OPEB Board Meeting

Wednesday, February 16th, 2022 – 11:30 PM –12:30 PM

WebEx – Electronic Meeting Only

Meeting video/audio (log in first)

1. Roll Call

Trustees Present:

Darrin Casper, Deputy Mayor of Finance and Chief Financial Officer

K. Wayne Cushing, County Treasurer

Lori Okino, Fiscal Administrator, Mayor Operations

David Delquadro, Council Fiscal Manager

Other Attendees:

Jim Sakellariou, Chief Deputy Treasurer

Shanell Beecher, Director of Accounting, Mayor's Financial Administration

Brett Carlson, ESR Manager, Mayor's Financial Administration

Zachary Lancaster, District Attorney

Mari Vellido, Internal Services Manager, Mayor's Financial Administration

Absent:

No members of the public attended.

2. Review minutes from 11/17/21 and move to approve

Mr. Casper asked the board members if they had a chance to review the minutes from November 17th, 2021.

Ms. Okino had a couple of edits to the second page, third paragraph regarding the comparison of expenses between 2020 and 2021. Mr. Delquadro had a couple of grammatical errors to fix.

Mr. Cushing motioned to accept the minutes with these changes and the motion was approved by the group.

3. Moreton Investment Fund Amount Transfer – Wayne Cushing/Brett Carlson

Mr. Cushing moved on to discuss item #3 and the *Moreton 2021 Summary as of 12/31/2021* PDF (attached). Mr. Cushing noted that 2021 was another good year as far as overall return – under 10% when the Moreton charges are considered. There were unrecognized gains of over 2 million because of all the equities in the market at the end of the year.

Mr. Cushing continued to say that in 2022, there was going to be a slowdown of the increase and a rebound on the fixed market side based on the prediction that Moreton gave. In the equities vs. fixed percentages, 62% are in non-fixed income type accounts, 51% in Vanguard equities, and 11% in preferred instrument in between type investments.

Mr. Delquadro then asked where the board was in the actuaries' contract and inquired if it was in good shape. Mr. Carlson added that "we're good for this year, they (Moreton) are working on our evaluation".

Mr. Cushing then asked about the projection rate that Moreton is using, and Mr. Carlson said that it is about 6%, and then Mr. Cushing said that Mr. Carlson will give the group an idea of what can be done based on last year's activity.

4. Revisit OPEB Charge - Brett Carlson

Mr. Carlson then shared the *Jan-Dec 2021 Proj OPEB Trust Fd* spreadsheet (attached).

Salt Lake County

OPEB Trust Fund (Fund 995 Department 5308000000) Comparison of Revenues and Expenditures

Projected As of December 31, 2021 (query run date: 2/16/2022)

Sum of Amount						
Fund	**Dept**	**Account**	**Descr**	**Total**		
995	5308000000	421005	Departmental Fees	(66,468.00)		
		429005	Interest - Time Deposits	(2,609.53)		Treasurer transfers to Moreton
		429015	Interest-Miscellaneous	(194,514.53)		Treasurer transfers to Moreton
		429045	Change in Fair Value of Invmnt	(1,058,752.55)		2021 Investment value change
		431160	Interfund Revenue	(4,742,940.47)	(4,809,408.47)	Matches published rates
		437090	Ret Ins - Selecthlth Ret	(307,381.13)		
		437095	Ret Ins - Selecthlth HDHP Ret	(154,047.18)		
		437111	Ret ins-Cigna Dental Retiree	(135,320.95)		
		437215	Ret Ins-Pehp Sumt Retiree	(146,727.97)		
		437225	Ret Ins - Pehp HDHP Sum	(172,573.99)		
		Receivables:				
		None				
Grand Total				**(6,981,336.30)**		Matches BI Publisher Rpt

Mr. Carlson stated that the change in investment value for 2021 was $1,058,752.55 and on the revenue side, there were $6,981,336.30 and there were $4,614,963.06 expenses before the RX Rebates Due.

		RX Rebates Due:		
		655225, 655255	4th Quarter - Select Health	(11,009.10)
		655115, 655080	4th Quarter - PEHP	(15,286.05)
Grand Total				**4,614,963.06**

Mr. Carlson concluded saying that including the investment increase, the Revenues (exceed) Expenditures by $2,366,373.24, so the investment returns were great.

Revenues (Over) / Under Expenditures	**(2,366,373.24)**
Less: 2021 Investment Gains	1,058,752.55
Results from Operations	**(1,307,620.69)**

Mr. Carlson asked if there were any questions and Mr. Casper asked about the non-investment portion of the fund. Mr. Carlson said that there are $13,404,201.88 at Moreton, and on the County's reserves there are $14,075,627.66, so the excess is of $671,425.78 at the end of 2021.

Date	Moreton	Total	At County	
12/31/2020	10,750,934.80	11,735,549.57	984,614.77	
2021 Tranfers				
5/31	600,000.00			
7/10	800,000.00			
During 2021	194,514.53			
Invest Gains	1,058,752.55	1,058,752.55		
2021 Operations		1,281,325.54		
Yr End 2021	13,404,201.88	14,075,627.66	671,425.78	Available for Transfer to Moreton
Reconciliation	13,404,201.88	14,075,627.66		
	-	-		

Mr. Delquadro then asked how much was being held on cash reserve available to shift, backstopping and unforeseen event. Mr. Carlson then said that the fund decided to keep at least $250,000 in the books so the available amount would be about $421,000.

Ms. Okino asked if that amount included the pending amounts to pay out the two payables which Mr. Carlson said that these amounts (RX Rebates due) were due back to the fund. Mr. Casper then asked about the structural operation surplus of $1.2M and what was the difference available to transfer which is about $400,000 or so. Mr. Carlson then showed that for several years, the treasurer's office was transferring the interest earnings amounts, and Mr. Carlson was transferring money from operations, so there was a double transfer of the interest.

Mr. Carlson then said that the numbers were out of sync and offered to demonstrate the OPEB Trust reserve history and why it was off. Mr. Casper then said that the bottom line was that the maximum amount should be transferred and leave the minimum reserve of $250,000 in the balance. Because the fund was transferring less than the indicated operating surplus, Mr. Casper said that there should be a charge increase for OPEB to the applicable organizations to meet the goals of the board.

Mr. Casper and Mr. Carlson agreed to demonstrate the reconciliations to make sure they were all on the same page and understanding. Mr. Carlson said that he could go back at the start of the trust in 2015 to show the operations and the amounts transferred.

Mr. Casper reiterated that the increase in the OPEB charge is in the accordance with the long-standing goals of the board to continue to make progress to solving the OPEB liabilities situation and that is *not* associated whatsoever with the financial condition as it relates to the federal stimulus package (ARPA). Mr. Casper wanted to make it abundantly clear that transfers from ARPA are not lawful, and that the increase in the contribution would still be below the annual required contribution amount that the actuaries came up with.

Mr. Casper continued saying that the trust is on safe ground because there is no intention of spending of the dollars for this purpose, but there is an intention to continue to make progress towards the trust's goal dating back to when the trust was established.

Mr. Delquadro asked if there was a reason for not using another 10% increase given that this has been done in the past. Mr. Casper said that the increase is reasonable but noted that Mr. Carlson should see what the cost increases are. Mr. Casper continued, that if cost increases were 5% for example, it might be argued that the increase should be 15% so that there could be a 10% incremental towards solving the board's goal.

Mr. Carlson mentioned that there is an increase in claims toward the end of the year. It has been difficult with the passing of Dave Jackson who helped out with year-end items, so it has not been quite as smooth as prior years. There have been increases in costs and there are reserves built in the 680 fund, but there are going to be expenses exceeding revenue in fund 680.

Ms. Okino said that if the board goes back and looks at the last board meeting the expenses from 2020 were $4.1M and if the expenses are $4.6M in 2021, the increase is 12.56%....a 15% increase is appropriate.

Mr. Delquadro then said that he would be comfortable with a 7.5% for cost increase and split the difference between the 5% and then add the 10% rate increase on top, kicking it up to a 17.5% increase. After no further discussion, Mr. Casper motioned a 17.5% OPEB charge increase to combat the inflation for the costs associated with the operation and to continue to make strides toward solving the board's OPEB problem. Mr. Cushing seconded the motion.

5. Schedule next OPEB meeting

Mr. Casper asked if anyone had any new items of business or any other comments, but then Mr. Casper did have a question if the board needed to wait for the final reconciliation (from Mr. Carlson) to wait and see if everybody was comfortable with the $671,000 transfer to the trust. The group agreed to wait until the next board meeting.

The group did not have any additional business items of business and Mr. Casper then adjourned the meeting at 12:05 PM.

The next OPEB meeting is scheduled for Wednesday, April 20th at 2 PM via WebEx.