



CITY OF  
**PALO  
ALTO**

## **FINANCE COMMITTEE**

Tuesday, October 18, 2022

Regular Meeting

Community Meeting Room & Virtual

5:30 PM

Pursuant to [AB 361](#) Palo Alto City Council and Committee meetings will be held as “hybrid” meetings with the option to attend by teleconference/video conference or in person. To maximize public safety while still maintaining transparency and public access, members of the public can choose to participate from home or attend in person. Information on how the public may observe and participate in the meeting is located at the end of the agenda.

### **HOW TO PARTICIPATE**

#### **VIRTUAL PARTICIPATION**

**[CLICK HERE TO JOIN](https://cityofpaloalto.zoom.us/j/99227307235)** (<https://cityofpaloalto.zoom.us/j/99227307235>)

**Meeting ID: 992 2730 7235 Phone:1(669)900-6833**

The meeting will be broadcast on Cable TV Channel 26, live on YouTube at <https://www.youtube.com/c/cityofpaloalto>, and streamed to Midpen Media Center at <https://midpenmedia.org>.

#### **PUBLIC COMMENTS**

Public Comments will be accepted both in person and via Zoom meeting. All requests to speak will be taken until 5 minutes after the staff’s presentation. Written public comments can be submitted in advance to [city.council@cityofpaloalto.org](mailto:city.council@cityofpaloalto.org) and will be provided to the Committee and available for inspection on the City’s website. Please clearly indicate which agenda item you are referencing in your email subject line.

#### **CALL TO ORDER**

#### **ORAL COMMUNICATIONS**

*Members of the public may speak to any item NOT on the agenda.*

#### **ACTION ITEMS**

1. Review Pension and Other Post-Employment Benefits (OPEB)/Retiree Healthcare Trust Funds

**[CalPers Presentation](#)**

**[PARS Presentation](#)**

**[Staff Presentation](#)**

## FUTURE MEETINGS AND AGENDAS

### ADJOURNMENT

#### PUBLIC COMMENT INSTRUCTIONS

Members of the Public may provide public comments to hybrid meetings via email, in person, teleconference, or by phone.

1. **Written public comments** may be submitted by email to [city.council@cityofpalalto.org](mailto:city.council@cityofpalalto.org).
2. **In person public comments** please complete a speaker request card located on the table at the entrance to the Council Chambers, and deliver it to the City Clerk prior to discussion of the item.
3. **Spoken public comments using a computer or smart phone** will be accepted through the teleconference meeting. To address the Council, click on the link below to access a Zoom-based meeting. Please read the following instructions carefully.
  - You may download the Zoom client or connect to the meeting in- browser. If using your browser, make sure you are using a current, up-to-date browser: Chrome 30+, Firefox 27+, Microsoft Edge 12+, Safari 7+. Certain functionality may be disabled in older browsers including Internet Explorer. Or download the Zoom application onto your phone from the Apple App Store or Google Play Store and enter the Meeting ID below
  - You may be asked to enter an email address and name. We request that you identify yourself by name as this will be visible online and will be used to notify you that it is your turn to speak.
  - When you wish to speak on an Agenda Item, click on "raise hand." The Clerk will activate and unmute speakers in turn. Speakers will be notified shortly before they are called to speak.
  - When called, please limit your remarks to the time limit allotted.
  - A timer will be shown on the computer to help keep track of your comments.
4. **Spoken public comments using a phone** use the telephone number listed below. When you wish to speak on an agenda item hit \*9 on your phone so we know that you wish to speak. You will be asked to provide your first and last name before addressing the Council. You will be advised how long you have to speak. When called please limit your remarks to the agenda item and time limit allotted.

[Click to Join](#) **Zoom Meeting ID: 992-2730-7235 Phone: 1(669)900-6833**

#### AMERICANS WITH DISABILITY ACT (ADA)

Persons with disabilities who require auxiliary aids or services in using City facilities, services or programs or who would like information on the City's compliance with the Americans with Disabilities Act (ADA) of 1990, may contact (650) 329-2550 (Voice) 48 hours or more in advance.



# City of Palo Alto

## Finance Committee Staff Report

(ID # 14829)

**Meeting Date: 10/18/2022**

**Report Type: Action Items**

**Title: Review Pension and Other Post-Employment Benefits (OPEB)/Retiree Healthcare Trust Funds**

**From: City Manager**

**Lead Department: Administrative Services**

### **Recommendation**

Staff recommends that the Finance Committee review and accept the status update of the City's irrevocable 115 Pension Trust Fund and the City's California Employers' Retiree Benefit Trust (CERBT) Fund for the OPEB plans, discuss variables governing these plans, and provide feedback on potential changes moving forward.

Note: Staff will have experts from both plans at this meeting for questions and additional information. This feedback will assist in informing future meetings with the Committee regarding the Pension Funding Policy, adopted by Council in 2020.

### **Background**

The City of Palo Alto is highly engaged in continuing discussions and proactive efforts to address the costs of current and forecasted pension and other post-employment benefits, including strategies to pre-fund long-term obligations. In November 2020, the City Council formally adopted a Pension Funding Policy (CMR #11722<sup>1</sup>) after working on proactive measures since 2017.

This Pension Funding Policy sets the following goals and principles:

#### *Funding Goal and Timeframe:*

- a target of reaching a 90 percent funded status of the CalPERS determined liability within fifteen years (FY 2036).

#### *Funding Components:*

- 'pay go' costs also known as Normal Cost of annual pension costs to be funded with a discount rate of 6.2%, more conservative than CalPERS rate of 7.0%.

<sup>1</sup> November 30, 2020 City Council Staff Report #11722 Adoption of a Pension Funding Policy:  
<https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2020-2/id-11722.pdf>

- Discretion to the City Manager to make additional contributions from excess Budget Stabilization Reserve (BSR) above the City Council approved target BSR level.

*Use of Funds:*

- City Manager must identify the impacts on the funding goal and timeframe to modify the transmission of contributions to the PARS Trust Fund.
- Any transmission of funds from PARS to CalPERS will require City Council approval.

*Reporting:*

- Every three years, staff will consult with an actuary to inform the City Council on the progress the City has made towards its goal
- Staff will report to the City Council through the annual budget process on the status of the PARS section 115 pension trust fund, recommended contributions to the PARS fund, and potential transmission of any funds from PARS to CalPERS for the coming fiscal year

In alignment with the policy and Council direction, periodic reviews are to be conducted, to assess and respond to changes impacting the City's pensions and Other Post-Employment Benefits (OPEB) plans and the funding available to meet those benefit costs. Staff expects as part of this review to memorialize any practices adjusted since the adoption of the policy, review progress towards policy goals, and discuss and review any modifications to the Pension Policy or budgetary practices used to inform financial planning of these benefits. In order to facilitate and complete this review staff have planned three steps for the Finance Committee including: 1) Review of the most current Actuarial analysis as distributed by CalPERS (Finance Committee September 20, 2022<sup>2</sup>), 2) Review of the current status of both the Pension and OPEB liabilities including the proactive contributions and discussion with plan providers, 3) review revised actuarial analysis based on alternative assumptions as defined in the Pension Funding Policy and recommended revisions to the Pension Funding Policy for Council consideration and adoption.

Pension and Other Post-Employment Benefits (OPEB) Summary

The City of Palo Alto offers its eligible employees and retirees a defined pension plan and retiree healthcare, which are managed and administered by the California Public Employees' Retirement System (CalPERS), a State of California Benefit Trust Program. These benefits are negotiated in labor agreements and part of a broader compensation package to provide employee pension benefits as well as health benefits (medical, dental, and vision), and several other benefits such as life insurance, an employee assistance program, and an employee commute program. For retirees, the benefits other than pension are referred to as Other Post-Employment Benefits (OPEB).

- Employee Pension: Eligible employees are entitled to receive income after retirement based on the pension tier, years of service, and age at retirement. The CalPERS program

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<sup>2</sup> September 20, 2022 Finance Committee Item #1 'Accept California Public Employees' Retirement System (CalPERS) Pension Annual Valuation Reports as of June 30, 2021';

<https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/finance-committee/2022/20220920/20220920pfcs.pdf>

maintains two pension plans for the City, one for safety employees (sworn fire and police personnel) and another for miscellaneous employees (all other non-safety personnel employed by the City, including field personnel, administrative support, and managers). Income to pay this retiree benefit is generated through employer contributions, employee contributions, and investment income.

- Other Post-Employment Benefits (OPEB)/Retiree Healthcare Benefits: The City participates in the California Public Employees' Medical and Hospital Care Act (PEMHCA) program to provide health care benefits for retired employees. These benefits are negotiated in labor agreements and vary according to the hire date, retirement date, and employee group at the time of retirement. In 2007, the City established a Section 115 irrevocable trust fund with the California Employers' Retiree Benefit Trust (CERBT) Fund Program, managed by CalPERS. Approximately 600 California public employers participate in the CERBT program to pre-fund OPEB liabilities, such as retiree healthcare benefits. The City uses the CERBT to generate investment returns to assist in funding the costs of the retiree health program and may request CERBT disbursements to reimburse the City's costs. Income to pay this retiree benefit is generated through employer contributions, the implied subsidy of healthcare costs<sup>3</sup>, and investment income.

### Discussion

This report focuses on the funding mechanisms approved by the City Council to proactively fund pension and retiree healthcare costs by investing additional (supplemental) contributions above the required amounts to the City's Section 115 Trust Funds:

- Pension Trust Fund, administered by the Public Agency Retirement Services (PARS); and
- California Employers' Retiree Benefit Trust (CERBT) Fund for the OPEB plans.

Ultimately, the investments made in these funds are required to be used to pay retiree pension and healthcare costs respectively. A detailed presentation of the City's Section 115 Trust Funds are attached to this report, and representatives from PARS and CERBT will provide an overview of the investment strategy, performance, and status of these funds. Additionally, this report includes several options for investment strategies looking forward, including shifting risk profiles as the PARS and CERBT trust(s) reach higher funded status levels. Staff encourages discussion of these variables and other options with the trust representatives in anticipation of feedback and potential revisions and refinements to the current Pension Funding Policy. Any direction or feedback will be used to inform continued Pension Policy discussions over the coming months.

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<sup>3</sup> Health care premiums are contracted at a blended rate, they are the same regardless of age or active versus retired status of a beneficiary, apart from Medicare premiums. The implied subsidy is calculated to recognize the higher cost of medical services for retirees, which is reduced from the active employees' health care costs. This is intended to recognize that as people age, their medical costs increase; therefore, the actuary reports used to determine the annual ADC include calculations to recognize the higher cost of medical services for retirees, which is reduced from the active employees' health care costs. This difference is known as the 'implied subsidy.' In FY 2024, the total Implied Subsidy will be \$3.1 million.

### **Proactive Actions to Prefund Long-term Pension Liabilities: Section 115 Pension Fund Trust (Pension Trust)**

The City has taken several proactive steps to address long-term pension liabilities, including cost-sharing in labor agreements, contributing amounts beyond required levels to the City's Pension Trust, and adopting a Pension Funding Policy. As part of policy goals, the City seeks to reach a 90 percent funded status by FY 2036 (15-year time horizon from the adoption of the pension funding policy).

The City established a section 115 irrevocable trust in 2017 with the Public Agency Retirement Service (PARS) ([CMR 7553](#)). Funds placed in the trust are irrevocably committed for pension obligations and cannot be used for other purposes. Contributions to the Pension Trust were initially made on an ad-hoc basis, using one-time savings or excess revenues. In October 2018, the City Council directed staff to include in budget assumptions the Normal Cost (NC) for pension benefits at a more conservative discount rate as compared to CalPERS and a transfer of the additional (supplemental) funding beyond CalPERS actuarial determined contribution levels to the Pension Trust ([CMR 9740](#)). This practice was reinforced by the establishment of a Pension Funding Policy in FY 2021 ([CMR 11722](#)).

Beginning in FY 2023, the City Council approved to reduce the discount rate for supplemental contributions from 6.2 percent to 5.3 percent over two years, in alignment with the recent ALM study<sup>4</sup>. The FY 2023 Adopted budget is a transitional year in which the budget is in the first of a two-year phase in to reach the 5.3 percent discount rate, equivalent to an approximate rate of 5.8 percent. Additional one-time contributions continue to be made each year if excess revenues or unspent savings are available, subject to City Council approval.

To date, the average annual contributions to the Pension Trust are \$7.1 million (\$4.6 million in the General Fund). Through FY 2023, it is expected that \$49.4 million (\$31.8 million in the General Fund) in principal contributions will be made to the Pension Trust. *As of July 31, 2022, this Pension Trust has a balance of \$40.5 million.* Supplemental contributions to the Pension Trust are held separately from the CalPERS Trust. The annual CalPERS valuations<sup>5</sup>, including funded status and minimum employer contributions, do not contemplate these funds.

#### **Status update by Public Agency Retirement Services (PARS) administrator**

The Public Agency Retirement Services (PARS) acts as the plan administrator for the City's Pension Trust, in coordination with Highmark Capital as the investment manager and US Bank

<sup>4</sup> As part of this study, external asset managers and consultants were surveyed to gain expert projections on market returns. The median expected returns of survey participants as of March 31, 2021 were 5.3 percent (10-year) to 6.2 percent (20-year).

<sup>5</sup> As of the June 30, 2021 valuation ([CMR 14628](#)), the City has a UAL of \$391.9 million and funded status of 73.3 percent; the UAL is the difference between the total market value of CalPERS assets of \$1.07 billion and the total pension liability of \$1.46 billion. For estimation purposes, if the \$40.5 million balance in the Pension Trust is added to the assets in the CalPERS plans, this would increase the funded status by approximately 3.0 percent. These results do not consider the preliminary -6.1 percent loss incurred in the period ending June 30, 2022.

as the trustee. Representatives from PARS will provide an overview of the detailed presentation attached that provides the status of this fund, including historical performance, risk profiles, and investment strategies (Attachment A).

Performance and Investment Overview:

The City's Pension Trust is currently invested in a moderately conservative portfolio targeting an asset allocation of 20-40% equity, 50-80% fixed income, and 0-20% cash with an administration fee of 0.15%. This is the second most conservative option among five (5) portfolios ranging from: conservative, moderately conservative, moderate, balanced, and capital appreciation. The City's Pension Trust experienced a gain of +11.55 percent for the one-year period ending June 30, 2021, followed by a loss of -9.90 percent for the one-year period ending June 30, 2022. Overall, the Pension Trust has experienced a cumulative net gain of +1.95 percent since its inception in 2017. For reference, a comparison of historical returns is provided in the table below.

**TABLE 1: HISTORICAL RETURNS - PARS AND CALPERS**

	Public Agency Retirement Services (PARS)					CalPERS
	Conservative	Moderately Conservative	Moderate	Balanced	Capital Appreciation	Prelim
<b>1-year</b>	-10.0%	-10.7%	-11.6%	-12.2%	-14.0%	-6.1%
<b>5-year</b>	2.0%	3.1%	4.6%	5.3%	6.4%	6.7%
<b>10-year</b>	2.8%	4.1%	5.9%	6.7%	8.0%	7.7%

Investment Options for Consideration

The Pension Trust is an investment vehicle for public agencies to set aside funding for future pension contributions or liabilities. The City has the discretion to select the investment risk tolerance and control the inflow / outflow of funds. The Pension Trust may be used for a variety of reasons, providing the City with additional methods to manage pension obligations, discussed in detail below. The balance maintained and investment strategy(s) should depend on the intended use of the funds. The Pension Funding Policy currently contemplates that funds in excess of a single year of pension contribution may be transferred directly to CalPERS for an ADP; the fund is anticipated to reach this level in the next 2-3 years.

- *Investment Diversification:* The City may select to invest in one or more portfolios with varying asset classes, based on risk tolerance and investment goals. The City may select a portfolio(s) with different asset classes to hedge against the risk that holdings in PARS and CalPERS are impacted similarly by a negative event.
- *Rate Stabilization:* The Pension Trust may be used as a rate stabilization reserve, where funds may be used to smooth volatility in employer contribution rates in any given year. Additionally, these funds may be used as a "rainy day" reserve, acting as an emergency source of funds in difficult budgetary or economic times.

- *Liability Payments:* The Pension Trust may be used to pay down liabilities through Additional Discretionary Payments (ADPs) to CalPERS. The City may elect to make additional contributions, above and beyond the required employer contribution, at any time and in any amount. However, payments made to CalPERS are permanent and cannot be returned.

**Proactive Actions to Prefund Long-term OPEB Liabilities: Section 115 California Employers' Retiree Benefit Trust (CERBT) Fund**

The City has taken several proactive measures to mitigate the long-term healthcare liabilities, including supplemental contributions to the City's CERBT Trust, cost sharing with employees, and various modifications to the retiree medical benefit over time. In addition, beginning in 2019, the employer contribution to all employee healthcare premiums has transitioned from a 90/10 percentage share to a flat dollar contribution that can be adjusted with each labor agreement for active employees. Although not explicitly addressed in the Pension Funding Policy, as directed by the City Council, staff have work to align the City's policy goals for pensions and OPEB liabilities since the adoption of the Pension Funding Policy. This alignment is one of the expected recommended adjustments to the Pension Funding Policy.

The City established a Section 115 irrevocable trust fund in 2007 with the California Employers' Retiree Benefit Trust (CERBT) Fund Program, managed by CalPERS. The total annual ADC was initially calculated to fund the overall projected liability of the program based on assumptions, such as the discount rate, used for the CERBT Strategy 1 portfolio. In FY 2021, the City Council directed staff to calculate the ADC at a more conservative 6.25 percent discount rate as compared to the 6.75 percent discount rate assumed for the Strategy 1 plan and transfer the additional (supplemental) funding to the CERBT Trust, in alignment with the proactive measures being taken with pension prefunding. The FY 2023 Adopted Budget was adjusted in alignment with the June 30, 2021 OPEB valuation<sup>6</sup>. The results of this valuation had significant favorable impacts due to 2020-21 investment returns of 27.5 percent and lower than anticipated healthcare premiums. The City Council further adjusted funding to continue alignment with the proactive pension funding assumptions as well as known variable such as FY 2022 market returns. Below is a summary of the assumptions used to calculate FY 2023 and FY 2024 contributions:

- Zero percent return 2021-22 (one-time)
- 5.75 percent discount rate (6.25 percent assumed for Strategy 1)
- Shortened amortization (from 22 to 15 years)

Through FY 2023, it is expected that \$8.0 million in supplemental principal contributions will be made to the CERBT Trust. These supplemental contributions are used to directly pay down the UAL. As of the July 31, 2021 valuation, the City has a UAL of \$80.0 million and a funded status of

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<sup>6</sup> Finance Committee on June 7, 2022; ([CMR 14112](#) as amended by [CMR 14502](#)). These reports are used to inform the development of the FY 2023 and FY 2024 budgets. Based on these reports, the anticipated total ADC in FY 2024 is \$16.8 million (\$10.5 million in the General Fund).



67 percent; the UAL is the difference between the total market value of CERBT assets of \$164.2 million and the total OPEB liability of \$244.2 million.

Status update by CERBT administrator

CalPERS acts as the plan administrator for the City's CERBT Trust, with State Street Global Advisors (SSGA) managing all underlying investments. As part of the Finance Committee discussion, representatives from CERBT will provide an overview of the detailed presentation attached that provides the status of this fund, including historical performance, risk profiles, and investment strategies (Attachment B).

Performance and Investment Overview:

The City is currently invested in the CERBT Strategy 1 portfolio targeting an asset allocation composed primarily of equity (49% equity, +/- 5%) and fixed income (23% +/- 5%) assets. This offers the highest expected return among the three (3) portfolios: Strategy 1, Strategy 2, and Strategy 3. The 20-year expected returns for these portfolios are 6.0 percent, 5.5 percent, and 5.0 percent respectively. The City's Strategy 1 fund experienced a gain of +27.5 percent for the one-year period ending June 30, 2021, followed by a loss of -13.5 percent for the one-year period ending July 30, 2022. Overall, the City's Strategy 1 fund has experienced a cumulative net gain of +5.7 percent since its inception in 2007.

	<b>California Employers' Retiree Benefit Trust (CERBT)</b>		
	<b>Strategy 1</b>	<b>Strategy 2</b>	<b>Strategy 3</b>
<b>1-year</b>	-14.0%	-13.7%	-12.1%
<b>5-year</b>	5.5%	4.4%	3.6%
<b>10-year</b>	6.7%	5.5%	4.3%
<b>20-year</b>	6.0%	5.5%	5.0%

Investment Options for Consideration:

The CERBT Fund is an investment vehicle for public agencies to fund retiree healthcare contributions or liabilities. These investments are intended to generate longer-term asset growth through accumulated contributions, where returns are sufficient to contribute toward a portion of the annual "pay go" benefits. The City has the discretion to select the investment risk tolerance and control the inflow / outflow of funds. The balance maintained and investment strategy(s) should depend on the intended use of the funds. As prefunding strategies move the City closer to the goal of investment returns being sufficient to contribute toward a portion of the annual benefit costs, it is expected that the City should revisit the investment strategy for these funds.

When actuary valuations recommend disbursements or when the balance-maintained approaches 75-80 percent funded status, the investment strategy should be diversified with an intention of ensuring both stability and growth of the assets versus an only growth focused goal. This strategy is intended to preserve assets and mitigate against volatility in the market when the funds are expected to be disbursed. In consultation with CERBT representatives, staff recommends setting aside 2-3 years of estimated disbursements at approximately \$7 to \$10

million. This does not require additional budgetary action, as funds may be moved from Strategy 1 to Strategy 2 and/or Strategy 3 at the City's discretion.

To put this potential strategy in context of the 10-year forecast from the most recent June 30, 2021 valuation, below highlights the approximate timelines this type of strategy to diversify and reduce risk may become appropriate:

- Baseline Scenario results recommend disbursements from the CERBT Trust beginning in FY 2023 and the fund is projected to reach a 75% funded status in FY 2028. As a reminder this scenario does not reflect the true returns from FY 2022 but rather assumed positive investment returns of 6.25%.
- Alternative Assumptions results, as approved by the Council, do not recommend disbursements over the 10-year horizon. As a reminder this scenario does reflect estimated investments returns of 0% in FY 2022 and adjusts funding goals to align with pensions goals and is projected to reach a 75% funded status in FY 2029.

### **Timeline and Next Steps**

Staff is engaged with the Finance Committee in a series of meetings this year to further review the current status of the City, and its Council approved Pension Funding Policy. As part of the policy and Council direction, periodic reviews are included to assess and respond to changes impacting the City's pensions and OPEB plans. Staff expects as part of this review to memorialize any practices adjusted since the adoption of the policy, review progress towards policy goals and discuss and review any modifications to the Pension Policy or budgetary practices used to inform financial planning of these benefits.

Below is a list of expected reports and City Council updates over the coming months. Staff will continue to update the City Council and incorporate information as it becomes available.

Nov/December 2022 - Pension Policy Check-in: Staff is engaged with an actuary to complete a comprehensive analysis of pension plans including but not limited to funding policy, economic and demographic assumptions, and other risk mitigation strategies. This analysis will be used to inform the progress the City has made toward Pension Policy goals of meeting a 90 percent funding level by FY 2036 (15 years).

Dec 2022/January 2023 - FY 2024 to FY 2033 Long Range Financial Forecast (LRFF): Annually, staff brings forward a LRFF that projects the City's financial outlook over the next 10 years based on current City Council approved service levels and several alternative scenarios.

### **Resource Impact**

This is an informational report and will be used to inform recommended revisions and updates to the City's Pension Funding Policy which will inform the development of the FY 2024–2033

Long Range Financial Forecast (LRFF), the FY 2024 Adopted Operating Budget, and other long term financial planning.

### **Stakeholder Engagement**

Staff continues to use external consultants for updates on the status and forecast of long-term liabilities associated with pension and retiree healthcare programs. As in prior years, these results are used to inform funding policy discussions with the Finance Committee and City Council. All communication is structured around public hearings to facilitate opportunities for community input and provide guidance to staff in the budget development process.

### **Environmental Review**

This report is not a project for the purposes of the California Environmental Quality Act. Environmental review is not required.

### **Attachments:**

- Attachment A: PARS Account Update
- Attachment B: CalPERS CERBT Account Update



# CITY OF PALO ALTO

PARS 115 Trust – Pension Rate Stabilization Program Client Review  
October 18, 2022

## CONTACTS



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# PARS 115 TRUST TEAM

## Trust Administrator & Consultant



- 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

38 Years of Experience (1984-2022)    2,000+ Plans under Administration    1,000+ Public Agency Clients    490+ 115 Trust Clients    500K+ Plan Participants    \$6.2B Assets under Administration

## Trustee



- 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

159 Years of Experience (1863-2022)    \$9.0T Assets under Trust Custody

## Investment Manager

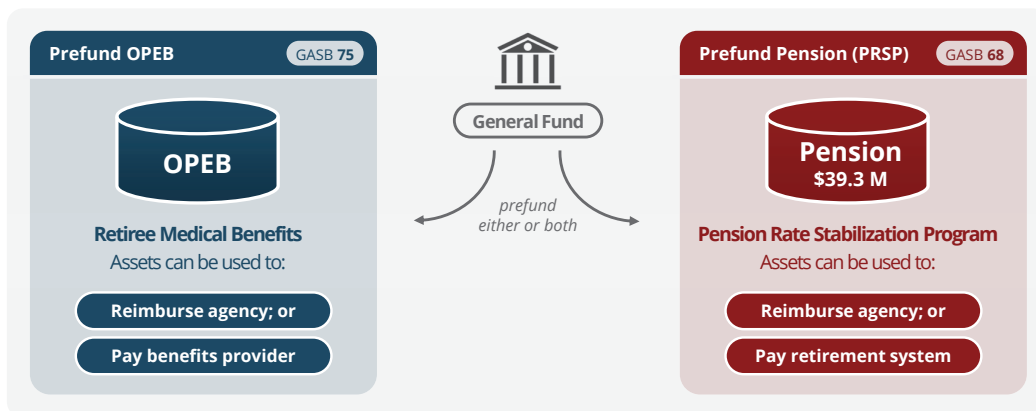


- Investment sub-advisor to trustee U.S. Bank
- Investment policy assistance
- Uses open architecture
- Active and passive platform options
- Customized portfolios (with minimum asset level)

103 Years of Experience (1919-2022)    \$17.6B Assets under Management & Advisement



# PARS IRS-APPROVED SECTION 115 TRUST



**Subaccounts**  
OPEB and pension assets are individually sub-accounted, and can be divided by dept., bargaining group, or cost center.

**Financial Stability**  
Assets in the PARS Section 115 Combination Trust can be used to address unfunded liabilities.

**Flexible Investing**  
Allows separate investment strategies for OPEB and pension subaccounts.

**Anytime Access**  
Trust funds are available anytime; OPEB for OPEB and pension for pension.

**Economies-of-Scale**  
OPEB and pension assets aggregate and reach lower fees on tiered schedule sooner – saving money!

**No Set Up Cost or Minimums**  
No set-up costs, no minimum annual contribution amounts, and no fees until assets are added.



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# PARS PENSION RATE STABILIZATION PROGRAM

*for prefunding pension obligations*



## SUMMARY OF AGENCY'S PENSION PLAN

<b>Plan Type:</b>	IRC Section 115 Irrevocable Exclusive Benefit Trust
<b>Trustee Approach:</b>	Discretionary
<b>Plan Effective Date:</b>	January 23, 2017
<b>Plan Administrator:</b>	City Manager
<b>Current Investment Strategy:</b>	Moderately Conservative Index (Passive) Strategy; Individual Account

### AS OF AUGUST 31, 2022:

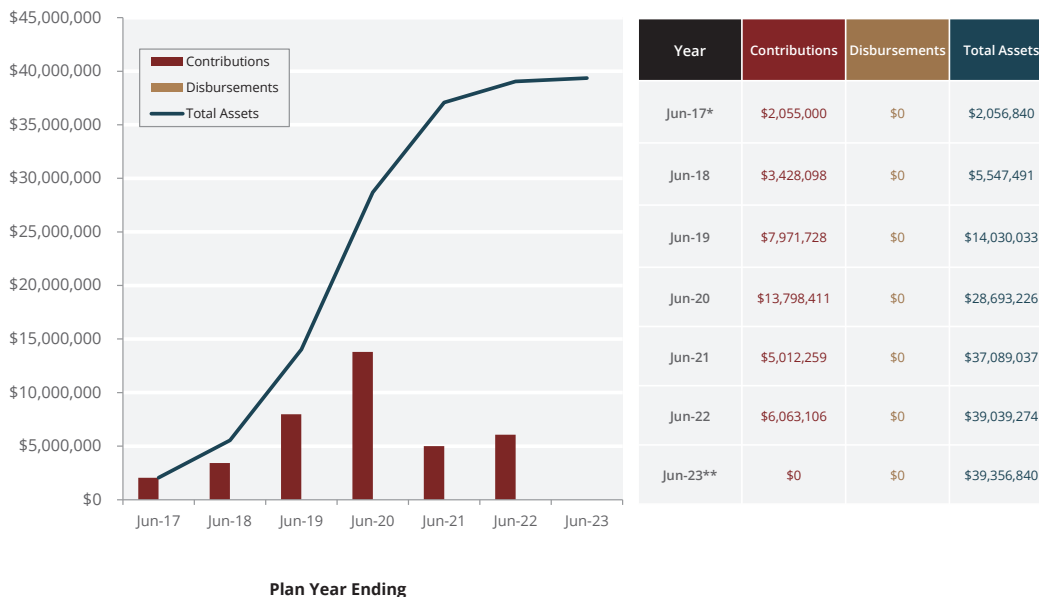
<b>Initial Contribution:</b>	May 2017: \$2,055,000
<b>Additional Contributions:</b>	\$36,273,602
<b>Total Contributions:</b>	\$38,328,602
<b>Disbursements:</b>	\$0
<b>Total Investment Earnings:</b>	\$1,407,736
<b>Account Balance:</b>	\$39,356,840

*\*Subaccounts: General Fund, Public Works, Utilities, Internal Services, Special Revenue*



# SUMMARY OF AGENCY'S PENSION PLAN

## CONTRIBUTIONS, DISBURSEMENTS, AND TOTAL ASSETS AS OF AUGUST 31, 2022:



\*Plan Year Ending June 2017 is based on 2 months of activity.  
 \*\*Plan Year Ending June 2023 is based on 2 months of activity.



Attachment: Attachment A: PARS Account Update (14829 : Review Pension and Other Post-Employment Benefits (OPEB)/Retiree Healthcare



## PENSION FUNDING STATUS

As of June 30, 2021, City of Palo Alto's CalPERS pension plan is funded as follows\*:

Combined Miscellaneous & Safety Groups	Valuation as of June 30, 2020	Valuation as of June 30, 2021	Change
Actuarial Liability	\$1,396.6 M	\$1,465.4 M	4.9% ↑
Assets	\$886.2 M	\$1,073.5 M	21.1% ↑
Unfunded Liability	\$510.4 M	\$391.9 M	23.2% ↓
Funded Ratio	63.5%	73.3%	15.4% ↑
Employer Contribution Amount	\$55.0 M (FY 21-22)	\$60.4 M (FY 22-23)	9.8% ↑
Employer Contribution Amount – Projected*	---	\$50.8 M (FY 28-29)	15.9% ↓

\* Data through 2028-29 from Agency's latest CalPERS actuarial valuation.



## PARS: City of Palo Alto

September 30, 2022

Presented by  
Andrew Brown, CFA



CITY OF PALO ALTO | 9

### Economic and Market Forecast September 2022

	2022 Assumptions	2023 Assumptions
GDP	0.2% - 0.9%	0.4% - 0.9%
S&P 500 Earnings	\$215 - \$225	\$225 - \$235
Unemployment	3.7% - 4.2%	4.1% - 4.6%
Core PCE Inflation	3.8% - 4.3%	2.4% - 2.9%
Fed Funds Target	3.50% - 4.00%	3.50% - 4.00%

Source: HighMark Asset Allocation Committee



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Packet Pg. 16



**Selected Period Performance**  
**City of Palo Alto**  
**Period Ending: 9/30/2022**

	3 Months	Year to Date (9 Months)	1 Year	3 Years	5 Years	Inception to Date 07/01/2017
Cash Equivalents	.28	.44	.45	.41	.96	.94
Total Fixed Income	-4.07	-12.99	-13.18	-2.74	-.11	.02
<i>Bloomberg US Aggregate Bd Index</i>	<i>-4.75</i>	<i>-14.61</i>	<i>-14.60</i>	<i>-3.26</i>	<i>-.27</i>	<i>-.10</i>
Total Equities	-5.45	-24.57	-19.21	4.53	5.33	6.01
Large Cap Funds	-4.97	-23.72	-15.47	7.77	8.84	9.30
<i>S&amp;P 500 Composite Index</i>	<i>-4.88</i>	<i>-23.87</i>	<i>-15.47</i>	<i>8.16</i>	<i>9.24</i>	<i>9.69</i>
Mid Cap Funds	-3.48	-24.33	-19.43	5.04	6.30	6.69
<i>Russell Midcap Index</i>	<i>-3.44</i>	<i>-24.27</i>	<i>-19.39</i>	<i>5.19</i>	<i>6.48</i>	<i>6.86</i>
Small Cap Funds	-2.16	-25.45	-23.68	3.78	3.07	4.11
<i>Russell 2000 Index</i>	<i>-2.19</i>	<i>-25.10</i>	<i>-23.50</i>	<i>4.29</i>	<i>3.55</i>	<i>4.47</i>
International Equities	-10.78	-26.39	-25.19	-1.61	-.94	.14
<i>MSCI EAFE Index</i>	<i>-9.36</i>	<i>-27.09</i>	<i>-25.13</i>	<i>-1.83</i>	<i>-.84</i>	<i>.20</i>
<i>MSCI EM Free Index</i>	<i>-11.57</i>	<i>-27.16</i>	<i>-28.11</i>	<i>-2.07</i>	<i>-1.81</i>	<i>-.29</i>
RR: REITS	-11.02	-29.58	-19.03	-1.61	3.05	3.03
<i>Wilshire REIT Index</i>	<i>-10.23</i>	<i>-29.66</i>	<i>-17.60</i>	<i>-2.17</i>	<i>2.88</i>	<i>2.86</i>
Total Managed Portfolio	-4.17	-16.07	-14.29	-.32	1.67	1.95

**Preliminary**

First contribution received into the Trust was on 6-7-2017. Performance inception begins 7-1-2017

Trust was initially invested into account 6746050105, PARS/PRSP Moderately Conservative, from 07/01/2017 to 05/31/2019. It was then transferred to its own proprietary account 6746062300, PARS/City of Palo Alto PEB, from 6/2019 to present. Returns are gross of account level investment advisory fees and net of any fees, including fees to manage mutual fund or exchange traded holdings. Returns for periods over one year are annualized. The information presented has been obtained from sources believed to be accurate and reliable. Past performance is not indicative of future returns. Securities are not FDIC insured, have no bank guarantee, and may lose value.



**Asset Allocation**  
**As of September 30, 2022**

Current Asset Allocation		Investment Vehicle		
<b>Equity</b>	<b>26.94%</b>			<b>10,742,688</b>
Large Cap Core	8.03%	IVV	iShares Core S&P 500 ETF	3,203,820
Large Cap Value	3.70%	IVE	iShares S&P 500 Value ETF	1,474,510
Large Cap Growth	3.19%	IVW	iShares S&P 500 Growth ETF	1,270,849
Mid Cap Core	2.72%	IWR	iShares Russell Mid-Cap ETF	1,082,839
Small Cap Value	1.91%	IWN	iShares Russell 2000 Value ETF	760,429
Small Cap Growth	1.97%	IWO	iShares Russell 2000 Growth ETF	784,009
International Core	2.73%	IEFA	iShares Core MSCI EAFE ETF	1,087,267
Emerging Markets	1.67%	VWO	Vanguard FTSE Emerging Markets ETF	666,490
Real Estate	1.03%	VNQ	Vanguard Real Estate ETF	412,475
<b>Fixed Income</b>	<b>67.13%</b>			<b>26,774,460</b>
Short-Term	13.55%	VFSUX	Vanguard Short-Term Investment-Grade Adm	5,403,505
Intermediate-Term	52.56%	AGG	iShares Core US Aggregate Bond ETF	20,961,368
High Yield	1.03%	VWEAX	Vanguard High-Yield Corporate Adm	409,587
<b>Cash</b>	<b>5.93%</b>			<b>2,366,355</b>
	5.93%	FGZXX	First American Government Oblig Z	2,366,355
<b>TOTAL</b>	<b>100.00%</b>			<b>\$39,883,503</b>



## CITY OF PALO ALTO

### For Period Ending September 30, 2022

LARGE CAP EQUITY FUNDS							
Fund Name	1-Month Return	3-Month Return	Year-to-Date	1-Year Return	3-Year Return	5-Year Return	10-Year Return
iShares S&P 500 Growth ETF	-9.99	-3.90	-30.49	-21.23	9.72	11.22	12.99
iShares Core S&P 500 ETF	-9.21	-4.89	-23.88	-15.50	8.13	9.20	11.66
iShares S&P 500 Value ETF	-8.48	-5.86	-16.69	-9.80	4.93	6.00	9.45
MID CAP EQUITY FUNDS							
iShares Russell Mid-Cap ETF	-9.28	-3.47	-24.35	-19.51	5.03	6.33	10.13
SMALL CAP EQUITY FUNDS							
iShares Russell 2000 Value ETF	-10.21	-4.62	-21.25	-17.87	4.53	2.70	7.80
iShares Russell 2000 Growth ETF	-8.99	0.29	-29.25	-29.27	2.88	3.55	8.85
REAL ESTATE FUNDS							
Vanguard Real Estate ETF	-12.83	-10.98	-29.25	-18.71	-1.62	3.07	6.23
INTERNATIONAL EQUITY FUNDS							
iShares Core MSCI EAFE ETF	-9.65	-10.32	-28.05	-26.05	-1.90	-0.89	--
Vanguard FTSE Emerging Markets ETF	-10.16	-10.75	-23.99	-24.28	-0.50	-0.66	1.45
BOND FUNDS							
iShares Core US Aggregate Bond ETF	-4.31	-4.73	-14.50	-14.58	-3.29	-0.31	0.85
Vanguard High-Yield Corporate Adm	-3.78	-0.85	-13.20	-12.74	-0.90	1.36	3.57
Vanguard Short-Term Investment-Grade Adm	-2.01	-1.87	-7.35	-7.98	-0.74	0.75	1.34

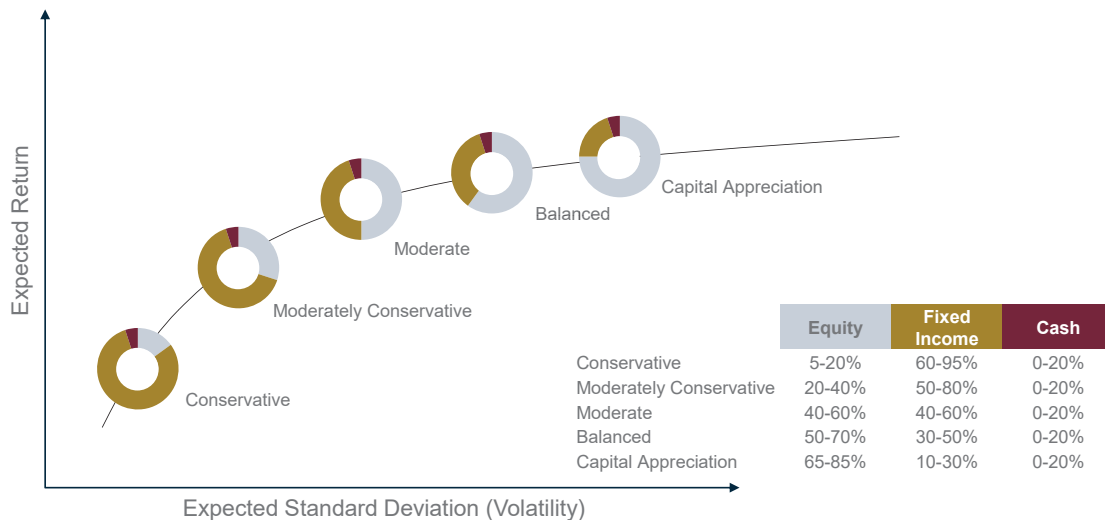
Source: SEI Investments, Morningstar Investments

Returns less than one year are not annualized. Past performance is no indication of future results. The information presented has been obtained from sources believed to be accurate and reliable. Securities are not FDIC insured, have no bank guarantee and may lose value.



### Establish: Determine your Strategic Asset Allocation Strategy

Efficient frontier of portfolios with varying ranges of equities and fixed income



Each Investment Objective reflects the associated PARS Diversified Portfolio as of 6/30/2022. A client's portfolio construction may vary depending on the client's investment needs, objectives, and restrictions as well as the prevailing market conditions at the time of investment.

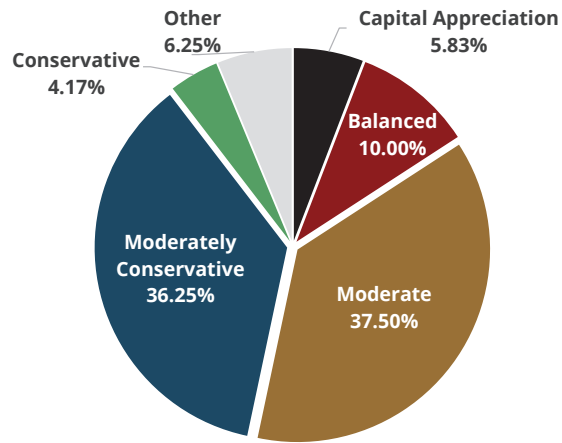


# PRSP STRATEGY ALLOCATION – CLIENTS

As of June 30, 2022

## HIGHMARK CAPITAL MANAGEMENT

Strategy	Allocation* (%)
<b>Capital Appreciation</b> (65-85% Equity)	5.83%
<b>Balanced</b> (50-70% Equity)	10.00%
<b>Moderate</b> (40-60% Equity)	37.50%
<b>Mod. Conservative</b> (20-40% Equity)	36.25%
<b>Conservative</b> (5-20% Equity)	4.17%
<b>Other</b> (Custom)	6.25%
<b>TOTAL</b>	<b>100.00%</b>



Active Platform: 54% / Passive Platform: 46%

\*Allocations are based on agencies who have funded

# HIGHMARK PERFORMANCE SHEETS

**HOLDINGS**

**HighMark Plus (Active)**

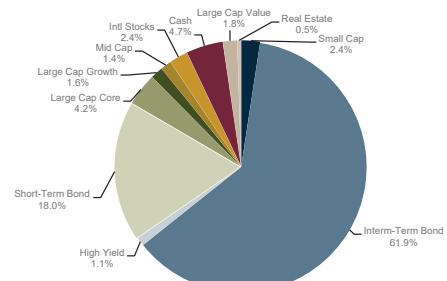
- Columbia Contrarian Core I3
- Vanguard Growth & Income Adm
- Dodge & Cox Stock Fund
- iShares S&P 500 Value ETF
- Harbor Capital Appreciation - Retirement
- T. Rowe Price Growth Stock - I
- iShares Russell Mid-Cap ETF
- Vanguard Real Estate ETF
- Undiscovered Managers Behavioral Value-R6
- Vanguard Small Cap Growth ETF
- DFA Large Cap International Portfolio
- Dodge & Cox International Stock
- MFS International Growth - R6
- Hartford Schroders Emerging Markets Eq
- Vanguard Short-Term Invest-Grade Adm
- PIMCO High Yield Instl
- PIMCO Total Return Fund - Inst
- PGIM Total Return Bond - R6
- DoubleLine Core Fixed Income - I
- First American Government Obligations Z

**Index Plus (Passive)**

- iShares Core S&P 500 ETF
- iShares S&P 500 Value ETF
- iShares S&P 500 Growth ETF
- iShares Russell Mid-Cap ETF
- Vanguard Real Estate ETF
- iShares Russell 2000 Value ETF
- iShares Russell 2000 Growth ETF
- iShares Core MSCI EAFE ETF
- Vanguard FTSE Emerging Markets ETF
- Vanguard Short-Term Invest-Grade Adm
- iShares Core U.S. Aggregate
- Vanguard High-Yield Corp Adm
- First American Government Obligations Z

*Holdings are subject to change at the discretion of the investment manager.*

**STYLE**



The performance records shown represent size-weighted composites of tax exempt accounts that meet the following criteria: Accounts are managed by HighMark with full investment authority according to the PARS Conservative active and passive objectives.

The adviser to the PARS portfolios is US Bank, and HighMark serves as sub-adviser to US Bank to manage these portfolios. US Bank may charge clients as much as 0.00% annual management fee based on a sliding scale. US Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with US Bank. The 0.36% paid to HighMark, as well as other expenses that may be incurred in the management of the portfolio, will reduce the portfolio's returns. Assuming an investment for five years, a 5% annual total return, and an annual sub-advisory fee rate of 0.36% deducted from the assets at market at the end of each year, a \$10 million initial value would grow to \$12.53 million after fees (Net-of-Fees) and \$12.76 million before fees (Gross-of-Fees). Gross returns are presented before management and custodial fees but after all trading expenses and reflect the reinvestment of dividends and other income. A client's return will be reduced by the advisory fees and other expenses it may incur as a client. Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. Performance results are calculated and presented in U.S. dollars and do not reflect the deduction of investment advisory fees, custody fees, or taxes but do reflect the deduction of trading expenses. Returns are calculated based on trade-date accounting.

Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The ICE BofA U.S. High Yield Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wilshire REIT index measures U.S. publicly traded Real Estate Investment Trusts. The unmanaged Bloomberg U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The ICE BofA 1-3 Year U.S. Corporate & Government Index tracks the bond performance of the ICE BofA U.S. Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged FTSE 1-Month U.S. Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill. HighMark Capital Management, Inc. (HighMark), an SEC-registered investment adviser, is a wholly owned subsidiary of MUFG Union Bank, N.A. (MUB). HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, and public and private retirement plans. MUB, a subsidiary of MUFG Americas Holdings Corporation, provides certain services to HighMark, and is compensated for these services. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. Investments employing HighMark strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by the Bank or any Bank affiliate, and MAY lose value, including possible loss of principal.

**HIGHMARK CAPITAL MANAGEMENT**

350 California Street  
Suite 1600  
San Francisco, CA 94104  
800-582-4734

**ABOUT THE ADVISER**

HighMark® Capital Management, Inc. (HighMark) has over 100 years (including predecessor organizations) of institutional money management experience with \$8.6 billion in assets under management and \$8.8 billion in assets under advisement\*. HighMark has a long term disciplined approach to money management and currently manages assets for a wide array of clients.

**ABOUT THE PORTFOLIO MANAGEMENT TEAM**

**Andrew Brown, CFA®**  
Senior Portfolio Manager  
Investment Experience: since 1994  
HighMark Tenure: since 1997  
Education: MBA, University of Southern California, BA, University of Southern California

**Salvatore "Tony" Milazzo III, CFA®**  
Senior Portfolio Manager  
Investment Experience: since 2004  
HighMark Tenure: since 2014  
Education: BA, Colgate University

**J. Keith Stribling, CFA®**  
Senior Portfolio Manager  
Investment Experience: since 1985  
HighMark Tenure: since 1995  
Education: BA, Stetson University

**Christiane Tsuda**  
Senior Portfolio Manager  
Investment Experience: since 1987  
HighMark Tenure: since 2010  
Education: BA, International Christian University, Tokyo

**Anne Wimmer, CFA®**  
Senior Portfolio Manager  
Investment Experience: since 1987  
HighMark Tenure: since 2007  
Education: BA, University of California, Santa Barbara

**Asset Allocation Committee**

Number of Members: 16  
Average Years of Experience: 27  
Average Tenure (Years): 15

**Manager Review Group**

Number of Members: 7  
Average Years of Experience: 22  
Average Tenure (Years): 10

\*Assets under management ("AUM") include assets for which HighMark provides continuous and regular supervisory and management services. Assets under advisement ("AUA") include assets for which HighMark provides certain investment advisory services (including, but not limited to, investment research and strategies) for client assets of its parent company, MUFG Union Bank, N.A.



**PARS DIVERSIFIED PORTFOLIOS  
CONSERVATIVE**

Q2 2022

**WHY THE PARS DIVERSIFIED  
CONSERVATIVE PORTFOLIO?**

**Comprehensive Investment Solution**  
HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

**Rigorous Manager Due Diligence**

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

**Flexible Investment Options**

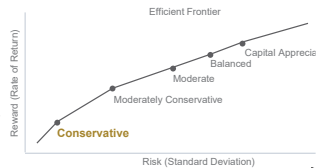
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes Index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

**Risk Management**

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

**INVESTMENT OBJECTIVE**

To provide a consistent level of inflation-protected income over the long-term. The major portion of the assets will be fixed income related. Equity securities are utilized to provide inflation protection.



**ASSET ALLOCATION — CONSERVATIVE PORTFOLIO**

	Strategic Range	Policy	Tactical
Equity	5 – 20%	15%	14%
Fixed Income	60 – 95%	80%	81%
Cash	0 – 20%	5%	5%

**ANNUALIZED TOTAL RETURNS** (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

	HighMark Plus Composite (Active)	Index Plus Composite (Passive)
Current Quarter*	-6.46%	Current Quarter* -5.61%
Blended Benchmark**, **	-5.26%	Blended Benchmark*, ** -5.2%
Year To Date*	-11.36%	Year To Date* -10.67%
Blended Benchmark**, **	-9.66%	Blended Benchmark**, ** -9.6%
1 Year	-10.88%	1 Year -9.97%
Blended Benchmark**	-8.85%	Blended Benchmark** -8.8%
3 Year	0.60%	3 Year 0.6%
Blended Benchmark**	0.89%	Blended Benchmark** 0.8%
5 Year	2.15%	5 Year 2.0%
Blended Benchmark**	2.21%	Blended Benchmark** 2.2%
10 Year	3.05%	10 Year 2.7%
Blended Benchmark**	2.83%	Blended Benchmark** 2.8%

\*Returns less than one year are not annualized. \*\*Breakdown for Blended Benchmark: From 10/12/2012 - Present: 7.5% S&P 500, 1.5% Russell Mid Cap, 2.5% Russell 2000, 1% MSCI EAFE (net), 2% MSCI EAFE (net), 25% Bloomberg US Agg, 25.75% ICE BofA 1-3 Yr US CorpGovt, 2% ICE BofA US High Yield Master II, 0.5% Wilshire REIT, and 5% FTSE 1 Mth US T-Bill. From 4/1/2007 - 9/30/2012, the blended benchmark was 12% S&P 500, 1% Russell 2000, 2% MSCI EAFE (net), 40% ICE BofA 1-3 Yr Corp/Govt, 40% Bloomberg US Agg, 5% FTSE 1 Mth US T-Bill. Prior to April 2007, the blended benchmark was 15% S&P 500, 40% ICE BofA 1-3Yr Corp/Govt, 40% Bloomberg US Agg, and 5% FTSE 1 Mth US T-Bill.

**ANNUAL RETURNS** (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

	HighMark Plus Composite (Active)	Index Plus Composite (Passive)
2008	-9.04%	2008 -6.70%
2009	15.59%	2009 10.49%
2010	8.68%	2010 7.67%
2011	2.19%	2011 3.70%
2012	8.45%	2012 6.22%
2013	3.69%	2013 3.40%
2014	3.88%	2014 4.32%
2015	0.29%	2015 0.06%
2016	4.18%	2016 3.75%
2017	6.73%	2017 5.52%
2018	-1.35%	2018 -1.09%
2019	11.05%	2019 10.37%
2020	9.03%	2020 8.56%
2021	2.20%	2021 1.97%

**PORTFOLIO FACTS**

	HighMark Plus (Active)	Index Plus (Passive)
Composite Inception Date	07/2004	Composite Inception Date 07/20
No of Holdings in Portfolio	20	No of Holdings in Portfolio

**HOLDINGS**

**HighMark Plus (Active)**

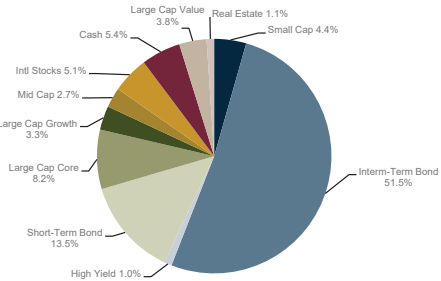
- Columbia Contrarian Core I3
- Vanguard Growth & Income Adm
- Dodge & Cox Stock Fund
- iShares S&P 500 Value ETF
- Harbor Capital Appreciation - Retirement
- T. Rowe Price Growth Stock - I
- iShares Russell Mid-Cap ETF
- Vanguard Real Estate ETF
- Undiscovered Managers Behavioral Value-R6
- Vanguard Small Cap Growth ETF
- DFA Large Cap International Portfolio
- Dodge & Cox International Stock
- MFS International Growth - R6
- Hartford Schroders Emerging Markets Eq
- Vanguard Short-Term Invest-Grade Adm
- PIMCO High Yield Instl
- PIMCO Total Return Fund - Inst
- PGIM Total Return Bond - R6
- DoubleLine Core Fixed Income - I
- First American Government Obligations Z

**Index Plus (Passive)**

- iShares Core S&P 500 ETF
- iShares S&P 500 Value ETF
- iShares S&P 500 Growth ETF
- iShares Russell Mid-Cap ETF
- Vanguard Real Estate ETF
- iShares Russell 2000 Value ETF
- iShares Russell 2000 Growth ETF
- iShares Core MSCI EAFE ETF
- Vanguard FTSE Emerging Markets ETF
- Vanguard Short-Term Invest-Grade Adm
- iShares Core U.S. Aggregate
- Vanguard High-Yield Corp Adm
- First American Government Obligations Z

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**STYLE**



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Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The ICE BofA U.S. High Yield Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wilshire REIT Index measures U.S. publicly traded Real Estate Investment Trusts. The unmanaged Bloomberg U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The ICE BofA 1-3 Year U.S. Corporate & Government Index tracks the bond performance of the ICE BofA U.S. Corporate & Government Index, with a remaining term to final maturity less than 5 years. The unmanaged FTSE 1-Month U.S. Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill.

HighMark Capital Management, Inc. (HighMark), an SEC-registered investment adviser, is a wholly owned subsidiary of MUFG Union Bank, N.A. (MUB). HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, and public and private retirement plans. MUB, a subsidiary of MUFG Americas Holdings Corporation, provides custodial services to HighMark and is compensated for these services. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. Investments employing HighMark strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by the Bank or any Bank affiliate, and MAY lose value, including possible loss of principal.

**HIGHMARK CAPITAL MANAGEMENT**

350 California Street  
Suite 1600  
San Francisco, CA 94104  
800-582-4734

**ABOUT THE ADVISER**

HighMark® Capital Management, Inc. (HighMark) has over 100 years (including predecessor organizations) of institutional money management experience with \$3.6 billion in assets under management and \$8.8 billion in assets under advisement\*. HighMark has a long term disciplined approach to money management and currently manages assets for a wide array of clients.

**ABOUT THE PORTFOLIO MANAGEMENT TEAM**

**Andrew Brown, CFA®**  
Senior Portfolio Manager  
Investment Experience: since 1994  
HighMark Tenure: since 1997  
Education: MBA, University of Southern California, BA, University of Southern California

**Salvatore "Tony" Milazzo III, CFA®**  
Senior Portfolio Manager  
Investment Experience: since 2004  
HighMark Tenure: since 2014  
Education: BA, Colgate University

**J. Keith Stribling, CFA®**  
Senior Portfolio Manager  
Investment Experience: since 1985  
HighMark Tenure: since 1995  
Education: BA, Stetson University

**Christiane Tsuda**  
Senior Portfolio Manager  
Investment Experience: since 1987  
HighMark Tenure: since 2010  
Education: BA, International Christian University, Tokyo

**Anne Wimmer, CFA®**  
Senior Portfolio Manager  
Investment Experience: since 1987  
HighMark Tenure: since 2007  
Education: BA, University of California, Santa Barbara

**Asset Allocation Committee**

Number of Members: 16  
Average Years of Experience: 27  
Average Tenure (Years): 15

**Manager Review Group**

Number of Members: 7  
Average Years of Experience: 22  
Average Tenure (Years): 10

\*Assets under management ("AUM") include assets for which HighMark provides continuous and regular supervisory and management services. Assets under advisement ("AUA") include assets for which HighMark provides certain investment advisory services (including, but not limited to, investment research and strategies) for client assets of its parent company, MUFG Union Bank, N.A.



**PARS DIVERSIFIED PORTFOLIOS  
MODERATELY CONSERVATIVE**

Q2 2022

**WHY THE PARS DIVERSIFIED MODERATELY CONSERVATIVE PORTFOLIO?**

**Comprehensive Investment Solution**  
HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

**Rigorous Manager Due Diligence**

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

**Flexible Investment Options**

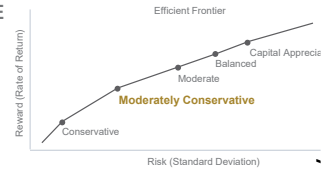
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

**Risk Management**

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

**INVESTMENT OBJECTIVE**

To provide current income, with capital appreciation as a secondary objective. The major portion of the assets is committed to income-producing securities. Market fluctuations should be expected.



**ASSET ALLOCATION — MODERATELY CONSERVATIVE PORTFOLIO**

	Strategic Range	Policy	Tactical
Equity	20 - 40%	30%	29%
Fixed Income	50 - 80%	65%	66%
Cash	0 - 20%	5%	5%

**ANNUALIZED TOTAL RETURNS** (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus Composite (Active)	Index Plus Composite (Passive)
Current Quarter* -8.10%	Current Quarter* -7.28%
Blended Benchmark**, ** -7.44%	Blended Benchmark**, ** -7.44%
Year To Date* -12.84%	Year To Date* -12.25%
Blended Benchmark**, ** -12.03%	Blended Benchmark**, ** -12.03%
1 Year -11.85%	1 Year -10.69%
Blended Benchmark** -10.30%	Blended Benchmark** -10.30%
3 Year 1.82%	3 Year 1.86%
Blended Benchmark** 2.07%	Blended Benchmark** 2.07%
5 Year 3.24%	5 Year 3.14%
Blended Benchmark** 3.37%	Blended Benchmark** 3.37%
10 Year 4.32%	10 Year 4.11%
Blended Benchmark** 4.29%	Blended Benchmark** 4.29%

\*Returns less than one year are not annualized. \*\*Breakdown for Blended Benchmark: From 10/1/2012 - Present: 15.5% S&P 3% Russell Mid Cap, 4.5% Russell 2000, 2% MSCI EM (net), 4% MSCI EAFE (net), 49.25% Bloomberg US Agg, 14% ICE BofA 3Y US Corp(Gov), 1.75% ICE BofA US High Yield Master II, 1% Wilshire REIT, and 5% FTSE 1 Mth US T-Bill. From 4/1/2007 - 9/30/2012: the blended benchmark was 25% S&P 500, 1.5% Russell 2000, 3.5% MSCI EAFE (net), 25% ICE BofA 1-3 Year Corp(Gov), 40% Bloomberg US Agg, 5% FTSE 1 Mth US T-Bill. Prior to April 2007, the blended benchmark was 30% S&P 500, 25% ICE BofA 1-3Yr Corp(Gov), 40% Bloomberg US Agg, and 5% FTSE 1 Mth US T-Bill.

**ANNUAL RETURNS** (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus Composite (Active)	Index Plus Composite (Passive)
2008 -15.37%	2008 -12.40%
2009 -18.71%	2009 11.92%
2010 10.46%	2010 9.72%
2011 1.75%	2011 3.24%
2012 10.88%	2012 8.24%
2013 7.30%	2013 6.78%
2014 4.41%	2014 5.40%
2015 0.32%	2015 -0.18%
2016 4.94%	2016 5.42%
2017 9.56%	2017 8.08%
2018 -2.60%	2018 -2.33%
2019 13.73%	2019 13.53%
2020 10.76%	2020 9.74%
2021 5.15%	2021 5.33%

**PORTFOLIO FACTS**

HighMark Plus (Active)	Index Plus (Passive)
Composite Inception Date	08/2004
No of Holdings in Portfolio	20
Composite Inception Date	05/20
No of Holdings in Portfolio	

**HOLDINGS**

**HighMark Plus (Active)**

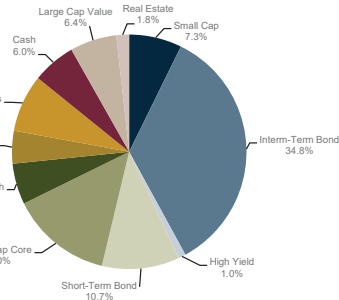
- Columbia Contrarian Core I3
- Vanguard Growth & Income Adm
- Dodge & Cox Stock Fund
- iShares S&P 500 Value ETF
- Harbor Capital Appreciation - Retirement
- T. Rowe Price Growth Stock - I
- iShares Russell Mid-Cap ETF
- Vanguard Real Estate ETF
- Undiscovered Managers Behavioral Value-R6
- Vanguard Small Cap Growth ETF
- DFA Large Cap International Portfolio
- Dodge & Cox International Stock
- MFS International Growth - R6
- Hartford Schroders Emerging Markets Eq
- Vanguard Short-Term Invest-Grade Adm
- PIMCO High Yield Instl
- PIMCO Total Return Fund - Inst
- PGIM Total Return Bond - R6
- DoubleLine Core Fixed Income - I
- First American Government Obligations Z

**Index Plus (Passive)**

- iShares Core S&P 500 ETF
- iShares S&P 500 Value ETF
- iShares S&P 500 Growth ETF
- iShares Russell Mid-Cap ETF
- Vanguard Real Estate ETF
- iShares Russell 2000 Value ETF
- iShares Russell 2000 Growth ETF
- iShares Core MSCI EAFE ETF
- Vanguard FTSE Emerging Markets ETF
- Vanguard Short-Term Invest-Grade Adm
- iShares Core U.S. Aggregate
- Vanguard High-Yield Corp Adm
- First American Government Obligations Z

*Holdings are subject to change at the discretion of the investment manager.*

**STYLE**



The performance records shown represent size-weighted composites of tax exempt accounts that meet the following criteria: Accounts are managed by HighMark with full investment authority according to the PARS Moderate active and passive objectives.

The advisor to the PARS portfolios is US Bank, and HighMark serves as sub-advisor to US Bank to manage these portfolios. US Bank may charge clients as much as 0.60% annual management fee based on a sliding scale. US Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with US Bank. The 0.36% paid to HighMark, as well as other expenses that may be incurred in the management of the portfolio, will reduce the portfolio's returns. Assuming an investment for five years, a 5% annual total return, and an annual sub-advisory fee rate of 0.36%, deducted from the assets at market at the end of each year, a \$10 million initial value would grow to \$12.53 million after fees (Net-of-Fees) and \$12.76 million before fees (Gross-of-Fees). Gross returns are presented before management and custodial fees but after all trading expenses and reflect the reinvestment of dividends and other income. A client's return will be reduced by the advisory fees and other expenses it may incur as a client. Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. Performance results are calculated and presented in U.S. dollars and do not reflect the deduction of investment advisory fees, custody fees, or taxes but do reflect the deduction of trading expenses. Returns are calculated based on trade-date accounting.

Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large cap companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The ICE BofA U.S. High Yield Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wisdom REIT index measures U.S. publicly traded Real Estate Investment Trusts. The unmanaged Bloomberg U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The ICE BofA 1-3 Year U.S. Corporate & Government Index tracks the bond performance of the ICE BofA U.S. Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged FTSE 1-Month US Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill.

HighMark Capital Management, Inc. (HighMark), an SEC-registered investment adviser, is a wholly owned subsidiary of MUFG Union Bank, N.A. (MUB). HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, and public and private retirement plans. MUB, a subsidiary of MUFG Americas Holdings Corporation, provides certain services to HighMark and is compensated for these services. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. Investments employing HighMark strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by the Bank or any Bank affiliate, and MAY lose value, including possible loss of principal.

**HIGHMARK CAPITAL MANAGEMENT**

350 California Street  
Suite 1600  
San Francisco, CA 94104  
800-582-4734

**ABOUT THE ADVISER**

HighMark® Capital Management, Inc. (HighMark) has over 100 years (including predecessor organizations) of institutional money management experience with \$3.6 billion in assets under management and \$8.8 billion in assets under advisement\*. HighMark has a long term disciplined approach to money management and currently manages assets for a wide array of clients.

**ABOUT THE PORTFOLIO MANAGEMENT TEAM**

**Andrew Brown, CFA®**  
Senior Portfolio Manager  
Investment Experience: since 1994  
HighMark Tenure: since 1997  
Education: MBA, University of Southern California, BA, University of Southern California

**Salvatore "Tony" Milazzo III, CFA®**  
Senior Portfolio Manager  
Investment Experience: since 2004  
HighMark Tenure: since 2014  
Education: BA, Colgate University

**J. Keith Stribling, CFA®**  
Senior Portfolio Manager  
Investment Experience: since 1985  
HighMark Tenure: since 1995  
Education: BA, Stetson University

**Christiane Tsuda**  
Senior Portfolio Manager  
Investment Experience: since 1987  
HighMark Tenure: since 2010  
Education: BA, International Christian University, Tokyo

**Anne Wimmer, CFA®**  
Senior Portfolio Manager  
Investment Experience: since 1987  
HighMark Tenure: since 2007  
Education: BA, University of California, Santa Barbara

**Asset Allocation Committee**

Number of Members: 16  
Average Years of Experience: 27  
Average Tenure (Years): 15

**Manager Review Group**

Number of Members: 7  
Average Years of Experience: 22  
Average Tenure (Years): 10

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**PARS DIVERSIFIED PORTFOLIOS  
MODERATE**

Q2 2022

**WHY THE PARS DIVERSIFIED MODERATE PORTFOLIO?**

**Comprehensive Investment Solution**  
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**Rigorous Manager Due Diligence**

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

**Flexible Investment Options**

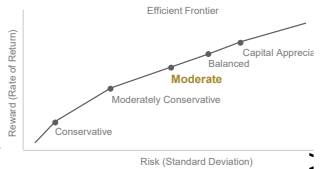
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**Risk Management**

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

**INVESTMENT OBJECTIVE**

To provide current income and moderate capital appreciation. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important.



**ASSET ALLOCATION — MODERATE PORTFOLIO**

	Strategic Range	Policy	Tactical
Equity	40 - 60%	50%	48%
Fixed Income	40 - 60%	45%	46%
Cash	0 - 20%	5%	6%

**ANNUALIZED TOTAL RETURNS**

(Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus Composite (Active)	Index Plus Composite (Passive)
Current Quarter*	Current Quarter*
Blended Benchmark**, **	Blended Benchmark**, **
Year To Date*	Year To Date*
Blended Benchmark**, **	Blended Benchmark**, **
1 Year	1 Year
Blended Benchmark**	Blended Benchmark**
3 Year	3 Year
Blended Benchmark**	Blended Benchmark**
5 Year	5 Year
Blended Benchmark**	Blended Benchmark**
10 Year	10 Year
Blended Benchmark**	Blended Benchmark**

\*Returns less than one year are not annualized. \*\*Breakdown for Blended Benchmark: From 10/1/2012 - Present: 26.5% S&P 500, 5% Russell Mid Cap, 7.5% Russell 2000, 3.25% MSCI EM (net), 6% MSCI EAFE (net), 33.5% Bloomberg US Agg, 10% ICE 1-3 Yr US Corp/Govt, 1.50% ICE BofA US High Yield Master II, 1.75% Wisdom REIT, and 5% FTSE 1 Mth US T-Bill. From 4/1/2007 - 9/30/2012: the blended benchmark was 43% S&P 500, 2% Russell 2000, 5% MSCI EAFE (net), 15% ICE BofA 1-3Yr Corp/Govt, 30% Bloomberg US Agg, 5% FTSE 1 Mth US T-Bill. Prior to April 2007: the blended benchmark was 50% S&P 500, 15% ICE BofA 1-3Yr Corp/Govt, 30% Bloomberg US Agg, and 5% FTSE 1 Mth US T-Bill.

**ANNUAL RETURNS**

(Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus Composite (Active)	Index Plus Composite (Passive)
2008	2008
2009	2009
2010	2010
2011	2011
2012	2012
2013	2013
2014	2014
2015	2015
2016	2016
2017	2017
2018	2018
2019	2019
2020	2020
2021	2021

**PORTFOLIO FACTS**

HighMark Plus (Active)	Index Plus (Passive)
Composite Inception Date	Composite Inception Date
No of Holdings in Portfolio	No of Holdings in Portfolio

Attachment A: PARS Account Update (14829 : Review Pension and Other Post-Employment

**HOLDINGS**

**HighMark Plus (Active)**

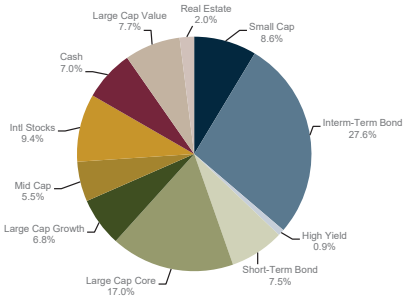
- Columbia Contrarian Core I3
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- iShares S&P 500 Value ETF
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- iShares Russell Mid-Cap ETF
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- Vanguard Small Cap Growth ETF
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- Dodge & Cox International Stock
- MFS International Growth - R6
- Hartford Schroders Emerging Markets Eq
- Vanguard Short-Term Invest-Grade Adm
- PIMCO High Yield Instl
- PIMCO Total Return Fund - Inst
- PGIM Total Return Bond - R6
- DoubleLine Core Fixed Income - I
- First American Government Obligations Z

**Index Plus (Passive)**

- iShares Core S&P 500 ETF
- iShares S&P 500 Value ETF
- iShares S&P 500 Growth ETF
- iShares Russell Mid-Cap ETF
- Vanguard Real Estate ETF
- iShares Russell 2000 Value ETF
- iShares Russell 2000 Growth ETF
- iShares Core MSCI EAFE ETF
- Vanguard FTSE Emerging Markets ETF
- Vanguard Short-Term Invest-Grade Adm
- iShares Core U.S. Aggregate
- Vanguard High-Yield Corp Adm
- First American Government Obligations Z

*Holdings are subject to change at the discretion of the investment manager.*

**STYLE**



The performance records shown represent size-weighted composites of tax exempt accounts that meet the following criteria: Accounts are managed by HighMark with full investment authority according to the PARS Balanced active and passive objectives.

The composite name has been changed from PARS Balanced/Moderately Aggressive to PARS Balanced on 5/1/2013. The adviser to the PARS portfolios is US Bank, and HighMark serves as sub-adviser to US Bank to manage these portfolios. US Bank may charge clients as much as 0.60% annual management fee based on a sliding scale. US Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with US Bank. The 0.36% paid to HighMark, as well as other expenses that may be incurred in the management of the portfolio, will reduce the portfolio's returns. Assuming an investment for five years, a 3% annual total return, and an annual sub-advisory fee rate of 0.36% deducted from the assets at market at the end of each year, a \$10 million initial value would grow to \$12.53 million after fees (Net-of-Fees) and \$12.76 million before fees (Gross-of-Fees). Gross returns are presented before management and custodial fees but after all trading expenses and reflect the reinvestment of dividends and other income. A client's return will be reduced by the advisory fees and other expenses it may incur as a client. Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. Performance results are calculated and presented in U.S. dollars and do not reflect the deduction of investment advisory fees, custody fees, or taxes but do reflect the deduction of trading expenses. Returns are calculated based on trade-date accounting.

Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The ICE BofA U.S. High Yield Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wilshire REIT index measures U.S. publicly traded Real Estate Investment Trusts. The unmanaged Bloomberg U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The ICE BofA 1-3 Year U.S. Corporate & Government Index tracks the bond performance of the ICE BofA U.S. Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged FTSE 1-Month U.S. Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill.

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**HIGHMARK CAPITAL MANAGEMENT**

350 California Street  
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800-582-4734

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Senior Portfolio Manager  
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HighMark Tenure: since 1997  
Education: MBA, University of Southern California, BA, University of Southern California

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Senior Portfolio Manager  
Investment Experience: since 2004  
HighMark Tenure: since 2014  
Education: BA, Colgate University

**J. Keith Stribling, CFA®**  
Senior Portfolio Manager  
Investment Experience: since 1985  
HighMark Tenure: since 1995  
Education: BA, Stetson University

**Christiane Tsuda**  
Senior Portfolio Manager  
Investment Experience: since 1987  
HighMark Tenure: since 2010  
Education: BA, International Christian University, Tokyo

**Anne Wimmer, CFA®**  
Senior Portfolio Manager  
Investment Experience: since 1987  
HighMark Tenure: since 2007  
Education: BA, University of California, Santa Barbara

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Average Tenure (Years): 15

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**PARS DIVERSIFIED PORTFOLIOS  
BALANCED**

Q2 2022

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BALANCED PORTFOLIO?**

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**INVESTMENT OBJECTIVE**

To provide growth of principal and income. While dividend and interest income are an important component of the objective's total return, it is expected that capital appreciation will comprise a larger portion of the total return.



**ASSET ALLOCATION — BALANCED PORTFOLIO**

	Strategic Range	Policy	Tactical
Equity	50 – 70%	60%	57%
Fixed Income	30 – 50%	35%	36%
Cash	0 – 20%	5%	7%

**ANNUALIZED TOTAL RETURNS**

(Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus Composite (Active)	Index Plus Composite (Passive)
Current Quarter* -11.24%	Current Quarter* -10.66%
Blended Benchmark**, ** -11.09%	Blended Benchmark**, ** -11.09%
Year To Date* -15.71%	Year To Date* -15.47%
Blended Benchmark**, ** -15.55%	Blended Benchmark**, ** -15.55%
1 Year -13.63%	1 Year -12.17%
Blended Benchmark** -12.19%	Blended Benchmark** -12.19%
3 Year 4.28%	3 Year 4.28%
Blended Benchmark** 4.58%	Blended Benchmark** 4.58%
5 Year 5.51%	5 Year 5.28%
Blended Benchmark** 5.67%	Blended Benchmark** 5.67%
10 Year 6.90%	10 Year 6.66%
Blended Benchmark** 7.13%	Blended Benchmark** 7.13%

\* Returns less than one year are not annualized. \*\* Breakdown for Blended Benchmark: From 10/1/2012 – Present: 32% S&P500, 15% Russell Mid Cap, 9% Russell 2000, 4% MSCI EM (net), 7% MSCI EAFE (net), 27% Bloomberg US Agg, 6.75% ICE BofA 1-3 Year CorpGovt, 1.25% ICE BofA US High Yield Master II, 2% Wilshire REIT, and 5% FTSE 1 Mth US T-Bill. From 4/1/2007 – 9/30/2012: the blended benchmark was 51% S&P 500, 33% Russell 2000, 6% MSCI EAFE (net), 5% ICE BofA 1-3 Year Corp, 30% Bloomberg US Agg, 5% FTSE 1 Mth US T-Bill. Prior to April 2007, the blended benchmark was 60% S&P 500, 5% ICE 1-3Yr CorpGovt, 30% Bloomberg US Agg, and 5% FTSE 1 Mth US T-Bill.

**ANNUAL RETURNS**

(Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus Composite (Active)	Index Plus Composite (Passive)
2008 -25.72%	2008 -23.22%
2009 21.36%	2009 17.62%
2010 14.11%	2010 12.76%
2011 -0.46%	2011 1.60%
2012 13.25%	2012 11.93%
2013 16.61%	2013 15.63%
2014 4.70%	2014 6.08%
2015 0.04%	2015 -0.81%
2016 6.81%	2016 8.26%
2017 15.46%	2017 13.39%
2018 -4.88%	2018 -5.05%
2019 19.85%	2019 19.59%
2020 13.85%	2020 12.07%
2021 11.44%	2021 12.63%

**PORTFOLIO FACTS**

HighMark Plus (Active)	Index Plus (Passive)
Composite Inception Date 10/2006	Composite Inception Date 10/2000
No of Holdings in Portfolio 20	No of Holdings in Portfolio 1

**HOLDINGS**

**HighMark Plus (Active)**

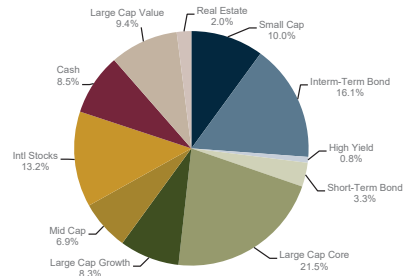
- Columbia Contrarian Core I3
- Vanguard Growth & Income Adm
- Dodge & Cox Stock Fund
- iShares S&P 500 Value ETF
- Harbor Capital Appreciation – Retirement
- T. Rowe Price Growth Stock - I
- iShares Russell Mid-Cap ETF
- Vanguard Real Estate ETF
- Undiscovered Managers Behavioral Value-R6
- Vanguard Small Cap Growth ETF
- DFA Large Cap International Portfolio
- Dodge & Cox International Stock
- MFS International Growth - R6
- Hartford Schroders Emerging Markets Eq
- Vanguard Short-Term Invest-Grade Adm
- PIMCO High Yield Instl
- PIMCO Total Return Fund - Inst
- PGIM Total Return Bond - R6
- DoubleLine Core Fixed Income - I
- First American Government Obligations Z

**Index Plus (Passive)**

- iShares Core S&P 500 ETF
- iShares S&P 500 Value ETF
- iShares S&P 500 Growth ETF
- iShares Russell Mid-Cap ETF
- Vanguard Real Estate ETF
- iShares Russell 2000 Value ETF
- iShares Russell 2000 Growth ETF
- iShares Core MSCI EAFE ETF
- Vanguard FTSE Emerging Markets ETF
- Vanguard Short-Term Invest-Grade Adm
- iShares Core U.S. Aggregate
- Vanguard High-Yield Corp Adm
- First American Government Obligations Z

*Holdings are subject to change at the discretion of the investment manager.*

**STYLE**



The performance records shown represent a size-weighted composite of tax exempt accounts that meet the following criteria: Accounts are managed by HighMark with full investment authority according to the PARS Capital Appreciation active and passive objectives.

The adviser to the PARS portfolio is US Bank, and HighMark serves as sub-adviser to US Bank to manage these portfolios. US Bank may charge clients as much as 0.60% annual management fee based on a sliding scale. US Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with US Bank. The 0.36% paid to HighMark, as well as other expenses that may be incurred in the management of the portfolio, will reduce the portfolio's returns. Assuming an investment for five years, a 5% annual total return, and an annual sub-advisory fee rate of 0.36% deducted from the assets at market at the end of each year, a \$10 million initial value would grow to \$12.53 million after fees (Net-of-Fees) and \$12.76 million before fees (Gross-of-Fees). Gross returns are presented before management and custodial fees but after all trading expenses and reflect the reinvestment of dividends and other income. A client's return will be reduced by the advisory fees and other expenses it may incur as a client. Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. Performance results are calculated and presented in U.S. dollars and do not reflect the deduction of investment advisory fees, custody fees, or taxes but do reflect the deduction of trading expenses. Returns are calculated based on trade-date accounting.

Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The ICE BofA U.S. High Yield Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wisdom REIT Index measures U.S. publicly traded Real Estate Investment Trusts. The unmanaged Bloomberg U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The ICE BofA 1-3 Year U.S. Corporate & Government Index tracks the bond performance of the ICE BofA U.S. Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged FTSE 1-Month U.S. Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill.

HighMark Capital Management, Inc. (HighMark), an SEC-registered investment adviser, is a wholly owned subsidiary of MFG Union Bank, N.A. (MUB). HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, and public and private retirement plans. MUB, a subsidiary of MFG Americas Holdings Corporation, provides certain services to HighMark and is compensated for these services. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. Investments employing HighMark strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by the Bank or any Bank affiliate, and MAY lose value, including possible loss of principal.

**HIGHMARK CAPITAL MANAGEMENT**

350 California Street  
Suite 1600  
San Francisco, CA 94104  
800-582-4734

**ABOUT THE ADVISER**

HighMark® Capital Management, Inc. (HighMark) has over 100 years (including predecessor organizations) of institutional money management experience with \$3.6 billion in assets under management and \$8.8 billion in assets under advisement\*. HighMark has a long term disciplined approach to money management and currently manages assets for a wide array of clients.

**ABOUT THE PORTFOLIO MANAGEMENT TEAM**

**Andrew Brown, CFA®**  
Senior Portfolio Manager  
Investment Experience: since 1994  
HighMark Tenure: since 1997  
Education: MBA, University of Southern California, BA, University of Southern California

**Salvatore "Tony" Milazzo III, CFA®**  
Senior Portfolio Manager  
Investment Experience: since 2004  
HighMark Tenure: since 2014  
Education: BA, Colgate University

**J. Keith Stribling, CFA®**  
Senior Portfolio Manager  
Investment Experience: since 1985  
HighMark Tenure: since 1995  
Education: BA, Stetson University

**Christiane Tsuda**  
Senior Portfolio Manager  
Investment Experience: since 1987  
HighMark Tenure: since 2010  
Education: BA, International Christian University, Tokyo

**Anne Wimmer, CFA®**  
Senior Portfolio Manager  
Investment Experience: since 1987  
HighMark Tenure: since 2007  
Education: BA, University of California, Santa Barbara

**Asset Allocation Committee**

Number of Members: 16  
Average Years of Experience: 27  
Average Tenure (Years): 15

**Manager Review Group**

Number of Members: 7  
Average Years of Experience: 22  
Average Tenure (Years): 10

\*Assets under management ("AUM") include assets for which HighMark provides continuous and regular supervisory and management services. Assets under advisement ("AUA") include assets for which HighMark provides certain investment advisory services (including, but not limited to, investment research and strategies) for client assets of its parent company, MFG Union Bank, N.A.



**PARS DIVERSIFIED PORTFOLIOS  
CAPITAL APPRECIATION**

Q2 2022

**WHY THE PARS DIVERSIFIED CAPITAL APPRECIATION PORTFOLIO?**

**Comprehensive Investment Solution**  
HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

**Rigorous Manager Due Diligence**  
Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

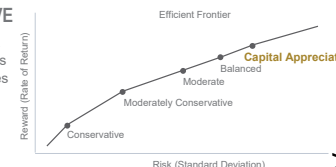
**Flexible Investment Options**  
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

**Risk Management**

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

**INVESTMENT OBJECTIVE**

To provide growth of principal. The major portion of the assets are invested in equity securities and market fluctuations are expected.



**ASSET ALLOCATION — CAPITAL APPRECIATION PORTFOLIO**

	Strategic Range	Policy	Tactical
Equity	65 - 85%	75%	72%
Fixed Income	10 - 30%	20%	20%
Cash	0 - 20%	5%	8%

**ANNUALIZED TOTAL RETURNS** (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

Consolidated Composite	
Current Quarter*	-12.59%
Blended Benchmark**, **	-12.84%
Year To Date*	-17.12%
Blended Benchmark**, **	-17.27%
1 Year	-14.04%
Blended Benchmark**	-13.26%
3 Year	5.30%
Blended Benchmark**	5.59%
5 Year	6.42%
Blended Benchmark**	6.60%
10 Year	8.03%
Blended Benchmark**	8.36%

\* Returns less than one year are not annualized. \*\*Breakdown for Blended Benchmark: 39.5% S&P500, 7.5% Russell Mid Cap, 10.5% Russell 2000, 5.25% MSCI EM (net), 10.25% MSCI EAFE (net), 16% Bloomberg US Agg, 3% ICE BofA 1-3 Yr US Corp/Govt, 1% ICE BofA US High Yield Master II, 2% Wisdom REIT, and 5% FTSE 1-Mth US T-Bill.

**ANNUAL RETURNS** (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

Consolidated Composite	
2008	N/A
2009	23.77%
2010	12.95%
2011	-1.35%
2012	13.87%
2013	20.33%
2014	6.05%
2015	-0.26%
2016	8.79%
2017	16.72%
2018	-5.82%
2019	22.62%
2020	14.50%
2021	14.96%

**PORTFOLIO FACTS**

Consolidated Composite	
Composite Inception Date	01/2009
No of Holdings in Portfolio	20



# CERBT Account Update

City of Palo Alto

October 18, 2022



1

## CalPERS Prefunding Programs

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### OPEB Plan Summary

- Total OPEB Liability (TOL) as of 6/30/2021 is \$244,197,000 using a 6.25% discount rate.
- CERBT assets as of 9/14/2022 were \$145,866,012.
- Funded status as of 6/30/2021 was 67%.



2

## OPEB Liability Mitigation Strategies

- Discount rate of 5.75% used for CERBT contributions
  - As opposed to 6.25% for liability calculations
  - Save money later by investing more principal now
- Reduced amortization of UAL from 22 to 15 years
  - Pay down debt faster
- 0% return assumed for the 2021-22 fiscal year
  - Took a conservative position after 2020-21
  - Actual returns were even lower so this was helpful
- Contributing \$400K more each year for new staffing

## OPEB Plan Short Term Future

- Capital Market Assumptions (CMA's) are less favorable
  - Expected returns project lower
  - Risk projects higher
  - Discount rates will likely be lower making liabilities higher
- CERBT assets have declined due to unit devaluation
  - Market volatility
- Funded statuses will almost certainly go down
- Contributions will go up or time horizon will get longer

# OPEB Valuation Report Summary

## OPEB Actuarial Valuation Report by Bartel Associates, LLC

Valuation Date	6/30/2019	6/30/2021
Total Participants (Active + Retirees w/ Benefits + Retirees w/o Benefits = Total)	930 + 974 + 0 = 1,904	874 + 1,009 + 134 = 2,017
Present Value of Benefits (PVB)	\$300,579,000	\$301,169,000
<b>Total OPEB Liability (TOL)</b> (Includes Implicit Costs of \$46,113)	<b>\$241,469,000</b>	<b>\$244,197,000</b>
Valuation Assets	\$118,497,000	\$164,170,000
Net OPEB Liability (NOL)	\$122,972,000	\$80,027,000
Funded Status	49%	67%
<b>Actuarially Determined Contribution (ADC)</b>	<b>\$15,013,000 (fye 2022)</b>	<b>\$11,428,000 (fye 2023)</b>
Normal Cost	\$7,099,000 (fye 2022)	\$6,196,000 (fye 2023)
Amortization of Net OPEB Liability	\$7,816,000 (fye 2022)	\$5,112,000 (fye 2023)
Projected Retiree Premiums (Pay-Go Cost)	\$11,622,000 (fye 2022)	\$11,190,000 (fye 2023)
Implicit Rate Subsidy Credit	\$2,619,000 (fye 2022)	\$3,025,000 (fye 2023)
CERBT Asset Allocation Strategy	Strategy 1	Strategy 1
Discount Rate	6.75%	6.25%



# CERBT Account Summary

As of September 14, 2022	Strategy 1
Initial contribution <small>(3/17/2008)</small>	\$32,843,883
Additional contributions	\$52,671,520
Disbursements	(\$1,882,623)
CERBT expenses	(\$1,116,553)
Investment earnings	\$63,349,785
Total assets	\$145,866,012
Money-weighted annualized net rate of return <small>(3/17/2008 – 9/14/2022 = 14.50 Years)</small>	5.65%

In PEMHCA: Yes  
 CERBT agreement effective date: 2/27/2008



Attachment: Attachment B: CalPERS CERBT Account Update (14829 : Review Pension and Other Post-Employment Benefits (OPEB)/Retiree

## Cash Flow Summary by Fiscal Year

Fiscal Year	Contributions	Disbursements	Cumulative Net Contributions	Cumulative Investment Gains (Losses)	Cumulative Fees	Cumulative Ending Assets	Fiscal Year Net Rate of Return	Cumulative Net Rate of Return
2007-08	\$33,843,883	\$0	\$33,843,883	(\$597,526)	(\$9,004)	\$33,237,354	-	-
2008-09	\$700,000	\$0	\$34,543,883	(\$8,055,948)	(\$31,009)	\$26,456,926	-22.44%	-19.18%
2009-10	\$3,531,911	\$0	\$38,075,794	(\$4,001,078)	(\$61,120)	\$34,013,596	15.20%	-5.31%
2010-11	\$2,447,794	\$0	\$40,523,589	\$4,361,612	(\$111,130)	\$44,774,071	24.77%	3.62%
2011-12	\$4,419,066	\$0	\$44,942,654	\$4,458,625	(\$162,844)	\$49,238,435	0.22%	2.74%
2012-13	\$5,247,991	\$0	\$50,190,645	\$10,122,649	(\$243,009)	\$60,070,285	11.54%	4.60%
2013-14	\$4,294,949	\$0	\$54,485,594	\$21,211,069	(\$333,722)	\$75,362,941	18.50%	7.12%
2014-15	\$3,371,016	\$0	\$57,856,609	\$21,130,945	(\$409,907)	\$78,577,647	-0.11%	5.87%
2015-16	\$3,126,432	\$0	\$60,983,041	\$22,079,721	(\$474,657)	\$82,588,105	1.21%	5.15%
2016-17	\$1	\$0	\$60,983,041	\$30,734,955	(\$547,642)	\$91,170,355	10.54%	5.86%
2017-18	\$9,212,108	\$0	\$70,195,149	\$38,284,311	(\$633,773)	\$107,845,687	7.89%	6.11%
2018-19	\$5,723,000	(\$1,882,623)	\$74,035,526	\$45,187,577	(\$726,169)	\$118,496,935	6.37%	6.14%
2019-20	\$3,747,155	\$0	\$77,782,681	\$49,565,923	(\$828,805)	\$126,519,799	3.66%	5.87%
2020-21	\$1,588,241	\$0	\$79,370,922	\$84,393,586	(\$952,099)	\$162,812,410	27.53%	7.80%
2021-22	\$4,261,858	\$0	\$83,632,780	\$62,202,442	(\$1,090,093)	\$144,745,130	-13.52%	5.68%
as of 9/14/22	\$0	\$0	\$83,632,780	\$69,022,296	(\$1,116,553)	\$145,866,012	-	5.65%



## Funded Status Comparison

Measurement Date	Total OPEB Liability	CERBT Assets	Funded Status
1/1/2007	\$102,237,022	\$0	0%
1/1/2009	\$129,660,950	\$24,616,071	19%
1/1/2011	\$165,660,000	\$40,213,000	24%
6/30/2011	\$168,053,000	\$44,774,000	27%
6/30/2013	\$203,642,000	\$60,070,000	29%
6/30/2015	\$234,795,000	\$78,578,000	33%
6/30/2017	\$244,759,000	\$91,250,000	37%
6/30/2019	\$241,469,000	\$118,497,000	49%
6/30/2021	\$244,197,000	\$164,170,000	67%



Attachment: Attachment B: CalPERS CERBT Account Update (14829 : Review Pension and Other Post-Employment Benefits (OPEB)/Retiree

# CERBT Projected Returns & Volatility

2022 Capital Market Assumptions	Strategy 1	Strategy 2	Strategy 3
Projected Compound Return 1-5 Years <sup>1</sup> (General Inflation Rate Assumption of 2.4%)	5.1%	4.2%	3.5%
Projected Compound Return 1-20 Years <sup>1</sup> (General Inflation Rate Assumption of 2.3%)	<b>6.0%</b>	<b>5.5%</b>	<b>5.0%</b>
Projected Compound Return 6-20 Years <sup>1</sup> (General Inflation Rate Assumption of 2.3%)	6.3%	5.9%	5.5%
Projected Volatility (20-Year Standard Deviation of Projected Returns)	12.1%	9.9%	8.4%



<sup>1</sup> Projected Compound Return for each CERBT Strategy is time-weighted and net of all fees.

# CERBT Portfolio Details

Asset Classification	Benchmark	CERBT Strategy 1	CERBT Strategy 2	CERBT Strategy 3
Global Equity	MSCI All Country World Index	<b>49%</b> <b>±5%</b>	34% ±5%	23% ±5%
Fixed Income	Bloomberg Capital Long Liability Index	<b>23%</b> <b>±5%</b>	41% ±5%	51% ±5%
Global Real Estate (REITs)	FTSE EPRA/NAREIT Developed Liquid Index	<b>20%</b> <b>±5%</b>	17% ±5%	14% ±5%
Treasury Inflation Protected Securities (TIPS)	Bloomberg Capital Global Real: US TIPS Index	<b>5%</b> <b>±3%</b>	5% ±3%	9% ±3%
Commodities	S&P GSCI Total Return Index	<b>3%</b> <b>±3%</b>	3% ±3%	3% ±3%
Cash	3-Month Treasury Bill	<b>0%</b> <b>+2%</b>	0% +2%	0% +2%
Expected Return	N/A	<b>6.0%</b>	5.5%	5.0%
Standard Deviation	N/A	<b>12.1%</b>	9.9%	8.4%



# Investment Returns Outperform Benchmarks

Periods Ended August 31, 2022

CERBT OPEB	Assets	1 Month	3 Months	FYTD	1 Year	3 Years	5 Years	10 Years	ITD
CERBT Strategy 1 (Inception June 1, 2007)	\$13,297,533,144	-3.80%	-4.84%	1.94%	-14.03%	5.21%	5.45%	6.67%	4.94%
Benchmark		-3.80%	-4.93%	1.91%	-14.24%	4.94%	5.17%	6.31%	4.53%
CERBT Strategy 2 (Inception October 1, 2011)	\$1,735,829,562	-3.86%	-4.43%	1.16%	-13.66%	3.25%	4.40%	5.45%	6.30%
Benchmark		-3.84%	-4.48%	1.15%	-13.77%	3.06%	4.17%	5.13%	6.03%
CERBT Strategy 3 (Inception January 1, 2012)	\$759,883,383	-3.77%	-3.90%	0.69%	-12.13%	1.98%	3.60%	4.29%	4.80%
Benchmark		-3.76%	-3.95%	0.66%	-12.19%	1.84%	3.42%	3.97%	4.52%
<b>CERBT Total</b>	<b>\$15,793,246,089</b>								

CEPPT PENSION	Assets	1 Month	3 Months	FYTD	1 Year	3 Years	5 Years	10 Years	ITD
CEPPT Strategy 1 (Inception October 1, 2019)	\$65,054,989	-3.41%	-3.66%	1.25%	-13.20%	-	-	-	2.78%
Benchmark		-3.42%	-3.73%	1.28%	-13.38%	-	-	-	2.72%
CEPPT Strategy 2 (Inception January 1, 2020)	\$26,044,786	-3.22%	-2.83%	0.30%	-12.11%	-	-	-	-0.34%
Benchmark		-3.23%	-2.86%	0.29%	-12.19%	-	-	-	-0.47%
<b>CEPPT Total</b>	<b>\$91,099,775</b>								

Time weighted return reports the performance of the investment vehicle, not of the employer assets. Returns are gross. Historical performance is not necessarily indicative of actual future investment performance or of future total program cost. Current and future performance may be lower or higher than the historical performance data reported here. Investment return and principal value may fluctuate so that your investment, when redeemed, may be worth more or less than the original cost. The value of an employer's fund shares will go up and down based on the performance of the underlying funds in which the assets are invested. The value of the underlying funds' assets will, in turn, fluctuate based on the performance and other factors generally affecting the securities market.



# Total Participation Cost Fee Rates

- Total all-inclusive cost of participation
  - Combines administrative, custodial, and investment fees
  - Separate trust funds
  - Self-funded, fee rate may change in the future
  - Fee is applied daily to assets under management
    - 10 basis points - CERBT
    - 25 basis points - CEPPT



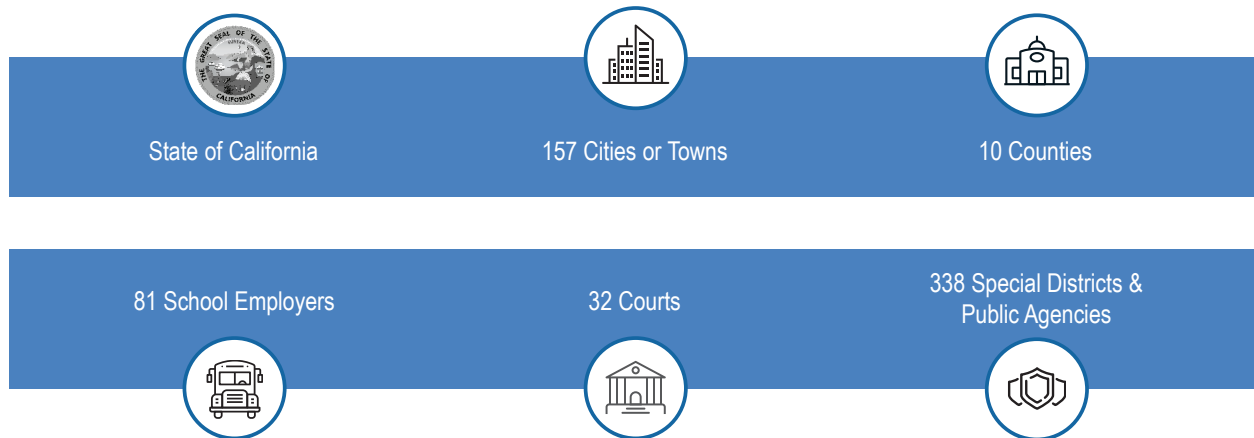
## CEPPT/CERBT Consistently Low Fee Rate History

Fiscal Year	CERBT	CEPPT
2007-2008	2.00 basis points	-
2008-2009	6.00 basis points	-
2009-2010	9.00 basis points	-
2010-2011	12.00 basis points	-
2011-2012	12.00 basis points	-
2012-2013	15.00 basis points	-
2013-2014	14.00 basis points	-
2014-2015	10.00 basis points	-
2015-2016	10.00 basis points	-
2016-2017	10.00 basis points	-
2017-2018	10.00 basis points	-
2018-2019	10.00 basis points	-
2019-2020	10.00 basis points	25.00 basis points
2020-2021	10.00 basis points	25.00 basis points
2021-2022	10.00 basis points	25.00 basis points
2022-2023	10.00 basis points	25.00 basis points



## Prefunding Program Employers

620 contracting employers (598 CERBT and 76 CEPPT)



Attachment: Attachment B: CalPERS CERBT Account Update (14829 : Review Pension and Other Post-Employment Benefits (OPEB)/Retiree

## Questions? Where to Get Trust Fund Information?

Name	Title	E-mail	Desk	Mobile
Matt Goss	Outreach & Support Program Manager	<a href="mailto:Matthew.Goss@calpers.ca.gov">Matthew.Goss@calpers.ca.gov</a>	(916) 795-9071	(916) 382-6487
Karen Lookingbill	Outreach & Support Manager	<a href="mailto:Karen.Lookingbill@calpers.ca.gov">Karen.Lookingbill@calpers.ca.gov</a>	(916) 795-1387	(916) 501-2219
Colleen Cain-Herrback	Administration & Reporting Program Manager	<a href="mailto:Colleen.Cain-Herrback@calpers.ca.gov">Colleen.Cain-Herrback@calpers.ca.gov</a>	(916) 795-2474	(916) 505-2506
Robert Sharp	Assistant Division Chief	<a href="mailto:Robert.Sharp@calpers.ca.gov">Robert.Sharp@calpers.ca.gov</a>	(916) 795-3878	(916) 397-0756
Program E-mail Addresses		Prefunding Programs Webpages		
<a href="mailto:CERBT4U@calpers.ca.gov">CERBT4U@calpers.ca.gov</a> – Questions & Document Submittal		<a href="http://www.calpers.ca.gov/CERBT">www.calpers.ca.gov/CERBT</a>		
<a href="mailto:CEPPT4U@calpers.ca.gov">CEPPT4U@calpers.ca.gov</a> – Questions & Document Submittal		<a href="http://www.calpers.ca.gov/CEPPT">www.calpers.ca.gov/CEPPT</a>		
<a href="mailto:CERBTACCOUNT@calpers.ca.gov">CERBTACCOUNT@calpers.ca.gov</a> – Online Record Keeping System				

