

## Town of North Attleborough Other Post Employment Benefits (OPEB) Funding Policy

### Purpose:

The Town of North Attleborough is committed to responsibly managing its Other Post Employment Benefits (OPEB) liability to ensure the financial sustainability of retired employee benefits while maintaining a predictable budget impact. This policy outlines a structured, three-tiered funding approach to meet the Town's OPEB obligations.

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### OPEB Funding Tiers

#### Tier 1: Annual Operating Budget Contribution

- The General Fund Operating Budget shall include an annual contribution of \$500,000 to the OPEB Trust Fund.
- This fixed amount, approximately 0.75% of current general government annual salaries, serves as the baseline funding level, promoting fiscal predictability and demonstrating a commitment to addressing our OPEB liability.
- **Town Council Initiative:** An annual increase of up to 2.5% may be added to this line item, subject to a Town Council vote, before the final budget is presented, allowing for adjustments in line with Prop 2 ½.

#### Tier 2: Free Cash Allocation

- **Conditions for Contribution:** Following the certification of Free Cash by the Commonwealth, 25% of Free Cash exceeding \$1.5 million shall be allocated to the OPEB Trust Fund, subject to two stipulations:
  - **Reserve Stabilization Threshold:** No contributions beyond Tier 1 will occur if the Town's Reserve Stabilization Fund is below 5% of the total annual budget. Once the fund exceeds this 5% threshold, Tier 2 contributions to the OPEB Trust Fund may occur.
  - **Snow and Ice Deficit Coverage:** If a deficit in snow and ice expenditures exists, funds will first cover this deficit before Free Cash is directed toward OPEB, ensuring critical operational requirements are met.
- **Timing of Payments:** Any contributions to the OPEB Trust Fund from Free Cash will be made in June, provided funds are available.
- **Town Council Initiative:** Maintain Tier 2 guidelines, but are all, or selected items, are subject to an annual Town Council vote. The Council may determine the

percentage of Free Cash contribution above the established threshold, ensuring flexibility in funding allocations each fiscal year.

### **Tier 3: Future Pension Contribution Reallocation**

- Upon the full funding of the Town's Pension Liability (projected for 2034), annual pension contributions (estimated at \$3 million to \$4 million) will be redirected to the OPEB Trust Fund. This allocation will continue until the Town's OPEB Liability is fully funded.

### **Enterprise Account Contributions**

- Enterprise accounts (Water, Sewer, and Solid Waste) are encouraged to evaluate their financial positions and contribute annually to the OPEB Trust Fund through their respective Retained Earnings. *Note:* The Town's Electric Department operates an independent OPEB Trust Fund, per statutory requirements.