the liaison with actuaries and other professionals necessary to calculate funding amounts for the Plan.

B. Roles and Responsibilities of the Director of Finance

1. Work with actuaries to calculate the annual Actuarially Determined Contribution (ADC)

2. Delegate to, and monitor the performance of accounting staff who will complete regular funding of contributions as calculated by the actuaries and appropriated in the annual District budget;

3. Maintain a reporting system that provides a clear picture of the status of plan funding to the Board; and

4. Updating citations, bringing Trustee recommended changes to this policy to the Board, and informing the Board of any changes made by the Trustees to the actuarial assumptions and methods as described below.

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 biennial actuarial valuations, and

ii Calculate ADCs in accordance with the Funding Policy.

D. Roles and Responsibilities of the Trustees. The Trustees serve as the administrator of the Plan, as specified in the Plan document. In this role, their responsibilities include:

i. Engaging for the performance of actuarial services as needed to fulfill the provisions of the Plan, including periodic actuarial valuations to determine the liabilities and funded position of the Plan

ii. With the advice of its Actuary, adopting actuarial assumptions and methods used by the Actuary, including, without limitation, the investment return assumption, mortality assumptions, asset smoothing method, and amortization policy. The Trustees will report any changes to those assumptions and methods to the Board via the Director of Finance.

3. FUNDING POLICY OBJECTIVES

Over the long term, the funding objective is to achieve a fully funded status while managing the level and volatility of the ADC.

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. The ADC will consist of the normal costs of service for that year plus a level dollar amount to cover administrative costs plus an amortized amount to cover the unfunded liability over the amortization period adopted by the Trustees. Amortization payments are calculated on a "layered" basis, meaning that with each valuation any unexpected increase or decrease in liability is amortized over the ensuing Trustee-specified amortization period (currently 20 years for most purpose)

4. ACTUARIAL COST METHOD

The actuarial cost method is the method used to allocate the pension costs (and contributions) over an employee's active service.. The accruing costs of all benefits are measured by the Individual Entry Age Normal Cost Method. Under this method, the Actuarial Present Value of the Projected Benefits of each individual included in the Actuarial Valuation is allocated on a level basis over the expected earnings of the individual between entry age and assumed exit age(s). The portion of the Actuarial Present Value allocated to a valuation year is called the Normal Cost. The policy objective is that each participant's benefit should be fully funded under a reasonable allocation method by the expected retirement date.

5. ASSET SMOOTHING METHOD

The 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 to 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 three-year period for "smoothing" investment experience will be used. The resulting actuarial value of assets will be not less than 80 percent nor greater than 120 percent of the market value of assets on the valuation date.

6. INVESTMENT RETURN ASSUMPTIONS

For purposes of the calculation, investment return assumptions will be evaluated by an independent pension investment advisor and the actuaries 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. As of January 1, 2022 the rate of return assumption for the Plan is 5.50 percent.

7. AMORTIZATION POLICY

The amortization policy determines the length of time and structure of the payments required to systematically fund actuarial accrued liability not covered by the actuarial value of assets. The amortization policy for 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 and fare payers who receive the services). Amortization payments are calculated on a "layered" basis, meaning that with each valuation any unexpected increase or decrease in liability is amortized over the ensuing Trustee-specified amortization period (currently 20 years for most purposes).

8. FREQUENCY OF CALCULATION

The calculation of the ADC will be completed on a biennial basis, in conjunction with the calculation of the Pension Liability. The ADC will be considered the minimum funding amount the Trustees will recommend to the Board for the year, unless the Trustees approve a lower recommendation. However, actual funding amounts will be determined by the Board in its discretion via the annual budget process.

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