

**VENTURA COUNTY
RETIREE MEDICAL EXPENSE REIMBURSEMENT COMMITTEE
Channel Islands Conference Room or via Zoom**

Zoom link:

**<https://us02web.zoom.us/j/6776938984?pwd=eGRiaDdBR2JIZ3Vsd0xjeHFhWGh3dz09>
Meeting ID: 677 693 8984 Passcode: 2049**

**Meeting Minutes for August 8, 2023
9:00 a.m.**

Members present

Shawn Atin
Kaye Mand
Emily Gardner
Jeff Burgh
Sue Horgan

Members absent

Also present

Patti Dowdy
Patty Zoll
Andrew Gratt
Eric Lee
John Garrett
Ryan Gunderson

Ms. Mand called the meeting to order at 9:29 a.m.

1. Public Comments.

a. No public comments.

2. Committee Member Comments.

a. No Committee member comments were provided.

3. Healthcare Reimbursement Arrangement Plan.

Ms. Patti Dowdy, Benefits Manager for the County of Ventura CEO/Benefits division, provided an overview and background on the establishment and purpose of the Retiree Medical Expense Reimbursement Committee and subsequent Healthcare Reimbursement Arrangement (HRA) Plan – cumulatively referred to as the Plan. In summation, the Plan was approved by the County of Ventura’s Board of Supervisors on June 27th, 2023, to help mitigate the impact of reductions in pension benefits implemented by Ventura County Employee Retirement Association (VCERA) in response to the Alameda Decision which denotes that certain flexible credit allowances are not pensionable and therefore may not be considered in an employee’s retirement calculation upon retirement. As a result of this decision legacy members (those employees who were members of VCERA prior to January 1, 2013, or attained reciprocity with VCERA due to eligible service prior to January 1, 2013, a.k.a. non PEPRA members) will experience a decrease in their pension benefits. This will impact approximately 4,400 active members and 970 retired members. The reduction in benefits will be dependent upon an employee’s years of service and age at retirement

Minutes for August 8, 2023

but will impact lower income individuals more significantly due to the reduction being a flat dollar amount therefore, a larger percentage of their monthly pension amount.

Certain criteria play a part in participants' eligibility for the HRA plan:

- They must be currently represented by a union/association that has accepted the Plan through its Memorandum of Agreement or be covered by the Management Resolution.
- They should have started their employment with the County before April 17, 2023, which was the date the Board of Retirement adopted the Resolution.
- They must have retired from County service on or after July 30, 2020, and have begun receiving their pension benefit from VCERA (Ventura County Employees' Retirement Association) due to participation in a VCERA legacy retirement plan.
- Their pension benefits should have been reduced according to the VCERA Resolution.

Current unions/associations who have adopted the plan in their respective MOAs include the Service Employees International Union (SEIU), Ventura County Deputy Sheriffs' Association (VCDSA), Ventura County Professional Firefighters Association (VCPFA), and the Management Resolution. Negotiations with other unions/associations are ongoing as of the date of this Committee meeting.

One item of note is the County will be making contributions on behalf of eligible VCPFA members to a union administered trust currently in use for member health related expenses. This is in lieu of contributions to the County administered trust and will be in the amount of \$270.00/month for eligible safety retirees and \$210.00/month for non-safety retirees, regardless of age and/or years of service.

Ms. Dowdy advised the Committee that a third-party administrator (TPA) is required to manage participant accounts and process claim payments for the Health Reimbursement Arrangement (HRA). She advised that the County collaborated with AON, our broker of record, to conduct a Request for Proposal (RFP) for an HRA TPA to identify a suitable TPA. She advised that after careful evaluation the P&A Group was selected as the HRA TPA and the contract will be presented to the Board for approval in September.

Post review, Committee members discussed various topics for clarification. Mr. Shawn Atin, Assistant County Executive Officer, requested staff obtain from VCERA clarification on how the pension reduction for the approximate 900 retirees who retired on or after July 30, 2020, would be addressed as this would impact the effective date of the HRA benefits for this population. The clarification needed is if the pension reduction would retro back to April 17, 2023, the date the Alameda Resolution was approved by the Board of Retirement, or if the reduction would be effective as of the implementation date by VCERA, how this will pertain to payment of HRA benefits.

A. Motion to receive and file the information.

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

Motion Carries

4. Section 115 Trust Investment and Funding Design

Ms. Patti Dowdy, Benefits Manager for the County of Ventura CEO/Benefits division, provided an overview of the Board of Supervisors approved County of Ventura Section 115 Trust Agreement (the Agreement) with Principal Asset Management. Approval was provided on June 27, 2023. The Agreement provides a comprehensive outline of the purpose, administration, contribution/distributions, and investments, in addition to the definition of trustees' powers and duties for the newly established 115 Trust. Funding for the HRA Plan will be facilitated through this newly formed 115 Trust and operate under the Internal Revenue Service Code, Section 115, and in compliance with accepted government accounting standards.

Upon the actuarial study conducted by Segal, at the County's request, the exclusion of non-cashable flexible benefit credits would result in a decrease of approximately \$122.4 million in total employer-paid contributions by the County between July 2022 and the end of June 2037. In addition, there is approximately \$6 million in savings in projected savings from initial contribution requirements from June 30, 2022. Based on this projected savings of \$6 million, the County's finance team has decided to utilize these monies to initially fund the 115 Trust upon the approval of the Board of Supervisors.

Furthermore, a review of the action items before the Committee was performed. With this initial funding amount determined, the Committee must now determine the continued funding methodology of the Trust; choosing either pre-funding the Trust or pay-as-you-go. The County's actuarial firm of Cavanaugh Macdonald, LLC advises the Committee to take the pre-funding approach as this helps to utilize the realized savings from retirement contributions. Though the HRA account comprises a closed population, as previously stated, Cavanaugh Macdonald highlight the most efficient way to address the current population of roughly 970 members and subsequent retiring population is to fully fund the Trust as quickly as possible so returns assist with offsetting costs. Further recommendations to the Committee were an aggressive investment approach in the early stages of the Trust then tapering to a more conservative stance once the account reaches fully funded status. One approach to funding suggested by Mr. Eric Lee was to utilize a cash account for expenditures in the short term but have the majority of the funds in an investment account to provide for long term funding of the account. An actuarial return assumption rate (discount rate) also needs to be set for the trust. For the initial rate the Committee should consider utilizing VCERA's current assumption rate of 7.00%. This is the same rate used for the Supplemental Retirement Plan and mirrors the assumption rate utilized by VCERA.

Ms. Kaye Mand, Chief Financial Officer, posed a request for a more reasonable assumption rate other than 7%. Upon voting, the Committee is to assume the return rate of 7% based, in part, on the advice of Cavanaugh Macdonald, LLC representative, Mr. John Garrett.

Mr. Eric Lee, Senior Portfolio Strategist – Principal Asset Management, provided asset allocation analysis to the Committee with the intended outcome being the Committee's informed decision(s) to meet the funding requirements of the HRA Plan. Mr.

Minutes for August 8, 2023

Lee opined one initial approach would be to implement the same investment strategy and design for the HRA Plan which is currently incorporated with the County of Ventura Supplemental Retirement Plan (SRP). This approach could be altered later on as the Committee sees fit. A motion was made by Mr. Atin, with a second from Mr. Jeff Burgh, to utilize the investment mix currently utilized by the SRP, and subsequently approved by unanimous Committee member vote.

The Committee also decided to enlist the services of Cavanaugh Macdonald Consulting, LLC for the OPEB actuarial and reporting requirements for the Section 115 Trust. The Committee also requested that staff work with Cavanaugh to prepare different funding scenarios, including the utilization of a more conservative assumption rate, for the Committee's review and consideration.

A. Motion to receive and file Section 115 Trust Investment and Funding Design

Motion made: 1. **Mr. Atin** 2. **Mr. Burgh** **Motion Carries**

Ms. Mand adjourned the meeting at 10:26 a.m.

Respectfully submitted,



Andrew Gratt
Deferred Compensation Personnel Assistant