North Los Angeles County Regional Center

Post-Retirement Medical Trust Committee Meeting Minutes

August 20, 2026

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

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, CSC

Absent: Executive Director Angela Pao-Johnson

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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
B. Approval of Minutes of the May 21, 2026, Post Retirement Medical Trust Committee Meeting
C. Approval of Name Change from “Policies & Procedures” to “Guidelines & Procedures”

Absent objection, it was resolved to approve the agenda, the Post Retirement Medical Trust Committee meeting minutes from May 21, 2026, and re-name “Policies & Procedures” to “Guidelines & Procedures.” Motion carried.

4. ANNUAL COMMITTEE ORIENTATION

A. Review PRMT Policies and Procedures
B. Review Approved Planning Calendar for FY2026-27

Vini Montague provided a brief overview of the PRMT Committee’s guidelines and procedures, outlining its responsibility for overseeing the Post-Retirement Medical Trust (PRMT) and CalPERS Unfunded Accrued Liability (UAL) accounts. Vini Montague explained that the PRMT account follows a long-term investment strategy intended to generate sufficient earnings to cover annual retiree medical benefits, with no distributions made to date. The UAL account follows a shorter-term strategy, with annual distributions made toward CalPERS unfunded liability obligations. The complete guidelines and procedures were included in the meeting packet.

Vini Montague reviewed the quarterly planning calendar, which includes investment report reviews at each meeting and an annual review of the PRMT and UAL investment strategies during the August meeting. Vini Montague presented the proposed meeting schedule for August 20 and November 19, 2026, and February 18 and May 20, 2027.

M/S/C (Anna Hurst/Juan Hernandez) On a motion made by Anna Hurst, seconded by Juan Hernandez, it was resolved to approve the FY 2026–27 Meeting Schedule. Motion carried.

Following approval, Sharmila Brunjes requested confirmation that none of the scheduled dates conflicted with holidays. Lindsay Granger confirmed that all dates had been reviewed and no holiday conflicts were identified.

5. ACTION ITEMS

5.1 Approval of Meeting Schedule 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.

5.2 Review Investment Strategy for PRMT Trust
5.3 Review Investment Strategy for CalPERS UAL Trust

Keith Stribling presented a comprehensive review of the investment performance, strategic asset allocations, economic outlook, and portfolio positioning for the Post-Retirement Medical Trust (PRMT) and CalPERS Unfunded Accrued Liability (UAL) Trust. The presentation addressed the differing investment objectives and time horizons of the two trusts, recent market performance, economic developments affecting investment decisions, and potential risks associated with future market conditions.

Keith Stribling began by reviewing the CalPERS UAL Trust, which maintains a strategic asset allocation of 40% equities and 60% fixed income. This allocation reflects a more conservative investment approach intended to balance income generation and growth while limiting exposure to equity market volatility. The UAL Trust returned approximately 5% year-to-date, 5.8% for the quarter, more than 10% annualized over three years, and 6.5% since inception. Keith Stribling then reviewed the PRMT Trust, which supports retiree medical benefits and maintains an allocation of 60% equities and 40% fixed income. The PRMT Trust's longer investment horizon allows for greater equity exposure and the potential for higher long-term returns. The PRMT Trust returned 7.5% year-to-date, 15% over the one-year period, and more than 8.5% annualized over ten years. For the fiscal year, the UAL Trust returned 11.2%, compared with approximately 15% for the PRMT Trust, reflecting the higher growth potential associated with greater equity exposure during favorable market conditions.

Keith Stribling discussed the exceptionally strong performance of equity markets over the past decade, noting that the S&P 500 generated an annualized return of approximately 15.5%, substantially exceeding typical long-term expectations of approximately 8%. Keith Stribling cautioned that such sustained performance may not continue and that future returns could be more moderate. However, continued investment in artificial intelligence and technology infrastructure could support additional corporate earnings growth. Keith Stribling compared the development of artificial intelligence to the emergence of the internet, explaining that increased technology investment could improve business efficiency, raise profit margins, and support long-term corporate

growth. Keith Stribling emphasized that while these developments may continue supporting equity markets, investors should remain mindful of the possibility of slower returns following a decade of unusually strong performance.

Anna Hurst asked about the potential impact of a substantial stock market decline on the PRMT Trust, particularly given its higher equity allocation. Keith Stribling explained that the portfolio's fixed-income holdings provide some protection against market volatility, especially during an economic slowdown. With ten-year Treasury yields around 4.7% and corporate bond yields exceeding 5%, fixed-income investments offer meaningful income and the potential to offset some equity losses if interest rates decline. Keith Stribling acknowledged that a severe downturn comparable to the 2008 financial crisis could result in significant portfolio losses, while a more typical market correction associated with slowing economic growth might have a less substantial impact. Anna Hurst asked whether a market decline would result primarily in reduced investment earnings or actual losses. Keith Stribling clarified that total portfolio returns could become negative, although bonds would continue generating interest and equities could continue paying dividends. Keith Stribling emphasized that negative returns remain an inherent risk of equity investing, but the portfolio's diversified allocation helps moderate overall risk.

Sharmila Brunjes asked whether a future market adjustment might more closely resemble the technology-related downturn of the early 2000s rather than the 2008 financial crisis. Keith Stribling explained that the nature and severity of future market conditions cannot be predicted. Keith Stribling noted that markets could experience a sharp correction or an extended period of limited growth, similar to the decade following 2000, when equity returns remained relatively stagnant. Such a period could allow market valuations and long-term return expectations to normalize more gradually and with less disruption than a significant market decline.

Keith Stribling reviewed the economic conditions that influenced investment decisions earlier in the year. At the beginning of the year, expectations of continued Federal Reserve interest rate reductions, relatively limited tariff impacts, and stimulative federal fiscal policies supported a favorable outlook for equities. Tax provisions and incentives encouraging business capital expenditures were also expected to contribute to economic growth. Based on these conditions, the investment strategy included an overweight position in small-cap equities. Although geopolitical conflict contributed to market volatility in March, equity markets subsequently recovered following the cessation of bombing activity and indications of negotiations toward a potential settlement. Keith Stribling noted that the recovery reflected renewed investor confidence in the underlying economic environment.

Looking toward the second half of the year, Keith Stribling identified several potential challenges, including renewed tariff pressures, uncertainty surrounding the Iran conflict, persistent inflation, and elevated long-term interest rates. Keith Stribling explained that the Federal Reserve was no longer clearly positioned to continue reducing interest rates because inflation remained elevated. At the same time, recent economic indicators suggested some slowing in economic activity, creating uncertainty regarding future monetary policy decisions. Keith Stribling anticipated that the Federal Reserve might maintain existing interest rates at its September meeting while monitoring inflation and economic conditions.

Keith Stribling also discussed developments in the Treasury market, noting that investors were demanding higher yields on longer-term government debt. Ten-year Treasury yields were approximately 4.75%, while thirty-year yields were around 5.2%. Keith Stribling attributed these higher rates in part to persistent inflation and concerns regarding the expanding federal deficit. Keith Stribling described a proposal discussed by the Treasury Secretary involving the issuance of additional short-term debt and the purchase of longer-term securities to place downward pressure on long-term interest rates. Keith Stribling explained that this approach could influence the yield curve and increase pressure on the Federal Reserve to reduce short-term rates, although persistent

inflation could limit its ability to do so. Higher long-term borrowing costs were placing pressure on financial assets and contributing to market volatility.

Despite these concerns, Keith Stribling emphasized that equity markets had remained resilient, supported by a generally favorable economic environment, deregulation, continued investment in artificial intelligence, and strong corporate earnings. Keith Stribling identified earnings growth as a particularly important factor supporting market performance despite broader economic and geopolitical risks.

Regarding portfolio positioning, Keith Stribling reported that the earlier decision to overweight small-cap equities had produced favorable results, with small-cap stocks outperforming despite periods of market volatility. In mid-May, the small-cap allocation was returned to its neutral strategic weighting, and additional funds were directed toward fixed-income investments. Keith Stribling explained that this adjustment reflected changing economic conditions and the opportunity to benefit from higher bond yields while maintaining the portfolios' established strategic allocations. No additional changes to the investment strategies were recommended.

Following the presentation, Vini Montague clarified that the Committee was required to formally approve whether to maintain or modify the investment strategy for each trust. Keith Stribling recommended retaining both existing strategies, explaining that the current allocations remained appropriate for their respective investment objectives and funding obligations.

Before proceeding with the motions, Anna Hurst requested additional clarification regarding the differing investment horizons of the two trusts. Keith Stribling confirmed that the PRMT Trust has a significantly longer investment horizon because it is intended to support ongoing retiree medical benefit obligations over an extended period. Even when distributions begin, the trust is not expected to require the immediate withdrawal of its entire balance. This longer horizon supports maintaining a higher equity allocation and allows the portfolio to tolerate greater short-term market volatility in pursuit of long-term growth.

In contrast, Keith Stribling explained that the CalPERS UAL Trust has a shorter potential investment horizon because funds may be distributed to CalPERS to satisfy unfunded pension liabilities. A substantial portion, or potentially the entire balance, could be transferred to CalPERS at some point, although no such distribution was being recommended. The potential for larger distributions over a shorter period supports maintaining the more conservative allocation of 40% equities and 60% fixed income.

Anna Hurst acknowledged that the differing investment horizons supported the existing allocations. Vini Montague clarified that separate motions were required for the PRMT and CalPERS UAL Trusts. Following discussion, the Committee proceeded with approval of both investment strategies without changes.

PRMT Trust Investment Strategy

M/S/C (Anna Hurst/Juan Hernandez) On a motion made by Anna Hurst, seconded by Juan Hernandez, it was resolved to maintain the current PRMT Trust investment strategy of 60% equities and 40% fixed income. Motion carried.

CalPERS UAL Trust Investment Strategy

M/S/C (Anna Hurst/Juan Hernandez) On a motion made by Anna Hurst, seconded by Juan Hernandez, it was resolved to maintain the current CalPERS UAL Trust investment strategy of 40% equities and 60% fixed income. Motion carried.

6. COMMITTEE BUSINESS

6.1 PFM Asset Management Report

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

The PFM Asset Management Report, including the investment performance of the PRMT and CalPERS UAL Trusts, was reviewed during the discussion of Action Items B and C.

6.2 Quarterly PRMT Market Value History Report

Vini Montague presented the Quarterly Post-Retirement Medical Trust (PRMT) Market Value History Report for the fourth quarter of FY 2025–26, ending June 30, 2026. Vini Montague reported that the PRMT Trust had an ending market value of approximately $51 million, compared to $44.4 million as of June 30, 2025. The year-end benefit obligation for June 30, 2026, remained pending completion of the annual actuarial valuation, and the updated funding position could not yet be determined.

Vini Montague reviewed the PRMT Trust's historical market performance and directed the Committee's attention to the net change column of the report, which illustrated the impact of market fluctuations over time. Vini Montague specifically highlighted the negative performance experienced during the 2008 financial crisis and the subsequent recovery. Vini Montague emphasized that maintaining a consistent long-term investment strategy, rather than reacting to short-term market downturns, has been important to the trust's financial progress. The historical results illustrated how periods of negative market performance were followed by positive returns as market conditions improved.

Vini Montague also reviewed the PRMT Trust's funding position as of June 30, 2025, when the trust had a market value of approximately $44.4 million against a reported benefit obligation of $49.4 million, resulting in a funding deficit of approximately $5.1 million. Vini Montague expressed enthusiasm regarding the substantial progress toward funding the trust's benefit obligations, noting that the funding deficit had narrowed considerably and that the trust was approaching a more fully funded position. Vini Montague indicated that this was a particularly encouraging development given the trust's historical funding levels. The updated June 30, 2026, funding position will be evaluated once the annual valuation becomes available.

6.3 Quarterly UAL Market Value History Report

Vini Montague presented the Quarterly CalPERS Unfunded Accrued Liability (UAL) Market Value History Report for the fourth quarter of FY 2025–26, reporting an ending market value of approximately $37.5 million as of June 30, 2026. The updated year-end liability valuation remained pending. Vini Montague expressed optimism that the updated valuation may show that the trust no longer has a funding deficit, reflecting the improved financial position of the UAL Trust.

Anna Hurst asked about the timing of CalPERS actuarial valuations and the impact of actuarial adjustments on NLACRC's pension obligations. Anna Hurst recalled that previous adjustments had substantially increased the reported unfunded liability and asked when the next valuation would establish the amount owed. Vini Montague explained that CalPERS conducts annual actuarial valuations but issues the reports approximately one year after the valuation date. The next report was expected in September and would reflect NLACRC's pension liability as of June 30, 2025.

Anna Hurst also asked when the Committee should begin discussing whether to pay off the remaining unfunded pension liability if the combined available resources were sufficient to cover the obligation. Keith Stribling explained that the UAL Trust serves as an important financial management tool and that fully transferring its assets to CalPERS may not necessarily be the most advantageous strategy, even if sufficient funds are available.

Keith Stribling provided an example in which a pension plan was approximately 90% to 95% funded through CalPERS, with the remaining 5% to 10% effectively covered by assets held in a separate UAL Trust. Keith Stribling explained that this would represent a favorable overall funding position because the combined resources could cover the pension obligations while preserving access to funds held outside CalPERS. Keith Stribling cautioned that transferring the entire trust balance to CalPERS could create a situation in which the pension plan subsequently becomes overfunded, potentially reaching 110% to 115% of its obligations. In that circumstance, excess funds could remain within CalPERS and become inaccessible, reducing NLACRC's flexibility to manage future pension costs.

Keith Stribling emphasized that retaining funds in the UAL Trust provides greater flexibility in managing pension liabilities and annual budgetary obligations. Keith Stribling explained that if CalPERS became fully funded while additional assets remained in the UAL Trust, NLACRC could use those trust assets to pay eligible ongoing pension expenses rather than transferring the entire balance to CalPERS. This approach would allow NLACRC to maintain access to financial resources while continuing to meet its pension obligations.

Keith Stribling further explained that retaining the UAL Trust could be especially beneficial during periods of budgetary uncertainty or reduced revenue. If NLACRC experienced a revenue shortfall while still being required to make annual pension contributions, the UAL Trust could provide an alternative funding source for eligible pension costs, reducing pressure on the operating budget. Keith Stribling described the trust as a financial management tool that provides flexibility to address changing circumstances and future obligations. Tim Banach of U.S. Bank similarly characterized the trust as a dedicated financial reserve available to support NLACRC's pension obligations.

Anna Hurst asked whether NLACRC's current CalPERS payments were being funded through operating accounts or the UAL Trust. Vini Montague clarified that regular employer pension contributions associated with each payroll are paid from NLACRC's operating funds. However, because NLACRC has an unfunded pension liability, CalPERS also assesses an additional annual payment specifically intended to reduce that liability. Vini Montague confirmed that NLACRC has been making those additional unfunded liability payments from the UAL Trust.

Vini Montague explained that CalPERS amortizes the unfunded liability over a multiyear repayment period and establishes required annual payments according to that schedule. Vini Montague noted that the payments are not evenly distributed throughout the amortization period and may increase over the next several years. Each required payment reduces the outstanding unfunded liability. Vini Montague did not confirm the precise length of the amortization period during the discussion.

Vini Montague acknowledged the benefits of retaining financial flexibility through the UAL Trust but identified an important consideration associated with continuing to carry the unfunded liability. CalPERS assesses interest costs through its amortization schedule, meaning that retaining funds in the UAL Trust rather than transferring them to CalPERS may result in continued interest expenses. Vini Montague explained that the Committee would need to consider the advantages and disadvantages of each approach when evaluating the most appropriate strategy for managing the liability.

Anna Hurst emphasized the importance of comparing the interest rate charged by CalPERS against the investment returns generated by the UAL Trust. Anna Hurst noted that this comparison would help determine whether maintaining the trust balance and continuing scheduled payments remained financially advantageous or whether transferring additional funds to CalPERS might provide greater long-term benefit.

Anna Hurst also observed that the discussion reflected a somewhat different strategic direction from previous conversations regarding the unfunded liability and indicated that the Committee should

continue evaluating the available options. Keith Stribling explained that NLACRC's financial position had improved considerably, providing additional flexibility and more choices regarding how to manage its pension obligations. Keith Stribling reiterated that maintaining access to trust assets could provide significant financial benefits, particularly if the pension plan becomes fully funded while additional resources remain available in the UAL Trust.

Vini Montague confirmed that the next CalPERS actuarial valuation would be presented to the Committee when available. The updated valuation would provide additional information for evaluating the remaining unfunded liability, associated interest costs, and the potential advantages of maintaining funds in the UAL Trust versus transferring additional funds to CalPERS. The Committee acknowledged the importance of continuing this discussion as the funding position becomes clearer. No decision was made regarding transferring additional funds to CalPERS.

No additional questions were raised.

7. ANNOUNCEMENTS / PUBLIC INPUT / INFORMATION ITEMS

There was no public input.

8. NEXT MEETING

The next meeting of the Post Retirement Medical Trust Committee will be November 19, 2026 at 5:00 p.m.

9. ADJOURNMENT

The meeting adjourned at 5:46 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