LANE TRANSIT DISTRICT
SALARIED EMPLOYEES' RETIREMENT PLAN

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 District's contributions are affordable and sufficient to meet our pension commitments in both the near and long term.

This policy addresses the Lane Transit District Salaried Employees' Retirement Plan Trust. The Lane Transit District Salaried Employees' Retirement Plan Trust is a tax-exempt trust that holds assets and funds benefits for the Lane Transit District Salaried Employees' Retirement Plan (Plan), which covers non-represented management and staff employees at the District. The defined benefit portion of the Plan is closed to new participants hired or rehired on or after January 1, 2012. 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 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, taking into account the closed status of Plan. 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 policy principles will only change through Board resolution

At July 1, 2021, the Plan had an actuarial funded ratio of 71 percent.

BACKGROUND

1. AUTHORITY

   The Plan was established by Lane Transit District in 1975 and is currently governed by the 2015 Restatement of the Plan, as last amended on February 19, 2021. Sections IV and X of the Plan discuss the Employer making contributions to the Plan's Trust Fund. 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

      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 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

a. Work with actuaries to calculate minimum annual funding amounts;

b. 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; and

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

d. 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:

a. Determine the long-term obligations faced by the Plan through biennial actuarial valuations; and

b. 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:

a. 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

b. 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.

POLICY

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. Given this objective, future plan benefit enhancements will only be considered after the plan achieves greater than 100% funded status, unless such enhancements are narrowly tailored and supported by a new contribution source – separate and in addition to the existing ADC – that will fully fund the benefit enhancement. Once the plan achieves 100% funded status, consideration will be given to de-risking measures and the funding cushion needed for potential adverse experience prior to approving any potential benefit enhancements. The effect of plan changes on future funded status and the ADC will be studied under multiple potential investment return scenarios before adopting such changes.

Given that the defined benefit portion of the Plan was closed to new enrollment in January 2012, it is anticipated that most existing employees eligible for benefits in the Plan will, on average, retire within the next 1 to 10 years.

The ADC will consist of the normal costs of service for that year plus a level dollar amount to cover administrative expense and to amortize the unfunded liability over a fixed 20-year period beginning on July 1, 2011. As of July 1, 2021, 10 years remain in the closed period.

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 policy objective is for each participant's benefit to 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.

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 of every two years) and should reflect the nature of the investments held in the Plan and the projected return rates anticipated for the investments. As of July 1, 2021, the rate of return assumption for the Plan is 5 percent, compounded annually, net of investment expenses. 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.

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 is to pay off the unfunded actuarial liability in level dollar installments over a fixed period of 20 years beginning as of July 1, 2011. As the fixed period nears completion, the Trustees and the District may give further consideration to the amortization policy to reduce volatility and align full funding of the Plan with the working lifetime of remaining active members.

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 for the year. However, actual funding amounts will be determined by the Board in its discretion via the annual budget process, and nothing in this Policy is a promise or guarantee by the Board that it will fund the Plan at the ADC.

MAINTENANCE

The Board of Directors is responsible for adopting updates to this policy, with staff assistance from the Director of Finance.

Administrative Policies & Procedures

Adopted by LTD Board of Directors: _______________