

BRAZORIA COUNTY
SECTION 115 POST EMPLOYMENT BENEFITS TRUST
FUNDING POLICY

Effective as of June 9, 2026

Introduction

This funding policy governs how Brazoria County (“County”) determines its employer contributions required to ensure that benefits provided to County retirees are funded in a reasonable and equitable manner. The goals of County’s Section 115 Post Employment Benefits Trust Funding Policy (“Policy”) are to fully fund benefits over the course of employees’ careers to achieve intergenerational equity, and to balance contribution rate and benefit stability with the need for the Post Employment Benefits Plan (“Plan”) funding to reflect current Plan conditions.

This Policy documents the current funding policies in effect as established by state law, administrative rule and action by the County. This Policy serves as a funding overview and complies with the GASB/OPEB reporting requirements for Postemployment Benefit Plans Other than Pension Plans.

Brazoria County Funding Overview

County funds its Plan independently with a combination of employer contributions and investment income. County contributes at actuarially determined rates to ensure adequate funding for its Plan. County contribution rates are determined annually and approved by the County through its Commissioners Court. County contributions are invested and investment earnings fund a large majority of the Plan.

County can make additional contributions exceeding its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. County may choose to make additional contributions to pay down its liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience.

In addition, County annually reviews its Plan and may adjust benefits and costs based on its local needs and budgets. Although accrued benefits may not be reduced, County may reduce future benefit accruals and immediately reduce costs.

Methodology for determining contribution rates

The County hires independent outside consulting actuaries to conduct an annual valuation to measure the funding status and to determine the required contribution rate for the Plan. To calculate the contribution rate, the actuary does the following:

- Studies County’s adopted Plan and the profile of its Plan participants and uses assumptions established by the County to estimate future benefit payments.

- Discounts the estimate of future benefit payments to the present based on the assumed long-term rate of investment return to determine the present value of future benefits.
- Compares the present value of future benefits with the Plan's assets to determine the difference that needs to be funded based on the Policy.

The valuation of the Plan is based on the County's Funding Policy, assets, benefits and participant profile. The key components in the determination of County contribution rates are the actuarial cost method, amortization policy, asset valuation method and actuarial assumptions.

Actuarial Methods

The Actuarial Cost Method (ACM) is a particular technique used by the actuary for establishing the amount and incidence of annual actuarial costs. The ACM determines the portion of the ultimate cost of a Plan which should be allocated to each year (known as the normal cost). The cost method is thus a budgeting tool which helps to ensure that the Plan will be adequately and systematically funded.

Entry Age Normal (EAN)

Funding method assuming a level salary percentage. This is the actuarial cost method promulgated by Statements Nos. 74 and 75.

The EAN funding method with a level salary percentage essentially derives the normal cost so it remains a constant percentage of the participant's salary from their hire age over their entire working lifetime. **The Actuarial Accrued Liability (AAL)** is the result of subtracting the **Present Value of Future Normal Costs (PVFNC)** from the **Present Value of Future Benefits (PVFB)** for each employee.

The Annual Required Contribution (ARC) and benefit liabilities of the Plan are derived making certain specific assumptions as to rates of interest, mortality, turnover, etc. which are assumed to hold for many years into the future. Since actual experience may differ somewhat from the assumptions, the costs determined by the valuation must be regarded as estimates of the true costs of the Plan.

The **Actuarial Value of Assets (AVA)** is a particular technique used by the actuary for developing the asset value to be used in the derivation of the **Unfunded Accrued Liability (UAAL)**. The AVA used for the current valuation is equal to the market value of assets as of the measurement date.

Any surplus shall be managed prudently for the long term health of the Plan. At any such time, the County contribution rate should not be reduced by more than twenty (20) percent of the previous year's contribution rate unless failure to provide for a greater rate reduction would cause the Plan's funded ratio to exceed 100%. In that case, the contribution may be reduced to cause the Plan to incur a 100% funded ratio, for that year. Should the contribution rate be unable to reduced so far, and still causes the Plan to continue to exceed a 100% funded ratio, then such surplus shall be rolled to the next fiscal year and considered in the next actuarial valuation of contributions.

Review of Actuarial Assumptions

County's actuarial assumptions are periodically reviewed and revised as deemed necessary to reflect best estimates of future experience. Every four years, the County will have its consulting actuary conduct an investigation of experience. County assumptions are compared to Plan experience and future expectations, and changes to the assumptions are recommended as needed. The County adopts actuarial assumptions to be used in the valuation based on the results of this study.

An actuarial audit of every investigation of experience is required and must be performed by an independent auditing actuary to review the consulting actuary's analysis, conclusions and recommendations for accuracy, appropriateness and reasonableness. As part of this process, the auditing actuary independently analyzes economic and demographic assumptions to test the results and recommendations of the consulting actuary. The auditing actuary also examines the consulting actuary's methods and assumptions for reasonableness and internal consistency.

Review of Actuarial Valuation

To test accuracy and ensure that the actuarial methods and assumptions are being correctly applied, an audit of the valuation is required every four years. These audits are conducted by an independent auditing actuary and alternate between a peer review and a full replication audit of the valuation. The auditing actuary also examines the consulting actuary's methods and assumptions for reasonableness and internal consistency. In a full replication audit of the valuation, the auditing actuary performs all the steps of a peer review audit, but instead of analyzing sample data, the auditing actuary fully replicates the original actuarial valuation.

Review and Modification of Funding Policy

The County will review this Policy on a regular basis and may modify this Policy at its discretion. Modifications to the Policy may be submitted for consideration to the County and/or outside consulting actuaries as circumstances warrant.