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DATE: January 20, 2026
TO: Board of Education Non Certified Employees Appendix E Tier B or electing Tier A
FROM: Amy O'Toole, Finance Director/Treasurer
SUBJECT: Appendix E Section 3.3 Risk Sharing

Section 3.3 Risk Sharing of Appendix E

a. Notwithstanding the above, effective as of August 1, 2021, for the period August 1 through December 31, 2021 and each calendar year thereafter, Participants shall share with the Employer the Plan's investment performance risk as provided in this section 3.3 (the "Risk Sharing Adjustment"). Tier B Participants' Risk Sharing Adjustment shall be the same as for current employees.

b. There shall be a Risk Sharing Adjustment to the Picked-up Contribution rates set forth in 3.1 for 2022 and 2023 and each calendar year thereafter in an amount not to exceed an annual cap of 1% over the respective year's Picked-up Contribution Rate set forth in 3.1. Therefore, effective each January 1, a Participant's Picked-up Contribution Rate shall be set equal to the Participant's Picked-up Contribution Rate for the applicable year as set forth in 3.1, plus the lesser of (i) 1% and (ii) one-half (1/2) of x minus y , where x is the Expected Investment Rate of Return and y is the Actual Investment Rate of Return. If y is greater than x , then no adjustment is made. The following additional definitions apply:

(i) **Expected Investment Rate of Return** - The Expected Investment Rate of Return is that rate determined for the valuation performed as of the first day of the fiscal year that ends on June 30th immediately prior to the effective date of the Picked-up Contribution Risk Sharing Adjustment described in (b) above.

(ii) **Actual Investment Rate of Return** - The Actual Investment Rate of Return is the actual investment performance of the Pension trust for the fiscal year ending on June 30th immediately prior to the effective date of the Picked-up Contribution adjustment describe in (b) above, as determined using the GASB 68 Money-Weighted Rate of Return.

(iii) For, example, the Risk Sharing Adjustment for 2022 shall be based on the Expected Investment Rate of Return determined by the Pension Board for the July 2020

funding valuation and the Actuarial Investment Rate of Return for the fiscal year ending June 30, 2021

The Risk Sharing Adjustment for 2024 should have been an increase to contributions of 1% to 7.5% (See Attached Letter from Milliman) due to the investment loss sustained by the Town of East Windsor Defined Benefit Plan.

As of 1/1/26, your Pension Contribution has increased to 7.5%.