North Los Angeles County Regional Center

Post-Retirement Medical Trust Committee Meeting Minutes

May 21, 2026

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

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, Sarah Murray

Absent: Anna Hurst, Board Treasurer

---

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 5:06 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
B. Approval of Minutes of the February 19, 2026, Post Retirement Medical Trust Committee Meeting

M/S/C (Juan Hernandez/Sharmila Brunjes) Absent objection, it was resolved to approve the agenda and the Post Retirement Medical Trust Committee meeting minutes from February 19, 2026. Motion carried.

4. ACTION ITEMS

4.1 Review and Approval of Draft Planning Calendar for FY2026-27

Vini Montague, Chief Financial Officer, presented the draft FY 2026–2027 Planning Calendar for review and approval. The calendar maintains the Committee's quarterly meeting cadence, with no changes proposed other than updating the fiscal year listed at the top of the document.

M/S/C (Juan Hernandez/Sharmila Brunjes) On a motion made by Juan Hernandez, seconded by Sharmila Brunjes, it was resolved to approve the FY2026-27 Planning Calendar. Motion carried.

4.2 Recommendation for Disbursement from UAL Trust

Vini Montague reported that NLACRC's required FY 2026–2027 CalPERS unfunded liability contribution is $1,900,601 if paid monthly. Alternatively, NLACRC may prepay $1,839,100 by July 31, 2026, resulting in a savings of $61,501. Vini Montague recommended disbursing $1,839,100 from NLACRC's U.S. Bank Unfunded Liability Trust account to make the prepayment to CalPERS.

Sharmila Brunjes asked for clarification regarding the prepayment process and whether the funds would be invested upon transfer. Vini Montague confirmed that the funds would be issued from the U.S. Bank Unfunded Liability Trust account, sent to CalPERS, and credited to NLACRC's CalPERS account. Sharmila Brunjes noted the benefit of making the lump-sum payment at the beginning of the fiscal year in addition to the cost savings.

Juan Hernandez identified an error in the disbursement documentation regarding the officer designation. Vini Montague confirmed that the form would be corrected to identify **Curtis Wang as Secretary**.

M/S/C (Juan Hernandez/Sharmila Brunjes) On a motion made by Juan Hernandez, seconded by Sharmila Brunjes, it was resolved to approve the disbursement of $1,839,100 from the UAL Trust with the noted correction to the documentation. Motion carried.

5. COMMITTEE BUSINESS

5.2 Presentation of Year 2025 Actuarial Report

Sarah Murray presented the annual actuarial valuation of NLACRC's retiree health benefits. She explained that the valuation measures post-retirement health benefit obligations in accordance with Financial Accounting Standards Board (FASB) requirements. The annual valuation incorporates updated employee and retiree census data, actuarial and economic assumptions, plan provisions, and assets held in the trust to determine NLACRC's benefit obligation, funded status, and annual benefit expense. Sarah Murray explained that the Accumulated Post-Retirement Benefit Obligation (APBO) represents the portion of the present value of future retiree health benefits attributed to employees' past service. The projected future benefit payments are discounted to the valuation date and compared with assets held in the trust to determine the unfunded plan liability. The annual accounting expense is reported as the Net Periodic Benefit Cost.

Sarah Murray reviewed changes to the actuarial assumptions for FY 2025. The discount rate increased from 5.50% to 5.65% as of June 30, 2025. She explained that an increase in the discount rate generally decreases the calculated liability. The expected long-term return on plan assets remained at 6%, based on the plan's 60/40 target asset allocation and expected return model. Health care cost assumptions and projected medical inflation were also incorporated into the valuation.

Sarah Murray also reported a change to the demographic assumptions. Based on a decline in the percentage of employees electing CalPERS health coverage at retirement, the assumed election rate was reduced from 80% to 70%. Of those expected to elect coverage, 90% are assumed to elect single coverage and 10% two-party coverage. She noted that demographic assumptions are periodically reviewed through experience studies, generally every three to five years.
Sarah Murray reported favorable actuarial results for the year. The plan experienced an asset gain of approximately $2.1 million due to better-than-expected investment returns. On the liability side, assumption changes resulted in a net gain of approximately $1.4 million, primarily related to the increase in the discount rate and reduction in the assumed retiree health plan election rate, partially offset by higher-than-expected health care costs. After accounting for a small demographic loss, the plan experienced a total liability gain of approximately $1.2 million.

The Accumulated Post-Retirement Benefit Obligation increased from approximately $47 million in 2024 to $49.4 million in 2025. Plan assets increased from approximately $36.8 million to $44.4 million, with an actual investment return of approximately $4.4 million for the fiscal year. Sarah Murray noted that the actual return exceeded expectations by more than $2 million.

The Net Periodic Benefit Cost, representing the accounting expense associated with the plan, decreased from approximately $2.2 million in the prior year to $1.4 million in 2025. Sarah Murray explained that this calculation includes the cost of benefits earned during the year and interest on the liability, offset by the expected return on plan assets and amortization of actuarial gains and losses.

Sarah Murray reported that the plan's overall funded status improved significantly. The difference between the plan's liabilities and assets decreased from approximately $10.2 million in the prior year to $5.1 million in 2025. She summarized that the plan is well funded and benefited from gains on both the asset and liability sides during the year, while noting that actuarial results may fluctuate in future years due to factors such as changes in discount rates and other assumptions.

Sharmila Brunjes asked for clarification regarding the 6% expected return on assets and the 5.65% discount rate. Sarah Murray clarified that the 6% assumption represents the expected long-term return on plan assets, while 5.65% is the discount rate used in calculating the plan's liabilities.

Keith Stribling asked for clarification regarding the plan's overall funded percentage. Sarah Murray confirmed that the plan is approximately 90% funded, with an unfunded amount of approximately $5.1 million.

5.1 <u>PFM Asset Management Report</u>

a. **<u>Statement of Current PRMT Trust Value</u>**
b. **<u>Statement of Current CalPERS UAL Trust Value</u>**

Keith Stribling presented the PMF Asset Management Report, providing an update on the performance and positioning of the OPEB and pension portfolios, recent investment changes, and current economic and market conditions.

Keith Stribling first reviewed the OPEB portfolio, which maintains a strategic asset allocation of approximately 60% stocks and 40% fixed income. He reported that the portfolio was positioned near its strategic allocation. The portfolio declined approximately 0.84% for the quarter, with most of the decline occurring during March. For the one-year period ending in March, the portfolio returned approximately 12.68%, slightly below its benchmark. The three-year annualized return was approximately 11.4%, compared with a benchmark of approximately 11%, and the longer-term return was approximately 6.5%. Keith Stribling noted that the portfolio has performed well overall.

Keith Stribling and Lena Carroll reviewed a recent change to the international equity allocation. The GQG International Fund was terminated and replaced with the Janus International Fund in May. Lena Carroll explained that GQG historically demonstrated strong downside resilience and a quality-oriented investment approach; however, its defensive positioning and sector concentrations had contributed to relative underperformance in the current risk-on market environment. She specifically noted concentrations in consumer defensive holdings, including tobacco, as well as utilities. She explained that GQG also created some style redundancy within the overall portfolio. The Janus International Fund was selected to provide a more flexible, all-cap investment approach across both developed and emerging international markets.

Keith Stribling then reviewed the pension portfolio, which has a more conservative strategic asset allocation of approximately 40% stocks and 60% fixed income. The portfolio declined approximately 0.68% for the quarter, while returning approximately 10% for the one-year period and nearly 9% annualized over three years. The longer-term return was approximately 6.78%. Keith Stribling noted that the performance was favorable given the portfolio's relatively conservative asset allocation. As with the OPEB portfolio, the GQG International Fund was replaced with the Janus International Fund within the international allocation.

Keith Stribling provided an overview of the economic and market environment and noted that conditions entering the year were generally supportive of risk assets. He discussed the impact of monetary and fiscal policy, including previous interest rate reductions and incentives supporting consumer spending and business capital investment. He noted that these conditions contributed to a favorable market environment during the first several months of the year.
Keith Stribling reported that geopolitical developments subsequently increased market uncertainty and volatility. He discussed the impact of conflict involving Israel, Iran, and the United States, as well as the closure of the Strait of Hormuz, which affected the movement of oil and other commodities. He noted that approximately 20% of global oil moves through the Strait and that oil prices increased to approximately $110 per barrel, creating additional economic and inflationary pressures. He explained that these developments contributed to market volatility in March, when the S&P 500 declined approximately 5%. Following developments toward a ceasefire and potential resolution of the conflict, markets rebounded, with the S&P 500 increasing approximately 10.5% in April, recovering its earlier losses and continuing to perform favorably into May.

Keith Stribling also discussed longer-term equity market performance, reporting that the S&P 500 has compounded at approximately 18% annually over the past three years, more than double its long-term average. He attributed the strong market performance to several factors, including a healthy economy, deregulation, artificial intelligence investment, and expectations for interest rate reductions. He noted that artificial intelligence investment has supported corporate earnings while also contributing to higher market valuations. Keith Stribling stated that the economic environment could remain supportive if geopolitical tensions ease and oil prices decline, although he characterized the current outlook as more uncertain than it was at the beginning of the year.

Keith Stribling discussed changes in Federal Reserve leadership and the potential implications for monetary policy. He noted that future policy could involve efforts to reduce the Federal Reserve's balance sheet while potentially lowering interest rates and adjusting banking capital requirements. He emphasized that there are several significant factors affecting future monetary policy and that changes would require support from other members of the Federal Reserve Board.

Keith Stribling then reviewed the portfolios' current positioning. At the end of March, PMF maintained a modest overweight to stocks, including additional exposure to small-cap equities. That position was subsequently unwound in May, returning the portfolios to their strategic asset allocations. Keith Stribling explained that PMF is currently balancing several risk factors—including policy uncertainty, geopolitical risk, and elevated market valuations—against positive factors such as supportive economic conditions, continued artificial intelligence investment and enthusiasm, and the potential for lower interest rates and bond yields. Given the lack of a clear directional signal, PMF determined that maintaining the strategic asset allocation was appropriate.

Sharmila Brunjes asked Keith Stribling for clarification regarding bond prices, inflation, and the impact of current inflationary conditions. Keith Stribling explained that inflation remains a concern and that higher oil prices can affect more than gasoline prices because oil costs flow through many areas of the economy. He noted that the Federal Reserve was currently holding interest rates steady and that continued inflationary pressure could make near-term rate reductions more difficult.

Keith Stribling reported that bond yields had increased, with the 10-year Treasury yield at approximately 4.5% after recently reaching approximately 5%. He explained that the Federal Reserve continues to monitor inflation and oil prices and that balancing potential interest rate reductions with efforts to reduce the Federal Reserve's balance sheet would likely take time. While inflation remained somewhat elevated, Keith Stribling stated that he considered an increase in interest rates to be unlikely. Sharmila Brunjes thanked Keith Stribling for the clarification.

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

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

5.3 Quarterly UAL Market Value History Report

Vini Montague presented the PRMT Market Value History Report, which reflects the account's market value in relation to contributions and retiree health benefit obligations. As of March 31, 2026, the PRMT account had a market value of approximately $47.1 million, compared with a retiree health benefit obligation of approximately $49.4 million as of June 30, 2025. Vini Montague noted that the account is approaching the level needed to fully fund its liabilities and expressed that the current position represents significant progress toward funding NLACRC's retiree health benefit obligations.

Vini Montague then presented the CalPERS Unfunded Liability Report. As of March 31, 2026, the account had a market value of approximately $35.4 million, compared with a liability of approximately $26 million as of June 30, 2025. Vini Montague reported that the account currently has sufficient assets to cover the reported liability, with funds in excess of the obligation. She characterized the account's current financial position as very positive.

Vini Montague explained that NLACRC plans to contribute additional funds to the CalPERS Unfunded Liability Account to provide sufficient funding for future obligations and then begin directing contributions to the PRMT account.

Following the reports, Keith Stribling noted that both plans are in strong financial positions. He cautioned that once a trust becomes overfunded, contributed capital may become restricted and unavailable for other purposes. Keith Stribling acknowledged that a market correction could quickly affect the funded status but advised that, as the accounts approach the mid-to-upper 90% funded range, additional funding should be carefully considered.

Vini Montague clarified that the CalPERS Unfunded Liability Account has an annual contribution requirement. Regarding the PRMT account, she explained that NLACRC plans to begin making contributions and, once the account reaches an appropriate funded level, use funds from the PRMT account to make annual retiree benefit payments. Keith Stribling agreed with this approach.
Sharmila Brunjes noted the positive financial position of the accounts and commented on the significance of reaching a point where the Committee was being cautioned about the possibility of having excess funds in the accounts. Sharmila Brunjes commended Vini Montague on the results and the progress made in funding NLACRC's obligations.

No additional questions were raised.

6. ANNOUNCEMENTS / PUBLIC INPUT / INFORMATION ITEMS

There was no public input.

7. NEXT MEETING

The next meeting of the Post Retirement Medical Trust Committee will be August 20, 2026 at 5:00 p.m.

8. ADJOURNMENT

The meeting adjourned at 5:53 p.m.

DISCLAIMER

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