

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

April 27, 2022

Committee Members: Leticia Garcia, Ruth Janka, Ana Quiles, Jeremy Sunderland

Staff: Liliana Windover, Lizeth Chavez, Jesse Weller, Michele Marra, Vini Montague, Natalia Langarica, Michael Fernandez, Alan Darby, Clarence Foster

Guests: Sarah Murray – Principal & Consulting Actuary for Milliman,
Tim Banach- U.S. Bank
Anne Wimmer- Portfolio Manager at Highmark Capital,
Nancy Gallardo and Isabela Romero – Interpreters
Jasmine Barrios – Minutes Services

I. Call to Order & Introductions

Leticia Garcia called the meeting to order at 5:32 pm.

Alan Darby introduced Sarah Murray from Milliman and Anne Wimmer from Highmark Capital who will be presenting.

II. Public Input

No public input

III. Consent Items

A. Approval of Agenda (*Page 2*)

M/S/C (A. Quiles/ J. Sunderland) To approve the agenda as presented. The motion was approved.

B. Approval of Minutes of January 26th Meeting (*Page 3*)

M/S/C (A. Quiles/ J. Sunderland) To approve the January 26th meeting minutes as presented. The motion was approved.

IV. Presentation of Year 2021 Actuarial Report – Sarah Murray, FSA, EA, MAAA, Principal & Consulting Actuary of Milliman

- A. Sara introduced herself as the Consulting Actuary for Milliman. Milliman works with NLACRC to present the Actuarial Report to this Committee on an annual basis. Actuarial Reports prepared annually, to provide guidance on what to include in the financial statements from an accounting perspective.
- B. Financial Accounting Standards Board under ASC 715, requires the measurement and reporting of retiree health plan liabilities on the NLACRC's financial statements.
- C. Under ASC 715, retiree health benefits are part of the compensation for services rendered. The benefits are earned during the period of employment and NLACRC is required to recognize that obligation over that same period.
- D. Financial statement items include
 1. Net Periodic Benefit Cost – shown on income statement
 - a. This shows a portion of future benefits allocated to the current fiscal year.
 2. Unfunded Plan Liability – shown on balance sheet
 - a. This is the difference between Accumulated Post-Retirement Benefit Obligation (APBO) and plan assets. This is broken down into 2 parts:
 - Accrued Postretirement Benefit Cost – difference between accumulative net periodic benefit cost and cumulative employer contributions.
 - Unrestricted Net Asset (Accumulated Other Comprehensive Income)
- E. NLACRC's Retiree Health Plan Benefits
 1. Eligibility
 - a. Must retire from NLACRC on or after 50+5 years of service. (Age 52+5 if hired on or after 1/1/2013).
 2. Health Benefits
 - a. Retiree and dependents may continue coverage under NLACRC health plan for their remaining lifetime.
 - b. NLACRC contracts with CalPERS for health coverage.
 - c. NLACEC will make a contribution towards the cost of healthcare coverage (\$700 per month in 2022 for full-time employee, employee + one dependent, and employee + family).
 - d. Retiree must pay the balance of cost and of coverage and is only eligible for NLACRC subsidy if enrolled in CalPERS health plan.
- F. How the Valuation Works
 1. Census data is collected from NLACRC on current employees and current retirees.
 2. Project active and retiree population
 - a. Turnover, expected retirement age

- b. Election percentages
 - 1. Life expectancy
 - 2. Current employees and retirees only
 - c. Project annual health benefit costs. Current year and trend for medical inflation in future years.
 - d. Project expected retiree payments
 - e. Discount payments to today's dollars
 - f. Allocate costs to periods of service
 - g. Compare Liability to assets
- G. Key Definitions of the Actuarial Report
 - 1. Present Value of Benefits (PVB) – discount expected payments using the interest rate to today's dollars
 - 2. Accumulated Postretirement Benefit Obligation (APBO) - PVB is attributed to past service only
 - 3. Service Cost – Portion of PVB attributed to the current year of service only.
 - 4. Interest Cost – one year of interest on APBO
 - 5. Actuarial experience gain or loss - The difference in APBO from one year to the next is attributed to plan experience differing from assumptions
- H. Assumptions
 - 1. Make predictions about the future
 - 2. Best estimates based on recent data, plan design, and actuarial judgment.
 - 3. Plan sponsor selects assumptions based on input and recommendations from an actuary
 - 4. NLACRC's auditor must review and accept assumptions used for NLACRC's financial reporting
 - 5. Three main types of assumptions:
 - a. Demographic assumptions
 - 1. Changes as of 06/30/31:
 - a. Updated retirement and termination rates- adjustments based on actual experience
 - b. Updated dependent coverage election, assume 15% of retirees will elect 2-party coverage
 - c. Updated to the latest mortality improvement scale as issued by the Society of Actuaries
 - b. Economic assumptions
 - 1. Discount rate based on AA or higher rated corporate bond yields. Results sensitive to change in the discount rate
 - 2. Long-term return on plan assets -developed from fund investment policy
 - c. Healthcare cost assumptions
 - 1. Medical component of CPI
 - 2. Medical trend and inflation
 - 3. Implicit rate subsidy

- I. Highlights from NLACRC Actuarial Report (FY 6/30/20 to 06/30/21)
 1. APBO Liabilities went down from \$63,387,477 to \$53,310,549.
 2. Plan assets have increased from \$26,025,730 to \$32,476,061.
 3. Net Periodic Benefit-cost increased from \$4,879,601 to \$5,636,619. Due to an increase in service costs.

- J. CalPERS Pension Liability
 1. This report is publicly available that is considered for the actuarial process.
 2. CalPERS Report as of June 30, 2020, issued July 2021
 3. NLACRC had an Unfunded Accrual Liability (UAL)
 - a. Assets were less than Accrued Liability by 12.7 million
 - b. Is amortized according to Board policy
 - c. UAL payments from 2022-2023 are \$631,550, on top of the normal cost contribution of 8.04% of payroll
 - d. In April 2020, NLACRC established a CalPERS UAL Contribution Trust. June 30, 2020, report reported the employer contributions.

V. Committee Business

- A. High Mark Capital Report – Anne Wimmer (*Page 27*)

Anne reported that on the overall national financial environment, it has been an interesting year to date. There has been good economic growth, the 2021 GDP is up by 5.7%, and corporate earnings are solid. Unemployment declined to 3.6% and 431,000 new jobs have been created. Negatively, inflation has risen 8.5%, short-term interest rates have gone up, and expecting more rate hikes. Concerns about the outlook include rising interest rates and geopolitical events such as the war in Ukraine.

1. Statement of Current PRMT Trust Value (*Page 29*)
 - a. As of April 21, the portfolio is at \$31.126 million dollars.
 - b. Fixed income declined 5.62%
 - c. Alternatives also declined 5.25%
 - d. Total equities declined 5.69%
 - e. Loss of 5.44% for the last 3 months
 - f. Since its inception in 2004, the average annual return has been 6.42%
2. Statement of Current UAL Trust Value Page 37)
 - a. As of April 21, the portfolio is at \$10.2 million dollars

- B. Quarterly PRMT Value History (*Page 53*)
- C. Quarterly UAL Market Value History Report (*Page 57*)
- D. Recommendation for Contribution to CalPERS UAL Trust – Alan Darby

1. Recent contribution of \$560,308 was put into the trust that was approved by the Board. No further recommendations at this time for an additional contribution.
- E. Recommendation for Disbursement to CalPERS from UAL Trust
1. CalPERS offers its member organization the option of pre-paying. The incentive to prepay is to save 3.5% on interest. The recommendation is to make the prepayment from the trust to CalPERS. The NLACRC is looking to repay that amount to the trust based on cash flow and available cash flow.

M/S/C (A. Quiles/ J. Sunderland) To disperse the prepayment amount to CalPERS from the UAL Trust. The motion was approved.

- F. Recommendation for Contribution to PRMT Trust
1. Alan has no recommendation for this item at this time. Will take time during the next few months to analyze cash flow and make a recommendation.

VI. Board Meeting Agenda Items

- A. Minutes of the April 27th Meeting
- B. Statement of Current PRMT Trust Value
- C. Statement of Current UAL Trust Value
- D. Recommendation of Disbursement to CalPERS

VII. Announcements / Information Items / Public Input

Next Meeting: Wednesday, July 27th at 5:30 p.m.
No public input

VIII. Adjournment

The meeting was adjourned at 6:33 p.m.

Submitted by:

(*) Lizeth Chavez
Executive Admin. Assistant

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