Funding Policy for the Supplemental Retirement Plan of University Medical Center

Introduction

Effective March 1, 2023, the Lubbock County Hospital District, d/b/a University Medical Center ("UMC") adopts this Funding Policy. The Funding Policy is to establish a formal methodology for financing the pension obligations accruing under the Supplemental Retirement Plan of University Medical Center ("the Plan"). The purpose of the methodology is to ensure the current assets plus future assets from employer contributions and investment earnings will be sufficient to finance all defined benefit benefits provided by the Plan. It is the intent this Funding Policy comply with all applicable laws, rules and regulations.

Funding Objectives

Pursuant to Texas Government Code Section 802.2011, the Plan is targeting a 100% funded ratio (i.e., fully funded), which is the ratio of the Fund's actuarial value of assets divided by the Fund's actuarial accrued liability.

Funding Requirement and Policy Components:

UMC's annual funding requirement is comprised of a payment of the Normal Cost and a payment on the unfunded actuarial accrued liability (UAAL). The Normal Cost and the amount of payment on UAAL are determined by the following three components of this funding policy:

1. *Actuarial Cost Method*

The Entry Age Actuarial Cost Method is used in determining the contribution requirement for the Plan. The actuarial cost method is the procedure by which the actuary annually identifies a series of annual contributions which, along with the current assets and the future investment earnings will fund the expected plan benefits. The entry age cost method compares the excess of the present value of expected future plan benefits over the current value of plan assets.

The Plan's actuarial accrued liability is the excess of the actuarial present value of projected benefits over the actuarial present value of all future remaining normal cost contributions. The UAAL is the amount by which the actuarial accrued liability exceeds the actuarial value of assets, as defined below. The UAAL is recalculated each time a valuation is performed. Experience gains and losses, which represent deviations of the UAAL from its expected value based on the prior valuation, are determined at each valuation and are amortized as part of the newly calculated UAAL.

2. *Amortization Method*

The UAAL is assumed to be amortized with level dollar amortization method over a period ending at the end of the calendar year preceding the calendar year in which the plan's youngest participant reaches his Normal Retirement Date.

3. *Actuarial Value of Assets Method*

All assets are valued at market value as determined by the plan trustee, including any receivable contributions made for the prior plan year.

Adopted by UMC in accordance with Section 8.01(c)(iii) of the Plan document.

Approved:

Jeff Dane, Executive Vice President Administrator and
Chief Financial Officer