

NORTHAMPTON COUNTY OTHER POST EMPLOYMENT BENEFITS FUND (OPEB)
BOARD MINUTES

August 3, 2021

4:00 p.m.

1. **Call to Order:** Mr. Lamont McClure called the meeting to order at 4:06 p.m.
2. **Call of the Roll:** The following appointees to the Retirement Board were present: Mr. Lamont McClure, County Executive; Ms. Lori Vargo Heffner, Council President (by phone); Mr. William McGee, Council Vice President (by phone); Mr. Ronald Heckman, Council Member (by phone); Mr. Thomas Guth, active employee Member of Northampton County Retirement system; Mr. Gerald Seyfried, Retiree Member; and Mr. Stephen Barron, Director of Fiscal Affairs.

Others Present – Mr. John Spagnola, PFM; Mr. Bryce Meyers, Fiscal Affairs; Ms. Kathleen Wedge, Board Secretary; Ms. Danielle Mutarelli, Human Resources; Ms. Stephanie Hann, Human Resources.

3. **Courtesy of the Floor** – None.
4. **Approval of the April 29, 2021 OPEB Fund Board minutes.** Mr. Seyfried made a Motion to approve the minutes of the April 29, 2021 board meeting. Ms. Vargo Heffner seconded the Motion. The vote to approve was unanimous.
5. **Retiree Medical Lifetime Maximum Refresh**

Mr. McClure stated that it has been his view for a long time that based on all of the outpouring of factual scenarios of our retirees who have exhausted their lifetime maximum benefit that we need to do a refresh. He indicated that it is worthwhile to engage in a discussion with some background information before the board votes on this expense of several million dollars.

Mr. Barron stated that we are looking to refresh the lifetime medical benefit for retirees, which is \$12,500 per member of the healthcare plan, including retirees and any dependents. The cost to refresh the 862 subscribers currently eligible for OPEB alone is \$10.7 million, not including their dependents. The cost to refresh 1075 current members, or everyone in the system including dependents, is \$13.4 million. Mr. Barron explained that the \$13 million is the ceiling number as if everyone has exhausted their \$12,500 and that the fund is well capitalized to absorb the impact.

Mr. Seyfried stated that retirees may find it attractive to switch from the Blue Journey plan following a refresh because they would no longer have a copay with the PPO plan when they visit the doctor and they would have the full \$12,500 available. Mr. Seyfried asked what would prevent retirees from switching plans because of the refresh. Ms. Mutarelli speculated that some retirees may choose to remain on the Blue Journey plan because the plan contains creditable coverage and all eligible enrollees would not need to get a separate plan for Medicare Part D.

Mr. McClure requested that Ms. Mutarelli outline for the board what the \$12,500 represents. Ms. Mutarelli explained that the \$12,500 lifetime maximum benefit is built into the plan structure of the retiree PPO product, and there are certain services that count toward this benefit. These include common services such as prescription drugs, office visits, outpatient therapeutic services, and chiropractic care. Higher expenses such as diagnostic testing, surgeries, emergency room treatment, ambulance services, and inpatient hospitalization do not count toward this benefit.

Mr. McClure requested that we include the correspondence from retirees who have exhausted their \$12,500 in the minutes, and the board approved. Mr. McClure asked whether the \$12,500 is actually a lifetime maximum and all of the money that retirees will receive for this benefit unless the board chooses to move forward with the refresh. Ms. Mutarelli confirmed that this is correct, and that the services that count towards the \$12,500 would become out of pocket expenses after the money is gone.

Mr. McClure asked Ms. Mutarelli to address Mr. Seyfried's question regarding the possibility of retirees switching from the BlueJourney HMO product back to the retiree PPO product. Ms. Mutarelli responded that Medicare-eligible retirees are permitted to change plans any year during annual open enrollment or if they have a qualifying life event.

Mr. McClure requested that Mr. Barron clarify whether the numbers he presented represent the ceiling or floor of the expense to provide a refresh. Mr. Barron explained that the \$13.4 million is the ceiling number as if everyone has exhausted their \$12,500 and includes the possibility of retirees changing plans and adding their dependents. Mr. Barron explained that the money is paid out of the OPEB fund as the expenses are incurred, and he anticipates the actual overall expense to the fund to be much less. Mr. McClure asked whether this is because not every plan member has exhausted their \$12,500, and if a significant amount of members have not exhausted the money. Mr. Barron and Ms. Mutarelli confirmed that this is correct.

Mr. Heckman requested that Human Resources send a letter to retirees explaining their options. Ms. Vargo Heffner asked when the refresh will take effect, if approved. Mr. Barron replied that he recommends that it take effect on January 1, 2022 because it is easiest for the healthcare plan to implement and provides a service date for when claims could be paid out of the fund. Mr. Heckman and Mr. Barron agreed that a letter gives people time to decide which plan they want prior to open enrollment.

Mr. Guth asked how many retirees have been refreshed previously. Mr. Seyfried replied that several administrations provided a refresh. Mr. Guth inquired how a refresh effects the long-term health of the OPEB fund. Mr. Barron replied that refreshing the benefit now will not have a negative long-term impact on the fund. They ended the lifetime medical benefit for anyone hired after June 30, 2010 and the fund needs less money over time to sustain itself because there is an increasingly smaller pool of people who are eligible.

Mr. McClure asked whether an auditor would find this move to be material, and Mr. Barron confirmed that it is not.

Mr. Seyfried made a Motion to proceed with the refresh. Ms. Vargo Heffner seconded the Motion. The board voted and the Motion passed unanimously.

6. **Performance Updates – PFM, John Spagnola.** Mr. Spagnola gave the presentation of the fund's performance in the 2nd quarter of 2021.

OPEB Fund market value as of June 30, 2021 = \$55,225,036

As of June 30, 2021:

Q2 gain:	5.42 percent
Gain since inception:	11.36 percent (inception date is 9/1/2017)
YTD gain:	8.31 percent
1-year gain:	26.07 percent
3-year gain:	11.93 percent
5-year gain:	12.23 percent

Mr. Spagnola stated that we are 99 basis points ahead of the benchmark in year-to-date gain. The OPEB fund uses the same managers, but the investment allocations are different. It is overweight in equity and underweight in fixed income like the pension fund. PFM made investments in Invesco and PIMCO, as they did with the pension fund.

Mr. McGee asked whether the OPEB fund's investments are more conservative than the pension fund's investments. Mr. Spagnola confirmed that it is more conservative. Mr. Barron explained that there is more need for liquidity with the OPEB fund because real bills are paid out of the account. There is a diminishment of the fund and eventually the OPEB fund will terminate when there are no more people in the class. We can invest more aggressively with the pension fund because there is no diminishing class, and the plan will perpetuate itself with current and future County employees adding to it. The Hugh Moore Trust Fund is even more conservative because it has a limited purpose and specific rules from when the trust was set up not to drop below a one million dollar minimum.

Mr. McGee asked what percentage of the pension fund PFM manages. Mr. Spagnola replied that PFM and their outside sub advisors manage approximately 45 percent of the fund.

Mr. Heckman asked what financial impact PFM predicts with the Delta variant, especially regarding Asian markets. Mr. Spagnola replied that they track how the virus is behaving globally and how it is managed in different parts of the world to predict the implications to the market.

7. **Adjournment** – Mr. Heckman made a Motion to adjourn the meeting. The OPEB meeting adjourned at 5:12 p.m.