PARS PUBLIC AGENCY RETIREMENT SERVICES

CITY OF FORTUNA

PARS 115 Trust – Pension Rate Stabilization Program (PRSP)

December 2024

YOUR CONTACTS

PARS. PUBLIC AGENCY RETIREMENT SERVICES

pfm asset management

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Director, Senior Portfolio Manager
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PARS IRS-APPROVED 115 TRUST TEAM

As of June 30, 2024

Trust Administrator & Consultant*

PARS PUBLIC AGENCY RETIREMENT SERVICES

- Serves as record-keeper, consultant, and central point of contact
- Sub-trust accounting
- Coordinates all agency services
- Monitors plan compliance (IRS/GASB/State Government Code)
- Processes contributions/disbursements
- Hands-on, dedicated support teams

40	2,000+	1,000+	500+	500K+	$9.2B
Years of Experience (1984-2024)	Plans under Administration	Public Agency Clients	115 Trust Clients	Plan Participants	Assets under Administration

** See important information regarding PARS in the Disclaimer page at the end of the presentation.*

Trustee

usbank

- 5th largest commercial bank and one of the nation's largest trustees for Section 115 trusts
- Safeguard plan assets
- Oversight protection as plan fiduciary
- Custodian of assets

161	$11.0T
Years of Experience (1863-2024)	Assets under Administration

Investment Manager

pfm asset management

- A division of U.S. Bancorp Asset Management, Inc.
- Fixed income and multi asset portfolios
- Active and passive investment options
- Customized portfolios (with minimum asset level)

40+	$240B+ *
Years of Investment Experience	Assets under Management & Advisement

**Please see disclosures at the end of this presentation*

115 TRUST CLIENTS (500+) INCLUDING:

Updated: November 2024

CITIES

Crescent City
Fairfax
Fort Bragg
Healdsburg
Oroville
Rohnert Park
Ross
San Anselmo
Sausalito

SPECIAL DISTRICTS

Bodega Bay Public Utilities District
Feather River Air Quality Mgmt. District
Glenn Colusa Irrigation District
Housing Authority of the County of Butte
Humboldt Bay Fire Joint Powers Authority
Humboldt Bay Municipal Water District
Humboldt No. 1 Fire Protection District
Napa County Mosquito Abatement District
North Coast Air Quality Management District
Placer County Air Pollution Control District
Placer County Resource Conservation District
South Placer Fire Protection District
Superior Court of CA, County of Marin
Superior Court of CA, County of Shasta
Superior Court of CA, County of Siskiyou
Superior Court of CA, County of Sonoma
Yolo-Solano Air Quality Management District

COUNTIES

Colusa
Glenn
Humboldt
Lake
Lassen
Mendocino
Napa
Siskiyou
Sonoma
Sutter
Tehama
Yolo
Yuba

EDUCATION

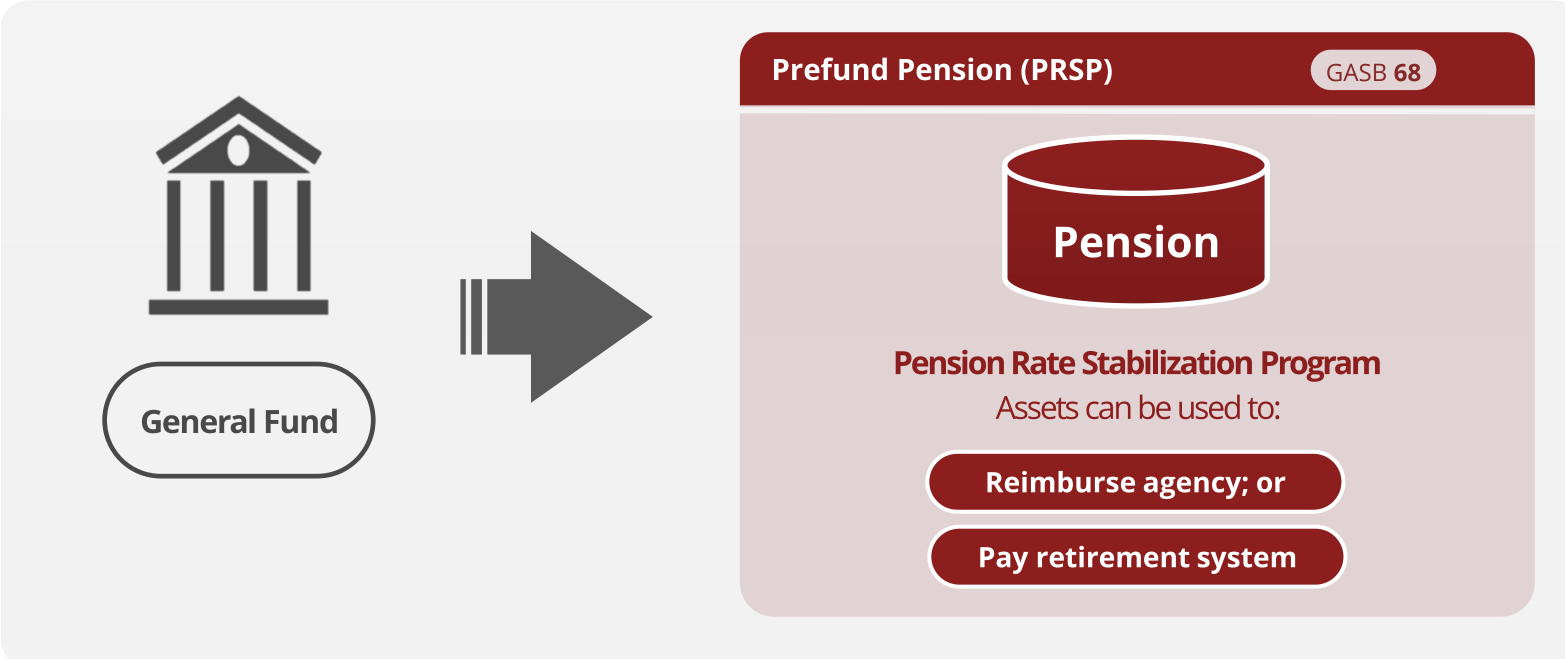
Auburn Union SD
Cording Union SD
Cotati-Rohnert Park USD
El Dorado Union HSD
Napa Valley USD
Marin CCD
Placer Union HSD
Red Bluff JUHSD
Red Bluff Union SD
Roseville JUHSD
Shasta-Trinity-Tehama CCD
Yuba CCD

The

PARS PENSION RATE STABILIZATION PROGRAM (PRSP)

for prefunding pension obligations

FEATURES OF THE PARS PRSP



Subaccounts

Pension assets can be divided by dept., bargaining group, or cost center

Financial Stability

Assets in the PARS Section 115 Trust can be used to address unfunded liabilities.

Flexible Investing

Choice of 5 risk tolerance levels or custom strategy

Anytime Access

Trust funds are available anytime for Pension-related expenses

Economies-of-Scale

As assets grow, lower fee rates will be reached on tiered schedule – saving money

No Set Up Cost or Minimums

No set-up costs, no minimum annual contribution amounts, and no fees until assets are added.

YOUR PENSION FUNDING STATUS

As of June 30, 2023, City of Fortuna's CalPERS pension plan is funded as follows:

Combined Miscellaneous & Safety Groups*	Valuation as of June 30, 2022	Valuation as of June 30, 2023	Change
Actuarial Liability	$45.3 M	$48.2 M	6.3% ↑
Assets	$33.1 M	$36.4 M	9.9% ↑
Unfunded Liability	$12.2 M	$11.8 M	3.4% ↓
Funded Ratio	73.1%	75.6%	3.4% ↑
Employer Contribution Amount	$1.4 M (FY 23-24)	$1.6 M (FY 24-25)	13.7% ↑
Employer Contribution Amount – Projected*	---	$2.1 M (FY 30-31)	33.2% ↑

**Data through 2030-31 from Agency's latest CalPERS actuarial valuation.*

CALPERS ADP VS PARS PRSP

CalPERS ADP

- **GASB:** For reporting, this reduces Net Pension Liability for the Pension plan, and typically amortized over 20 years
- **Investment Strategy:** No choice; Aggressive only
- **Control:** Restricted – cannot ask for refund during tough budget year or emergency

PARS PRSP

- **GASB:** For reporting, this is an indirect offset on your Balance Sheet per outside auditing firms
- **Investment Strategy:** Five (5) choices from more conservative to less conservative
- **Control:** Agency has local control over assets; Money can be used for Pension-related expenses

WHY PREFUND PENSION OBLIGATIONS?

1 **Complete Local Control over Assets**

City has complete control over contributions and disbursements, including timing, amount, and risk tolerance level

2 **Pension Smoothing Tool**

Assets can be transferred to retirement system plan at the City's direction, which can reduce or eliminate large fluctuations in required Employer contributions to retirement system

3 **Rainy Day Fund**

Emergency source of funds when Employer revenues are impaired based on economic or other conditions

4 **Diversified Investing = Potential for Greater Return than General Fund**

Can choose risk tolerance level for the City's unique needs

WHY CHOOSE THE PARS PRSP?

1. 115 Trust services for prefunding Pension is our core business, unlike CalPERS.

2. We're the market pioneer and leader re: Pension prefunding.
   - PARS PRSP: 309 client agencies in California ($2.1 Billion in assets)
   - CalPERS CEPPT: ~97 client agencies ($285 Million in assets)

3. Dedicated Portfolio Manager
   - Fiduciary responsibility
   - Investment Policy assistance
   - Periodic reviews
   - Cell phone access

4. Greater Net Performance (1-Year Net Returns as of 6/30/24):
   - PARS/Moderate of 11.10%
   - CalPERS CEPPT/Strategy 1 of 8.51%

5. We provide greater choices for your investments.
   - PARS PRSP: 5 strategies or custom strategy
   - CalPERS CEPPT: 2 passive options

INVESTMENT STRATEGY SELECTION PROCESS

1. Input Phase

- Target discount rate
- Risk tolerance
- Investment philosophy
- Asset allocation
- Timing on use of funds

2. Model Portfolios

Strategy	Equity	10-Yr Returns*
Capital Appreciation	65-85%	8.09%
Balanced	50-70%	7.23%
Moderate	40-60%	6.39%
Moderately Conservative	20-40%	4.67%
Conservative	5-20%	3.37%
vs. LAIF	*0%*	*1.58%***

10-Year Active Portfolio annualized returns as of September 30, 2024 (Gross of Investment Management Fees, but Net of Embedded Fund Fees).

*****Avg. LAIF apportionment rate (released quarterly) over the 10-Year period ending September 30, 2024.***

The advisor to the PARS portfolios is U.S. Bank, and PFM Asset Management serves as sub-advisor to U.S. Bank to manage these portfolios.

Prior to January 1, 2024, HighMark Capital Management, Inc. ("HighMark") acted as sub-advisor to the PARS portfolios.

HighMark, including its clients and investment personnel, was consolidated into its affiliate, PFM Asset Management LLC (PFMAM) on January 1, 2024.

3. Dedicated Portfolio Manager/ Investment Specialist

- Makes recommendation
- Fiduciary responsibility
- Investment policy statement
- Periodic reviews
- Cell phone access

PARS PRSP PROGRAM FEES

Trust Administration/Consulting Fees *

PARS. PUBLIC AGENCY RETIREMENT SERVICES

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 **

usbank

pfm asset management

As subadvisor to U.S. Bank

Plan Set-Up Fee:

None

Ongoing Fees Paid to U.S. Bank:

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

* *PARS does not receive any compensation from the investments or any commissions, back-end loads, or any other forms of compensation.*

** *Subject to change due to rebalancing. Additional information on PFMAM and a description of its fees are described in its ADV which is also available on the SEC's website at www.adviserinfo.sec.gov. Fees charged by U.S. Bank National Association ("U.S. Bank"), as Discretionary Trustee/Investment Management fees are based on individual agency assets. U.S Bank has retained its affiliate, PFM Asset Management LLC ("PFMAM"), an SEC Registered Investment Advisor, as its sub-advisor to provide investment management services. U.S. Bank compensates PFMAM for these services from its own fees, as detailed above. Additional information about PFMAM is described in its ADV, available at https://adviserinfo.sec.gov.*

SAMPLE FUNDING POLICIES

1.	Contribute 50% of a given year's realized year end surplus to address pension liability	**Alameda/Solana Beach**
2.	Contribute full amount of annual PERS employer cont, allowing anytime access to trust assets	**City of Brea**
3.	Contribute funds to stabilize PERS employer Misc. and Safety rates through FY 23-24	**City of Healdsburg**
4.	"One equals five plan" - $1M contribution for 5 years will save taxpayers $5M over 25 years	**City of Huntington Beach**
5.	Contribute Employer contribution equal to the 2.8% discount rate, with difference going into the Section 115 Trust	**City of Sausalito**
6.	Earmark a portion of a local sales tax to be set aside for unfunded pension liabilities	**City of Fountain Valley**
7.	Use savings from "lump sum" CalPERS annual employer contribution amount vs. higher monthly payments	**City of Pasadena**
8.	Use one-time revenue source and lower the minimum General Fund Reserve level (30% → 20%)	**City of Glendale**

WHY TAKE THIS STEP?

1. Smooths out pension rate volatility
2. Offers hedge against inflation
3. Provides a fiscal tool in your financial toolbox
4. Prepare today for tomorrow's pension realities

Questions?

APPENDIX

NET PERFORMANCE FEE ANALYSIS

As of September 30, 2024

	Over 1 Year		Over 3 Years		Over 5 Years	
	PARS		**PARS**		**PARS**	
	Moderate* (50% Fixed Income/Cash)	21.55%	**Moderate*** (50% Fixed Income/Cash)	3.73%	**Moderate*** (50% Fixed Income/Cash)	6.83%
	minus weighted PARS administration fee	(-) 0.25%	minus weighted PARS administration fee	(-) 0.25%	minus weighted PARS administration fee	(-) 0.25%
	minus weighted investment management fee	(-) 0.35%	minus weighted investment management fee	(-) 0.35%	minus weighted investment management fee	(-) 0.35%
	1-Year Net Return	**20.95%**	**3-Year Net Return**	**3.13%**	**5-Year Net Return**	**6.23%**
	CALPERS CEPPT		**CALPERS CEPPT**		**CALPERS CEPPT**	
	Strategy 1** (49% Fixed Income/Cash)	20.97%	**Strategy 1**** (49% Fixed Income/Cash)	2.59%	**Strategy 1**** (49% Fixed Income/Cash)	5.61%
	minus fees	(-) 0.28%	minus fees	(-) 0.24%	minus fees	(-) 0.25%
	1-Year Net Return	**20.69%**	**3-Year Net Return**	**2.35%**	**5-Year Net Return**	**5.36%**

The advisor to the PARS portfolios is U.S. Bank, and PFM Asset Management serves as sub-advisor to U.S. Bank to manage these portfolios. Prior to January 1st, 2024, HighMark Capital Management, Inc. ("HighMark") acted as sub-advisor to the PARS portfolios. HighMark, including clients and investment personnel, was consolidated into its affiliate, PFM Asset Management LLC (PFMAM) on January 1st, 2024. Please see important additional disclosures to the PARS portfolios included in the individual strategy fact sheets at the end of this presentation.

**Annualized Returns over 1, 3 and 5 years are based on the PARS/115P Moderate Strategic Blend portfolio. The returns provided are gross of investment advisory fees and net of mutual fund fees.*

Subject to change due to rebalancing; Past performance does not guarantee future results; PARS program fees are illustrated based on assets under $5.0 Million

***Source: CEPPT Strategy 1 quarterly fact sheet. www.calpers.ca.gov as of September 30, 2024.*

Disclosures

The views expressed within this material constitute the perspective and judgment of U.S. Bancorp Asset Management, Inc. (USBAM) at the time of distribution and are subject to change. Any forecast, projection, or prediction of the market, the economy, economic trends, and equity or fixed-income markets are based upon current opinion as of the date of issue and are also subject to change. Opinions and data presented are not necessarily indicative of future events or expected performance. Information contained herein is based on data obtained from recognized statistical services, issuer reports or communications, or other sources, believed to be reliable. No representation is made as to its accuracy or completeness.

PFM Asset Management (PFMAM) serves clients in the public sector and is a division of U.S. Bancorp Asset Management, Inc. which is the legal entity providing investment advisory services. U.S. Bancorp Asset Management, Inc. is a registered investment adviser, a direct subsidiary of U.S. Bank N.A. and an indirect subsidiary of U.S. Bancorp. U.S. Bank N.A. is not responsible for and does not guarantee the products, services, or performance of U.S. Bancorp Asset Management, Inc.

Public Agency Retirement Services ("PARS") is a third-party and not affiliated with PFMAM, USBAM or U.S. Bank. PARS serves as the trust administrator to the Public Agencies Post-Employment Benefits Trust, Public Agencies Post-Retirement Health Care Plan Trust, and the Public Agency Retirement System Trust (the "Trusts"). U.S. Bank N.A. serves as the discretionary trustee to the Trusts. In its capacity as discretionary trustee, U.S. Bank N.A. delegates the investment management of the Trusts to its affiliate USBAM through a sub-advisory agreement. PARS is serviced by PFMAM, a division of USBAM.

U.S. Bank N.A. pays the sub-adviser up to 67% of the annual management fee for assets sub-advised under its sub-advisory agreement with U.S. Bank N.A. Refer to your U.S. Bank N.A. fee schedule for investment management fees applied to your specific portfolio. U.S. Bank N.A. compensates the sub-adviser for these services from its own fees.

NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE

For Institutional Investor or Investment Professional Use Only – This material is not for inspection by, distribution to, or quotation to the general public.

AGENCY:	City Council
MEETING DATE:	June 27, 2022
DEPARTMENT:	Finance
PRESENTED BY:	Isaac Whippy
EMAIL ADDRESS:	iwhippy@fortbragg.com

AGENDA ITEM SUMMARY

TITLE:
Receive Finance and Administration Committee Recommendation on the Establishment of a Section 115 Trust with Public Agency Retirement Services (PARS) for the Purpose of Pre-Funding the City's Future Unfunded Liability with California Public Employees Retirement System (CalPERS)

ISSUE:
The City Council is being asked to approve establishing a third-party irrevocable trust to pre-fund a portion of the City's long-term financial pension obligation. Approval of a Trust implements one of the strategies included in the Council Adopted Pension Funding Policy and is a recognized best practice that will help the City achieve greater financial sustainability.

BACKGROUND
The City of Fort Bragg has two defined benefit pension plans with the California Public Employees' Retirement System (CalPERS) - one Miscellaneous Plan and one Safety Plan (Police and Fire). All qualified permanent and probationary employees are eligible to participate in the pension plan for which they are eligible members based on their employment position with the City. Over the last eight years, the City's aggregate UAL for its CalPERS Miscellaneous and Safety Plans has more than doubled, growing from $5.5 million to about $11.4 million (6/30/2020 valuation report).

In July 2021, it was announced that CalPERS earned 21.3% for FY 2021, and that the discount rate (their assumed earnings rate moving forward, as well as the amount charged to local agencies with respect to their UAL) was reduced to 6.80% in December 2021. The 21.3% gain will significantly reduce the City’s UAL while the reduction in discount rate will slightly increase the UAL.

The UAL represents the shortfall/gap between what is actuarially expected to be needed to pay retiree benefits over time compared to the current assets on hand and expected earnings on those assets from City contributions, employee contributions and past CalPERS earnings. The $11.4 million of UAL debt is reduced over time through payments required by CalPERS. The payments are defined through multiple amortization schedules over 3 to 28 years, and interest is charged to the City at the current rate of 6.8%. Pension cost increases are the largest financial challenge facing most cities throughout the state and are primarily due to factors outside the City’s control, including discount rate changes, assumption changes made by CalPERS and investment returns that were below expectations.

AGENDA ITEM NO. 8C

Like most California public agencies, the City of Fort Bragg is facing the financial challenges associated with rising pension costs. For several years the City has been exploring ways to reduce the City's Unfunded Accrued Liability (UAL) or pension liability.

(i) During the FY 2019/20 Budget preparation, the City Council established a policy that fifty percent (50%) of any General Fund operating surplus realized at year-end would be used to pay down the City's UAL.

(ii) In October 2021, the City Council approved a Pension Funding Policy to deploy various strategies to achieve the following objectives: reduce projected pension contributions to maintain services and increase the funding ratio for the City's Safety and Miscellaneous CalPERS plans.

(iii) The City issued $11.4 million in taxable Lease Revenue Bonds in November 2021, of which $7.5 million were used to reduce the City's unfunded pension liability. Additionally, CalPERS recognized a record 21.3% investment return for the fiscal year ended June 30, 2021, reducing the City's UAL. Unfortunately, as of April 2022, CalPERS is at -5% return on investment, together with lowering the discount rate from 7% to 6.8% in December 2021 which will result in a new significant UAL.

One option would be to continue to fund pension costs on a "pay-as-you-go" basis, with the City making the minimum required contribution each year. As costs continue to increase, a larger burden would be placed on the City's operating budget.

A second option would be to make additional payments to CalPERS above the minimum required amount. The risk of this option is that the additional funds placed with CalPERS would be subject to the same investment volatility as other CalPERS funds.

A third option, which many California municipalities have implemented, would be the establishment of a pension trust authorized under Section 115 of the Internal Revenue Code to accumulate funds to offset the unfunded liability and to smooth the impact of future cost increases. The advantage of this option over depositing additional funds with CalPERS is that the City would retain control over managing the funds invested in the Trust. The funds would also be available to reduce the impact of future cost increases in those years when the City might be experiencing budget shortfalls. Cities and counties use section 115 Trusts to reserve funds against pension liabilities. Funds can be transferred from a Section 115 Trust to pay for pension costs; they cannot be used for other purposes.

SECTION 115 REQUEST FOR PROPOSAL

A Request for Proposals (RFP) for Section 115 Pension Trust Services was issued in April 2022. Two proposals were received from Public Agency Retirement Services (PARS) and CalPERS California Employers' Pension Prefunding Trust (CEPPT). The proposals were evaluated based on the firms' experience providing Section 115 pension trust services to other California municipalities and the managed funds' performance history and costs. Based on that analysis, PARS is being recommended as the preferred plan administrator.

PARS, which was established in 1984, has been designing and administering retirement plans and trust solutions exclusively for public agencies for the past 38 years. They currently administer over 2,000 programs for more than 1,000 public agencies, including 490+ Section 115 clients with 261 in California worth $5.1 billion. PARS offers five investment strategies and asset management fees for 25 basis points (0.25%) and 35 basis points (0.35%) for US Bank serves as trustee/custodian for the PARS program with HighMark Capital Management providing investment management services. Contributions to the trust fund are strictly voluntary by the City and can be accessed at any time. Fees are only charged when assets are added to the Trust.

In contrast, CEPPT established in 2019 administers and manages $70 million in assets on behalf of 67 plans. Asset management fees are 25 basis points (0.25%). CEPPT offers only two investment strategies CEPPT#1 and CEPPT#2.

Funds are set aside in an exclusive benefit irrevocable Trust that cannot be accessed by creditors or used by the City for non-pension-related purposes. The Trust offers an opportunity for the City to invest in a more diversified array of investments to maximize investment returns long term and reduce the City's pension liability. PARS offers five investment program options based on risk tolerance levels. (Conservative, Moderately Conservative, Moderate, Balanced, Capital Appreciation)

Over the past ten years, the average rate of return for the five programs is 10.6% from 1-10 years as depicted below. This rate of return is considerably higher than the rate which the City has realized on its investment portfolio and is another reason why many public agencies choose to participate in the PARS 115 Trust program.

AGENDA ITEM NO.

COUNTY OF HUMBOLDT

For the meeting of: September 15, 2015

Date: July 22, 2015

To: Board of Supervisors

From: Phillip Smith-Hanes, County Administrative Officer PSH

Subject: Adoption of Post-Employment Benefits Trust

RECOMMENDATION(S):

That the Board of Supervisors:

1. Adopts the resolution authorizing participation in the PARS Post-Employment Benefits Trust Program to be administered by Public Agency Retirement Services (PARS) and U.S. Bank (Attachment 1);

2. Appoints the County Administrative Officer as the County's Plan Administrator; and

3. Authorizes the Plan Administrator to execute the documents to implement the Program.

SOURCE OF FUNDING: All county funds

DISCUSSION:

Humboldt County provides defined-benefit pensions to its retirees through the California Public Employees Retirement System (CalPERS). Funding of CalPERS pensions relies on three sources: employee

Prepared by Phillip Smith-Hanes   CAO Approval

REVIEW:
Auditor   County Counsel   Human Resources   Treasurer-Tax Collector

TYPE OF ITEM:
X Consent
Departmental
Public Hearing
Other

PREVIOUS ACTION/REFERRAL:

Board Order No. M-1

Meeting of: 7/21/15

BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT
Upon motion of Supervisor   Seconded by Supervisor

Ayes
Nays
Abstain
Absent

and carried by those members present, the Board hereby approves the recommended action contained in this Board report.

Dated:
By:
Kathy Hayes, Clerk of the Board

contributions, which are established by law; investment returns, which vary according to financial market performance; and employer contributions, which are increased or decreased in accordance with the performance of the other two funding sources against the expectations of funding need. CalPERS phases in adjustments to employer contributions to minimize the variations due to market swings. The effect of this phasing is to create either a "superfunded" status or an unfunded liability which should be made up in future years. Humboldt County has amassed an unfunded liability of more than $220 million.

In 2012, the Government Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions.* GASB 68 requires that governmental employers that sponsor defined-benefit pensions must recognize their accrued unfunded liability on their balance sheets for fiscal years starting after June 15, 2014.

It is in Humboldt County's interest to reduce the amount of unfunded pension liability for two reasons: 1) to improve the county's financial statements in the wake of GASB 68, and 2) to reduce the likelihood of annual payment amounts on the unfunded pension liability "crowding out" needed services in future periods of declining revenues. In recognition of these interests, your Board has examined options for reducing this liability over the course of four prior meetings during 2015. Options examined include making additional payments to CalPERS above the required annual minimum, re-amortizing the unfunded liability over a shorter time frame, issuing pension obligation bonds to pay all or a portion of the existing unfunded liability, and setting aside a variable amount of funding in an irrevocable trust as a "pension savings account" that could be used to smooth rate increases in future years.

In conjunction with this examination of pension liability, your Board also reviewed the county's liability for other post-employment benefits (OPEB), consisting of the county's required contribution to the cost of health insurance coverage for retirees. Although your Board determined in April to focus at this time on pensions (the costlier issue), it was noted that the most common method of addressing the liability for OPEB is also setting aside funding in an irrevocable trust.

These irrevocable trusts are known as "Section 115" trusts based on the provision of the Internal Revenue Code that allows for their interest earnings to be tax-exempt. On July 21, your Board directed staff to "begin the process of establishing a Section 115 trust and to bring it back as a part of the first quarter budget review for an initial contribution." Today's recommended actions are in accordance with this Board direction and will result in the establishment of a Section 115 trust that can receive contributions as of the first quarter budget review.

It is recommended that the Board approve establishment of the Section 115 trust with Public Agency Retirement Services (PARS). On March 17, your Board heard a presentation from a representative of PARS, which operates Section 115 trusts for local jurisdictions to fund both OPEB and pension liabilities. The irrevocable trust for pensions, known as the Pension Rate Stabilization Program (PRSP), was validated by the Internal Revenue Service earlier this year in a private letter ruling (Attachment 2). To date, six public agencies have adopted the PRSP through PARS: the City of Sausalito, Town of Colma, County of Solano, Kern County Superior Court, City of Coronado, and the City of Healdsburg. At this time, staff has not found an entity other than PARS that operates a multi-agency Section 115 trust for pensions. PARS has partnered with US Bank to serve as trustee, and its sub-adviser HighMark Capital Management, Inc., to provide investment management services for the program.

The attached resolution establishes a Section 115 trust broadly for post-employment benefits, which could include OPEB as well as pension liability. Taking this action would allow the county to devote resources to OPEB at some time in the future without the paperwork necessary to establish a separate trust for that purpose. Conversely, this action does not preclude the county from subsequently establishing a separate

Section 115 trust for OPEB with another entity if that is in the county's best interest in the future. Today's recommended actions also include authorizing the County Administrative Officer to execute necessary documents to carry out the Board's intent to establish the Section 115 trust. Such documents include an agreement for administrative services – an example of which appears as Attachment 3.

FINANCIAL IMPACT:

There is no financial impact associated with today's action. Once the Board appropriates funding for the trust (anticipated in the first quarter budget review), annual costs for the trust will be based on the balance in the trust. The rates are detailed on Exhibit 1B to Attachment 3. It is anticipated that the fees for the first year would be less than $2,500. This amount would be netted from the earnings in the trust account.

This action conforms to your Board's strategic framework, priorities for new initiatives, by providing core services in ways that safeguard the public trust through managing resources to ensure sustainability of services.

OTHER AGENCY INVOLVEMENT: None.

ALTERNATIVES TO STAFF RECOMMENDATIONS:

The Board could choose not to adopt the resolution. This is not recommended as this action conforms to prior Board direction.

ATTACHMENTS:

1. Resolution Authorizing Participation in PARS Post-Employment Benefits Trust Program
2. Internal Revenue Service Letter Dated June 5, 2015
3. Draft Agreement for Administrative Services