North Los Angeles County Regional Center

Post-Retirement Medical Trust Committee Meeting Minutes

February 19, 2026

Present: Board of Trustees President Sharmila Brunjes, Vice President Juan Hernandez, Board Treasurer Anna Hurst

Executive Director Angela Pao-Johnson, Chief Financial Officer Vini Montague, Executive Administrative Assistant Lindsay Granger, Executive Administrative Assistant Danielle Fernandez – Staff Members

Guests: Tim Banach – US Bank, Keith Stribling – US Bank

Absent:

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1. CALL TO ORDER

There being a quorum present, and adequate and proper notice of the meeting having been given, the meeting was called to order at 5:05 p.m. Sharmila Brunjes, Board President, reminded members to identify themselves prior to making a motion and reviewed the NLACRC Board of Trustees Civility Code.

2. PUBLIC INPUT – AGENDA ITEMS

There was no public input regarding the agenda.

3. CONSENT ITEMS

A. Approval of Agenda

Action Item A. Recommendation for Contribution to PRMT Trust and Action Item B. Recommendation for Contribution to CalPERS UAL Trust were deferred until the May 21, 2026, PRMT Meeting.

M/S/C (Juan Hernandez/Sharmila Brunjes) On a motion made by Juan Hernandez, seconded by Sharmila Brunjes, it was resolved to approve the agenda as amended.

B. Approval of Minutes of the August 21, 2026, Post Retirement Medical Trust Committee Meeting

M/S/C (Sharmila Brunjes/Juan Hernandez) On a motion made by Sharmila Brunjes, seconded by Juan Hernandez, it was resolved to approve the August 21, 2026, Post Retirement Medical Trust Committee Meeting Minutes. Motion carried.

ACTION: Action items A and B will be added to the May 21, 2026 PRMT Agenda.

4. ACTION ITEMS

4.1 Recommendation for Contribution to PRMT Trust

This item was deferred until the May 21, 2026, PRMT meeting.

4.2 Recommendation for Contribution to CalPERS UAL Trust

This item was deferred until the May 21, 2026, PRMT meeting.

5. COMMITTEE BUSINESS

5.1 PFM Asset Management Report

a. **Statement of Current PRMT Trust Value**
b. **Statement of Current CalPERS UAL Trust Value**

Line 125-267

U.S. Bank representative Keith Stribling provided an overview of the asset management report, focusing on the OPEB plan, pension reserve portfolio, current economic conditions, and portfolio positioning.

For the OPEB plan, Keith Stribling reported that the portfolio had a strong year, increasing 13.6%. Keith Stribling noted that the portfolio achieved a compounded return of 13.5% over the last three years and has returned 6.6% since inception. Keith Stribling explained that the portfolio is generally structured as a 60/40 mix of stocks and bonds, which is consistent with the expected long-term return for that type of asset allocation. Keith Stribling stated that overall market conditions have been favorable for risk assets over the last several years, contributing to the portfolio's strong performance.

Keith Stribling noted that one area of underperformance involved the small cap value fund. Keith Stribling explained that the prior fund manager had drifted from the intended investment mandate by increasing exposure to mid- and large-cap companies as the fund size expanded, making it more difficult to effectively manage within the small cap space. As a result, the fund manager was changed to the PIMCO RAE Small Cap Fund, which Keith Stribling stated is smaller and expected to be better positioned to operate within the intended investment strategy going forward. Keith Stribling also reported that the Goldman Sachs GQG fund, which represents approximately 1.9% of the portfolio, had underperformed and remains on the watch list.

Keith Stribling then reviewed the pension reserve portfolio, which is intended to provide financial flexibility in managing NLACRC's CalPERS pension obligation. Keith Stribling explained that the pension reserve portfolio is more conservative than the OPEB plan and is allocated approximately 40% equities and 60% fixed income. Keith Stribling reported that the pension reserve portfolio increased nearly 12% during the year, achieved a compounded return of 10.5% over the last three years, and has returned 6.17% since inception. Keith Stribling noted that the pension reserve portfolio generally utilizes the same investment funds as the OPEB portfolio, but with a more conservative asset allocation.

Keith Stribling also provided an economic and market overview. Keith Stribling described the current market environment as heavily influenced by public policy decisions, including tariffs, trade relationships, deregulation efforts, tax and spending legislation, immigration policy, and Federal Reserve activity. Keith Stribling discussed ongoing legal challenges related to tariffs and noted uncertainty regarding future trade policy. Keith Stribling further explained that deregulation efforts and recent tax and spending legislation have increased business investment activity and consumer spending, contributing positively to market conditions.

Keith Stribling reviewed labor market conditions and Federal Reserve concerns regarding inflation and employment trends. Keith Stribling reported that unemployment has remained relatively stable at approximately 4.3% to 4.4%, while the Federal Reserve has become increasingly concerned about both declining labor demand and reductions in available labor supply. Keith Stribling explained that labor supply has been impacted by baby boomer retirements and immigration-related policies, while reductions in labor demand may be related to post-pandemic over hiring and businesses reassessing staffing needs due to artificial intelligence and productivity changes.

Keith Stribling also discussed interest rates and inflation trends. Keith Stribling noted that although the Federal Reserve reduced interest rates three times during the prior year and short-term Treasury yields have declined, the 10-year Treasury yield has remained within the 4% to 4.5% range due to persistent inflation concerns and expectations for continued economic growth. Keith Stribling additionally discussed upcoming changes related to Federal Reserve leadership and ongoing political and congressional discussions surrounding the Federal Reserve.

Keith Stribling reviewed stock market activity, including the ongoing correction in certain AI-related stocks that began in November. Keith Stribling explained that concerns surrounding some AI companies include elevated valuations and the structure of certain business arrangements that may artificially inflate revenue growth. Despite these concerns, Keith Stribling noted that the broader stock market has remained strong due to favorable economic conditions, deregulation, AI-driven earnings growth, and expectations for future interest rate cuts. Keith Stribling also identified geopolitical instability and political policy risk, including international tensions, as continuing market concerns.

Keith Stribling explained that current portfolio positioning remains neutral relative to the strategic asset allocation across asset classes. Keith Stribling stated that the investment strategy is intended to balance risks such as policy uncertainty, elevated valuations, and geopolitical instability with positive factors including strong company fundamentals, AI-related growth, and expectations for Federal Reserve rate cuts. Keith Stribling emphasized the importance of maintaining a disciplined long-term investment strategy rather than attempting to time market fluctuations.

Committee members asked several questions regarding the investment strategy and portfolio allocation. Juan Hernandez, Board Vice President, asked whether the portfolios included cryptocurrency investments. Keith Stribling and Tim Banach from U.S. Bank confirmed that NLACRC does not invest in cryptocurrency or other speculative assets within these portfolios. Tim Banach explained that the organization maintains a strict investment policy statement that governs allowable investments and prohibits speculative assets such as cryptocurrency. Keith Stribling added that the portfolios are designed to remain prudent while still taking sufficient risk to achieve the desired long-term rate of return.

Vini Montague, Chief Financial Officer, asked whether recent political developments, tariffs, and international economic conditions had resulted in shifts between U.S. and international equities. Keith Stribling explained that international equity exposure had gradually increased over the last several years primarily because international equities were comparatively less expensive and due to expectations regarding long-term market reversion trends following a prolonged period of U.S. dollar appreciation. Keith Stribling noted that the international allocation has performed well, although not necessarily for the reasons originally anticipated. Tim Banach added that approximately 17% of the portfolio is currently allocated to international equities, which has contributed positively to overall portfolio performance during the past year.

No further questions were raised, and the Committee returned to the agenda.

5.2 <u>Quarterly PRMT Market Value History Report</u>

Chief Financial Officer Vini Montague reviewed the market value history of NLACRC's Post-Retirement Medical Trust (PRMT) account. Vini Montague reported that, as of December 31, 2025, the market value of the account was approximately $47.5 million. Vini Montague also shared that the independent valuation report reflected a year-end obligation of approximately $49.4 million as of June 30, 2025, while the market value at that time was approximately $44.3 million, resulting in an unfunded net obligation of approximately $5 million. Vini Montague noted that this represents the smallest unfunded obligation reflected in the historical report and described the results as very positive.

Vini Montague explained that the year-end obligation amount can fluctuate significantly depending on the actuarial assumptions used within the valuation report. Vini Montague noted that the obligation is also expected to continue increasing over time due to organizational growth and staffing increases, stating that NLACRC has now grown to approximately 940 employees.

Tim Banach from U.S. Bank acknowledged the progress made in narrowing the unfunded obligation. Anna Hurst thanked Vini Montague for the work completed and acknowledged that the obligation amount is partially dependent on external actuarial and market-related factors that may continue to fluctuate over time. Tim Banach further commented that the funding gap is continuing to narrow.

Vini Montague reminded the Committee that the long-term goal of the PRMT account is to fully fund retiree medical benefits to the point that investment earnings alone can support annual retiree medical benefit costs. Vini Montague reported that retiree medical benefits for the prior year totaled slightly under $1.2 million and noted that future costs will continue to increase alongside health benefit premium increases.

Juan Hernandez asked whether the ultimate goal is to eliminate the unfunded obligation. Vini Montague explained that the objective is to reach a point where the net benefit obligation becomes negative, meaning that the account is overfunded. Vini Montague stated that once the account reaches an overfunded position, the organization can begin evaluating whether investment earnings could sustainably fund annual retiree medical benefit payments while still allowing the account to continue growing over time. Vini Montague explained that this analysis is connected to broader discussions regarding contributions between the PRMT account and the CalPERS unfunded liability account.

The Committee then continued to the next report on the agenda.

5.3 <u>Quarterly UAL Market Value History Report</u>

Vini Montague reviewed the market value history and funding status of NLACRC's CalPERS Unfunded Liability Account. Vini Montague reported that, as of December 31, 2025, the market value of the account was approximately $10.5 million. Vini Montague also shared that the most recent valuation report, as of June 30, 2025, reflected an unfunded CalPERS liability of approximately $26 million, resulting in a funding gap of approximately $16.8 million.

Vini Montague reported that NLACRC was in the process of depositing approximately $25 million into the account using available funding from fiscal years 2023 and 2024. Vini Montague explained that the available funding resulted from DDS caseload ratio funding received beginning in fiscal year 2023, which had been intended to support the hiring of additional service coordinators. Because the organization was unable to fully hire all planned positions during fiscal years 2023 and 2024, the remaining funds became available to support the unfunded liability account. Vini Montague stated that the additional deposit would place the account in a significantly improved financial position and substantially reduce the funding gap.

Tim Banach from U.S. Bank congratulated NLACRC on the progress made with the unfunded liability account and confirmed that the incoming funds would be deposited and invested shortly after receipt. Vini Montague explained that strengthening the unfunded liability account will help ensure that NLACRC can continue meeting its CalPERS obligations while also freeing future operational funding to support hiring and additional staffing positions rather than ongoing unfunded liability payments.

Keith Stribling from U.S. Bank noted that while future hiring growth may increase the organization's pension obligations over time, NLACRC remains significantly ahead in addressing its unfunded liability compared to many other public agencies. Keith Stribling also emphasized the financial flexibility provided by maintaining funds within a separate trust account rather than contributing all excess funding directly to CalPERS. Keith Stribling explained that maintaining assets within the trust allows the organization greater control and flexibility because overfunding directly within CalPERS could restrict access to those funds in the future.

Vini Montague provided additional background regarding the establishment of the unfunded liability trust account. Vini Montague explained that in earlier years, NLACRC had attempted to reduce the unfunded liability by sending direct payments to CalPERS; however, those payments did not appear to significantly reduce the overall liability due to the manner in which CalPERS amortizes liability payments over extended periods of time. Vini Montague stated that this led the organization to pursue a different strategy by establishing a separate unfunded liability trust account that could be managed independently while still supporting the long-term pension obligation.

Anna Hurst, Boad Treasurer, asked whether the strategy had been modeled after another regional center. Vini Montague explained that the concept originated after attending a CalPERS educational forum, where pooled trust account strategies were discussed. Vini Montague stated that the idea was further developed internally after discussions regarding the limited impact of direct payments to CalPERS.

Keith Stribling shared that similar trust structures are commonly utilized by cities, counties, school districts, and other public agencies to separately manage pension obligations while preserving financial flexibility. Keith Stribling explained that maintaining funds in a separate trust allows organizations to reimburse pension-related expenses through the trust while avoiding overfunding directly within CalPERS. Keith Stribling commended NLACRC for both establishing and funding the account.
Vini Montague concluded the report, and the Committee returned to the agenda.

No additional questions were raised.

5.4 <u>Admin vs. Direct Allocation Report</u>

Vini Montague confirmed that the Administrative vs. Direct Allocation Report was presented, noting that administrative expenditures remain below the 15% cap. Current administrative spending is within compliance.

6. <u>ANNOUNCEMENTS / PUBLIC INPUT / INFORMATION ITEMS</u>

There was no public input.

7. <u>NEXT MEETING</u>

The next meeting of the Post Retirement Medical Trust Committee will be May 21, 2026 at 5:00 p.m.

8. <u>ADJOURNMENT</u>

The meeting adjourned at 5:39 p.m.

<u>DISCLAIMER</u>

The above minutes should be used as a summary of the motions passed and issues discussed at the meeting. This document shall not be considered a verbatim copy of every word spoken at the meeting.

Submitted by:
Lindsay Granger
Executive Administrative Assistant—Board Relations Liaison