

**OPEB (Other Post Employment Benefits)**

**BOARD OF TRUSTEES**

**Minutes**

**August 25, 2016 at 9:00 a.m.**

**Comptroller's Large Conference Room**

**Washoe County Administrative Complex, Building D, 2<sup>nd</sup> Floor**

**1001 East 9th Street - Reno, Nevada 89512**

**MEMBERS**

Mark Mathers – Chair

Cathy Hill – Vice-chair

Darrell Craig – Trustee

**1. ROLL CALL \***

Acting Chair Mathers called the meeting to order at 9:02 a.m. A quorum was established.

**PRESENT:** Darrell Craig, Cathy Hill and Mark Mathers.

**ABSENT:** None.

Dania Reid – Deputy District Attorney, was also present.

**2. PUBLIC COMMENTS \***

There were no public comments.

**3. ELECTION OF OFFICERS**

Acting Chair Mathers noted that Cathy Hill was appointed to fill the vacancy created when Chair Joey Hastings accepted a different position.

***Vice-chair Hill nominated Acting Chair Mathers to serve as Chair, seconded by Darrell Craig. The nomination of Mark Mathers to serve as Chair carried unanimously.***

***Trustee Craig nominated Cathy Hill to serve as Vice-chair, seconded by Acting Chair Mathers. The nomination to elect Cathy Hill as Vice-chair carried unanimously.***

**4. PRESENTATION BY STEPHEN J. EDMUNDSON, INVESTMENT OFFICER OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEVADA.**

Chris Nielsen - General Counsel Nevada PERS, provided an overview of the applicable regulations, and an opinion by the Nevada Attorney General on the instructions for contributions and withdrawals and investment information. In 2007 the legislature created NRS 355.220 that created RBIF with the intent of creating a fund for local governments to make conservative investments for prefunding their OPEB obligations. Mr. Nielsen noted that a multi-employer plan valued at \$35-billion in the fund is governed by 7 Trustees appointed by the Governor. Mr. Nielsen suggested that additional questions be directed to the OPEB's legal counsel for advice.

Steve Edmundson – Investment Officer, Nevada PERS, provided an overview of the report (copy on file) designed to provide a summary of the fund structure. Mr. Edmundson noted that Washoe County has \$175.4-million invested in the \$360-million fund. Mr. Edmundson outlined the investments in the PERS portfolio as well as allocations and costs, and pointed out that there is an emphasis on keeping costs low. Mr. Edmundson noted that a number of investment firms provide assistance and that the fund includes a variety of global investments in areas including Australia, Hong Kong, New Zealand and others. However, investments are not typically made in emerging

markets. Mr. Edmundson outlined the target allocation and total risk and the process to rebalance asset allocations. Mr. Edmundson also noted that other funds including the Legislative and Judicial Retirement Fund are also managed by Nevada PERS. Among other investments held in trust are certain real estate investments other than private real estate. Mr. Edmundson emphasized that REITS are not included in the PERS fund investment portfolio. The intent is to limit exposure to volatile market pressures noting that during the financial crisis Nevada PERS performed as expected in a volatile market. Mr. Edmundson explained that there has been no significant change since 2012 and that liabilities are designed to reach 30, 40 and even 50 years to maintain long-term assumptions. Mr. Edmundson emphasized that the assumptions are reviewed annually and could perhaps be modified in the future.

During the discussion it was noted that some portfolios had reduced assumptions to 6.5-percent and that Washoe County uses a 7-percent discount for their OPEB actuarial valuation, which may need to be revisited with an eye towards perhaps lowering the rate. Other discussion pointed out that while the Washoe County Trust is a closed plan with a different liability stream, the State of Nevada is mandated to use a “one-size fits all” approach. It was noted that Chair Mathers has an extensive treasury background before coming to Washoe County. As the discussion continued, it was emphasized that representatives of Washoe County are encouraged to participate in the Nevada PERS quarterly meetings.

**5. RECEIVE STAFF REPORT DETAILING ACTION TAKEN BY THE WASHOE COUNTY BOARD OF COUNTY COMMISSIONERS ON JANUARY 12, 2016, APPROVING A POLICY DIRECTING STAFF TO REQUEST QUARTERLY REIMBURSEMENT OF THE HEALTH BENEFITS FUND’S FULL COST OF RETIREE HEALTH BENEFITS FROM THE WASHOE COUNTY, NEVADA OPEB TRUST FUND.**

This item continued as additional staff reports were prepared and distributed.

**7. DISCUSSION AND ACKNOWLEDGEMENT OF RECEIPT OF THE WASHOE COUNTY, NEVADA OPEB TRUST FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015. [Taken out of agenda order]**

Mary Solorzano summarized the report (copy on file) noting that the ending date of the report is correct as the audit team had staffing challenges during their merger with Kafoury Armstrong. Ms. Solorzano suggested that this item be deferred until the October 27, 2016 meeting to allow the trustees more time for review, if desired. Ms. Solorzano drew attention to a typographical error that was changed in the handout distributed. Ms. Solorzano also noted minor modifications due to the merger and Truckee Meadows Fire Protection District (TMFPD) and Sierra Fire Protection District (SFPD) as of July 1, 2016. Additionally, the merger of Washoe County Department of Water Resources with TMWA resulted in a transfer of \$547,000, and that the over and underfunding issues with TMFPD and SFPD was due to past funding decisions. Ms. Solorzano noted that SFPD had not been part of the consolidation with the City of Reno.

Vicki Van Buren – TMFPD, commented that the new contract required the use of Medicare when the retiree reaches the age of 65, which had not been the case in the past.

*It was moved by Member Craig, seconded by Member Hill, to acknowledge receipt of the Washoe County OPEB Trust Fund Financial Statement for year ended June 30, 2015. The motion carried unanimously.*

**5. RECEIVE STAFF REPORT DETAILING ACTION TAKEN BY THE WASHOE COUNTY BOARD OF COUNTY COMMISSIONERS ON JANUARY 12, 2016, APPROVING A POLICY DIRECTING STAFF TO REQUEST QUARTERLY REIMBURSEMENT OF THE HEALTH BENEFITS FUND'S FULL COST OF RETIREE HEALTH BENEFITS FROM THE WASHOE COUNTY, NEVADA OPEB TRUST FUND.**

Mary Solorzano noted that this item is agendaized as receiving the report, as the responsibility for accepting the report falls to the BCC. Drawing attention to the staff report dated January 2016, Ms. Solorzano noted that the BCC had taken action to see full reimbursement of Health Benefits from the OPEB Trust Fund.

Responding to Member Craig's inquiry about the fiscal impact of the reimbursement, Ms. Solorzano stated that it would be covered under Agenda Item 6.

**6. DISCUSSION OF THE IMPACT ON THE WASHOE COUNTY, NEVADA OPEB TRUST OF THE WASHOE COUNTY BOARD OF COUNTY COMMISSIONERS' POLICY DIRECTING STAFF TO REQUEST QUARTERLY REIMBURSEMENT OF THE HEALTH BENEFITS FUND'S FULL COST OF RETIREE HEALTH BENEFITS FROM THE WASHOE COUNTY, NEVADA OPEB TRUST.**

Mary Solorzano noted that the fiscal protection is addressed on page 6 of the report and that the skill required for a detailed projection far exceeds staff's expertise and would require BCC approval to engage an actuary for assistance. Ms. Solorzano stated that the change in policy is consistent with the purpose of the Trust, that County intentions for prefunding contributions to the Trust remain unchanged, and that therefore the change is not anticipated to have a negative long-term impact. Ms. Solorzano noted that the contributions for incurred cost made in past years resulted in a contribution rate greater than intended.

Member Craig noted that his inquiry had been to memorialize and clarify the future impacts to be more transparent on how or why it would or would not impact the trust.

**8. REVIEW AND APPROVAL OF YEAR-TO-DATE ADMINISTRATIVE EXPENDITURES AND REQUESTED REIMBURSEMENTS TO EMPLOYERS THROUGH JUNE 30, 2016.**

Mary Solorzano provided an overview of the year-to-date administrative expenditure pointing out that there was no significant deviation from the projections. Ms. Solorzano noted modifications to the year-to-date activities for the Trust on page 3 and clarifications on Page 4. Ms. Solorzano then drew attention to Pages 29 and 30 noting that the Washoe County Retiree Health Benefit Plan component of the Trust includes expenditures by the employer as well as prefunding and other contribution activities related to the Trust including the reimbursement of \$3,695,964 to Washoe County.

***It was moved by Member Hill, seconded by Member Craig, to approve the year-to-date administrative expenditures and requested reimbursements to employers through June 30, 2015, as presented. The motion carried unanimously.***

**9. ACKNOWLEDGE RECEIPT OF INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDING JUNE 30, 2016.**

Mary Solorzano outlined the Interim Financial Statement for period ending June 30, 2016 (report on file). Ms. Solorzano explained that the report includes an unrealized loss of 5.4-percent and that there has been a 15-percent increase in utilization. Ms. Solorzano then noted that investment income also shows unrealized gains and losses since inception with the most volatile occurring in 2010.

***It was moved by Chair Mathers, seconded by Member Hill, to acknowledge receipt of the Interim Financial Statements for period ending June 30, 2016. The motion carried unanimously.***

**10. DISCUSSION AND POSSIBLE ACTION TO APPROVE THE PROPOSED WASHOE COUNTY, NEVADA OPEB TRUST FUND BUDGET FOR FISCAL YEAR 2017.**

Mary Solorzano summarized the proposed Washoe County, Nevada OPEB Trust Fund budget for 2017. Ms. Solorzano commented that she had worked with Russ Morgan on the number of participants in 2017 based on current trends.

During the discussion it was noted that the number of retirees is difficult to forecast given the number of employees that reach the 20 years of service requirement to retain health insurance. It was emphasized that an augmentation could be agendized for OPEB action if the need arises. It is anticipated that as employees reach the 20-year retirement mark there will be additional retirements. Other discussion pointed out that payroll is showing about 15 to 20 new retirements per pay period.

***It was moved by Member Hill, seconded by Member Craig, to approve the Washoe County, Nevada OPEB Trust Fund budget for fiscal year 2017, as presented. The motion carried unanimously.***

**11. DISCUSSION AND POSSIBLE ACTION TO APPROVE PLANNED CASH TRANSFERS TO THE NEVADA RETIREE BENEFITS INVESTMENT FUND FOR FISCAL YEAR 2017.**

Mary Solorzano drew attention to a typographical error on page 35 and distributed a revised copy (copy on file). Ms. Solorzano outlined the planned cash transfers to the Nevada Retiree Benefits Investment Funds for Fiscal Year 2017. The planned transfers are consistent with past practices of the Trust and intended to avoid a need to liquidate RFIB funds.

***It was moved by Member Hill, seconded by Member Craig, to approve the planned cash transfers to the Nevada Retiree Benefits Investment Fund for fiscal year 2017, as presented. The motion carried unanimously.***

**12. TRUSTEES'/STAFF ANNOUNCEMENTS, REQUESTS FOR INFORMATION, AND TOPICS FOR FUTURE AGENDAS, STATEMENTS RELATING TO ITEMS NOT ON THE AGENDA AND ANY IDEAS AND SUGGESTIONS FOR GREATER EFFICIENCY, COST EFFECTIVENESS AND INNOVATION IN PROVIDING FOR THE BENEFITS OF WASHOE COUNTY, NEVADA OPEB TRUST PARTICIPANTS IN ACCORDANCE WITH THE BENEFIT PLANS.** *No discussion on this item will take place among trustees.*

The October 27, 2016, meeting agenda may include, but is not limited to: 1) A review and discussion of the assumed discount rate to be used in the next actuarial study; 2) Approval of meeting minutes for the April 28, 2016, meeting; and 3) Discussion of refresher training for OPEB Trustees.

**13. PUBLIC COMMENTS \***

There were no public comments.

**14. ADJOURNMENT \***

Chair Mathers adjourned the meeting at 11:03 a.m.