



George Ferguson, Chair
Anthony Filiato, Vice Chair
Dan Amaral
Mary Ann Jacob
Ryan Knapp
Paul Lundquist

TOWN OF NEWTOWN

3 Primrose Lane
Newtown, CT. 06470
Tel. (203) 270-4210
www.newtown-ct.gov

Minutes

The Legislative Council Administration and Finance Committee special meeting held on Thursday March, 27, 2014 at 7:00 p.m. in Meeting Room 3 at the Municipal Center, 3 Primrose Street, Newtown, CT.

Meeting was called to order at 7:07 p.m.

Attendance: Council Members George Ferguson, Anthony Filiato, Dan Amaral, Ryan Knapp and Paul Lundquist were present. Mary Ann Jacob was excused. Director of Finance and Treasure Bob Tait, was also present.

Voter Comment: There was no voter comment

Approval of Minutes: Anthony Filiato moved to approve the Minutes of the Meeting of February 19, 2013, seconded by Paul Lundquist. Approved 5-0.

Communications: George Ferguson received and shared a communication from Neil Chaudhary seeking information about the impact of the recent bond rating upgrade on the 2014-15 budget. (attached)

Committee Reports: There are no subcommittees.

New Business

Discussion and Possible Action:

- **Discussion of the Specific Elements of the Town of Newtown 2014 / 2015 Budget as charged by the Legislative Council. (The elements follow this agenda)**

Ryan Knapp moved to approve the Specific Elements of the Town of Newtown 2014 / 2015 Budget as charged by the Legislative Council and recommend their adoption by the Legislative Council. (See Budget elements below). Seconded by Paul Lundquist. Approved 5-0.

**Budget Elements for Review and Recommendation to Legislative Council
by the Finance and Administration Committee**

Revenues & Other Financing Sources:

Property Taxes
Intergovernmental
Charges For Services
Investment Income
Other Revenues
Other Financing Sources

General Government

Selectmen
Selectmen - Other
Tax Collector
Probate Court
Town Clerk
Registrars
Tax Assessor
Finance
Technology Department
Unemployment
Social Security
Pension Fund
Opeb Contribution
Employee Benefits
Professional Organizations
Insurance
Legislative Council
District Contributions
Economic Development Comm.
Sustainable Energy Comm.
Fairfield Hills Authority

Contingency

Contingency

Debt Service

Debt Service

Other Financing Uses

Town Hall Managers
Reserve Cap & Nonrecurring Exp
Transfer Out - Cap Project

Reserve Cap & Nonrecurring Exp

860 Reserve Cap & Nonrecurring Exp

Discussion:

Finance and Administration Questions for 2014

The following discussion was based on questions posed by LC Finance and Administration Committee Members. George Ferguson forwarded these questions in advance to Director of Finance Rob Tait. The

members. George Ferguson forwarded these questions in advance to Director of Finance Bob Tait. The questions and attendant written responses appear below and were reviewed during our meeting. Supporting documents are appended to these minutes.

Committee members asked the following questions seeking clarification:

1. Can you share with me the actuarial work that is the basis for adding funds to the health self insurance fund? (Filiato)
2. Could you estimate the effect of the recent Bond upgrade and attendant lower interest rates on the debt service of the 2014-15 budget? (Chaudhary)
3. Is it possible to move funds from one budget line to another? (Amaral)
4. About this year's \$1.6 million operating surplus, marking the second consecutive year of General Fund balance growth. I believe last year the number was \$1 million. First is this correct, and can we have an explanation as to how we end up with a surplus? What would a pie chart of the components of the \$1.6 million surplus look like? What was the surplus amount and it's pie chart look like from last year and ideally, the previous year. And of course, what is projected for 13/14?

I'm trying to understand the trend in Newtown's surplus and where it comes from. I recall that surpluses have been difficult to forecast so we've always had a conservative approach to be sure we aren't 'over-anticipating' what we can expect from automobile taxes, etc. But seeing this information laid out in a format that allows for some trending of the contributing components will help provide far greater understanding. Ideally, understanding the projected vs. actual is best, but I hesitate to create so much work. (Lundquist)

Mr. Tait's Responses:

1. Medical Self Insurance Fund and Board

"Attached is the medical data. Quite simply, I used an inflation rate of 4% in my projection (using the past experience). The employee medical benefits board thought 6-8% inflation rate was more appropriate (using their experience in the field). Also I did not account for the Obama care tax (\$130,000 if I remember correctly)."

2. Effect of Bond upgrade on 2014-15 Operating Budget

"The recent bond upgrade will save us around \$35,000 a year. Debt service for 2014-15 is being offset by 300,000 in the debt service fund. So the savings for 2014-15 will just reduce the amount we will use from the debt service fund (this will help us out in 2015-16 debt service)."

3. Council's prerogative on line items in the budget

LC can only add back what was taken out by the BOF.

4. Fund Balance Information

Here is some fund balance information you can pass along to your members. As you can see from one of the attachments, fund balance has only recently been turned around.

Annual operating surpluses are created by taking a conservative approach to revenues and some natural savings in expenditure accounts (employees out on workers compensation and short/long term disability and the time it takes to fill a position will have savings in payroll accounts).

Future Meeting Dates – no dates set.

OLD BUSINESS - none

VOTER COMMENT - none

ANNOUNCEMENTS - none

ADJOURNMENT Dan Amaral moved to adjourn the meeting, seconded by Paul Lunquist

George Ferguson
Chairman

{Please Note: A digital copy of the Board of Finance approved and recommended budget, which is subject to review and approval of the Legislative Council is available and may be electronically searched at:
[http://www.newtown-ct.gov/Public_Documents/budget information/BOF BUD DOC 2014-15.pdf](http://www.newtown-ct.gov/Public_Documents/budget%20information/BOF_BUD_DOC_2014-15.pdf)}

TOWN OF NEWTOWN

MEDICAL SELF INSURANCE FUND ANALYSIS

2013-14 / 2014-15

TOWN OF NEWTOWN
 MEDICAL SELF INSURANCE FUND ANALYSIS @ JANUARY 31, 2014
 FISCAL YEAR 2013 - 2014 FORCAST

FUND BALANCE @ JULY 1, 2013

2,266,439

ESTIMATED REVENUES

EMPLOYER CONTRIBUTIONS:

MUNICIPAL	2,757,000	
EDUCATION + GRANTS (70,000)	7,791,000	
	10,548,000	

EMPLOYEE CONTRIBUTIONS:

MUNICIPAL	260,000	
EDUCATION	1,800,000	
	2,060,000	

RETIREE/COBRA/AGENCY CONTRIBUTIONS:

MUNICIPAL	280,000	
EDUCATION	400,000	
	680,000	

INTEREST EARNED ON INVESTMENTS

10,000

TOTAL REVENUES

13,298,000

ESTIMATED EXPENSES

CLAIMS/NAF:

MUNICIPAL		
EDUCATION		
	12,347,000	<<<<<FROM CLAIMS ANALYSIS

ADMINISTRATIVE FEES:

MUNICIPAL	219,000	
EDUCATION	652,000	

CONSULTANT FEES

50,000

TOTAL EXPENSES

13,268,000

ESTIMATED FUND BALANCE @ JUNE 30, 2014

2,296,439

25% OF TOTAL CLAIMS =

3,086,750

TOWN OF NEWTOWN
 MEDICAL SELF INSURANCE FUND ANALYSIS @ JANUARY 31, 2014
 FISCAL YEAR 2014 - 2015 FORECAST

ESTIMATED FUND BALANCE @ JULY 1, 2014 2,296,439

ESTIMATED REVENUES

EMPLOYER CONTRIBUTIONS:

MUNICIPAL	2,867,280	(4%)
EDUCATION + GRANTS (70,000)	8,102,640	(4%)
	10,969,920	

EMPLOYEE CONTRIBUTIONS:

MUNICIPAL	280,000	
EDUCATION	1,900,000	
	2,180,000	

RETIREE/COBRA/AGENCY CONTRIBUTIONS:

MUNICIPAL	280,000	
EDUCATION	400,000	
	680,000	

INTEREST EARNED ON INVESTMENTS		10,000
		13,839,920

TOTAL REVENUES 13,839,920

ESTIMATED EXPENSES

CLAIMS/NAF:

MUNICIPAL		
EDUCATION		12,840,880
		(4%)

ADMINISTRATIVE FEES:

MUNICIPAL		900,000
EDUCATION		50,000

CONSULTANT FEES		50,000
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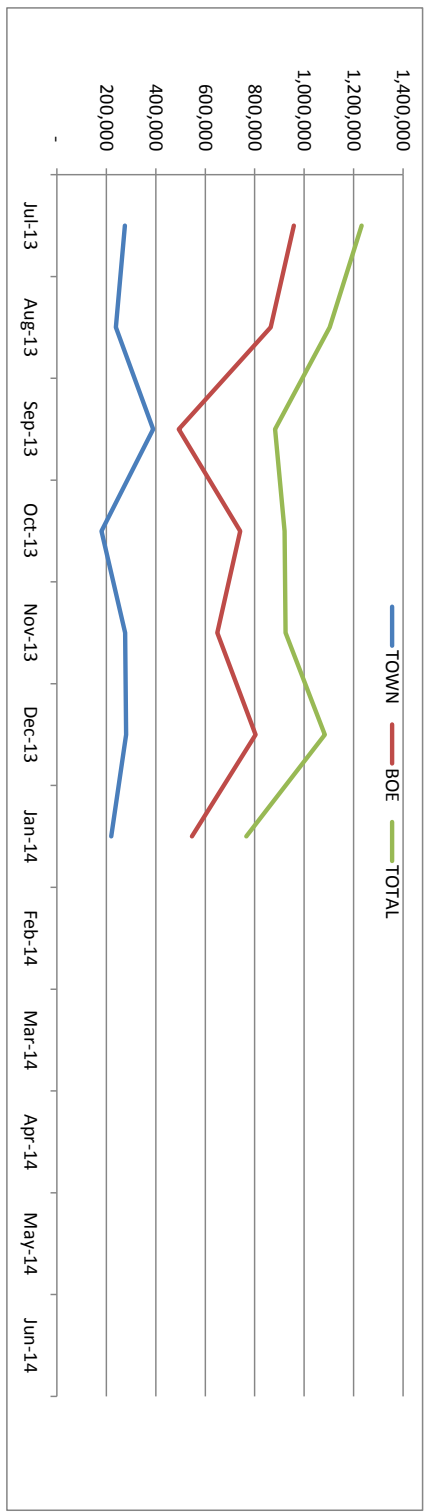
TOTAL EXPENSES 13,790,880

ESTIMATED FUND BALANCE @ JUNE 30, 2015 2,345,479

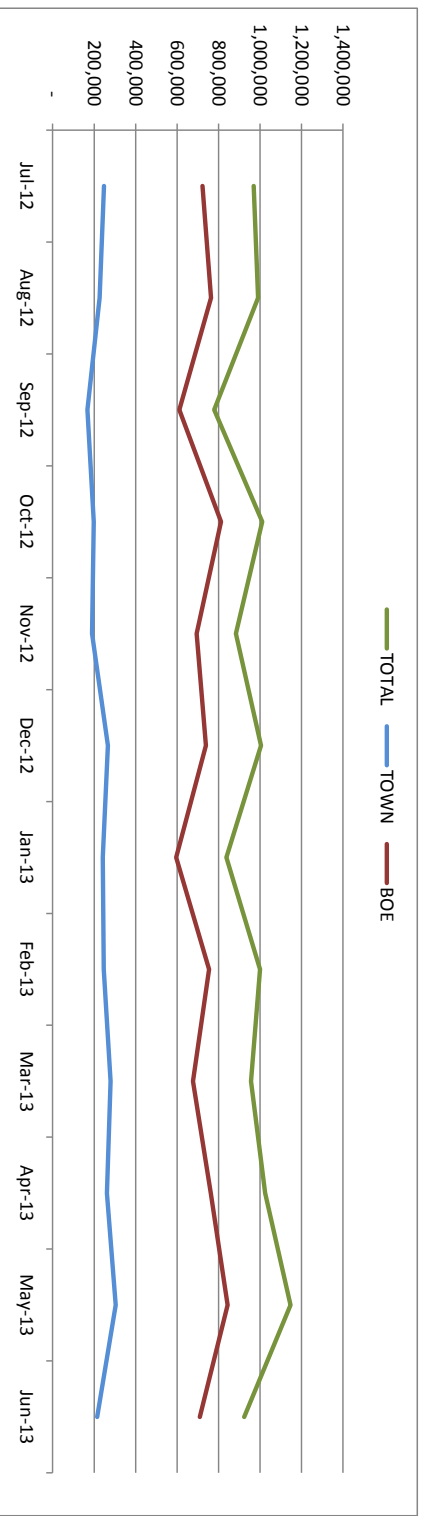
TOWN OF NEWTOWN CLAIMS ANALYSIS

FISCAL YEAR 2012 - 2013												
JUL-12	AUG-12	SEP-12	OCT-12	NOV-12	DEC-12	JAN-13	FEB-13	MAR-13	APR-13	MAY-13	JUN-13	TOTALS
TOWN	247,000	226,000	168,000	198,000	190,000	242,000	246,000	279,000	262,000	304,000	215,000	2,843,000
BOE	722,000	764,000	611,000	812,000	694,000	739,000	754,000	677,000	765,000	843,000	709,000	8,684,000
TOTAL	969,000	990,000	779,000	1,010,000	884,000	1,005,000	1,000,000	956,000	1,025,000	1,147,000	924,000	11,527,000
												LANI = 56.2%
FISCAL YEAR 2011 - 2012												
JUL-11	AUG-11	SEP-11	OCT-11	NOV-11	DEC-11	JAN-12	FEB-12	MAR-12	APR-12	MAY-12	JUN-12	TOTALS
TOWN	213,000	304,000	266,000	171,000	223,000	302,000	238,000	227,000	298,000	312,000	318,000	3,148,000
BOE	860,000	618,000	742,000	561,000	573,000	621,000	601,000	657,000	726,000	659,000	802,000	8,112,000
TOTAL	1,073,000	922,000	1,008,000	732,000	796,000	923,000	839,000	884,000	1,025,000	971,000	1,120,000	11,260,000
												LANI = 55.9%
FISCAL YEAR 2013 - 2014												
JUL-13	AUG-13	SEP-13	OCT-13	NOV-13	DEC-13	JAN-14	FEB-14	MAR-14	APR-14	MAY-14	JUN-14	TOTALS
TOWN	275,000	238,000	389,000	180,000	276,000	280,000	220,000	220,000	-	-	-	6,914,000
BOE	958,000	865,000	493,000	741,000	649,000	804,000	546,000	-	-	-	-	11,260,000
TOTAL	1,233,000	1,103,000	882,000	921,000	925,000	1,084,000	766,000	-	-	-	-	18,174,000
												USING 56% EST TOTAL = 12,346,429

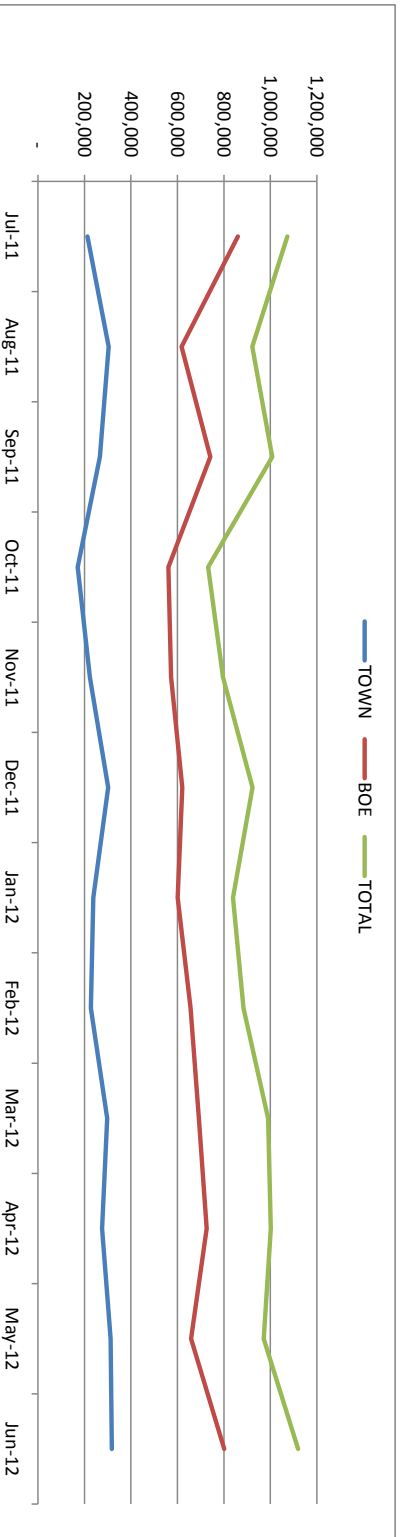
2013 - 2014



FISCAL YEAR 2012 - 2013

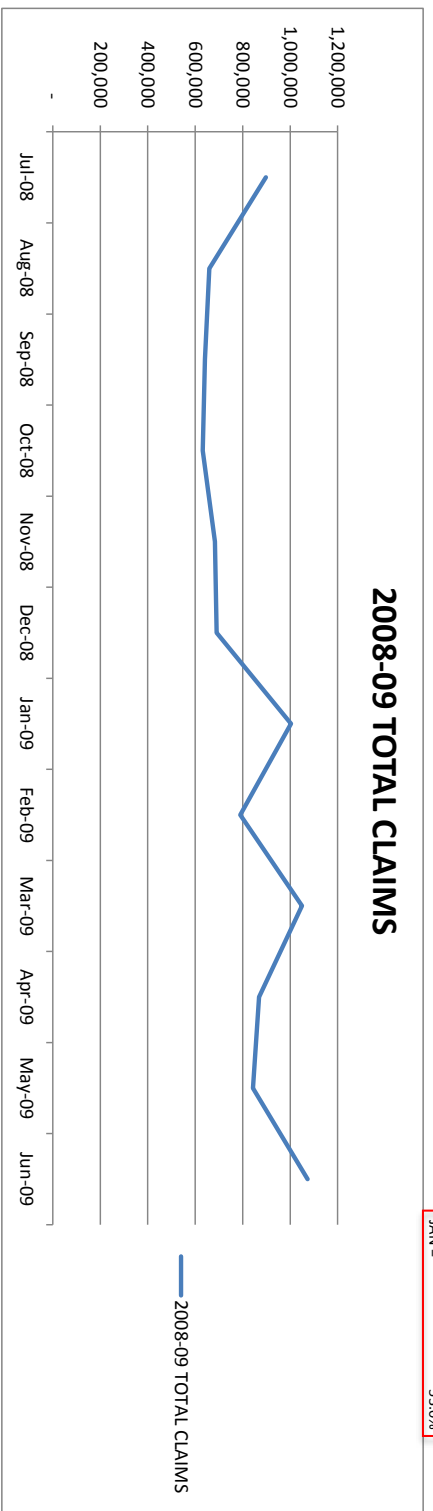


2011 - 2012



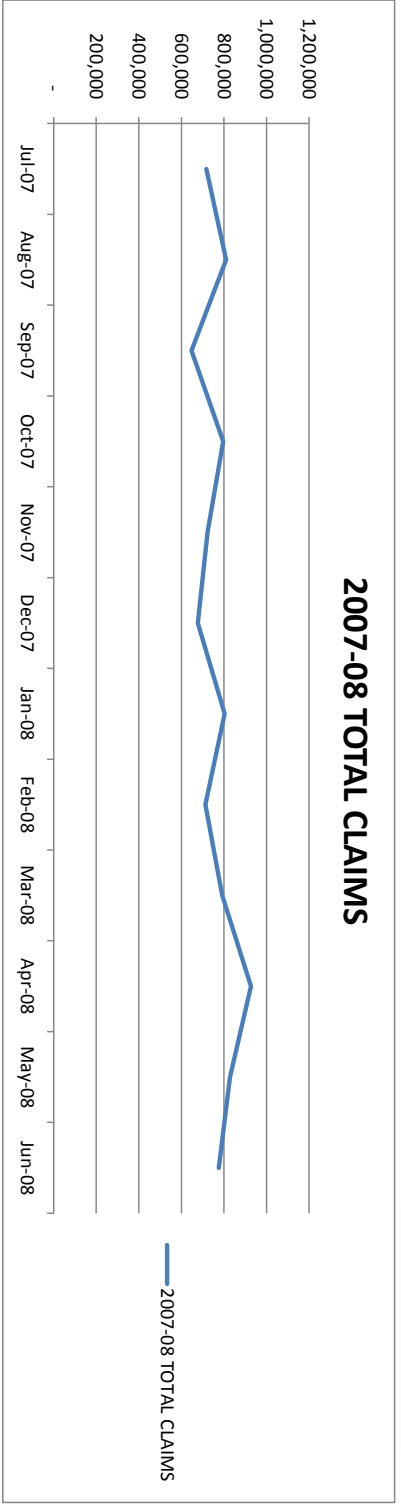
TOTAL	Jul-08	898,000	Aug-08	650,000	Sep-08	641,000	Oct-08	632,000	Nov-08	683,000	Dec-08	690,000	Jan-09	1,004,000	Feb-09	790,000	Mar-09	1,050,000	Apr-09	869,000	May-09	843,000	Jun-09	1,073,000
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JAN = 9,833,000 53.0%



TOTAL	Jul-07	717,000	Aug-07	810,000	Sep-07	648,000	Oct-07	796,000	Nov-07	723,000	Dec-07	677,000	Jan-08	803,000	Feb-08	713,000	Mar-08	792,000	Apr-08	927,000	May-08	829,000	Jun-08	776,000
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JAN = 9,211,000 56.2%



RE: Newtown BOE/ Town Health insurance Reserve fund contributions

To: Dr. John Reed , Schools Superintendent; Patricia Llodra, First Selectman; Bob Tait, Finance Director, Ron Bienkowski, BOE Business Director; Joe Spurgeon, Insurance consultant

Cc: John Kortze, Chair, Board of Finance; Mary Ann Jacob, Chair, Legislative Council; Debbie Leidlin, Chair, Board of Education; Jim Loring, Dan MacAloon, Donna Van Waaljik, Paul Smith

Date: February 11, 2014

I wish to share the results of the Employee Medical Benefits Board '14-'15 Health Insurance Reserve Fund determination. This determination is based on several factors, including but not limited to:

1. First, and foremost, the ordinance which created this board and governs it goals and actions
2. Current enrollment, past enrollment, and enrollment projections for plan participation during the 2014-2015 plan year
3. Negotiated Benefits provided under the health plans.
4. Medical trend, which is the inflation that is realized for medical insurance costs. While this has been historically low over the last 36 months, it is increasing, and will likely not remain as low as it has been.
5. Fluctuation of the reserve fund over time
6. Support for the flexibility to be able to choose to opt out of a self-funded platform, if desired at a future point in time.
7. Anthem's renewal calculation for the 2014-2015 plan year
8. The insurance industry expertise of the members of this board.

Reserve Fund Balance as of June 30

2012	2013	2014	2014 reserve, plus additions
\$2,339,622	\$2,266,439	\$2,296,439	\$2,696,000
audited	audited	Forecast (as of 2/10/14)	400,000 of additions

Additional contributions required for the 2014-2015 plan year: \$400,000*

It is our determination that the current apportionment of costs between the BOE and town of Newtown is sufficient, in that the school employees represent approximately 76% of plan participants, and as such, contribute 76% of the plan costs. The Town, representing approximately 24% of the plan participants, share 24% of the plan costs.

We expect you will use the budget process to allocate these dollars, to sustain the soundness of this program over the next plan year. If you have significant changes to projections for plan participation or benefit levels, please let us know. Please feel free to contact me with any questions or concerns.

Respectfully,

Mark Mattioli, Chair, Employee Medical Benefits Board

* This is based on the boards' determination that the renewal provided on 2/10/14 was a worst case scenario. It projects '14-'15 plan costs of \$15.091 million, and recommends a reserve of \$3.509 million. If we used this renewal as the only basis, we would need to add \$1.2 million to the reserves. On 2/24, the insurance consultant will provide an updated renewal projection adding in the latest two months of claims, and perhaps there will be some nominal reductions in the administrative costs. I expect the updated renewal to project reserve additions closer to \$700-\$800k. We voted to deliver you the guidepost recommendation of \$400,000, to assist you in budgeting and move the reserve in the right direction to protect the health program and its participants. Please consider the \$400,000 recommendation as a floor.

SELF-FUNDED HEALTH INSURANCE FUND AND COMMITTEE ORDINANCE

§ 1 Title

This article shall be known and may be cited as the “Self-Funded Health Insurance Fund and Committee Ordinance”.

§ 2 Creation of Fund and Committee

The Town of Newtown, hereinafter referred to as the “Town”, by this Ordinance, authorizes the creation of the “Self-Funded Health Insurance Fund,” hereinafter referred to as the “Fund,” whose purpose is described below; and also authorizes the creation of the “Self-funded Health Insurance Fund Committee,” hereinafter referred to as the “Committee” whose responsibilities are described below.

§ 3 Purpose of Fund

The purpose of this Fund is to hold funds to pay claims made by municipal and School District employees of the Town as required in fulfilling employee health insurance obligations of the Town of Newtown, and other such liabilities relating to those claims and obligations.

§ 4 Partner or Partners

For the purposes of this Ordinance it is the intention of the Town of Newtown to have the Board of Selectman and Board of Education, work collaboratively as “partner” or “partners,” in connection with the Fund and the benefits paid by the Fund pursuant to the above paragraph.

§ 5 Responsibilities of the Committee

The Committee Shall:

- a. Serve the interests of the Municipal and Education departments of the Town.
- b. Recommend the level of annual or other contributions to the Fund by the Town and apportionment to each of the Partners, in consultation with the insurance consultant in his work with the insurance provider.
- c. Serve as an information bridge between the town insurance consultant and the Partners.
- d. Work with the Town and the insurance consultant as needed in any matters pertaining to health benefits.

§ 6 Members of Committee; Appointment; Terms of Office

- a. There shall be three volunteer members of the Committee, with a preference for those who have relevant expertise and knowledge in finance, healthcare, and/or insurance.
- b. Members shall be appointed by the First Selectman with the approval of the Board of Selectmen to serve a three year term. Initially, the First Selectman shall appoint one member for a one year term, one member for a two year term and one member for a three-year term.
- c. There shall be two alternates each appointed for a two-year term. The term of the alternates shall run from January 1 of the even year through December 31 of the ensuing year. If a regular member of the Committee is absent, the Chairman of the Committee shall designate an alternate to act in the absent

SELF-FUNDED HEALTH INSURANCE FUND AND COMMITTEE ORDINANCE

member's place, choosing the alternates in rotation so that they shall act as nearly equal a number of times as possible.

§ 7 Chairman; Clerk.

- a. The Committee shall elect a Chairman, to serve for a term of one year.
- b. The Chairman shall preside at meetings and public hearings.
- c. The Committee shall utilize a clerk whose responsibility is the taking of minutes at all meetings, typing and filing the same, and performing all other clerical or recording services for the Committee.

§ 8 Meetings

- a. The Committee shall meet quarterly and at other times as the Chairman deems necessary.
- b. The Chairman shall prepare an agenda prior to each meeting and distribute a copy to each Committee member.

§ 9 Self-Funded Health Insurance Fund

- a. The Fund exists only to pay healthcare claims and related expenses of the plan and shall not be used for any other purpose.
- b. The Fund will build a reasonable (not to exceed three months of payments) balance to ensure that claims of covered employees can be paid during a high claim year.
- c. Investments of the Fund balance will be made in accordance with the Town's investment policy.
- d. In the event the Fund is terminated, any balance shall revert back to the general fund of the Town (after all self insurance claims have been paid) and shall be used to defray the Partners' future health insurance costs and obligations.
- e. The Fund shall continue year to year without lapsing unless terminated by the Town.

§ 10 Severability

The provisions of this ordinance are declared to be severable and the invalidity of any portion thereof shall not affect the validity of the remainder.

Adopted by the Legislative Council January 19, 2011

**Newtown: Town and BOE
Self Insurance Plan-July 2014
3/6/2014** (updated 3/7/14)

I. July 2010 Projected ASO Cost

a. Total Projected Claims	\$12,002,724		Actual Pd Claims:	\$9,651,892 <i>immature</i>
b. Admin/NAF Fees	\$559,667		% of Expected:	80.41% <i>immature</i>
c. Stop Loss Fees	<u>\$569,394</u>			
d. Total Projected Cost	\$13,131,785			

II. July 2011 Projected ASO Cost

a. Total Projected Claims	\$11,820,024	-1.52% vs 2010	Actual Pd Claims:	\$10,927,859
b. Admin/NAF Fees	\$550,127	-1.70% vs 2010	% of Expected:	92.45%
c. Stop Loss Fees	<u>\$587,598</u>	<u>3.20%</u> vs 2010		
d. Total Projected Cost	\$12,957,749	-1.33% vs 2010		

III. July 2012 Projected ASO Cost

a. Total Projected Claims	\$11,530,392	-2.45% vs 2011	Actual Pd Claims:	\$11,278,153
b. Admin/NAF Fees	\$435,108	-20.91% vs 2011	% of Expected:	97.81%
c. Stop Loss Fees	<u>\$651,989</u>	<u>10.96%</u> vs 2011		
d. Total Projected Cost	\$12,617,489	-2.63% vs 2011		

IV. July 2013 Projected ASO Cost

a. Total Projected Claims	\$12,162,204	5.48% vs 2012
b. Admin/NAF Fees	\$480,838	10.51% vs 2012
c. Stop Loss Fees	<u>\$668,336</u>	<u>2.51%</u> vs 2012
d. Total Projected Cost	\$13,311,378	5.50% vs 2012

V. July 2013 thru January 2014 Year to Date Actual Claims

a. Actual Paid Claims	\$6,782,673	<i>Includes Adj for ABC RX Under Reporting</i>
d. Average Monthly Claims	\$968,953	-3.97%
c. Projected Monthly Claims	\$1,013,517	(V.a. divided by 12 months)
d. Claim Performance		-4.40% vs projection

VI. July 2014 Initial Projected Anthem ASO Renewal

Experience Period (EP) thru 11/30/13

a. EP Average Members	2,048	-0.96%	-vs-in-force renewal
d. EP Average Contracts	774	-4.11%	-vs-in-force renewal
c. Current Members	2,087	2.30%	-vs-in-force renewal
d. Current Contracts	790	2.20%	-vs-in-force renewal (down 36 contracts)
e. Paid Claims	\$12,538,038	13.22%	-vs-in-force renewal--up 14.% on per contract basis
f. Excess Claims	\$593,779		\$381K in Excess + \$213K removed inactive claimant
g. Net Claims	\$11,944,259	9.30%	-vs-in-force renewal--up 10% on per contract basis
h. Claims PMPM	\$486.03	10.36%	-vs-in-force renewal--up 8.93% on per contract basis

Anthem Initial Projection

i. Total Projected Claims	\$13,761,852	13.15%	-vs-in-force renewal (up 10.39% pcpm)
j. Admin/NAF Fees	\$546,459	13.65%	-vs-in-force renewal (up 15.66% pcpm)
k. Stop Loss Fees	\$783,332	17.21%	-vs-in-force renewal (up 7.28% pcpm)
l. Total Projected Cost	\$15,091,643	13.37%	-vs-in-force renewal (up 10.41% pcpm)

Updated Experience Thru January

m. December Claims	Improved about 0.85% vs November plus trend offset
n. January Claims	Improved about 2% vs November plus trend offset

VII. Town/BOE Break Out (estimated)

	Cost	%
a. Total	\$15,091,643	100%
b. BOE	\$11,469,649	76% From Town and BOE 2014
c. Town	\$3,621,994	24% From Town and BOE 2014

VIII. Reserve Target (3/7/14 added 2012-2014)

Reserve Model: Carrier IBNR/ 50% ASO Corridor

Medical IBNR:	8.00%	Approx 1 Month (Standard Anthem Factor)
ASO Claim Corridor:	12.50%	1/2 Corridor to 125%
Budget Stabilization:	5.00%	Margin

Fiscal Year Ending June 30	2012	2013	2014	2015
Total Projected Claims	\$ 11,820,024	\$ 11,530,392	\$ 12,162,204	\$ 13,761,852
Claim IBNR:	\$ 945,602	\$ 922,431	\$ 972,976	\$ 1,100,948
ASO Corridor:	\$ 1,477,503	\$ 1,441,299	\$ 1,520,276	\$ 1,720,232
Stabilization:	\$ 591,001	\$ 576,520	\$ 608,110	\$ 688,093
Combined Reserve:	\$ 3,014,106	\$ 2,940,250	\$ 3,101,362	\$ 3,509,272

2015 FY Ending Assumes Anthem's Current Projection

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- a. Serve the interests of the Municipal and Education departments of the Town.
- b. Recommend the level of annual or other contributions to the Fund by the Town and apportionment to each of the Partners, in consultation with the insurance consultant in his work with the insurance provider.
- c. Serve as an information bridge between the town insurance consultant and the Partners.
- d. Work with the Town and the insurance consultant as needed in any matters pertaining to health benefits.

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SELF-FUNDED HEALTH INSURANCE FUND AND COMMITTEE ORDINANCE

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- d. In the event the Fund is terminated, any balance shall revert back to the general fund of the Town (after all self insurance claims have been paid) and shall be used to defray the Partners' future health insurance costs and obligations.
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