

**VENTURA COUNTY
RETIREE MEDICAL EXPENSE REIMBURSEMENT COMMITTEE
Point Mugu Conference Room, CEO 4th Floor
Hall of Administration, County Government Center
800 S. Victoria Ave., Ventura, CA 93009**

Meeting Minutes for June 26, 2025

2:30 p.m.

Members present

Emily Gardner
Jeff Burgh
Sue Horgan
Tabin Cosio
Robert Bravo

Members absent

Also present

Patti Dowdy
Andrew Gratt
Brian Friedman
Eric Lee
Robin Jarin
Grant Siekman
Ryan Gunderson

Mr. Bravo called the meeting to order at 2:33 p.m.

1. Public Comments.

- a. No public comments.

2. Committee Member Comments.

- a. Ms. Patti Dowdy introduced Mr. Robert Bravo as the new Committee chair.

3. Minutes of Regular Meeting – December 19, 2024.

A. Motion to receive and file Minutes of Regular Meeting.

Motion moved: 1. Ms. Horgan 2. Mr. Burgh

Vote: **Motion Carries**

Yes: Unanimous

No: N/A

Absent: N/A

Abstain: Mr. Bravo

4. Review of the Actuarial Valuation Dated June 30, 2024.

Ms. Patti Dowdy, Benefits Manager, provided an overview of the agenda item before the Committee pertaining to the June 30, 2024, Actuarial Valuation of the County of Ventura Retiree Medical Expense Reimbursement Plan (HRA Plan). To start, the primary purpose of an actuarial valuation was reviewed which includes:

- 1. Determine the employer contribution required to fund the Plan on an actuarial basis.

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2. Disclose asset and liability measures as of the valuation date.
3. Compare the actual experience since the last valuation date to that expected.
4. Analyze and report on trends in contributions, assets, and liabilities over the past several years.

It was also noted in Ms. Dowdy's review that the course of action for the Valuation process pertaining to the initial HRA Plan was for it to be conducted as of June 30, 2025, however this was later determined to be incorrect. This was due to the Auditor Controller's Office (ACO) informing staff of the requirement to complete a valuation as of June 30, 2024, in order to finalize the County's Annual Comprehensive Financial Report (ACFR). In light of this requirement, CavMac Actuarial Consulting Services (CavMac) was tasked with completing the components for the June 30, 2024, HRA Plan valuation in order to meet the ACFR deadline. Due to this shortened timeline and complexity in obtaining information it was not feasible to follow the standard protocol of presenting the valuation to the Committee for review before its inclusion in the ACFR. It is presented to the Committee now for discussion, review, and feedback.

The following is a summary of funding actions taken by the Committee to date:

- a. Initial contribution of \$6 million to the Section 115 Trust approved by the Board of Supervisors in October 2023.
- b. With guidance from the CEO Budget and Finance team, the Committee agreed to adopt a pay-as-you-go (PAYGO) funding model for Fiscal Year Ending (FYE) 2025
- c. For FY 2026, the Committee will continue the PAYGO methodology while transitioning the funding source from the General Fund to departmental contributions while implementing a 15-year amortization schedule beginning in FY 2027, if feasible, and contingent on the anticipated decline in retirement rates.

Mr. Ryan Gunderson, Senior Consultant, and Mr. Grant Siekman, Senior Actuarial Analyst, with CavMac were present to review the results of the June 30, 2024, valuation as well as the supplemental reporting prepared in accordance with GASB Statements Nos. 74 and 75. After beginning his presentation for the Committee with background information and methodology, Mr. Gunderson proceeded to elaborate on the findings of the Valuation. Principal valuation results for the June 30, 2024, valuation include:

- a. Number of Members – 4,977 (Active, Retired Members receiving benefits, and Inactive Members with deferred benefits stands at 3,178, 1,381, and 418, respectively.)
- b. Total Actuarial Accrued Liability (AAL) - \$170,518,404.00
- c. Actuarial Value of Assets - \$6,932,067.00
- d. Unfunded AAL - \$163,586,337.00
- e. Funded Ratio for the Plan – 4.07%
- f. Actuarially Determined Employer Contribution for FYE June 30, 2026 - \$21,907,281.00

- g. Projected Funded Ratio of 4.07% in FYE 2025 up to 52.83% in FYE 2034

Mr. Siekman gave a review of the accounting results outlined in the GASB 74 and 75. Notably, the Net Other Pensionable Employee Benefits (OPEB) Liability stands at \$163,586,337.00 and Employer Contributions total to \$6,038,816.00. The OPEB Expense for FYE June 30, 2024, equals \$170,269,019. Mr. Siekman highlighted that the actual investment return was greater than expected based on investment return assumption.

Upon opening the meeting up for discussion and questions, Mr. Tabin Cosio, Chief Deputy Executive Officer – HR/Labor Relations, inquired as to the retirees whose pensions have not been reduced yet based on the Alameda Decision and where they are accounted for in the valuation. It was pointed out by Mr. Siekman that those retirees are accounted for in terms of the total eligible retiree population. Ms. Emily Gardner, County Counsel, asked if the fully funded amortization schedule is “good” for the Plan to which it was confirmed yes by Mr. Siekman.

Upon completion of the Committee’s discussion, the action item before the Committee was moved to a vote. The action item include:

1. Receive and file the actuarial valuation as of June 30, 2024, along with the GASB Statements No. 74 and 75 reports, prepared by CavMac and included in the Annual Comprehensive Financial Report.

A. Motion to Receive and File the Actuarial Valuation Report as of June 30, 2024, along with the GASB Statements No. 74 and 75.

Motion moved: 1. Ms. Gardner 2. Mr. Burgh

Vote: **Motion Carries**

Yes: Unanimous

No: N/A

Absent: N/A

Abstain: N/A

5. Assumption Rate and Investment Structure Analysis.

Ms. Dowdy began the discussion by providing a brief background surrounding the Committee’s decision to set the actuarial return assumption (discount) rate and the appropriate investment structure for the HRA Plan. At that time, the recommendation was to mirror the assumption rate for both the Ventura County Employees Retirement Association (VCERA) as well as the Supplemental Retirement Plan (SRP), which stood at 7%. Although some Committee members expressed concerns about this rate being too optimistic, it was ultimately decided upon to adopt this rate as well as mirror the current investment mix of the SRP. Both of these items were agreed upon with the flexibility to be modified in the future should the Committee deem it appropriate.

Furthermore, Ms. Dowdy shared that, since this initial rate for the HRA Plan was set, both VCERA and the SRP have lowered their assumption rates to 6.75% and 6.25%, respectively. Due to the initial rate for the HRA Plan being set based on these two benchmark plans and that they have since lowered their respective rates, it is

brought before the Committee to discuss a potential reduction for the HRA Plan assumption rate to more accurately reflect long-term market expectations and mitigate future funding risk.

To assist with the Committee's discussion Cavanaugh Macdonald (CavMac) Actuarial Consulting, County of Ventura CEO/Benefits' outside actuary firm, was asked to prepare an analysis of alternative investment return assumptions using a range of rates which consists of 7.00%, 6.75%, 6.5%, 6.25%, and 6.00%. This analysis was reviewed by staff with the Budget and Finance team who recommended, from a budgetary standpoint, to reduce the assumption rate to 6.50% while maintaining the current investment mix to aid in achieving this target rate of return. It was noted that this change would increase the County's unfunded liability by approximately \$14 million and increase the County's Actuarially Determined Contribution by \$1.3 million for fiscal year ending June 30, 2027.

Mr. Ryan Gunderson, Senior Consultant for CavMac Actuarial Consulting, is on hand to review CavMac's findings with the Committee as well as answer any questions that arise out of the review. Mr. Gunderson began with an overall review of the actuarial determination process and noted key takeaways with one being if assumptions are met and employer contributions are made the Plan will reach 100% funded within 17 years. Additional review we centered around the alternate investment return scenarios at the rates noted above. Each scenario is based on actual returns over the period equaling the assumed investment return. Results showed that each .25% decrease in the return rate results in a \$7 million increase to the actuarial accrued liability. Market value of assets should increase dramatically in 2028 as it is projected to be around \$7 and \$8 million for 2026 and 2027, respectively. This also points to a decrease in unfunded actuarial accrued liability beginning in 2028 as well. Actuarially Determined Employer Contributions (ADEC) begins a gradual decline in 2028 while ADEC as a percentage of payroll increases. Mr. Gunderson concluded his review by noting the key takeaways mentioned at the start of his presentation to the Committee.

Mr. Eric Lee, Principal Client Portfolio Manager with Principal Custody Solutions, has modeled 5 different investment strategies/portfolio mixes to support the return assumption rate and is in attendance today to review his findings for the Committee. Projected range of returns were modeled for various portfolio mixes. Mixes consist of percentages in the equity and fixed income sectors. The following are 3 models that are indicative of these findings:

1. Portfolio mix of 40 (equity)/60 (fixed income) equates to 6.30%, 6.07%, and a 6.04% return rate at the 1-, 5-, and 10-year marks, respectively.
2. The Plan's current portfolio mix of 60 (equity)/40 (fixed income) equates to 6.82%, 6.43%, and a 6.38% return rate at the 1-, 5-, and 10-year marks, respectively.
3. Portfolio mix of 80 (equity)/20 (fixed income) equates to 7.34%, 6.73%, and a 6.66% return rate with the same time intervals as above.

Mr. Lee opined that 6.5% is a comfortable assumption and stated that while all portfolio mix models are valid, the Plan should still thrive if the Committee votes to adopt the 6.5% assumption rate.

Upon completion of the Committee's discussion, the action item(s) before the Committee were moved to a vote. The action item(s) include:

1. Decide whether to adjust the investment rate of return assumption to 6.50%, as recommended by CEO Budget and Finance or to select an alternative assumption rate based on the analysis provided by CavMac.
2. Decide whether to accept the recommendation to maintain the current 60/40 investment portfolio allocation. Alternatively, if the Committee chooses to revise the portfolio mix, direct staff to amend the Investment Policy Statement (IPS) accordingly.

A. Motion to Adjust the Investment Rate of Return Assumption to 6.50% and Maintain the Current 60/40 Investment Portfolio Allocation.

Motion moved: 1. Ms. Horgan 2. Mr. Cosio

Vote: **Motion Carries**

Yes: Unanimous

No: N/A

Absent: N/A

Abstain: N/A

6. Principal Q1 Investment Review.

Ms. Dowdy provided a short synopsis and some background information of the item before the Committee prior to the Committee's review of the Principal Q1 Investment Report (Report). The Report includes a review of asset allocation, market values and flows, and investment performance covering the period ending March 31, 2025.

The review was performed in accordance to guidelines stipulated within the Investment Policy Statement (IPS). Asset allocations remained within the parameters set forth by the IPS which establishes cash on hand to 0-25%, fixed income to be 25-55%, and equity allocation to be between 45-75%. As of Q1 2025, the Plan's allocations were:

1. Cash: 2.4%
2. Fixed Income: 38.3%
3. Equity: 59.3%

Adequate historical data is unavailable as the Section 115 Trust for the HRA Plan was established on October 4, 2023, however, the total weighted return for the Plan is 14.62% which stands slightly higher than the County of Ventura Custom Benchmark return of 14.57%. Specifically, the one-year total weighted return was 5.32%, exceeding the benchmark of 5.20%, and the fiscal year-to-date total weighted return was 4.53%, surpassing the benchmark of 4.12%. Apart from the overall portfolio performance since the Plan's implementation, all other time-weighted return measurements remain below the Plan's 7.00% assumed rate of return.

Mr. Eric Lee, Director - Client Portfolio Manager, Principal Custody Solutions, reviewed the County of Ventura HRA/115 OPED Trust Quarterly Client Report for the Committee. Many areas of the report were touched upon, however, there were a few emphasized by Mr. Lee. The overall certainty of the market is still ambiguous although recently the certainty seems to be balancing out with hopes for continued balance. With import tariffs weakening the US economy, exports making a positive impact, and global economies seeking to strengthen their foundations to endure ambiguity, Mr. Lee pointed out that the elevated level of uncertainty is unlikely to clear instantaneously due to markets being overextended. In the first quarter, growth stocks struggled while bonds and international stocks performed better. In addition, Mr. Lee also pointed out the cash flow as of March 31, 2025, which showed year-to-date gains/loss at -8,632 although Fiscal year-to-date gains/loss were +310,152. The Investment Policy Summary shows variances among equity and fixed income allocations of -0.74% and -0.70%, respectively. Mr. Lee opined that these variances are mainly a result of market fluctuations after rebalancing the portfolio. Finally, the overall returns are good and have been improving with total portfolio performance (Net) being at 14.62% since inception in October 2023 and the best performance being the fixed income asset class. No manager concerns were present.

Upon completion of the review for the Committee, the action item(s) before the Committee were moved to a vote. The action item(s) include:

1. Receive and File the Principal Quarterly Client Report and Asset Allocation Analysis.

A. Motion to Receive and File the Principal Quarterly Client Report and Asset Allocation Analysis.

Motion moved: 1. Ms. Horgan 2. Mr. Burgh

Vote: **Motion Carries**

Yes: Unanimous

No: N/A

Absent: N/A

Abstain: N/A

7. Retiree Medical Expense Reimbursement Plan Document Amendment.

Ms. Dowdy provided an overview of the agenda item before the Committee pertaining to the proposed amendments to the Retiree Medical Expense Reimbursement Plan document (HRA Plan). After an audit of the HRA Plan information from Eide Bailly, the external audit firm from the Auditor-Controller's Office, it was determined that the HRA Plan Document required updates to specifically state that the financial reporting for the HRA Plan is conducted on a fiscal year basis. As it stands, the HRA Plan document notates the Plan year to be on a calendar year basis as this directs the monthly benefit amounts and the application of the annual Consumer Price Index (CPI) adjustment. However, the HRA Plan's funding and financial reporting are performed on a fiscal year basis (July through June).

In addition, Ms. Dowdy noted that during the course of this review, there were other revisions identified and are addressed within the current proposed HRA Plan document revisions before the Committee today. These additional items are the removal of the initial signature page as well as an update to Schedule "A" to reflect the 2025 CPI adjusted monthly benefit amounts for both safety and general Legacy members of the HRA Plan. Upon approval from the Committee, the proposed HRA Plan document amendments will be finalized and presented to the County of Ventura Board of Supervisors for final approval.

The action item(s) include:

1. Approve the Proposed Amendments to the Retiree Medical Expense Reimbursement Plan Document.
2. Direct Staff to Submit the Amended Plan Document to the Board of Supervisors for Final Approval.

Upon completion of the Committee's short discussion, the action items before the Committee were moved to a vote.

A. Motion to Approve the Proposed Amendments and Direct Staff to Submit the Amended Plan Documents to the Board of Supervisors for Final Approval.

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

Vote: **Motion Carries**

Yes: Unanimous

No: N/A

Absent: N/A

Abstain: N/A

8. Informational Agenda

i. HRA Participation and Account Balances – Q1 2025.

A. Motion to Receive and File HRA Participation and Account Balances.

Motion made: 1. Ms. Horgan 2. Ms. Gardner

Vote: **Motion Carries**

Yes: Unanimous

No: N/A

Absent: N/A

Abstain: N/A

Mr. Bravo adjourned the meeting at 3:36 p.m.

Respectfully submitted,



Andrew Gratt
CEO/HR Benefits Personnel Analyst I