CANCER INSURANCE PROGRAM FUNDING POLICY (ADOPTED AUGUST 2023)

A funding policy describes how premiums and reserves are determined to provide the benefits for this program issued pursuant to, and governed by, Arizona Revised Statutes ("A.R.S.") §§ 38-641 to -645 (the "Enabling Legislation") and any amendments thereto, as well as the provisions of Title 38, Chapter 5, Article 4, A.R.S. and Title 12, Chapter 7, Article 2, A.R.S. and any other Arizona statute or common law rule applicable to actions involving public entities such as the Program. This Plan is not subject to Titles I and IV of the Employee Retirement Income Security Act, 29 U.S.C. § 1001 et seq.

This Funding Policy identifies the funding objectives and elements set by the Board for the Arizona Public Safety Cancer Insurance Policy Program (CIPP). The Board adopted this Funding Policy to help ensure the systematic setting of premiums for employers, members and retirees to provide the benefits as established in the plan document.

CIPP Funding Policy

This funding policy is intended to inform financial planning of the CIPP in conjunction with the plan document, actuarial projections and investment asset allocation.

This funding policy is reviewed in conjunction with the actuarial cost analysis prepared every 3-years.

Funding Objectives

1. Stable premiums to control costs to maintain the program long-term for members.
2. Maintain the targeted 3-year reserve level to provide liquidity and mitigate risks of claims volatility.
3. Utilize investment income to the extent possible to accommodate premium stability and affordability.

Elements of Actuarial Funding Policy

1. The reserves balance should target 3 years of program expenses.
    a. If the reserves balance falls below 3-years of expenses, the future premiums should be structured to cover projected cost increases and funding of the reserves to the target.
2. Set the premiums at not less than a $50 annual premium to maintain affordability in the program for employers, CORP members and retirees over the long-term.

   a. As premiums are projected to increase the actuaries will estimate a phased-in approach over multiple years to smooth in future increases.
      i. Establish a multiyear projection timeframe (ex. 15 years)
      ii. Track plan assets as a multiple of plan expenses
      iii. Target a minimum ratio of plan assets to annual expenses of 3:1
      iv. Begin contribution increases when asset to expense ratio falls below 6:1
      v. Plan for contribution increases of 10% to 15%
   b. This approach is intended to maintain fairly level premiums, with small increases from year to year and avoid significant increases over a one-year timeframe.
3. . An annual financial update of plan long-term projections for actual experience related to claims, expenses, reserves and premiums will be presented and adopted by the Board to amend or confirm future estimated premiums by August each year.
4. A full actuarial analysis will be completed at least every 3 years to update and inform the process
5. Each actuarial analysis should project long-term premium and reserve expectations to support 2.a.i. above.
6. The actuarial analysis will be used to set premiums for three years each actuarial cycle.
7. The objective is to provide a minimum of one year notice of premium increases.