

**VENTURA COUNTY
RETIREE MEDICAL EXPENSE REIMBURSEMENT COMMITTEE
Channel Islands Conference Room or via Zoom
Hall of Administration, County Government Center
800 S. Victoria Ave, Ventura CA 93009**

Meeting Minutes for May 29, 2024

11:00 a.m.

Members present

Emily Gardner
Jeff Burgh
Sue Horgan
Tabin Cosio
Scott Powers

Members absent

Also present

Patti Dowdy
Andrew Gratt
Robert Bravo
Alisa Bennett
Ryan Gunderson
Bryan Friedman
Amy Herron
Lori Nemiroff

Mr. Powers called the meeting to order at 11:00 a.m.

- 1. Public Comments.**
 - a. No public comments.

- 2. Committee Member Comments.**
 - a. Mr. Burgh welcomed the new Committee members Scott Powers, Interim Chief Financial Officer, and Tabin Cosio, Interim Assistant County Executive Officer – HR/Labor Relations. Ms. Dowdy noted that agenda items #4 and #5 will be reversed in their order of discussion.
 - b. Ms. Horgan suggested that the votes on motions be more detailed and reflective of the voting members within the meeting minutes. This would include those voting yes, no, absent, and abstain.

- 3. Minutes of Regular Meeting- October 31, 2023.**
 - A. Motion to receive and file Minutes of Regular Meeting and approve the above-mentioned modification to the Minutes of Regular Meetings going forward.**
Motion moved: 1. **Ms. Horgan** 2. **Mr. Burgh**
Vote: **Motion Carries**
Yes: Ms. Horgan, Ms. Gardner, Mr. Burgh
No: N/A

Absent: N/A

Abstain: Mr. Powers, Mr. Cosio

4. Section 115 Trust Alternative Funding Scenarios Review.

Ms. Patti Dowdy, Benefits Manager for the County of Ventura CEO/Benefits division, began the discussion by providing a brief background of the Healthcare Reimbursement Arrangement (HRA) Plan which was established on May 1, 2023. The HRA Plan provides a monthly healthcare subsidy to participating members credited to the individual HRA accounts to reimburse eligible healthcare expenses when the member begins receiving pension payments. The funding of the HRA Plan will be facilitated through an Internal Revenue Code Section 115 approved trust that has been established through Principal Financial Services. The initial funding of \$6 million for the trust was approved by the Board of Supervisors in October 2023 and was determined based on the anticipated savings in required retirement contributions from the Alameda decision.

Ms. Dowdy continued with specifying next steps for the Committee to determine a sustainable funding methodology for the trust to ensure sufficient accumulation of assets to provide financial security for the HRA Plan and maintain benefit payments to eligible retirees in the future. Cavanaugh Macdonald Consulting, LLC, was tapped to provide the Committee with various funding scenarios for the HRA Plan and the report is now being presented to the Committee for review. Calculations contained in the report were performed as of June 30, 2023, and utilized actuarial contributions starting in fiscal year 2025. The following are comments/highlights for the Committee's awareness:

1. Census data used to value the costs and liabilities of the HRA Plan were provided by the County and Segal, the actuary for Ventura County Employees' Retirement Association (VCERA).
2. Most of the assumptions mirror those used in VCERA's actuarial valuation as of June 30, 2023, and include an inflation assumption rate of 2.50%.
3. The investment return/discount rate used to estimate investment return and value liabilities is 7.00%. This rate was set by the Committee during the August 2023 meeting.
4. Funding policy scenarios regarding employer contribution consists of payment for the cost of benefits accruing throughout the year, projected administrative expenses, and a method to pay off the Unfunded Actuarial Accrued Liability (UAAL).
5. Four alternative funding scenarios are presented and include Pay-as-you-go funding, an actuarial based funding policy with the UAAL amortized over 20 years, 15 years, and 10 years, with the employer contribution for fiscal year 2025 ranging from \$4.2 million in the pay-as-you-go scenario to \$28.8 million under the 10-year amortization scenario.

Mr. Ryan Gunderson, Senior Consultant with Cavanaugh Macdonald Consulting, LLC. (Cavanaugh) for the County of Ventura, is present to review the proposed funding scenarios and field any questions from the Committee along with Alisa Bennett, President.

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Ms. Bennett started the review of the funding scenarios with plan membership findings from the data received from the County and Segal, VCERA's actuarial firm, and the valuation of the members for funding projections. These areas of plan membership included the four types, General, Safety, VCPFA General, and VCPFA Safety, as well as four different statuses of recipients such as Active, Retirees, Beneficiaries, and Terminated Vested. There are a total of 4,801 total plan memberships amongst the four statuses with the majority residing in the "active" status. Mr. Gunderson continued the overview of the basis for funding scenarios with a review of the actuarial liabilities as of June 30, 2023. These include roughly \$204 million in the present value of projected benefits with total actuarial accrued liability of approximately \$170 million. The Employer's normal cost for Fiscal Year (FY) 2024 stands at \$4,157,023 and expected benefit payments and administration expenses for FY 2024 and FY 2025 stands at \$889,858 and \$4,155,212, respectively. Utilizing this information, Cavanaugh developed three additional alternative funding scenarios along with a pay-as-you-go projection. These three funding scenarios are comprised of a 20-, 15-, and 10-year amortization and reflect the actuarially determined contributions. Respective to the 20-, 15-, and 10-year amortization scenarios the determined contributions stand at \$20,511,173, \$23,180,400, and \$28,827,538.

Mr. Scott Powers, Interim Chief Financial Officer, began the Committee discussion by asking Mr. Gunderson to walk the Committee through each funding scenario. Upon completion of the explanation, Ms. Sue Horgan, County of Ventura Tax Collector, inquired Mr. Powers' insight as to the how best to fund the Trust. Mr. Powers opined setting aside roughly \$40 million in pension reserves based on determining if funds were to be allocated from the general fund or the non-general fund but assumes the general fund to be 50-60% of the cost. Additionally, Mr. Powers did not recommend the pay-as-you-go funding scenario as he sees no real concerns on how to fund the Trust based on the other funding suggestions from Cavanaugh. Mr. Tabin Cosio, Interim Assistant County Executive Officer – HR/Labor Relations, inquired as to how it would reflect on the funding amortization schedule if the pay-as-you-go funding scenario was utilized the first year followed by implementing an amortization schedule in subsequent years. In response, Ms. Bennett noted that the difference is minimal for the first year as opposed to waiting longer highlighting the prime difference being the interest earned.

Mr. Powers followed this discussion with questions surrounding the timing of VCERA's recalculation of retirees' pension benefits that may be affected by the Alameda Decision. Ms. Amy Herron, VCERA, made note that information would be provided upon completion of VCERA's recalculation which is presumed to be mid-to-late 2025. In response, Mr. Cosio posed a question to the Committee as to whether the Committee should act now or postpone a decision until the needed information is received from VCERA. Mr. Burgh, Auditor-Controller, concurred that there is inadequate information currently to proceed with a decision on the appropriate funding scenario. Ms. Horgan also requested additional guidance from the Budget and Finance Team regarding the fiscal implications for the County an available funding. This led to a motion to receive and file the Section 115 Trust Alternative Funding Scenarios Review and postpone Committee decision.

A. Motion to receive and file Section 115 Trust Alternative Funding Scenarios Review and Postpone Committee Decision.

Motion made: 1. **Mr. Cosio** 2. **Mr. Burgh**

Vote: **Motion Carries**

Yes: Unanimous

No: N/A

Absent: N/A

Abstain: N/A

5. Request to Participate in Healthcare Reimbursement Arrangement.

Ms. Dowdy provided an overview of the agenda item before the Committee pertaining to the request by Legacy VCERA District Management to participate in the HRA Plan (Plan). Currently, Plan participation pertains solely to County employees leaving VCERA executive management ineligible due to their status as VCERA District Employees. Eligibility for HRA participation is determined in tandem with the Plan document and the Memorandum of Agreement (MOA) or the County of Ventura Management Resolution; whichever is applicable to the employee upon separation. Should the Committee agree to the inclusion of VCERA District Employees in the Plan, certain items would need to be addressed and mutually agreed upon:

1. Amending the Plan documents to extend eligibility to VCERA District employees and not extend to other non-County employers (i.e. Courts) and,
2. VCERA's agreement to the established funding mechanism currently in effect for eligible retirees' HRA plan

Upon completion of Ms. Dowdy's overview, the Committee commenced discussion regarding the agenda item. Ms. Amy Herron, VCERA, gave insight into the origin of VCERA District employees' request for participation in the HRA benefit. Mr. Cosio commented on the Committee's authority to amend the Plan document, citing that the Committee only has the authority to present an amendment to the County of Ventura Board of Supervisors (BOS) for adoption. In addition, it was noted that VCERA would need to amend their management resolution to reflect this adoption should the BOS approve the amendment to include VCERA District Employees. In addition, Mr. Burgh opined that the Plan document does not permit the Committee to discuss specifics with VCERA until the amendment is in place to which Mr. Cosio retorted that it does, in fact, permit the Committee to discuss items with VCERA. This was supported by guidance from Ms. Gardner who commented that the Committee discuss with VCERA the process and then proceed to the BOS for plan document amendment. In response, Ms. Horgan inquired as to the reasoning behind the necessity to amend the plan document given the fact that Air Pollution Control District (APCD) employees are currently eligible to receive the HRA benefit as they are not considered County employees. While this was considered, Mr. Cosio promoted the need for agreement between the VCERA management resolution and the HRA plan document.

Ms. Horgan made a motion to allow VCERA District employees to participate in the HRA plan benefit based on the current involvement of APCD employees in the HRA

plan. This was rebutted by Mr. Burgh who supported the Committee review the funding scenarios prior to any decision on allowing VCERA District employees to participate. Mr. Cosio concurred and added that at minimum a discussion with VCERA needs to take place prior to approaching the BOS with any proposed amendments to ensure the two parties agree with the Plan. Ms. Gardner made a motion to revise the action item before the Committee and direct staff to discuss terms for participation with VCERA and work with County Counsel on any proposed amendments to the HRA plan document.

B. Motion to Revise Action Item to Direct Staff to Discuss Terms with VCERA and Work with County Counsel Regarding Proposed Amendment(s).

Motion made: 1. **Ms. Gardner** 2. **Mr. Burgh**

Vote: **Motion Carries**

Yes: Unanimous

No: N/A

Absent: N/A

Abstain: N/A

Mr. Powers adjourned the meeting at 12:03 p.m.

Respectfully submitted,



Andrew Gratt
CEO-Benefits Personnel Assistant