

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

May 22, 2025

Present: Juan Hernandez, Sharmila Brunjes, Anna Hurst, Angela Pao-Johnson, Vini Montague

Vini Montague, Lindsay Granger – Staff Members

Mark Wolfe - DDS Tech Advisor, Tresa Oliveri – DDS Tech Advisor, Tim Banach – US Bank, Keith Stribling, Marianita Mendez - DDS - Guests

Absent:

I. Call to Order & Introductions

Juan Hernandez called the meeting to order at 5:34 pm.

II. Agenda

III. Public Input

No public input

IV. Consent Items

A. Approval of Minutes of the September 26, 2024 Meeting

M/S/C (Vini Montague/Angela Pao-Johnson) To approve the minutes as presented. Motion carried.

IV. Committee Business

A. Presentation of Year 2024 Actuarial Report

Sarah Murray, FSA, EA, MAAA, Principal & Consulting Actuary of Milliman, who conducted the actuarial valuations on the Post-Retirement Medical Trust and the CalPERS UAL, presented the Year 2024 Actuarial Report. She explained that Milliman evaluates post-retirement health benefits each year in accordance with FASB ASC 715, calculating liabilities based on census data, actuarial assumptions, and plan provisions.

For fiscal year 2024, assumption changes included an increase in the discount rate from 5.2% to 5.5%, which lowered liabilities, while the long-term return on assets remained at 6 percent. Health cost and inflation assumptions were also updated, and an experience study led to revised demographic assumptions, including retirement, termination, and coverage election rates.

The results of the valuation showed that the Accumulated Post-Retirement Benefit Obligation (APBO) decreased from \$50.3 million to \$47 million, while plan assets grew from \$31.4 million to \$36.8 million, exceeding expected returns. The net periodic benefit cost decreased slightly from \$2.3 million to \$2.2 million. Overall, there were total actuarial gains of \$7.1 million from changes in the discount rate, updated health and demographic assumptions, and favorable asset returns. As of June 30, 2024, the plan reflected a funded status of negative \$10.2 million, meaning there remains an unfunded liability in that amount.

During discussion, members sought clarification on the difference between liabilities and assets. It was confirmed that the plan currently holds \$36.8 million in trust against \$47 million in liabilities. Murray emphasized that Milliman's role is to calculate the valuation, while decisions about contributions and funding strategy rest with the committee.

B. PFM Asset Management Report

1. Statement of Current PRMT Trust Value
2. Statement of Current CalPERS UAL Trust Value

Keith Stribling reported on the OPEB portfolio, which maintains a 60% stock and 40% bond allocation. He noted that the one-year return was 6.2%, outperforming the benchmark by 1.1%, and the five-year return was 9.8%, which he described as strong for this type of plan. The diversified allocation continues to perform well relative to benchmarks.

Keith Stribling also reviewed the UAL (Pension) portfolio, which follows a more conservative 40% stock and 60% bond allocation to prioritize liquidity and risk management. The one-year return was modest and in line with its benchmark. He explained that recent performance has been supported by interest rate declines and strength in international and interest-rate-sensitive sectors.

Tim Banach reported on recent adjustments to the portfolios, including the addition of global infrastructure funds, introduced to provide greater diversification, inflation protection, and stability during downturns.

In discussing broader economic and market conditions, Keith Stribling, with supporting comments from Tim Banach, stated that fiscal policy remains stimulative while monetary policy is tight. They noted that volatility continues to be driven by tariffs, trade tensions, and the U.S. debt downgrade. Despite these pressures, bonds have helped cushion downturns in equities, and the portfolios remain positioned at their target allocations.

During the question-and-answer portion, new members asked about the relative aggressiveness of the allocations compared to retirement funds. Sarah Murray explained that the current 60/40 and 40/60 allocations are typical and considered conservative given funding needs. Anna Hurst asked about the potential impact of market volatility on retirees. Juan Hernandez inquired about risk management strategies, while Sharmila Brunjes requested clarification on sector allocations. Vini Montague asked about future projections and inflation considerations, and Angela Pao-Johnson asked about potential adjustments to the OPEB allocation. Keith Stribling, with actuarial clarification from Tim Banach, noted that while factors such as early retirements or budget cuts could have short-term effects, they balance out over the long term, with trust assets serving as a safeguard. Tim Banach also clarified that the S&P fund holdings include significant exposure to the technology sector.

C. Quarterly PRMT Market Value History Report; and

D. Quarterly UAL Market Value History Report

Vini Montague presented the quarterly PRMT market value history report and the quarterly UAL market value history report, detailing contributions, fees, and overall account performance. The report shows cumulative contributions and fees, with fees reimbursed to maintain the account balance, providing a complete history of the trust account's market value.

E. Recommendation for Disbursement from PRMT Trust

Vini Montague clarified that no disbursement is recommended from the Post-Retirement Medical Trust (PRMT) at this time. This item was provided for informational purposes only. The PRMT is a separate pool of funds earmarked for post-retirement medical obligations. It allows for investment earnings and provides a reserve in case of operational shortfalls.

F. Recommendation for Disbursement from CalPERS UAL Trust

Vini Montague presented a proposed disbursement from the CalPERS Unfunded Liability (UAL) Trust for fiscal year 2026. The total unfunded liability assessment is \$1,053,618. If prepaid in a lump sum before July 31, 2025, the payment would be reduced to \$1,019,005.24, yielding a savings of approximately \$34,000. The funds would be directed to CalPERS to cover retiree benefits.

Tim Banach of U.S. Bank clarified that the UAL Trust is distinct from the PRMT and is specifically for CalPERS obligations. It can be accessed as needed to cover shortfalls, ensuring that operational funds are preserved. Board members, including Anna Hurst and Juan Hernandez, discussed the accounts and process, confirming understanding of the trust's purpose.

G. Recommendation for Contribution to PRMT Trust

No immediate contribution was recommended to the PRMT Trust. The PRMT continues to cover post-retirement medical obligations and is managed to generate investment yield while maintaining reserves for potential operational shortfalls.

H. Recommendation for Contribution to CalPERS UAL Trust

Vini Montague recommended applying available fiscal year 2023 funds of \$10.8 million toward the CalPERS UAL Trust to address the immediate unfunded liability need. These funds became available due to challenges in hiring service coordinators, slower-than-expected employee growth relative to caseload increases, and adjustments in funding allocations from DDS

The contribution is intended to reduce reliance on operational funds, support the amortization schedule for the \$25.7 million total unfunded liability, and allow investment earnings to offset future retiree benefit payments. Board members, including Anna Hurst and Juan Hernandez, discussed potential strategies to accelerate payment of the unfunded liability, including depositing additional funds to reduce amortization impacts. Vini Montague noted ongoing discussions with CalPERS to evaluate optimal strategies.

Vini Montague provided additional context regarding the CalPERS unfunded liability. CalPERS' actuarial report annually determines the Center's unfunded liability, which as of June 2025, totals \$25.7 million. This annual assessment informs the amortization schedule and payment planning to address the liability over time.

I. Draft Critical Calendar for FY2025-2026

The Draft Critical Calendar for FY2025-2026 was presented to the committee. The noted change was changing the calendar to a quarterly format. It was noted that the Bylaws state this should be a quarterly meeting.

V. Board Meeting Agenda Items

- A. Minutes of the September 26, 2024 Meeting
- B. Year 2024 Milliman Actuarial Report
- C. PFM Asset Management Report of Current PRMT Trust Value

- D. PFM Asset Management Report of Current CalPERS UAL Trust Value
- E. Quarterly PRMT Market Value History Report
- F. Quarterly UAL Market Value History Report
- G. Draft Critical Calendar for FY2025-2026

The September minutes will go to the board for approval as a consent item.

Item F (Quarterly UAL Market Value History Report) will go to the board under action items and also under Committee Business Items for approval.

Item H (Recommendation for Board Resolution for CalPERS UAL Trust) will go to the board under action items and also under Committee Business Items for approval.

Item G (Draft Critical Calendar for FY2025-2026) will go to the board under Committee Business Items for approval.

Items B, C, D, E will be added to the board agenda as Informational items only.

VI. Announcements / Information Items / Public Input

- A. Next Meeting: Thursday, August 21, 2025, at 5:30 p.m.
- B. Committee Attendance

VII. Adjournment

Juan Hernandez adjourned the meeting at 7:04 p.m.

Submitted by:
Lindsay Granger
Executive Administrative Assistant

