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# PENSION ADVISORY REVIEW COMMITTEE

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## MINUTES OF MEETING

December 1, 2020

11:00 a.m.

### Members Present:

Don Kent	Chairman, County Executive Office
Matt Jennings	Treasurer-Tax Collector
Brenda Diederichs	Human Resources
Undersheriff Dennis Vrooman	Sheriff

### Members Absent:

Paul Angulo	Auditor-Controller
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### Staff and Guests Present:

Bradley Au	Aon
Steven Kilbride	Aon
Mary Beth Redding	Bartel and Associates
Kim Byrens	BB&K
Michael Williams	Columbia Capital
Jim Prichard	Columbia Capital
Synthia Gunzel	County Counsel
Isela Licea	Treasurer-Tax Collector
Giovane Pizano	Treasurer-Tax Collector
Stephanie Persi	Executive Office
Imelda Delos Santos	Executive Office
Jen Kammerer	Executive Office
Brianna Lontajo	Executive Office
Marcus Maltese	Executive Office
Jeanine Rey	Flood Control
Darrylenn Brockington	Flood Control
Keith Stribling	HighMark Capital
Amy Onopas	Human Resources
Alisa Lynch	Human Resources
Megan Gomez	Human Resources
Stacey Beale	Human Resources
Don Stracke	Independent Financial Consultant
Michael Alferez	Parks
Mitch Barker	PARS
Paul McDonnell	Retiree
Aileen Yan	Riverside Courts
Carol Waterhouse-Tejada	Riverside Courts
Margaret Herrero	Waste Resources
Sandra Green	Waste Resources

**1. Call to Order and Self-introductions:**

Chairman Don Kent called the meeting to order at 10:00 a.m. Self-Introductions were given by committee members.

**2. Approval of the Minutes for May 14, 2020:**

**MOTION: Don Kent moved to approve the Minutes.**

**Seconded by Brenda Diederichs**

**Motion approved unanimously**

**3. Section 115 Pension Trust Report**

Don Kent introduced Mitch Barker and Will Rogers, from PARS and Keith Stribling, from HighMark Capital.

Will Rogers reported that the plans effective date is October 1, 2016. Its current investment strategy is Moderate Index PLUS, which is a passive strategy individual account. The initial contribution in November 2016 was \$2 million, with additional contributions of \$24 million, for a total contribution of \$26.4 million. As of June 30, 2020, the total investment earnings are \$3.7 million bringing the account balance to \$29.9 million.

Keith Stribling stated that the account balance is now at \$33 million. For the 6-month period YTD through June 2020 the portfolio was down 98 basis points. The official numbers through October 2020 show that the portfolio is up 1.8% still compounding around 6.2%. Also, calculations show the portfolio is up 5.5% in November. Don commented that the equity asset allocation was at 48%, which Keith stated was now 52.7%.

Report was received and filed.

**4. Bartel and Associates – CalPERS Actuarial Issues 06/30/2019 Valuation Results**

Mary Beth Redding, from Bartel and Associates, reported that the 20-year and 30-year average return rates on 6/30/20 are 5.5% and 7.9%. The County of Riverside percentage of liability belonging to retirees is 49% for Miscellaneous and 56% for Safety.

For Miscellaneous, unfunded liability ending June 30, 2018, was \$2.4 billion, 70.4% funded ratio and assets were \$5.7 billion. Unfunded liability ending June 30, 2019 is \$2.5 billion, 70.9% funding ratio and assets were \$6.1 billion. Looking at change of unfunded liability, there was a small loss of about \$30 million because in 2019 CalPERS underperformed the expected 7%. What is expected for June 30, 2020, the Pension Obligation Bond of \$370 million is now with CalPERS, the unfunded liability is expected to go down about \$2.3 billion. The FY 2021/22 Employer Contribution Rate is 22.9%.

For Safety, unfunded liability ending June 30, 2018, was \$1.0 billion, 70.4% funded ratio, and assets were \$2.5 billion. Unfunded liability ending June 30, 2019, is \$1.1

billion, 71.1% funded ratio and assets were \$2.7 billion. Looking at 2018 – 2019, saw a little improvement due to experience gains. In 2020, expect big drop in liability due to Pension Obligation Bonds of \$344 million. The projected unfunded accrued liability on 6/30/20 is \$853 million. The FY 2021/22 Employer Contribution Rate is 35.8%. One item you see on Safety but not on Miscellaneous is the contribution rate is going up 0.9% of payroll due to payroll being less than expected which means payroll is not growing as fast as CalPERS expects.

Looking at the 2020 Pension Obligation Bonds in May 2020, the Safety balance was \$344.3 million and Miscellaneous balance was \$371.6 million, totaling \$715.9 million. At June 30, 2020, Safety was at \$342 million and Miscellaneous was \$369.1 million, totaling \$711.1 million. The projected balance on February 15, 2021 after earnings and amortization payments, Safety is projected to be \$337.3 million and Miscellaneous \$364 million, total \$701.2 million.

Report was received and filed.

**5. AON – County of Riverside Actuarial Valuation Report Postretirement Benefits Plan June 30, 2020**

Brad Au, from AON, reported that the County contributions are primary fixed dollar amounts that vary by bargaining unit. They are intended to be level into the future over time. This is significant because there has been migration in eligibility to CalPERS and there is a requirement to pay a minimum amount called PEMHCA amount. That amount is subject to inflation in future years. The driving factor is the PEMHCA dollar amounts the county is required to contribute goes up over time.

The second item is implicit subsidy. Under CalPERS health plans, retirees receive benefits prior to age 65 by paying premiums that are developed by blending active and retiree costs. Since retirees are older and generally cost more than actives, the premium paid by the retiree is less than the “true cost” of coverage for retirees.

The accrued liability to date is \$235 million based on a 6.15% discount rate. This is a change from the prior year discount rate of 7.01%. Plan liabilities and annual costs are considerably higher than the prior valuation, primarily due to a change which allows the SEIU bargaining group access to CalPERS health plans, which have higher costs and participation rates that results in an increase in liability.

The County’s goal is to maintain an 80% funded status. The valuation shows the plan continues to be under 80% funded as of June 30, 2021. Page 5 of the report summarizes the estimated additional annual contribution projected to attain a funded status of 80% at various future dates.

Report was received and filed.

**6. AON – County of Riverside Actuarial Valuation Report Part-Time and Temporary Employees’ Retirement Plan July 1, 2020**

Brad Au, from AON, reported that the funding contribution for FYE 2021 is \$1.3 million and for FYE 2022 it went up a little bit to \$1.5 million. There was a reduction in participant count from FYE 2019 (1,503) to FYE 2020 (1,394). The unfunded liability is stable at \$13 million and the funded percentage is level at 77.7%.

The County's goal is to maintain an 80% funded status for this Plan. Page 4 of the report summarizes the estimated contribution projected in order to attain 80%. The plan is not projected to be less than 80% in the future years after 2021.

Report was received and filed.

**7. 2021 PARC Annual Report Draft**

Don Kent stated that the report is pending. Staff is working on preparing a draft. Once the draft is ready it will be sent to committee for review. Our next PARC Meeting will be in January to review the draft and committee comments and suggestions.

**8. New Business**

No new business to address.

**9. Public Comment:**

No public comment.

**10. Future Meeting Date:**

Don Kent stated that a future meeting date would be schedule soon to review 2021 PARC Annual Report.

**11. Adjourn:**

With no further business, Don Kent adjourned the Pension Advisory Review Committee Meeting at 12:15 p.m.