



**VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
BOARD ADOPTED POLICY**

Policy Title: Self-Insured Healthcare Fund Balance Policy

Policy Number: 2026-16

Category: Administrative

Adoption Method: Resolution

Original Adoption Date: 05/06/2026

Effective Date: 05/06/2026

Board Meeting Reference: 05/06/2026

Purpose/Objective: To adopt a formal self-insured healthcare fund balance policy to ensure the plan remains financially stable, able to meet current and future obligations, and compliant with applicable actuarial and regulatory standards

Scope: This policy applies to all individuals who met the eligibility criteria for participation in the self-insured health plan, including bargaining-unit members.

Policy Statement: The policy establishes clear guidelines for maintaining, monitoring, and using the fund balance, identifying required fund balance components, and maintaining appropriate reserves including the IBNR Reserve, Claims Fluctuation Reserve, Catastrophic Reserve, and Operating Reserve;

Questions regarding this policy should be directed to:

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RESOLUTION NO. 2026-16

A RESOLUTION OF VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT ADOPTING THE IMPLEMENTATION OF THE SELF-INSURED HEALTHCARE FUND BALANCE POLICY.

WHEREAS, the Village Center Community Development District (“District”) maintains a self-insured healthcare plan (“the Plan”) for eligible participants; and

WHEREAS, the District finds it necessary to adopt a formal Self-Insured Healthcare Fund Balance Policy (“Policy”) to ensure the Plan remains financially stable, able to meet current and future obligations, and compliant with applicable actuarial and regulatory standards; and


WHEREAS, the Policy establishes clear guidelines for maintaining, monitoring, and using the fund balance, identifying required fund balance components, and maintaining appropriate reserves including the IBNR Reserve, Claims Fluctuation Reserve, Catastrophic Reserve, and Operating Reserve; and

WHEREAS, the Board finds that adopting the Policy is in the best interest of the District, its employees, and the long-term sustainability of the Plan;


NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF THE VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT;

1. The Self-Insured Healthcare Fund Balance Policy dated May 5, 2026, is hereby adopted and incorporated by reference as the governing standard for maintaining, monitoring, and using the Plan’s fund balance.

PASSED AND ADOPTED THIS 6th DAY OF May 2026.



Kelly Flores
Chair



Kenneth Blocker
Secretary

Self-Insured Healthcare Fund Balance Policy

Purpose

The purpose of this Fund Balance Policy is to establish clear guidelines for maintaining, monitoring, and using the fund balance of the District's self-insured health plan ("the Plan"). The policy ensures the Plan remains financially stable, capable of meeting current and future obligations, and compliant with applicable regulatory and actuarial standards.

Scope

This policy applies to all financial activities related to the Plan, including contributions, claims payments, administrative expenses, stop-loss premiums, reserves, and investment income.

Definitions

- **Fund Balance:** The accumulated net position of the Plan after accounting for contributions, claims, expenses, and reserves.
- **IBNR (Incurred But Not Reported) Reserve:** Actuarially determined liability for claims incurred but not yet submitted or processed.
- **Target Fund Balance:** The desired level of fund balance necessary to ensure financial stability.
- **Minimum Fund Balance:** The lowest acceptable fund balance before corrective action is required.
- **Catastrophic Reserve:** Funds set aside to protect against large, unexpected claims not fully covered by stop-loss insurance.

Fund Balance Components

The Plan's fund balance will include the following components: % of Annual Claims

1. **IBNR Reserve** 10%
2. **Claims Fluctuation Reserve (CFR)** 40%
3. **Catastrophic Reserve** 25%
4. **Operating Reserve** 25%

Target and Minimum Fund Balance Levels

- **Target Fund Balance:** The sum of:
 - IBNR Reserve
 - Claims Fluctuation Reserve
 - Catastrophic Reserve
 - Operating Reserve

- **Minimum Fund Balance:** At minimum, the Plan must maintain:
 - 100% of IBNR
 - 50% of the Claims Fluctuation Reserve
 - Sufficient cash to cover three months of expected claims

Falling below the minimum triggers corrective action.

Monitoring and Reporting

- The Plan's fund balance will be reviewed **monthly** by Finance staff.
- A formal actuarial review will be conducted **annually**.
- Quarterly reports will be provided to the Plan Committee, including:
 - Current fund balance
 - Variance from target and minimum thresholds
 - Claims trends
 - Stop-loss reimbursements
 - Actuarial updates (if applicable)

Corrective Action

If the fund balance falls below the **Minimum Fund Balance**, the Plan Committee must implement corrective measures, which may include:

- Adjusting employer or employee contribution rates
- Modifying plan design to reduce claims exposure
- Delaying non-essential expenditures
- Increasing stop-loss coverage or adjusting attachment points
- Implementing cost-containment strategies

A corrective action plan must be developed within **60 days** of identifying the shortfall.

Use of Excess Fund Balance

If the fund balance exceeds the **Target Fund Balance**, the Plan Committee may consider:

- Reducing employer or employee contributions
- Enhancing plan benefits
- Funding wellness or cost-reduction initiatives
- Strengthening reserves (e.g., increasing catastrophic reserve)
- Enhancing stop-loss coverage
- Other compliant strategies that align with plan requirements and standards

Decisions must prioritize long-term plan sustainability.

Investment of Fund Balance

Funds may be invested in accordance with the District's investment policy, prioritizing:

- Safety
- Liquidity
- Reasonable return

Investments must not jeopardize the Plan's ability to meet claims obligations.

Compliance

The Plan will comply with all applicable federal and state regulations, ACA requirements, and state insurance department guidance for self-funded entities.

Policy Review

This policy will be reviewed **annually** or as needed based on:

- Actuarial recommendations
- Regulatory changes
- Significant shifts in claims experience or enrollment