

EXECUTIVE SUMMARY

Public Agency Retirement Services (PARS), in collaboration with U.S. Bank and HighMark Capital Management (HighMark) propose a comprehensive solution for City of San Leandro's Section 115 Pension Trust Administration and Investment Management needs. Utilizing PARS' industry-leading Pension Rate Stabilization Program, the City can prefund its pension liabilities in an IRS-approved Section 115 trust, which provides economies of scale for investment, administrative, and trustee services while at the same time minimizing staff burdens and costs.

With many years of experience and **over 430 Section 115 Trust clients, including 233 in CA for pension prefunding**, we have developed a unique, comprehensive program that combines the following services:

- Trust administration & recordkeeping
- Signature-ready trust documents
- Trustee & custodial services
- Fiduciary investment management/advisory services
- Consulting & advisory
- Comprehensive reporting & performance monitoring
- Annual audits & GASB reporting assistance

What is the Background & Experience of PARS 115 Trust Providers?

The turn-key, PARS Section 115 Trust operates as a collaboration of the following three industry leaders:



PARS – Trust Administrator

Dedicated solely to the retirement plan and trust needs of California public agencies since 1984, PARS administers over 430 Section 115 trust plans with over \$5 billion in assets, including 130+ cities, including City of San Leandro since 2009. We are the pioneer and administrator of the **largest and fastest growing pension prefunding trust in the nation** and will handle all recordkeeping, reporting, servicing, compliance monitoring and program coordination for the City's account.



U.S. Bank – Trustee/Custodian

The fifth largest bank, and **largest trustee for pension and OPEB prefunding in the nation**, U.S. Bank will serve as trustee and custodian. The Bank, which serves all of PARS' 1,000+ public agency plans, has over \$6 billion in Section 115 trust assets under administration, and will act in a fiduciary role to safeguard the City's assets.



HighMark Capital Management – Investment Manager

As managers and advisors of over \$18 billion in U.S equity and fixed income strategies for a variety of individual and institutional clients, HighMark operates as a discretionary investment manager and sub-advisor to U.S. Bank, and will provide active portfolio management for the City's account. Serving **over 500 PARS clients, including all of our city, county, and special district Section 115 pension and OPEB prefunding clients in CA**, HighMark provides flexible investment solutions and understands City's unique needs since it has been managing their OPEB assets since 2009.

Why is the PARS Combination Trust the best solution for City of San Leandro?

PARS has continually fine-tuned its Section 115 Trust Program to meet the distinct needs of California public agencies. Today, our program is comprised of the following key features:

- **Ready-to-use, simply organized** irrevocable Section 115 multiple employer trust and investment program that is compliant with California and federal law, as well as GASB rules. City of San Leandro already uses PARS to prefund OPEB and has for more than 11 years
- **First-of-its-kind, multiple-employer trust approach** that allows pension and/or OPEB liabilities to be prefunded within the same trust, but with assets accounted for separately (per GASB rules)
- **Market leading provider** with over 430 pension and OPEB prefunding clients, including over 130 cities in CA
- **Robust, well-established fiduciary investment structure** that aims to minimize/downside investment risk while providing strong investment performance long-term
- **IRS-approved** trust with favorable PLR that provides immediate tax-exempt status on investments to clients
- **Flexible, discretionary investment options** designed by HighMark specifically for prefunding pension liabilities - The City can select from 5 model portfolios as well as a customized option, all of which can be either actively or passively managed
- **Investment policy development, asset allocation assistance and ongoing portfolio analysis** to meet the City's objectives
- **Hands-on, individualized attention** from highly experienced PARS/HighMark service team that has a long, successful track record working with California cities
- Regular reporting that includes **monthly/annual statements, quarterly reports, and periodic in-person reviews**
- **Streamlined implementation process** with signature-ready documents and technical guidance
- **Strong, historical investment returns that are GIPS compliant** - We provide true, historical 1-, 3-, 5- and 10-year return information, not hypothetical what-if scenarios
- **No startup costs, minimum contribution requirements, transaction fees, trading fees or ongoing compliance costs**
- **Agent Multiple Employer Trust** designation to simplify GASB reporting and auditing requirements
- **Fees that decrease** as assets accumulate
- **Assistance with GASB 67/68 reporting requirements** including certified trust-wide individual agency document audits performed by CliftonLarsonAllen LLP with accompanying SOC-1 Type II audit
- Simple and financially **sound process for contribution and disbursement** of funds
- **Ongoing consulting and technical guidance** led by the City's assigned Consultant and PARS Executive Vice President, Mitch Barker
- **No red tape or fees** to enter or leave the trust in addition to a no-cost 30-day termination option
- **Local control** that enables the City to determine its own target rate of return assumptions, distribution frequencies, and risk tolerance levels
- **Fiduciary protection** from the 5th largest bank and one of the largest Section 115 trustees in the nation, U.S. Bank
- **Experience from PARS, a 37-year veteran** in the administration of retirement plans and trusts for public agencies in California

QUALIFICATIONS, FINANCIAL CAPACITY & RELATED EXPERIENCE OF PROPOSER

Provide a brief profile of the firm, including the types of services offered; the year founded; form of the organization (corporation, partnership, sole proprietorship); number, size and location of offices, and number of employees.

Established in Southern California in 1984, PARS is a privately held corporation that designs and administers customized retirement plan and trust solutions solely for public agencies. Our firm offers local government agencies control and flexibility to meet each agency's individual needs while administering programs that have saved millions of dollars in public resources. A list of our primary programs include:

- Combination trust for prefunding OPEB (already employed by City) and Pension (Pension Rate Stabilization Program)
- Alternatives to Social Security for part-time, seasonal, and temporary employees
- Early retirement & separation incentives
- Supplemental defined benefit and defined contribution plans

PARS is headquartered in Newport Beach, CA and has offices in Austin, TX and Boston, MA. We have 50 California based employees dedicated to the administration of our Section 115 trust programs.

Indicate the length of time providing investment advisory services, length of time providing Section 115 Trusts, and list of California local government clients (including contact information) you currently are contracted with to provide Section 115 Trusts.

PARS has been providing retirement plan and trust administration services for 37 years and has administered Section 115 trusts for the last 15 years. We currently provide Section 115 trust services to over 300 local governments in CA.

HighMark, the program's investment manager has provided investment advisory services for over 100 years. The firm has served PARS Section 115 trust clients since 2006 and currently provides investment management services for all 230+ of our city, county, and special district pension prefunding clients.

Provide a general description of the firm's financial condition and identify any conditions (e.g., bankruptcy, pending litigation, claims, lawsuits, planned office closures, impending merger, administrative proceedings, or other exposures) that may impede Proposer's ability to complete the Scope of Work.

PARS, U.S. Bank and HighMark are all financially stable corporations. There are no conditions that would impede our ability to complete the scope of work.

Provide the latest audited financial statement to allow the City to reasonably formulate a determination about the financial capacity of the Proposer.

PARS is a privately held company with multiple individual stakeholders. As a policy, PARS does not disclose financial information, but we have been a growing, financially stable company since inception. PARS enjoys a strong reputation of integrity and high-quality services which has resulted in the consistent growth in the number of plans serviced and assets under administration for the last 37 years.

The program trustee, U.S. Bank is a publicly traded bank with public financial statements. The Bank is recognized as one of the nation's strongest financially performing banks and ranked among the top holding companies based on several key measures of profitability and efficiency. The senior unsecured debt ratings established for U.S. Bank by Moody's, Standard and Poor's, and Fitch reflect the rating agencies' recognition for consistent financial performance of the bank and the quality of its balance sheet. U.S. Bank was excluded from Moody's downgrade of 15 of the largest banks during the recession. While other financial institutions experienced the effects of the financial climate, U.S. Bank's financial ratios continue to rank among the best in the banking industry and be in excess of "well-capitalized" requirements during this period.

State whether your Section 115 Trust program has approval from the IRS in the form of a Private Letter Ruling.

PARS received a "first of its kind" Private Letter Ruling (PLR) from the IRS in June 2015 for its innovative 'combination' trust vehicle which allows local government agencies to set aside funds to prefund pension and/or OPEB obligations. This PLR confirms the favorable tax-exempt treatment of PARS' Section 115 trust for each participating agency.

The PLR is a major advantage of the PARS program, as **the IRS is no longer issuing these rulings**. Therefore, if the City were to create its own Section 115 prefunding trust or join a multiple employer trust through a company who has not received a private letter ruling, it would not benefit from the added layer of protection that an IRS PLR provides.

State whether your firm requires a minimum investment amount to open a Section 115 Trust – and, if so, the amount.

There is no minimum investment amount required to open a Section 115 Trust account with PARS or requirement to prefund. With our program, contributions of any amount can be made at any time.

Please provide actual 1-, 3-, 5- and 10-year return history for your various portfolios.

Below is actual return history for HighMark's pre-established portfolios as of 3/31/21:

Actively Managed Portfolios

Strategy	1 Year	3 Year	5 Year	10-Year
Capital Appreciation	44.77%	11.55%	11.80%	9.19%
Balanced	38.00%	10.55%	10.57%	8.21%
Moderate	31.89%	9.52%	9.32%	7.40%
Mod. Conservative	20.82%	7.49%	6.92%	5.75%
Conservative	12.59%	6.05%	5.18%	4.46%

Passively Managed (Index) Portfolios

Strategy	1 Year	3 Year	5 Year	10-Year
Balanced	33.21%	9.91%	9.72%	7.96%
Moderate	27.38%	9.04%	8.60%	7.19%
Mod. Conservative	16.47%	7.26%	6.35%	5.51%
Conservative	9.20%	5.82%	4.62%	4.18%

Describe the firm's experience in performing work of a similar nature and highlight the participation in such work by the key personnel proposed for assignment to this Scope of Work.

PARS has been providing multiple-employer Section 115 irrevocable trust services to public agencies since 2006 and is now one of the largest providers in the nation, with **430+ member agencies and over \$4 billion in assets.** Our experience with these types of plans includes the following:

- Development of nation's first multiple-employer Section 115 Trust Program for **pension prefunding (2015) and OPEB prefunding (2006)**. The City has been using PARS to prefund OPEB since 2009.
- Development of the **first combination trust** that allows for **combined pension and OPEB prefunding (2015)**
- Fastest growing Section 115 pension prefunding trust provider in California and the nation with 233 public entities in CA joining since 2015
- **First** provider to obtain an IRS Private Letter Ruling (PLR) on a multiple-employer, Section 115 OPEB trust approach (2006), and first to obtain and IRS Private Letter Ruling on a multiple-employer **combination**

trust approach (2015), which allows for combined pension and OPEB prefunding for lower fees and ease of administration

- Largest multiple-employer Section 115 trust provider in multiple states nationwide
- Development and administration of multiple employer Section 115 Trust programs for numerous associations and group entities including the Community College League of California and California School Boards Association

In addition to PARS experience, the program's trustee (U.S. Bank) and investment manager (HighMark) also have vast Section 115 trust experience. U.S. Bank is one of the largest trustees for these type of assets in the nation with **over \$6 billion under management**, and HighMark manages **over \$3.1 billion** of PARS municipal, county, and special district Section 115 trust client assets. PARS has worked with HighMark since 1992 and with U.S. Bank since 2004.

Participation by Key Personnel

The services team assigned to the City has vast experience working with local government entities in California to implement and manage Section 115 pension prefunding trust accounts. PARS Executive Vice President, Mitch Barker, is the leading pension prefunding trust consultant in the nation, having helped over 100 California agencies set up their accounts since the program was pioneered by PARS in 2015. In all, he has over 17 years' experience assisting PARS clients with their Section 115 trust needs. Mitch helped the City to prefund its OPEB benefit in a 115 trust started in 2009.

In addition to Mitch, Senior Portfolio Manager, Randall Yurchak as well as PARS Senior Manager, Plan Implementation and PARS Vice President of Plan Accounting who are all assigned to the City's services team, have worked with PARS pension prefunding trust clients since the program was established in 2015. Together, they have served hundreds of agencies throughout California.

If utilizing any subcontractors for the servicing of the trust, please describe your relationship and provide background and experience of all services providers for the trust program (trust administration, trustee, and investment management services), including number of years the subcontractor has provided investment advisory services.

PARS will handle all day-to-day administration of the program in-house as we have done since we first began administering retirement healthcare trusts in 1996. PARS does not contract out administrative tasks to other companies; however, PARS does retain the following professionals for legal and audit work:

- PARS legal counsel for its Section 115 trust is Pillsbury Winthrop Shaw Pittman LLP, one of the largest law firms in the nation. The firm provides ongoing legal and compliance support related to federal law and was involved both with the development of our trust agreements/documents, as well as with coordination of obtaining the IRS PLR. PARS has worked with Pillsbury since 2013.
- The PARS Trust auditor is CliftonLarsonAllen LLP (formerly known as White Nelson Diehl Evans LLP). CLA is one of the largest accountancy firms in the U.S. and is built upon over 60 years of knowledge and expertise in business practices, economic trends, and the ever-changing tax scene. They also have a strong base of clients among governmental agencies, in both the auditing and consulting arenas and have served as the auditor of the PARS Trust programs since 1997.

In addition to the firms listed above, U.S. Bank will provide trustee services for the City's trust account and HighMark Capital Management will serve as investment manager. Although these firms operate independently and are not subcontractors of PARS, more information on the background and experience of these providers is listed below:

U.S. Bank

Established in 1863, U.S. Bank is the fifth largest bank and highest rated in the country. U.S. Bank has offices throughout the U.S., including many in California, and has over \$5 trillion in assets under administration. The Bank's Institutional Trust & Custody division, which is responsible for Section 115 Retirement Trust services, manages more than 2,600 clients in 27 locations.

U.S. Bank is consistently recognized for its fiscal conservativeness and sound business model which has enabled investments in core business lines such as Institutional Trust and Custody. This division that provides trustee services to PARS combination trust clients prides itself on the following qualifications:

- Sixth largest custodian in the United States with more than 2,600 clients in 27 locations
- Manages over \$450 million in client assets
- Provides trust and investment services to over 1,400 government clients
- One hundred years in institutional trust and custody business
- Has provided investment management and advisory services since 1914
- One of the largest trustees of Section 115 trust assets in the country with \$6 billion and growing

U.S. Bank has been acting as trustee and investment manager for health funding programs similar to pension and OPEB pre-funding trusts, including VEBAs and HRAs, for the last 70+ years. The Bank first began providing trustee/investment services for Section 115 trusts in 2004 when it took on a large school board association trust with PARS as the administrator. In 2012, U.S. Bank became trustee to all of PARS' 1,000+ clients and is now the largest trustee for pension pre-funding in the nation.

HighMark Capital Management

Fiduciary investment advisory/management services for clients in the PARS Section 115 trust are provided by HighMark Capital Management (HighMark). Originally established in 1919, HighMark manages and advises over \$18 billion in U.S. equity and fixed income investment strategies for a variety of individual and institutional clients including public agencies, corporate retirement plans, corporate cash portfolios, Taft-Hartley plans, hospital funds, insurance companies, foundations, and endowments.

Since the firm's founding 100 years ago, HighMark has continued to provide innovative investment solutions to its clients and remains committed to outstanding research, disciplined investment processes, and comprehensive risk management. This three-pronged approach enables HighMark to deliver insightful investment guidance and superior service while at the same time striving to exceed client expectations and deliver value at every level of the investment relationship.

HighMark has provided fiduciary investment advisory and management services to PARS' clients, including those in our retirement trust programs since 1992. Today, HighMark serves over 300 of PARS' Section 115 Trust clients,

including over 150 that prefund pension, managing in excess of \$2.5 billion in assets. HighMark has been managing the City's OPEB assets in the PARS 115 Trust since 2009.

Identify subcontractors by company name, address, contact person, telephone number and project function. Describe Proposer's experience working with each subcontractor.

As mentioned above, PARS does not use subcontractors for work on its Section 115 trust program. However, here is more detailed information on the four outside firms that play a role in the program. Listed are the direct contacts that PARS works with and their associated local office locations:

<p>Pillsbury Winthrop Shaw Pittman LLP 12255 El Camino Real, Suite 300 San Diego, CA 92130 Contact: Marcus Wu, Partner Phone: (858) 509-4030 Function: PARS legal counsel PARS has worked with Pillsbury since 2013</p>	<p>CliftonLarsonAllen LLP (CLA) 2875 Michelle Dr, Suite 300 Irvine, CA 92606 Contact: Michael Kean, Director, Assurance Phone: 714-795-5402 Function: PARS trust auditor PARS has worked with CLA since 1997</p>
<p>U.S. Bank 3121 Michelson Dr Irvine, CA 92612 Contact: Susan Hughes Phone: 949-224-7209 Function: Trustee/Custodian PARS has worked with U.S. Bank since 2004</p>	<p>HighMark Capital Management 18300 Von Karmen Ave, 5th Fl Irvine, CA 92612 Contact: Randall Yurchak, Senior Portfolio Manager Phone: (415) 705-7579 Function: Investment Manager PARS has worked with HighMark since 1992</p>

PROPOSED STAFFING & PROJECT ORGANIZATION

Provide education, experience, and applicable professional credentials of Proposer's staff assigned to provide the services requested.

The following is information on the education, experience, and applicable professional credentials of key service team members that will be assigned to the City's account from plan inception onwards. Please note that these individuals will be supported by a full team working behind the scenes at both PARS and HighMark's California headquarters.

Furnish brief resumes for the proposed Project Manager and other key personnel.

Below are brief resumes of the services team listed above:

Mitch Barker, Account Manager & Executive Vice President, PARS



Role

Mitch, who has been with PARS over 17 years, will serve as the designated Project Manager and primary point of contact to facilitate services to the City – from program initiation to ongoing administration. He will provide a full scope of consulting services and will also take responsibility for coordinating services between PARS, U.S. Bank, and HighMark. Staff will have direct access to Mitch on all matters and he will be available to meet both in-person and over the phone as often as requested.

Background & Recent Experience

Mitch's primary focus is on Section 115 Pension and OPEB prefunding programs for cities, counties, and special districts in CA, so he is particularly well-suited to design and deliver effective servicing to City of San Leandro. Mitch has helped more than 150 agencies set up their Section 115 trust account since we first started providing services in 2006, including the City of San Leandro in 2009 for prefunding OPEB.

Education & Qualifications

Mitch holds a bachelor's degree in Biomedical Sciences from Texas A&M University.

Randall Yurchak, Vice President & Senior Portfolio Manager, HighMark Capital Management



Role

As a Senior Portfolio Manager, Randy works alongside Andrew Brown as part of HighMark's Northern California team to manage investment portfolios on behalf of Section 115 Pension and OPEB prefunding trust clients, as well as other retirement plans, foundations and individual investors. He will meet with staff on an ongoing basis to discuss the City's investment needs and will work with Andrew to develop the IPS and asset allocation portfolio. Randy will be available to City staff to provide ongoing investment support at all times.

Background & Recent Experience

Randy joined HighMark in 2017 but has been working in the investment industry since 2002. Prior to joining HighMark, he was a Managing Director and Senior Portfolio Manager at Insight Capital where he managed equity portfolio strategies, contributed to business development, and oversaw operations.

Education & Qualifications

Randy has a BS in Biochemistry from University of Washington and MBA from Arizona State University. In addition, he is a CFA charterholder.

Angela Tang, Client Services Coordinator, PARS



Role

Angela will be responsible for ongoing client services related to the City's account as well as being the internal point of contact for your staff. Specifically, Angela will develop the administrator's handbook, work with the plan administrator to ensure a smooth contribution/distribution process, coordinate meetings with the trustee/investment manager, and lead the client service review meetings. Additionally, she will manage any administrative issues that arise and provide ongoing technical support regarding reporting, contributions, distributions, and other trust account activities.

Background & Recent Experience

Angela Tang is a dedicated Client Services Coordinator at PARS committed to building and maintaining relationships with clients. With over 6 years of experience in various client relations positions including 3 years working closely with public agencies as the lead for multiple projects. She is successful in understanding and meeting the unique needs of each individual client she works with. Angela joined the PARS Client Services Department in 2018.

Education & Qualifications

Angela has a BS in Animal Science & Management from the University of California, Davis.

Faith Hermann, Senior Manager, Implementation, PARS



Role

Faith will manage implementation of the City's plan, as well as monitor document compliance on an ongoing basis. If legal, legislative, and regulatory changes are identified that impact the PARS trust or the City's account, Faith will coordinate with our legal counsel in providing updated drafts/required amendments of the trust and plan documents for review by your legal counsel. Faith has served PARS clients in this role since 2013.

Background & Recent Experience

Faith brought over 13 years of experience from prior positions in project management, client services and sales with local and international clients when she joined PARS as a Plan Support Specialist in February of 2009. In 2010, Faith was promoted to the Client Services Department where she provided superior client service to over 200 clients in California, Nevada, and Texas as a Senior Client Services Coordinator. In January 2013, Faith joined the Implementation Department. She currently serves as Senior Manager where she oversees the implementation and ongoing compliance of all PARS trust programs in coordination with the PARS Trustee.

Education & Qualifications

Faith attended California State University, Fullerton majoring in English. She is currently pursuing her Certified Employee Benefits Specialist (CEBS) designation from the International Foundation of Employee Benefits and the Wharton School of Business.

Phillip Muschetto, Vice President, Plan Accounting, PARS

Role

As Vice President of Plan Accounting, Phillip is responsible for monitoring all contributions and distributions. He will perform periodic accounting and reporting for the City's trust account(s) and oversees the annual trust wide audit performed on the PARS Trust.

Background & Recent Experience

Phillip joined PARS 15 years ago. Working his way up through the Accounting Department, Phillip is now responsible for updating and allocating monthly transactions within the PARS database to more than 1,000 plans. He also oversees the reconciliation of all contributions, distributions, earnings, and expenses.

Education & Qualifications

Phillip has a BA in Finance from California State University, Long Beach, and earned an MBA in Accounting from National University.

Indicate adequacy of labor resources utilizing a table, projecting the labor-hour allocation to the Scope of Work, by individual task.

PARS will provide direct, hands-on service support to the City and will commit to providing as much attention to each individual task, as necessary. Due to the nature of the project however, we are unable to provide a labor-hour allocation by individual task. The following table provides more detail on how we will meet each of the items detailed in the scope of work:

Scope of Work Item	PARS Resources
1. Provide a comprehensive, ready to go multiple employer trust approach.	<i>The PARS Section 115 trust is a comprehensive, ready to go, multiple employer approach that currently serves 430+ local governments, including 233 in CA for pension prefunding.</i>
2. Implement the trust program within 60 days.	<i>PARS trust program can be set up in much less than 60 days. After receipt of executed trust documents, we can have your account ready for funding in 3-4 business days.</i>
3. Plan Implementation – Meet with City of San Leandro staff to discuss plan provisions, implementation timelines, actuarial valuation process, funding strategies, benefit communication strategies, data reporting, and submission requirements for contributions/reimbursements/distributions.	<i>PARS Executive Vice President Mitch Barker Client Services Coordinator Angela Tang and HighMark Senior Portfolio Manager, Randall Yurchak will meet with staff prior to implementation to discuss plan provisions, implementation timelines, actuarial valuation process, funding strategies, benefit communication strategies, data reporting, and submission requirements for contributions/reimbursements/distributions.</i>

4. Provide the necessary analysis and advisory services to finalize these elements of the Plan.	<i>The City's assigned services team will provide necessary analysis and advisory services to finalize all elements of the plan prior to plan inception and ensure City of San Leandro's needs/goals are met.</i>
5. Provide the documentation needed to establish the Plan to be reviewed and approved by City of San Leandro's legal counsel. Resulting final Plan documentation must be approved by the City Council prior to the commencement of the administration services.	<i>PARS will provide legally approved, signature ready implementation documents that will allow City of San Leandro to adopt the program. These documents were developed in conjunction with PARS attorneys, Pillsbury Winthrop Shaw Pittman LLC and have been reviewed and approved by numerous local governments since the program was established in 2015.</i>
6. Offer an IRS-approved irrevocable funding vehicle (with favorable Private Letter Ruling) to protect the City of San Leandro's assets long-term.	<i>The PARS trust is an IRS-approved irrevocable funding vehicle that received a favorable Private Letter Ruling in 2015.</i>
7. Provide a full-service program that includes trust administration, trustee, and investment management services.	<i>Our full-service program includes trust administration, trustee/custodial, investment management in one ready-to-go approach</i>
8. With City of San Leandro staff, develop an Investment Policy for the Section 115 trust.	<i>Assigned Senior Portfolio Manager, Randall Yurchak will work in conjunction with City of San Leandro staff to develop an investment policy for the City. This policy will be reviewed on an ongoing basis to ensure it remains in alignment with the City's goals and long-term objectives.</i>
9. Work directly with City of San Leandro staff to prepare asset allocation guidelines for the trust based upon its investment objectives and risk tolerance parameters.	<i>Senior Portfolio Manager, Randall Yurchak will work directly with City of San Leandro staff prior to plan inception to prepare asset allocation guidelines for the trust based upon the City's investment objectives and risk tolerance parameters.</i>
10. Provide education and presentations regarding the pension trust program to City of San Leandro.	<i>PARS will provide education and presentations regarding the pension trust program to City of San Leandro staff on an as needed/requested basis.</i>
11. Provide quarterly and annual comparative performance analyses and evaluation reports of the investments of the trust.	<i>Quarterly and annual performance analyses and reports will be provided to the City by HighMark. We will also conduct in person investment reviews no less than annually.</i>
12. Assist with GASB 67/68 reporting.	<p><i>PARS will assist with GASB 67/68 reporting and compliance by providing the following:</i></p> <ul style="list-style-type: none"> <i>○ An individual trust statement of the City's plan assets that shows a reconciliation of assets held at the beginning of the fiscal year through the end of the fiscal year, breaking out the appropriate plan contributions, benefit payments, expenses, and investment earnings</i> <i>○ Year-end audited financial statements of the Trust as a whole including Schedule of Changes in Fiduciary Net Position by Employer completed by PARS</i>

	<p><i>auditors CliftonLarsonAllen LLP that are intended to be compliant with GASB requirements.</i></p> <ul style="list-style-type: none"> ○ <i>Supporting SOC 1-Type 2 report on the controls over the calculation and allocation of additions and deductions to employer accounts within the Trust</i> ○ <i>Investment allocation data and information on investment policies including target asset allocations and allowable asset class allocation ranges</i>
13. Coordinate all contributions into the Trust and process requests for distributions.	<p><i>In conjunction with the program trustee, U.S. Bank, PARS will coordinate all contributions into the trust and process requests for disbursement. Contributions and disbursements can be made at any time to meet the needs of the City.</i></p>
14. Coordinate periodic audits of the Trust	<p><i>An audit of the PARS trust is completed annually by PARS Auditor CliftonLarsonAllen LLP.</i></p>
15. Deliverables <ul style="list-style-type: none"> • Prepare and submit a monthly statement of Plan activity to City of San Leandro • Prepare and submit a quarterly investment report of Plan activity to City of San Leandro • Prepare and submit an annual report of Plan activity to City of San Leandro • Prepare and make presentations to the City Council as requested by City of San Leandro 	<p><i>Monthly and annual statements will be provided to the City by PARS, as well as quarterly performance reports by HighMark. Additionally, we will meet in person no less than annually to provide a full administrative and investment review of the City's account and will make presentations to the City Council as often as requested by City of San Leandro.</i></p>
16. Staff Assistance The Contractor will be assigned a single point of contact on this project. Any meetings and/or correspondence related to this project shall be scheduled and approved by the Project Manager.	<p><i>PARS will work directly with the point of contact assigned by City of San Leandro to facilitate all services and correspondence.</i></p>

Identify key personnel proposed to perform the work in the specified tasks and include major areas of subcontract work.

Below is a list of key personnel assigned to the City's account and their key areas of work:

Service Team Member	Areas of Responsibility/Tasks
Mitch Barker PARS Executive Vice President & Lead Consultant	<ul style="list-style-type: none"> Provides all initial and ongoing consulting services Serves as primary point of contact Provides oversight of all trust administration services Provides education/presentations to staff and City Council Has been working with City since 2009 for OPEB
Randall Yurchak, CFA HighMark Vice President/Senior Portfolio Manager	<ul style="list-style-type: none"> Provides investment advisory management/oversight Asset allocation assistance Investment Guidelines Policy Development assistance Manages City's investment portfolio on an ongoing basis Provides quarterly investment reports Leads in-person investment reviews
Angela Tang PARS Client Services Coordinator	<ul style="list-style-type: none"> Manages ongoing client services Provides administrators handbook Serves as point of contact when questions/concerns arise
Susan Hughes U.S. Bank Vice President/Relationship Manager	<ul style="list-style-type: none"> Provides oversight of all trustee and custodial services Oversees contributions and disbursements
Faith Hermann PARS Senior Manager, Plan Implementation	<ul style="list-style-type: none"> Provides plan implementation and form assistance Provides signature ready implementation documents Ongoing document management Ongoing compliance monitoring
Phillip Muschetto PARS Vice President, Plan Accounting	<ul style="list-style-type: none"> Manages accounting of Section 115 trust client accounts Oversees statement preparation Coordinates periodic trust wide audits and annual SOC-1 report

Identify the number of projects for which your firm and the principals who will be assigned to work with City of San Leandro have acted as lead project manager in the past three (3) years. Please indicate numbers of projects both on a firm and an individual basis.

As a firm, PARS has administered **over 900** projects during the last three years, including **over 430** for Section 115 trust funding. The lead project manager, Mitch Barker, assigned to the City's account has worked on **187** projects over the last three years, of which **151** are for Section 115 trust funding.

WORK PLAN

Proposer shall provide a detailed narrative that addresses the Scope of Work and shows Proposer's understanding of City of San Leandro's needs and requirements including approach and methodology.

PARS proposed trust solution to meet the services requested by City of San Leandro is a Section 115, IRS-approved irrevocable multiple-employer trust which brings investment and administrative economies of scale to the program's member agencies. The program is formulated as an aggregation of individual employer plans, which means there is no sharing of assets or risks. This model follows the same concept that PARS has utilized successfully for its pension/OPEB prefunding clients since 1990 and is currently being used by some the largest cities, counties, and school districts in the country. Our program is structured with the following characteristics:

- **Separate Accounts**

Separate accounts (or sub-trusts) are maintained for each employer and assets are segregated by individual agency. In addition, agencies can create separate sub-accounts by CalPERS plan (e.g., Misc., Safety, etc.) or bargaining group or department, if desired.

- **Separate Liabilities**

Employer contributions provide benefits only for employees of that employer. This means there is **no cross-liability or joint liability** among participating public agencies.

- **Economies of Scale**

By using a multiple employer trust approach, the City benefits from the cost and administrative efficiencies associated with joining other public entities.

- **Local Control**

There is no central authority placing mandates on the trust that may not be in the best interests of the City. The City ultimately maintains complete discretionary oversight of the Trust.

- **Tailored Investments**

Assets can be pooled for investment purposes based on asset allocation risk models to fit with the City's actuarial and discount rate needs.

- **Combination Trust**

PARS trust approach allows both **pension and/or OPEB obligations** to be funded in one single trust. Assets are held in separate sub-accounts but **aggregated for fee calculation purposes which can result in lower fees**. The City has used PARS to prefund its OPEB benefits and lower UAL since 2009.

Advantages of a Multiple-Employer Trust

PARS recommends the use of its "turn-key" innovative Section 115 multiple employer trust program because this approach is simpler and lower in cost than a single-employer trust, and also brings the following key features:

	Multiple Employer	Single Employer
Set-Up	No set up is required as trust already exists	Set up of new trust takes time and would require costly legal review
IRS Private Ruling	Already obtained and covers entire trust	Not available as IRS no longer issuing PLRs
Documents	Existing master plan/trust documents are used which have already been vetted by every joining agency	Must be developed/created by attorney or a prototype used
Ongoing Workload of City	Minimal. Significant economies of scale and administrative efficiencies are gained through a multiple employer trust approach	Ongoing cost and effort to administer and audit – stand-alone trust can create significant work and additional costs
Compliance	Assistance provided by Trust Administrator, PARS	Responsibility of employer and its attorney and auditors
Investments	Both pooled and customized options available with active and passive platforms	Only customized options available
Economies of Scale	Yes	No
Fees	Lower due to economies of scale and can decrease with asset growth	Higher due to limited scale

Program Services

PARS Section 115, IRS approved irrevocable trust approach was designed as a comprehensive, full-service program to meet the needs of member agencies throughout California. It is structured as a collaboration of industry leaders with PARS serving as trust administrator, U.S. Bank as trustee, and HighMark Capital Management as investment manager to ensure the best possible services for participating agencies are provided. Below we have provided a full list of services that we will provide to City as part of our program:

Trust Administration (PARS)

- Signature-ready implementation documents which enable implementation to be completed within 3-4 business days of executed plan documents being received by PARS
- Maintenance of detailed accounting records, including any sub-accounting, which includes individual recordkeeping of the City's contributions, earnings, and assets
- Reconciliation of contributions to the trust account
- Coordination of distributions from the City's trust account, which includes receiving distribution documentation and directing the trustee to make distributions

- Monthly, quarterly, and annual reporting to the City as well as online reporting and any customized reports as requested
- All necessary forms, handbooks, training, and technical support
- Administrative training meeting at implementation as well as ongoing training as necessary
- Onsite client service reviews to ensure the City's ongoing satisfaction with the program
- Participation at meetings and assistance in education/presentation preparation for City Council, staff, or employee groups when requested
- Attendance at City Council meeting when contract is scheduled for approval
- Coordination of annual trust-wide audit
- Preparation and submission of documents as required by the City's auditors for GASB 67/68 reporting
- Periodic publications and resources on legislative regulatory developments related to pension prefunding
- Ongoing consulting/analytical services as needed

Trustee Services (U.S. Bank)

- Safeguarding of assets for the exclusive benefit of City employees, retirees, and beneficiaries
- Receipt and investment of the City's contributions according to selected investment strategy
- Electronic interface and reporting to the trust administrator
- Reimbursements for pension related costs
- Maintains a fiduciary oversight role with respect to plan assets and investments

Investment Management (HighMark Capital Management)

- Dedicated Senior Portfolio Manager who will be directly available (by cell phone) to the City at all times
- Flexible investment options that include both pre-established and customized portfolio options
- Ongoing fiduciary role overseeing plan investments
- Development of Investment Policy Statement (with asset allocation guidelines) in conjunction with County staff
- Assistance with asset allocation and investment portfolio development/selection based on City's investment objectives, risk tolerance and discount rate
- Ongoing account monitoring and investment policy assistance
- Ongoing asset rebalancing
- Quarterly investment reports, comparative analyses, and periodic onsite client reviews
- Open architecture investment program

Steps to Implementation

Below is a proposed implementation:

1. City Council adopts resolution authorizing City to join PARS Combo Trust and appoints Plan Administrator (PA)
2. City sends signed copy of resolution to PARS
3. PARS sends set of signature-ready documents to City
4. PARS coordinates meeting with City and HighMark Capital Management to discuss investment options and select strategy
5. City signs documents and returns to PARS
6. PARS works with Trustee/U.S. Bank to establish account
7. PARS notifies City account is ready and includes Contribution Instructions
8. City sends directive to transfer assets from original OPEB-only trust adopted in 2009 to subaccount in new Combo Trust
9. City makes Contribution for Pension using Transmittal Form when desired
10. PARS and HighMark conduct annual reviews (unless more frequently desired)

Describe the level of assistance your firm provides regarding investment strategy selection and investment policy development.

As the program's investment manager, HighMark will assist the City with the investment of its assets by providing **asset allocation recommendations** and **investment strategy selection** assistance prior to program inception. However, prior to making any recommendations, designated Portfolio Manager Randall Yurchak, will gain an in-depth understanding of the City's circumstances. He will focus on determining a diversified, multi-asset portfolio structure that represents an optimal asset mix based on your time horizon, risk tolerance level, and liquidity needs. Primary consideration for asset allocation is given to the following:

- **Investable Cash Flow** – How does the City plan to prefund its pension liabilities?
- **Return Expectations** – What are the target rate of return assumptions for the plan?
- **Risk Tolerance** – What is the comfort level with investments and varying risk?
- **Income and Liquidity Needs** – What are needs for income to pay current liabilities? When will money be needed?
- **Investment Restrictions** – What type of investments are not permitted by the City?

After receiving input from staff, Randall will develop an **Investment Guidelines Document (IGD)** unique to the City, which will serve as the foundation for all investment decisions moving forward. Once the IGD has been completed, it must be reviewed and approved by the designated Plan Administrator before going into effect.

Investment Options

The PARS Section 115 trust was designed to give client agencies maximum investment flexibility. Utilizing HighMark as discretionary investment manager, the City has the following choices related to the investment of its funds.

1. Five Risk Tolerance Levels

The City can participate in one of five risk tolerance levels that have been developed specifically for clients in PARS Section 115 Trust Programs. The five portfolios include: (a) actively managed underlying mutual funds intended to outperform benchmarks or (b) low-cost Index/Exchange-Traded Funds (ETFs) which are baskets of stocks tracking the composition and performance of most leading market indices. The following table provides shows the current tactical asset allocation targets for each of the five portfolios:

Strategy	Equity (%)	Fixed Income (%)	Cash (%)
Capital Appreciation	77%	22%	1%
Balanced	62%	37%	1%
Moderate	51%	48%	1%
Mod. Conservative	31%	68%	1%
Conservative	15%	84%	1%

2. Customized Approach

Using a discretionary trustee approach, the City can customize its own portfolio under the investment and fiduciary advice of HighMark to include: (a) any funds available under an open architecture trading platform, (b) any combination of active and index funds in the pre-established portfolios, or (c) individual securities/bonds to reduce costs. This customized option, which requires \$5 million in assets or more, gives the City full flexibility of its investments.

Describe the full scope of consulting services you provide in analyzing funding options and designing a funding program.

PARS will work closely with City staff from the outset to analyze and implement a trust program that will help the City address its rising pension liabilities. Lead Consultant Mitch Barker will oversee implementation, design and administration of the City's trust account and can provide the following consulting services from the initial program development phase onwards:

- Discussion of plan and trust design options
- Analysis and review of various funding options including sample funding policies from other cities in PARS 115 Trust
- Assistance with developing and modifying funding policies

- Analysis and discussion of actuarial issues and valuations
- Monitoring/updates of legislation, laws, and regulations impacting pension pre-funding
- Development of materials and presentations to assist the City and its City Council in understanding pension pre-funding/trust services
- On-site reviews to discuss modifications to funding and investment strategies based on changing program, and/or budgetary circumstances

Describe the fees for services offered.

Trust Administration/Consulting Fees



PARS

TRUSTED SOLUTIONS. LASTING RESULTS.

Plan Set-Up Fee:

None

Ongoing Fees:

0.25%	for assets \$0-10 million
0.20%	for assets \$10-15 million
0.15%	for assets \$15-50 million
0.10%	for assets over \$50 million

Discretionary Trustee/Investment Management Fees



Plan Set-Up Fee:

None

Ongoing Fees:

0.35%	for assets under \$5 million
0.25%	for assets \$5-10 million
0.20%	for assets \$10-15 million
0.15%	for assets \$15-50 million
0.10%	for assets over \$50 million

*City of San Leandro already has \$21.1M (as of February 28, 2021) in OPEB assets and all future Pension assets will be combined resulting in lower fees.

WHY PARS?

1. 115 Trust services for Prefunding Pension and OPEB is our Core business, unlike CalPERS and PFM

Market pioneer and leader with over 225 Pension prefunding client agencies in California including Alameda, Atherton, Benicia, Brisbane, Burlingame, Capitola, Colma, Cupertino, Daly City, Dublin, Emeryville, Fairfax, Fairfield, Gilroy, Half Moon Bay, Healdsburg, Hercules, Los Altos Hills, Morgan Hill, Napa, Novato, Oakley, Pacifica, Palo Alto, Piedmont, Pinole, Pittsburg, Pleasanton, Redwood City, Rohnert Park, Ross, San Anselmo, San Ramon, Santa Clara, Sausalito, Stockton, Tiburon, Union City, Vallejo, Woodside, & Yountville (vs. approximately 20 for CalPERS and 10 for PFM)

3. 1st IRS-approved Section 115 Combination Trust (1 of only 2 in the nation capable of prefunding both OPEB and Pension in the same trust); CalPERS CERBT & CEPPT are separate trusts

4. We offer mutual indemnification clause in agreements, unlike CalPERS

5. Can reimburse Agency for up to 2 years of OPEB expenses (current year + prior year) vs. CalPERS who only reimburses for 1 year; helpful in an emergency or tough budget year

Dedicated Portfolio Manager

6.
 - Fiduciary responsibility
 - Investment policy assistance
 - Annual onsite reviews
 - Cell phone access

7. Choice of 5 active or 5 passive portfolios or custom option vs. 3 passive options only for CERBT and 2 passive options only for CEPPT

8. No minimum fees (unlike PFM with \$20K annual fee and Wells Fargo with \$5-8K annual fee)

9. Greater Net Performance (8.71% vs. 7.96% for CalPERS; 10-Year Returns as of 12/31/20)

APPENDIX:

PARS TRUST AUDIT – SCHEDULE OF CHANGES IN FNP CITY OF SAN LEANDRO (AS OF JUNE 30, 2020)

*PARS TRUST AUDIT – FINANCIAL STATEMENTS (AS OF JUNE 30, 2020)
EXCLUDED BUT AVAILABLE UPON REQUEST

**PUBLIC AGENCIES POST-RETIREMENT
HEALTH CARE PLAN TRUST**

**SCHEDULE OF CHANGES IN FIDUCIARY
NET POSITION BY ACCOUNT**

TWELVE MONTHS ENDED JUNE 30, 2020

**WITH INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**



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OUTSOURCING
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CONSULTING**

PUBLIC AGENCIES POST-RETIREMENT HEALTH CARE PLAN TRUST
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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

The Trust Administrator of the
Public Agencies Post-Retirement Health Care Plan Trust

We have audited the financial statements of the Public Agencies Post-Retirement Health Care Plan Trust (the Trust) as of and for the twelve months ended June 30, 2020, and our report thereon dated December 4, 2020, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of changes in fiduciary net position by account and contributions and reimbursements outside of the Trust are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of changes in fiduciary net position by account is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The supplementary schedule of contributions and reimbursements outside of the Trust has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

This report is intended solely for the information and use of the Trust administrator, plan administrators, and the participating employers and their auditors and is not intended to be, and should not be, used by anyone other than those specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
December 4, 2020

PUBLIC AGENCIES POST-RETIREMENT HEALTH CARE PLAN TRUST
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION BY ACCOUNT
FOR THE TWELVE MONTHS ENDED JUNE 30, 2020

Employer Account Number	VB-PRC09A	VD-PRC09A	VF-PRC09A	VK-PRC09A	VL-PRC09A
ADDITIONS:					
Employer contributions	\$ 20,000	\$ 1,500,000	\$ 2,969,000	\$ 846,133	\$ -
Transfer of plan assets from other trusts	-	-	-	-	-
Subaccount transfer	-	-	-	-	-
Net investment income (loss)	23,820	801,925	616,176	335,821	570,315
TOTAL ADDITIONS	43,820	2,301,925	3,585,176	1,181,954	570,315
DEDUCTIONS:					
Reimbursements to employers for plan-directed benefit payments	-	-	811,751	-	1,374,670
Transfer of plan assets to other trusts	-	-	-	-	-
Subaccount transfer	-	-	-	-	-
Administrative expenses	-	40,057	42,654	23,028	39,976
TOTAL DEDUCTIONS	-	40,057	854,405	23,028	1,414,646
INCREASE (DECREASE) IN NET POSITION	43,820	2,261,868	2,730,771	1,158,926	(844,331)
NET POSITION RESTRICTED FOR OPEB BENEFITS:					
JULY 1, 2019	657,595	16,887,508	18,500,192	8,869,961	18,859,962
JUNE 30, 2020	\$ 701,415	\$ 19,149,376	\$ 21,230,963	\$ 10,028,887	\$ 18,015,631

PUBLIC AGENCIES POST-RETIREMENT HEALTH CARE PLAN TRUST
SUPPLEMENTARY SCHEDULE OF CONTRIBUTIONS
AND REIMBURSEMENTS OUTSIDE OF THE TRUST
FOR THE TWELVE MONTHS ENDED JUNE 30, 2020
(UNAUDITED)

Employer Account Number	VB-PRC09A	VD-PRC09A	VF-PRC09A	VK-PRC09A	VL-PRC09A
Employer contributions outside of trust	\$ 42,580	\$ 1,508,460	\$ 977,417	\$ 769,012	\$ 1,505,982
OPEB reimbursements outside of trust	\$ 42,580	\$ 1,508,460	\$ 977,417	\$ 769,012	\$ 1,505,982

(Continued)

See accompanying notes to the schedule.

PUBLIC AGENCIES POST-RETIREMENT HEALTH CARE PLAN TRUST
NOTES TO SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION BY ACCOUNT
TWELVE MONTHS ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES:

Basis of Presentation

The accompanying schedule of changes in fiduciary net position by account (the Schedule) has been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to governmental organizations. The Public Agencies Post-Retirement Health Care Plan Trust (the Trust) has a December 31 year-end; however, this Schedule has been presented for the twelve months ended June 30, 2020, to assist member public agencies with their financial reporting requirements.

Contributions and reimbursements outside of the Trust represent employer activity that was not processed by the Trust and is based solely on information submitted by the member public agencies. Accordingly, such information is unaudited.

Measurement Focus and Basis of Accounting

The Trust is accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Employer contributions are voluntarily determined by each member public agency's funding schedule and therefore are elective and not required. Member public agency plan participants are not permitted to make contributions to the Trust. There are no long-term contracts for contributions to the plan. Public Agency Retirement Services (PARS) recognizes contributions to the Trust when received. The contributions to the Trust do not include any additional amounts paid by member public agencies directly for health insurance premiums or to other trusts or actuarially determined implied subsidiaries. Member public agencies may receive reimbursements from the Trust in an amount not to exceed plan-directed benefit payments. Reimbursements are recognized upon the receipt of a request from the member public agencies.

Net investment income (loss) represents realized and unrealized gains and losses based on the fair value of investments, interest, and dividends, net of investment expenses. Investment income/loss is allocated to each member public agency based on the member public agencies' percentage of ownership in the respective investment strategies using the monthly investment gain/loss provided by the custodian bank. The recognition of investment income/loss is also affected by the timing of the other post-employment benefit (OPEB) contributions and reimbursements. Investment expense consists of trustee fees that are recognized as incurred and are allocated based on the agency's trustee agreement and selection of investments held in the agency's account. Administrative expenses are recognized as incurred and consist of administrative fees that are allocated to each member public agency based on each agency's administrative services agreement with PARS.

Estimates

The preparation of the Schedule in accordance with accounting principles generally accepted in the United States of America requires management to make significant estimates and assumptions that affect the reported amount of additions and deductions during the reporting period. Actual results could differ from those estimates.

PUBLIC AGENCIES POST-RETIREMENT HEALTH CARE PLAN TRUST
NOTES TO SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION BY ACCOUNT
TWELVE MONTHS ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (CONTINUED):

Relationship of the Schedule to the Trust's Financial Statements

The Schedule was reconciled to the Trust's statement of changes in fiduciary net position in the Trust's financial statements for the twelve months ended June 30, 2020, with no differences to be noted.

2. TRUST DESCRIPTION:

The Trust is a public agency agent multiple-employer post-retirement health care trust that was established on November 1, 2005, and amended and restated as of May 16, 2007, to provide member public agencies economies of scale and efficiency of administration in the funding of each agency's respective OPEB obligations. Any public agency may join the Trust by establishing an OPEB plan, appointing an employee as its plan administrator, adopting a trust agreement between U.S. Bank National Association and Phase II Systems (the Trust Administrator), a California corporation doing business as PARS, and adopting an administrative services agreement with the Trust Administrator. The basic duties of the Trust Administrator are receiving and tracking contributions based solely on data received from the member public agencies, accumulating and transferring those contributions into investment accounts, and paying benefits under the direction of the plan administrators of the plans contained within the Trust.

The Trust held assets of 167 member public agency plans for the twelve months ended June 30, 2020. Assets held in a member public agency's accounts are available only to fund the member public agency's OPEB obligation and defray reasonable expenses associated with the same. The assets of the Trust that are held in a member public agency's accounts are not available to pay the obligations incurred by any other member public agency.

The governing body of the Trust is composed of a coalition of the member public agencies. Certain provisions of the Trust may be changed by a two-thirds vote of the member public agencies.

The accounts of member public agencies in the Trust are qualified under Section 115 of the Internal Revenue Code (the Code) and are therefore exempt from federal income taxes under Section 501(a) of the Code and from applicable state income taxes. Each account in the Trust stands alone as an independent entity for tax and legal purposes and is subject to the pre-Employee Retirement Income Security Act of 1974 rules of the Code.

3. TRANSFERS:

Subaccount transfers of \$449,634 represent transfers between two subaccounts within the Trust. Incoming transfers of \$8 and outgoing transfers of \$6,526,967 relate to plan assets transferred by member public agencies between the Trust and the Public Agencies Post-Employment Benefits Trust, which is a separate trust also administered by PARS. The remaining \$9,338,515 of transfers out was transferred to other third-party trustees.