

# ANNUAL FUNDING POLICY OF OTHER POST-EMPLOYMENT BENEFITS TRUST

## Background

The County provides certain other post-employment benefits (“OPEB”) as part of the total compensation offered to qualified employees. The County has been actively managing its OPEB obligation since 1997 when it modified eligibility for the benefit to require employees to retire with 20 years of continuous service with the County. The County has restructured/remodeled health care for both active employees and retirees in an effort to control health care costs, and the County adopted a new policy eliminating retiree health benefits for employees hired after June 30, 2011, which while having no impact on the benefits of current employees, reduces the actuarial accrued liability. The County currently funds its OPEB obligation on an annual pay-as-you-go basis.

As an additional tool for managing its accrued OPEB liability, the County has established an OPEB Liability Fund (“OPEB Fund”) in which the County sets aside funds to offset its total accrued OPEB liability. This OPEB Benefits Funding Policy (the “Policy”) establishes the conditions, mechanisms and amounts for the County’s funding of the OPEB Fund. Under the Policy, there are three funding components (or “legs”) pursuant to which the County funds the OPEB Fund. Each leg acts independently of the other two legs (i.e., it is possible for all three legs to be funded in one fiscal year). No leg is conditional on the satisfaction of another leg of the Policy.

It is the policy of the County to fund the OPEB Fund as described below.

### **Leg 1 – OPEB Fund Deposit Incorporated into Annual Budget Process**

The funding required by Leg 1 is to be a CONSTANT means of funding the OPEB Fund and regularly reoccurring on an annual basis. Under Leg 1, in connection with the development of the General Fund Budget, the County shall include a \$3,000,000 line-item expenditure for deposit to the OPEB Fund each fiscal year. The Board of County Commissioners (“BOC”) will authorize the deposit pursuant to Leg 1 in connection with the adoption of General Fund Budget for the upcoming fiscal year.

### **Leg 2 – OPEB Fund Deposit Based on Prior Fiscal Year Financial Performance**

The funding required by Leg 2 is to be a CONDITIONAL means of funding the OPEB Fund and considered on an annual basis. Under Leg 2, the County shall fund the OPEB Fund in the amount described in the next succeeding paragraph only if the net total *uncommitted* addition to General Fund balance for the prior fiscal year (“Net Total Uncommitted Add to Fund Balance”) exceeds \$5,000,000. In determining the amount of the Net Total Uncommitted Add to Fund Balance, County Finance staff shall confirm that (a) all financial policy metrics are maintained at the appropriate levels to sustain the County’s ratings in the highest credit rating agency categories (AAA/Aaa), and (b) all planned current costs for capital projects in the County’s seven-year capital improvement program have been appropriately sized for any change in current market conditions.

Assuming that the Net Total Uncommitted Add to Fund Balance exceeds \$5,000,000, the County will deposit to the OPEB Fund an amount equal to 25% of the Net Total Uncommitted Add to Fund Balance for the prior fiscal year; provided, however, that in no event shall such deposit pursuant to Leg 2 exceed \$10,000,000. The BOC will authorize any deposit pursuant to Leg 2 no earlier than concurrent with County Finance staff's presentation of the prior fiscal year's Annual Comprehensive Financial Report ("ACFR") and no later than the wrap-up ordinance of the fiscal year. Effectively, any OPEB Fund deposit to be made under Leg 2 will range between \$1,250,000 (minimum deposit based on above formula calculation) and \$10,000,000 (maximum deposit based on above formula calculation meeting the stated maximum cap).

**Leg 3 – OPEB Fund Deposit Based on Certain Savings to be Realized from Limited Obligation Bond Financings.**

The funding required by Leg 3 is to be a CONDITIONAL means of funding the OPEB Fund and considered on an annual basis. Under Leg 3, in the event that the County enters into a transaction to refund any of its outstanding Limited Obligation Bonds ("LOBs") to achieve debt service savings, the County shall make a deposit to the OPEB Fund. The amount of such deposit shall be equal to the debt service savings realized in the first full fiscal year following the retirement of the original LOBs. The BOC will authorize such deposit pursuant to Leg 3 in the wrap-up ordinance of the first full fiscal year following the retirement of the original LOBs.

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I, Yvonne Gilyard, Deputy Clerk to the Board of Commissioners for the County of Wake, North Carolina, DO HEREBY CERTIFY that the foregoing is a true copy of the above-referenced policy approved by said Board and made effective at a regular meeting held on March 20, 2023.

WITNESS my hand and official seal of said County this 20th day of March, 2023.

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Deputy Clerk to the Board of  
Commissioners

[SEAL]