

Item Title: Amend the Fiscal Year 2025 Budget to Appropriate FY 2024 Positive Variance to the OPEB Trust Fund

Specific Action Requested:

That the Board of Commissioners approves the appropriation of \$5,034,851 to the OPEB Trust Fund from FY 2024 positive variance.

Item Summary:

Purpose: The Board of Commissioners appropriates all revenues and approves all budget amendments. Per the adopted Annual Funding policy for the Other Post-Employment Benefits Trust Fund, 25% of net total uncommitted addition to General Fund balance for the prior fiscal year shall be deposited into the OPEB Trust fund.

Background: Wake County has historically paid its retiree healthcare expenses (“Other-Post Employment Benefits” or “OPEB” for short) on a pay-as-you go basis. The County had an unfunded long-term OPEB liability of \$390 million at the end of FY2024. On July 11, 2023 the County took an important first step toward proactively managing and mitigating its unfunded long-term OPEB liability when the Board authorized the creation of a dedicated OPEB Trust, and related initial deposit of \$10 million.

The next step for the County to continue proactively managing and mitigating its long-term OPEB liability was the adoption of an annual funding policy. At the March 20, 2023 Board of Commissioners meeting, an Annual Funding Policy of the Other Post-Employment Benefits trust was adopted. The policy contained three separate funding components or legs that act independently of each other. Leg 2 of the policy deposits approximately \$5M from \$20M of net total uncommitted addition to General Fund balance from FY 2024. The funding will be deposited into the County’s OPEB Trust fund which is invested in the NC State Treasurer’s Ancillary Governmental Participant Investment Program (AGPIP).

Strategic Plan: This action supports routine County operations.

Fiscal Impact: This item appropriates \$5,034,851 from the FY 2024 positive General Fund variance to the OPEB Trust Fund, as per the adopted annual funding policy. This one-time appropriation, representing 25% of the variance, will not impact ongoing operating expenses or cause the General Fund balance to fall below the county's minimum target.

Additional Information:

Establishment and funding of an OPEB Trust Fund was presented and approved at the January 10, 2022 work session. The County contributes assets appropriated by the Board per the Trust and Deposit Agreement to be invested in the Ancillary Governmental Participants Investment Program (AGPIP) that is administered by the North Carolina Department of the State Treasurer. All assets will be held in an irrevocable trust and will not be subject to claims of the County's creditors.

Attachments:

1. Annual Funding Policy for the Other Post-Employment Benefits Trust Fund Trust Agreement
2. Calculation of OPEB Deposit
3. Proposed OPEB Annual Contribution Policy-Update Presentation
4. Budget Memo – FY2025 OPEB Trust