County of Riverside
Pension Advisory Review Committee

MINUTES OF MEETING
December 16, 2021
10:00 a.m.

Members Present:
Don Kent Chairman, County Executive Office
Paul Angulo Auditor-Controller
Brenda Diedrichs Human Resources
Undersheriff Dennis Vrooman Sheriff
Matt Jennings Treasurer-Tax Collector

Members Absent:
None

Staff and Guests Present:
Bradley Au Aon
Steven Kilbride Aon
Mary Beth Redding Bartel and Associates
Matt Goss CalPERS
Michael Williams Columbia Capital
Jim Prichard Columbia Capital
Kristine Bell Valdez County Counsel
Imelda Delos Santos Executive Office
Jen Kammerer Executive Office
Jarvyk Punzalan Executive Office
Michael Ambolo Executive Office
Paul McDonnell Fieldman Rolapp
Daryleann Brockington Flood Control
Keith Stribling HighMark Capital
Amy Onopas Human Resources
Stacey Beale Human Resources
Michael Alferez Parks
Mitch Barker PARS
Angela Tang PARS
Aileen Yan Riverside Courts
Carol Waterhouse-Tejada Riverside Courts
Elaine Cisneros Riverside Courts
Jonathan Clark Riverside Courts
Margaret Herrero Waste Resources
Sandra Green Waste Resources
Hans Kernkamp 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 Resolution No. 2021-001

   MOTION: Don Kent moved to approve the Resolution.
   Seconded by Brenda Diederichs Motion approved unanimously

3. Approval of the Minutes for January 13, 2021

   MOTION: Matt Jennings moved to approve the Minutes.
   Seconded by Don Kent Motion approved unanimously

4. Section 115 OPEB Trust Report for the period ended 6/30/21 - CERBT

Matt Goss from CalPERS reported that the County of Riverside's initial contribution was $10,411,404 on Nov. 30, 2007. Since that time, through June 30, 2021, the County has contributed an additional $30,775,984. Investment earnings during this period were $32,029,580, bringing the County's total assets to $52,228,250. CalPERS charges for all administrative costs and internal/external fees were $408,137 during this time. Annualized net rate of return over the 13.59 years is 7.53%.

During the January 13, 2021 PARC meeting, after receipt and discussion of OPEB Trust Report Strategy Review and Recommendation, the Committee approved investment into CERBT Strategy 1. Since that time, the following new investments have occurred, which includes monthly transfer out of CERBT Strategy 2 into Strategy 1.

The County’s initial contribution on March 1, 2021 was $600,000, and additional contributions of $5,600,000 have been made. Along with investment earnings of $760,003, total assets in Strategy 1 are $21,396,758 as of June 30, 2021.

Currently, total CERBT assets in both Strategy 1 and 2 is $73,625,008 and total CERBT investment earnings is $32,789,583.

Report was received and filed.

5. Section 115 Pension Trust Report for the period ended 6/30/21 - PARS

Angela Tang from PARS reported that the County’s initial contribution in November 2016 was $2,099,212. As of June 30, 2021, with additional contributions of $42,489,376 and investment earnings of $11,668,525, the account balance is $55,767,653.

Keith Stribling from HighMark Capital stated that the County is in the moderate passive strategy which is approximately a 50/50 mix of stocks and bonds. Returns have been
good, up over almost 20% for the one-year period and up over 6.5% for the six-month period. The new pension trust account associated with the Series 2020 POBs is up almost 14.5% since inception.

Report received and filed.

6. County of Riverside Actuarial Valuation Report Postretirement Benefits Plan as of June 30, 2021 - AON

Steven Kilbride from AON gave a summary of changes from July 1, 2020 to July 1, 2021. Looking at the unfunded AAL, there was a reduction of $10.2 million resulting in a 9% improvement in funded status. Looking at GASB 75 Accounting we see the net OPEB liability up $4.3 million, and a 5.8% improvement in plan fiduciary net position as a percentage of the OPEB liability.

Don Kent stated that looking at 2020 to 2021, we see a funded status improvement. Per Board Policy, the current actuarial schedule projects the Board Policy’s 80% minimum funding level, excluding implicit subsidy, would be reached in 2027 with $16.9 million to be charged to departments annually beginning in FY 21/22, (an increase of $7.9 million from the current $9 million required in FY 20/21).

Mr. Kent recommended that the County continue moving forward with the $16.9 even though the AON report shows we could drop that number down a little. Mr. Kent’s goal, per policy, is to get to 80% or better. The difference showing on the report is very nominal when spread out between all County departments and employees.

   MOTION: Don Kent moved to approve the recommendation to continue to stay on target with $16.9 million.
   Seconded by Mett Jennings  Motion approved unanimously

Report received and filed.


Mr. Kilbride reported that funded status improved. The unfunded liability had a $1 million improvement which will lower the County’s contribution. For GASB 68 Expense, there was a large improvement in net pension liability -$1.5 million. The plan shows over 80% funded as of June 30, 2021 and is projected to be above 80% in future. If the County would like to get to 90% by 2023, a contribution of approximately $500,000 would be needed.

Looking at FYE 2023 contributions, current situation is zero contribution under funding “policy”. Mr. Kent stated that the County had good performance this year, but it is not clear what the next fiscal year will bring. He recommends that the County maintains the percent of pay as is, and see where the County ends up in a year or two.
MOTION: Don Kent moved to approve the recommendation to continue to stay on course with current rate and dollar structure.
Seconded by Brenda Diederichs Motion approved unanimously

Report received and filed.


Mary Beth Redding from Bartel Associates reported that for the fiscal year ended June 30, 2021, CalPERS had a 21.3% rate of return, which will be phased into rates over 5 years. The 10-year rolling average is higher than assumed rate of return and has been for the past three years. The 20-year average rate of return on 6/30/21 is 6.9% and 30-year average rate of return is 8.3%.

The 21.3% return triggered CalPERS’ Risk Mitigation Strategy for the first time. At their November 2021 meeting, CalPERS Board adopted a 6.8% discount rate, which means lower expected returns in future, however, the new portfolio asset allocation has more risk and expected to be more volatile. The Risk Mitigation Strategy is still in effect and has been put into projections.

The Miscellaneous Plan as of June 30, 2020 has 17,467 active employees and 12,557 retirees. 8,001 of active employees are PEPRA. The Miscellaneous Plan’s unfunded liability decreased by about $250 million and a big piece of that was the POB money that went in before June, of which $371.6 million POB proceeds transferred to CalPERS in May 2020. Projections for June 30, 2021 with CalPERS 21.3% return will impact the unfunded liability by dropping from $2.2 billion to $1.5 billion. Funded status is 75%.

The Safety Plan as of June 30, 2020 has 3,404 active employees and 2,999 retirees. 1,089 of active employees are PEPRA. Funded status for Safety is 79.4% (average Safety Plan at CalPERS is 69%). Unfunded liability decreased mainly because of the $344.3 million POB proceeds transferred to CalPERS in May 2020. It went down to about $832 million, and it is projected to go down to $476 million in 2021.

As of June 30, 2021, the 2005 POB proceeds balance invested at CalPERS is $475 million, and the outstanding bond balance as of February 15, 2022 (the next principal and interest payment) is $160.5 million.

As of June 30, 2021, the 2020 POB proceeds balance invested at CalPERS is $381 million (Safety) and $411 million (Miscellaneous) for a total of $792 million. So far, it has earned $153 million. Outstanding bond balance as of February 15, 2022 (the next principal and interest payment) is $659.5 million.

Report was received and filed.

9. Board Policy B-25 – Proposed Updates
Don Kent stated that after discussions with the Executive Management team the compensated absence balance needs to be addressed. It currently exceeds $300 million.
as reported by the Auditor-Controller in the Annual Comprehensive Financial Report. The following is being added to the policy to address this, “and other retirement or termination related items such as compensated absences for employees’ accrued annual, vacation or sick leave balances.”

Mr. Kent reviewed additional proposed changes throughout policy with Committee Members and introduced the new Chief Finance Officer, Michael Ambolo. One item of importance mentioned is the need for Committee Members to designate an alternate in the event of their absence to ensure full quorum at all times. The revised policy and the Annual Report will be going to the Board on February 8 or March 1.

**MOTION:** Don Kent moved to receive and file pending further review and bring back to Committee on January 20 for final approval.
**Seconded by Matt Jennings**  Motion approved unanimously

Report received and filed.

10.2022 PARC Draft Report Discussion

Don Kent shared that a draft is not ready to share today. Will work on getting a draft out to Committee members soon for comments.

11. New Business

None

12. Public Comment

No public comment.

13. Future Meeting Date:

The next meeting is scheduled for January 20, 2022 at 10:30 a.m.

14. Adjourn:

With no further business, Don Kent adjourned the Pension Advisory Review Committee Meeting at 12:05 p.m.