

North Los Angeles County Regional Center
Post-Retirement Medical Trust Committee Meeting Minutes

April 26, 2023

Present: Ana Quiles, Ruth Janka, Alma Rodriguez, Vini Montague, David Coe -Committee Members

Liliana Windover, Lizeth Chavez, Danielle Fernandez, Gabriela Eshrati, Evelyn McOmie, – Staff Members

Anne Wimmer – HighMark Capital, Tim Banach – U.S. Bank, Sarah Murray - Milliman, Jasmine Barrios-Minutes Services - Guests

Absent:

I. Call to Order & Introductions

Ana Quiles called the meeting to order at 5:30 pm.

II. Public Input

No public input

III. Consent Items

A. Approval of Agenda

M/S/C (R. Janka/A. Quiles) To approve the agenda as presented

B. Approval of Minutes of January 26th Meeting

M/S/C (R. Janka/V. Montague) To approve the Meeting Minutes as presented

IV. Presentation of Year 2022 Actuarial Report - Sarah Murray, Milliman

Sarah Murray introduced herself as the Consulting Actuary from Milliman. She presented the results of the Annual Actuarial valuation of NLA's retiree health benefits. ASC715 requires the measurement and reporting of retiree health plan liabilities on NLA's financial statements. This does not mandate funding.

The requires financial statement items include:

- Net Periodic Benefit Cost: Income Statement
 - o This equates to the portion of future benefits allocated to the current FY, and includes amortization gains/losses due to plan experience or assumption change.
- Unfunded Plan Liability: Balance Sheet
 - o The difference between accumulated post-retirement benefit obligation (APBO) and plan assets.
- Disclosures
 - o Plan provisions, assumptions and methods

NLA's Retiree Health Plan Benefits

- Eligibility

- Must retire from NLA on or after age 50 + 5 years of service with NLA. Age 52+5 if hired on or after 1/1/2013.
- Health Benefits
 - Retiree and dependents may continue health coverage in NLA health plan for their remaining lifetime.
 - NLA contracts with CalPERS for health coverage
 - NLA will make a contribution toward the cost of health care coverage
 - Retiree must pay the balance of cost of coverage and is only eligible for Center subsidy if enrolled in CalPERS health plan.

How the Valuation Works

- Project active and retiree population
 - Turnover, expected retirement age
 - Life expectancy
- Project annual health benefit costs
 - Current year
 - Trend for medical inflation in future years
- Project expected retiree payments
- Discount payments to today's dollars
- Allocate costs to periods of service
- Compare liabilities to assets

Assumptions

- Make predictions about the future
- Best estimates on recent data, plan design, actuarial judgement
- Assumptions selected based on input and recommendations from actuary
- NLA's auditors reviews and accepts assumptions used for NLA's financial reporting
- Demographic, economic and healthcare cost assumptions

Results

- Bond yield curve - NLA's discount rate increased from 2.99% to 4.65% as of June 30, 2022
- Investment Policy and Expected Return (including 2.30% inflation assumption)
 - Cash
 - Expected Nominal Return: 2.94%
 - Asset Allocation: 4.3%
 - Fixed Income
 - Expected Nominal Return: 4.51%
 - Asset Allocation: 32.7%
 - US Equity
 - Expected Nominal Return: 6.53%
 - Asset Allocation: 60.1%
 - Cash
 - Expected Nominal Return: 5.90%
 - Asset Allocation: 2.9%
 - Expected Geometric Return (30 years): 6.10%
- Accumulated Post-Retirement Benefit Obligation (APBO)
 - Total Plan Liabilities - June 30, 2022: \$48,354,029
 - Total Plan Liabilities - June 30, 2021: \$55,310,549
- Plan Assets
 - Market Value at end of FY 20-21: \$26,418,066

- Market Value at end of FY 21-22: \$32,476,061

CalPERS Pension Liability

- CalPERS Contributions
 - NLA had an unfunded accrued liability account in prior years (UAL)
 - UAL is amortized according to Board policy
 - In 2020, NLA established a CalPERS UAL Contribution Trust
 - UAL Payment for FY23-24 is \$0. There is a normal cost contribution of 8.98% of payroll

V. Committee Business

A. HighMark Capital Report – Anne Wimmer

Anne reviewed the report as presented in the packet.

- Economic Conditions
 - GDP grew 2.6% in Q4 2022
 - Solid job market, US added 236,000 new jobs in March, with unemployment at 3.5%.
- Interest and Inflation
 - CPI rose 0.1% in March. Short-term interest rates rose 7 times in 2022, to 4.25%
 - 10-year treasury, ~3.6% inverted yield curve continues
- Outlook
 - Mild recession forecasted for 2023, recovery in 2024.
 - Concerns include recent bank failures, inflation and geopolitical events

1. Statement of Current PRMT Trust Value

- This statement is for post-retirees and future retiree healthcare benefits, it is a longtime horizon account that can be volatile.
- This account has an investment objective that is identified as Balanced
- As of April 18, the portfolio is at \$30.4 million dollars. This is comprised of multiple asset classes.
 - Total equities are at 57.4 %
 - Fixed income - 30.0%,
 - Alternatives - 7.9%.
 - Cash and equivalents – 4.7%

2. Statement of Current CalPERS UAL Trust Value

- This statement has a shorter time horizon than the PRMT account. This account carries less in equities, but more in bonds. This account also makes periodic payments to CalPERS in regards to pension obligations. This account has an investment objective that is identified as Income and Growth
- As of April 18, the portfolio is at \$9.4 million dollars. This is comprised of multiple asset classes.
 - Fixed income – 52.6%
 - Total Equities – 36.1%
 - Alternatives – 7.7%.
 - Cash and equivalents – 3.5%

B. Quarterly PRMT Market Value History Report

Vini reviewed this report as presented. It was noted that the timeframes for this report are different than the HighMark Capital Report. As of March 31:

- Market Value - \$30,173,383.38

- Total Contributions – \$14,981,112.01
- Quarterly Fee Reimbursement Payments - \$1,010,933.32

C. Quarterly UAL Market Value History Report

Vini reviewed this report as presented. It was noted that the timeframes for this report are different than the HighMark Capital Report. As of March 31:

- Market Value - \$9,322,449
- Total Contributions – \$10,787,341
- Cumulative Reimbursement of Bank Fees - \$57,044

D. Review on Recommendation for Contribution to PRMT Trust

In May 2021, NLA makes a contribution out of FY21-22 for this CalPERS. NLA is seeking approval for a contribution to PRMT instead out of the FY21-22 funds in lieu of CalPERS.

M/S/C (D. Coe/A. Rodriguez) To approve recommendation as presented

E. Recommendation for Disbursement to CalPERS from PRMT Trust

No recommendations at this time

F. Review on Recommendation for Contribution to CalPERS UAL Trust

NLA is seeking approval for authorization to encumber funds for the contribution to CalPERS out of FY22-23 surplus funds before June 30, 2023

M/S/C (D. Coe/A. Rodriguez) To approve recommendation as presented

G. Recommendation for Disbursement to CalPERS from UAL Trust

No recommendations at this time

H. Draft Critical Calendar for FY2023-2024

The Committee was asked to consider the crucial calendar as it relates to meeting frequency and format. After discussion, it was decided to eliminate the October Committee meeting and reallocate the agenda items to the other meeting months. The decision was also made to remain virtual for FY23-24

M/S/C (D. Coe/A. Rodriguez) To approve the Critical Calendar with the revision to remove the October meeting and reserve the date for an emergency or make up meeting

M/S/C (D. Coe/A. Rodriguez) To conduct Committee meetings virtually for FY23-24.

VI. Board Meeting Agenda Items

- A. Minutes of the April 26th Meeting
- B. Statement of Current PRMT Trust Value
- C. Statement of Current UAL Trust Value

VII. Announcements / Information Items / Public Input

- A. Next Meeting: July 26, 2023 at 5:30 p.m.
- B. Committee Attendance

VIII. Adjournment

Ana Quiles adjourned the meeting at 6:31 p.m.

Submitted by:

(*) *Hailey Lauderdale*
Executive Administrative Assistant

() The majority of these minutes are taken from the Minutes Service submission and reviewed/edited as presented herein by NLACRC staff.*

