

BURLINGTON COUNTY MUNICIPAL JOINT INSURANCE FUND

Administrative Polices & Procedures

Date Adopted: 12/19/2023

POLICY: Surplus Distribution

PURPOSE: To Create a Guideline for Recommending an Amount of Surplus to Distribute from the Closed Years' Fund

Shortly after receipt of the Fund's December 31st Financial Audit the Finance Committee meets to determine whether the Fund should declare a dividend from Closed Years Surplus. If the Finance Committee finds that the Fund is in a position to release a portion of available surplus they shall recommend a distribution in a manner consistent with State regulations NJAC 11:15-2.21. According to the Bylaws:

Any monies for a Fund year in excess of the amount necessary to fund all obligations for that fiscal year as certified by an actuary may be declared to be refundable by the Executive Committee-no sooner than twenty four (24) months after the end of the fiscal year. (N.J.A.C. 11:15-2.21(a)).

Fund members share in a surplus distribution (dividend) in direct proportion to their share of member JIF assessments for that Fund Year. Thus, if a member's contribution comes to 2% of a Fund Year JIF Budget, they will receive 2% of that year's surplus distribution.

A refund for any fiscal year shall be paid directly to the member only in proportion to the member's participation in the fund for such year. Payment of a refund on a previous year is not contingent on the member's continued membership in the fund after that year (N.J.A.C. 11:15-2.21(e)); or

At the option of the member the refund may be retained by the Fund and applied towards the member's next annual contribution/assessment, or for the payment, in part or in whole, of any current demand for supplemental contribution/assessment for a prior Fund year or years (N.J.A.C. 11:15-2.21(f)).

Some of the factors that the Finance Committee may consider in determining the amount, if any, of surplus to distribute are:

- The Administrative Code and the Fund Bylaws.
- The amount of surplus available in Closed Years only. Open Fund Years may not be considered. A Fund Year is considered "Closed" when all loss reserves and IBNR reserves are transferred to the Residual Claims Fund (RCF).

- The ratio of the current budget to unencumbered surplus as suggested from time to time by the Fund Actuary to ensure adequate surplus to cover potential poor performing Fund Years.
- Financial position in Open Fund Years and recent loss history of the Fund.
- A consistent release of surplus, rather than a dramatic swing in the amount of surplus released each year.

The Executive Director's office shall prepare exhibits for consideration by the Finance Committee that contain:

- a. The amount of surplus available for distribution within each closed Fund Year.
- b. Historical dividend distributions

Once the Finance Committee arrives at a recommended surplus distribution, the Executive Director shall prepare exhibits that display the amount of dividend each member will receive according to *(N.J.A.C. 11:15-2.21(e))*.

The Finance Committee shall present its recommendation to the Executive Committee who may formally declare a release of surplus by resolution. The Executive Director's office shall make the necessary filings in accordance with NJAC 11:15-2.21 and, once approved, inform the members of their options to receive their dividends.

Distribution of Funds:

Existing members of the Fund will have the option to take their portion of the surplus distribution in the form of a check made payable to the member municipality, as a credit against their next year's assessment, left on deposit in the Fund's Aggregate Excess Loss Contingency Fund (AELCF) or any combination of the aforementioned options. The Executive Director's office shall work with each existing member receiving a portion of the surplus to execute the necessary documentation in accordance with the member's determination for their share of the surplus distribution.

Municipalities that were members of the Fund during Fund Years from which surplus is being released; however, are not members of the Fund when the surplus is authorized to be released, shall not be eligible to receive any portion of the surplus until the following conditions are met:

- 1) All claims for the Fund Year from which surplus is being released are closed; and;
- 2) All outstanding payments due and owing from the prior member of the Fund have been paid in full, including any payments due pursuant to a Retrospective Agreement, as certified by the Fund Treasurer.
- 3) An analysis has been completed by the Executive Director's Office to determine the likelihood of an additional assessment from the Municipal Excess Liability Joint Insurance Fund (MEL JIF) and Residual Claims Fund Joint Insurance Fund (RCF JIF) due to statutory, regulatory, and/or other external factors that could

trigger an additional assessment for a Fund Year where the prior member was a member of the Fund.

Prior Fund members that do not meet the above criteria will have their portion of any surplus released placed in the AELCF until which time that member meets both of the above criteria. The Fund Treasurer shall keep a separate accounting of these funds for each member.