OTHER POST-EMPOYMENT BENEFITS TRUST
FUNDING POLICY

~~OTHER POST-EMPLOYMENT BENEFITS (OPEB)~~
~~FUNDING POLICY~~

A. Introduction

The purpose of this Statement of OPEB Funding Policy is to record the funding objectives and strategy set by the~~-~~ Board of Estimate and Taxation (BET) for the Town of Greenwich OPEB Trust Fund for the Town of Greenwich ("the System").

The BET has establishe~~ds~~d this Funding Policy to ensure the payment of~~-~~ future healthcare and prescription drug insurance benefits to retirees and their dependents as well as worker's compensation claims for certain retirees and terminated employees. A portion of the healthcare and prescription drug cost is paid by the Town for some retirees if they qualify based on years of service at retirement, and the terms of their respective collective bargaining agreements. F~~. Most f~~ull~~-~~time active employees who retire and meet the service requirement criteria may participate.~~.~~

B. Funding Objectives

The BET's primary funding objectives, in order of importance, are to:

~~1.~~ Provide sufficient assets to permit the payment of all benefits under the System.

1.

~~2.~~ Establish improvement, on a projected basis, in the System's Funded Ratio, as defined in Section E, such that it approaches 100% over a given period of time.

2.

~~3.~~ Amortize the Unfunded Actuarial Accrued Liability, as defined in Section E, over a period of not more than 30 years.

3.

4. Minimize the volatility of the Town's annual contribution by smoothing investment gains and losses over a period of five years.

C. Funding Guidelines

This statement reflects the policy of the BET and establishes guidelines for setting the employer contribution rate.

1. Regular Contribution Rate

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The method for determining the Town's OPEB cost includes both the value of benefits deemed to be earned during the year (Normal Cost) and an amortization of the Unfunded Actuarial Accrued Liability (UAAL) as of the date of valuation:

a. The annual contribution will be 100% of the ~~Annual~~ Actuarially Determined Employer~~Required~~ Contribution (ADE~~R~~C)~~ and the Annual OPEB Cost (AOC)~~ as determined by the actuary annually.

b. The Normal Cost and Actuarially Determined Accrued Liability used for this purpose will be calculated using the Entry Age actuarial cost method.

~~c.~~ The Actuarial Value of Assets used for this purpose will be a smoothed value that recognizes realized and unrealized investment gains and losses over a five-year period, but shall not be more than 120% or less than 80% of Market Value of Assets.

c.

d. The Unfunded Actuarial Accrued Liability will be amortized as a level dollar amount over a 25-~~—~~year period beginning with the July 1, ~~7/1/~~2014 Valuation. This amortization period will decrease by one year each Valuation Year until it reaches 15 years (July 1, ~~7/1/~~2024), at which point no further decreases will occur (i.e., open or rolling 15-~~-~~year amortization), unless there is no Normal Cost, in which case the amortization period will be closed. The following schedule shows the historical and the planned amortization periods (at July 1 of each year):

Valuation Date	Amortization Years	Valuation Date	Amortization Years
7/1/2014	25	7/12020	19
7/1/2015	24	7/1/2021	18
7/1/2016	23	7/1/2022	17
7/1/2017	22	7/1/2023	16
7/1/2018	21	7/1/2024 and beyond	15
7/1/2019	20		

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~~Valuation Date~~	~~Amortization Years~~	~~Valuation Date~~	~~Amortization Years~~
~~7/1/2014~~	~~25~~	~~7/1/2020~~	~~19~~
~~7/1/2015~~	~~24~~	~~7/1/2021~~	~~18~~
~~7/1/2016~~	~~23~~	~~7/1/2022~~	~~17~~
~~7/1/2017~~	~~22~~	~~7/1/2023~~	~~16~~
~~7/1/2018~~	~~21~~	~~7/1/2024 and beyond~~	~~15~~
~~7/1/2019~~	~~20~~		

2. Minimum Contribution Rate
   In order to maintain adequate funding and to control contribution volatility:
   If the Funded Ratio has increased to over 100% (any Unfunded Actuarial Accrued Liability has been fully amortized), the surplus will be amortized over 30 years.

3. Contribution Timing
   After the BET has adopted a contribution based on a given actuarial valuation, the funds will be requested to be contributed by theTown no later than thirteen (13) months after the date of the valuation (i.e. funding for the July 1, 2021~~15~~ valuation date will be done in July 2020~~16~~).

D. Assumption Guidelines

The actuarial assumptions are adopted by the BET in an effort to align the funding of the plan with actual demographic and economic experience, thus providing stability to the contribution rate over time.

To the extent that actual experience deviates from the assumptions, experience gains and losses will occur. These gains (or losses) then serve to reduce (or increase) future contributions.

Assumptions are generally grouped into two major categories:

- Demographic assumptions -- which include withdrawal (termination), retirement, disability, and mortality rates, as well as assumptions regarding beneficiaries and plan participation and coverage elections.

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2. Economic assumptions -- which include inflation, investment return, and healthcare inflation.

The assumptions adopted by the BET are informed by the actuary's recommendations based on their best estimate of anticipated experience under the Plan, and are intended to be long-~~-~~term in nature. Therefore, in developing these assumptions, the actuary considers not only past experience, but also trends, external forces and future expectations. Despite the care with which actuarial assumptions are developed, actual experience over the short term is not expected to exactly match these assumptions.

In general, the demographic assumptions used for OPEB valuations are consistent with those adopted by the Retirement System Board. Such assumptions are formally reviewed every five years via a study for the Retirement System.

The Economic assumptions mentioned above will be formally reviewed annually by the BET during the preparation of the annual OPEB Actuarial Valuation~~y~~ Report.

This Funding Policy shall also be reviewed formally at least once every five years to ensure it is meeting the BET's goals and objectives. Any changes that result are also subject to legal review.

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E. Glossary of Terms

Actuarial Cost Method: The technique used to allocate costs to various time periods.

Actuarial Accrued Liability (AAL): The portion of the Present Value of Projected Benefits that is attributed to past years of service by the Actuarial Funding Method. The AAL serves as a funding target at any given point in time.

Actuarial Value of Assets (AVA): The smoothed value of assets used by the actuary in the actuarial valuation, for the purpose of reducing the impact of market fluctuations on the employer contribution rate.

Actuarially Determined Employer Contribution (ADEC): The annual contribution by the employer, equal to the sum of the annual Normal Cost and the portion of the Unfunded Actuarial Accrued Liability amortized that year.

Entry Age Actuarial Funding Method: An Actuarial Funding Method that determines the plan's Normal Cost as a level percentage of pay over the working lifetimes of plan members.

Experience Gains and Losses: The difference between the experience anticipated by the actuarial assumptions and the plan's actual experience during the period between valuations. If actual experience is financially more favorable to the Plan, it is a Gain, (e.g., higher investment return than expected). If actual experience is financially less favorable to the Plan, it is a Loss, (e.g., lower investment return than expected).

Funded Ratio: A measure of the ratio of OPEB Fund plan assets to the Actuarial Accrued Liability (funding target) of the System. Plan assets can refer to the Market Value of Assets or the Actuarial Value of Assets.

Market Value of Assets: The total fair value of fund assets as reported in the System's financial statements.

Normal Cost: The portion of the Present Value of Projected Benefits (PVPB) that is attributed to the current year by the Actuarial Funding Method. Also referred to as the *Annual Benefit Cost*.

Unfunded Actuarial Accrued Liability (UAAL): The portion of the Actuarial Accrued Liability not covered by plan assets. It is calculated by subtracting the Actuarial Value of Assets from the Actuarial Accrued Liability.

This Policy was adopted on [June 14~~July 20~~, 2021]~~15~~

Michael S. Mason, BET Chair

Bill Drake, BET Secretary

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