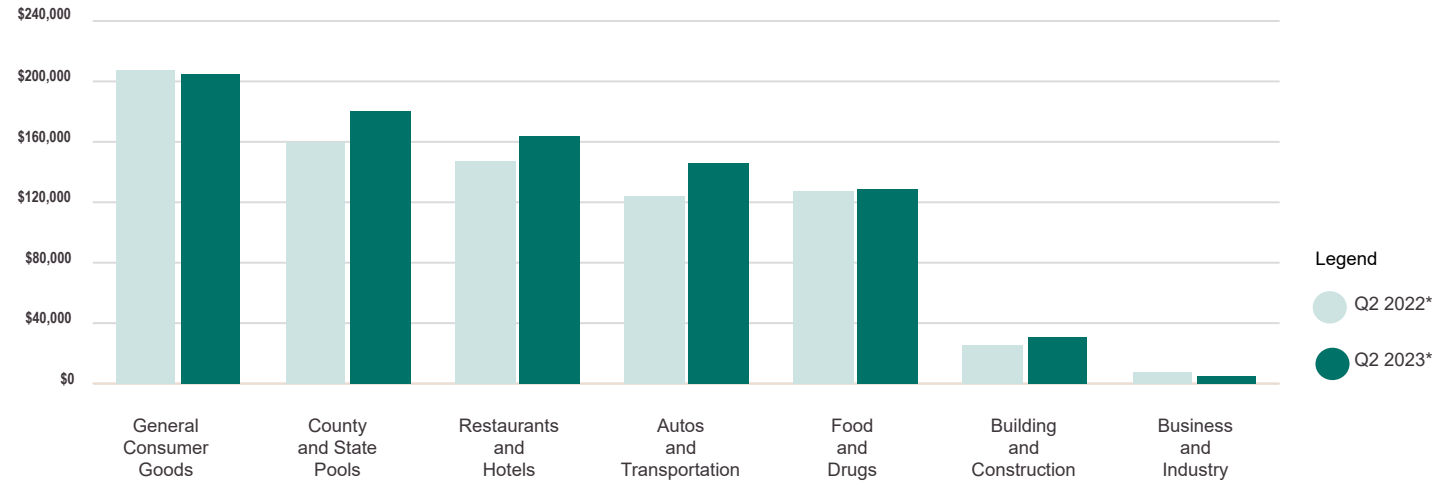
# CITY OF EL CERRITO
## SALES TAX UPDATE
### 2Q 2023 (APRIL - JUNE)

| EL CERRITO | 5.8% | -1.8% | -3.0% |
|---|---|---|---|
| TOTAL: $ 897,061 | 2Q2023 | COUNTY | STATE |

*Allocation aberrations have been adjusted to reflect sales activity

**SALES TAX BY MAJOR BUSINESS GROUP**




| Measure A | Measure R |
|---|---|
| TOTAL: $532,765 | TOTAL: $1,080,024 |
| 2.5% | 3.9% |

## CITY OF EL CERRITO HIGHLIGHTS

El Cerritos' gross receipts from April through June 2023 were 10% above the second sales period in 2022. However, after accounting for reporting modifications such as audit corrections and delayed payments, actual sales were up 5.8%.

Visitors and locals enjoyed dining out at casual dining and quick service restaurants during the spring months – lifting restaurant-hotels revenues. Taxable sales at grocery stores contributed to stable food-drug results. Automotive supply sales and activity in other sectors boosted autos-transportation receipts 18%. Project activity following the wet winter added to building-construction receipts.

The City's allocation from the countywide use tax pool jumped up 12.7% as the pool overcame waning ecommerce and third party auto sales, netting a positive result.

Conversely, while family apparel results were positive, consumers were cautious and did not spend as much as a year ago causing general consumer goods to slip 1.5%. Business-industry results also declined for the quarter.

Voter-approved Measures R and A posted similar positive results, assisted by residents purchasing new vehicles.

Net of adjustments, taxable sales for all of Contra Costa County declined 1.8% over the comparable time period; the Bay Area was down 2.9%.

## TOP 25 PRODUCERS

CVS Pharmacy
El Cerrito Chevron
El Cerrito Honda
Exxon Best Gas & Car Wash
Harbor Freight Tools
Ifshin Violins
Jack in the Box
Jo Ann Fabrics & Crafts
Los Moles
Lucky Supermarket
Marshalls
McDonald's
Nug
O'Reilly Auto Parts
Pastime Hardware
Pet Food Express
Petco
Petvet Petfood
Ross
Safeway
Skechers
T Mobile
Trader Joe's
Verizon Wireless
Walgreens



HdL Companies
Published by HdL Companies in Fall 2023

## STATEWIDE RESULTS

California's local one cent sales and use tax receipts for sales during the months of April through June were 2.8% lower than the same quarter one year ago after adjusting for accounting anomalies. The second quarter of the calendar year was impacted by continued wet weather and a difficult comparison with the prior year, which experienced dramatic growth.

The fuel-service stations sector contributed the most to this decline as year-over-year (YOY) falling fuel prices at the pump reduced receipts from gas stations and petroleum providers. Russia's invasion of Ukraine and other world events during this period last year, pushed the global cost of crude oil to record highs. This dynamic also carried into general consumer goods as retailers selling fuel experienced a similar drop. Recently, OPEC and Russia have maintained production cuts having upward pressure on pricing again leading to future comparative growth.

Sustained wet conditions further delayed projects, especially those from the prior quarter, hindering building-construction returns. YOY lumber price declines added to the pull back from building materials providers. Higher interest rates represent a significant headwind for the industry with potential impacts of limited commercial development activity, slowing public infrastructure projects and homeowners left unable to access equity for renovations.

Despite a significant increase in new car registrations, revenue from autos-transportation fell by 1.4%. The improved activity can largely be attributed to rental car agencies restocking their fleets. However, these are wholesale transactions with sales tax charged upon rental of these vehicles. Weak demand for recreational vehicles, boats and motorcycles coupled with elevated overall financing costs remain challenges going forward.

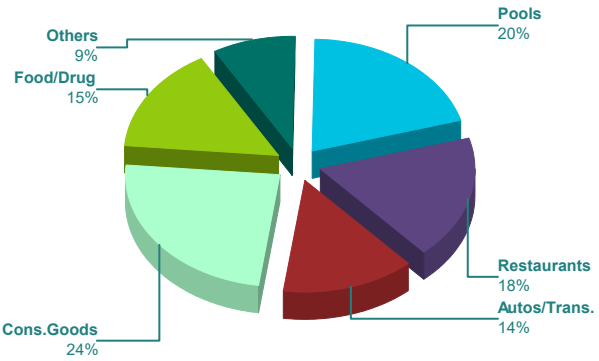
Use taxes remitted via the countywide pools decreased 0.75%, marking the third consecutive quarter of decline. While overall online sales continue to rise, pool collections dropped with the offsetting effect of more in-state fulfillment generated at large warehouses and through existing retail outlets allocated directly to local agencies.

Restaurant sales were a bright spot as the summer season began. Although menu prices have flattened after a year of sharp gains, patrons are making more restaurant trips and are favoring spending their disposable income on experiences. Better sales by office material suppliers and enhanced investments of warehouse-farm-construction equipment contributed to improved returns for the business-industry category.

Sales tax for the remainder of 2023 appears likely to follow the recent trend of moderate declines before leveling off in early 2024. Cooling consumer confidence and greater pressure on household budgets may lead to a lackluster upcoming holiday shopping period. Furthermore, the possibility of a longer and more pronounced slowdown in economic activity exists as the Federal Reserve considers additional interest rate increases to combat high prices that are already stretching consumer wallets.

## REVENUE BY BUSINESS GROUP

**El Cerrito This Fiscal Year***

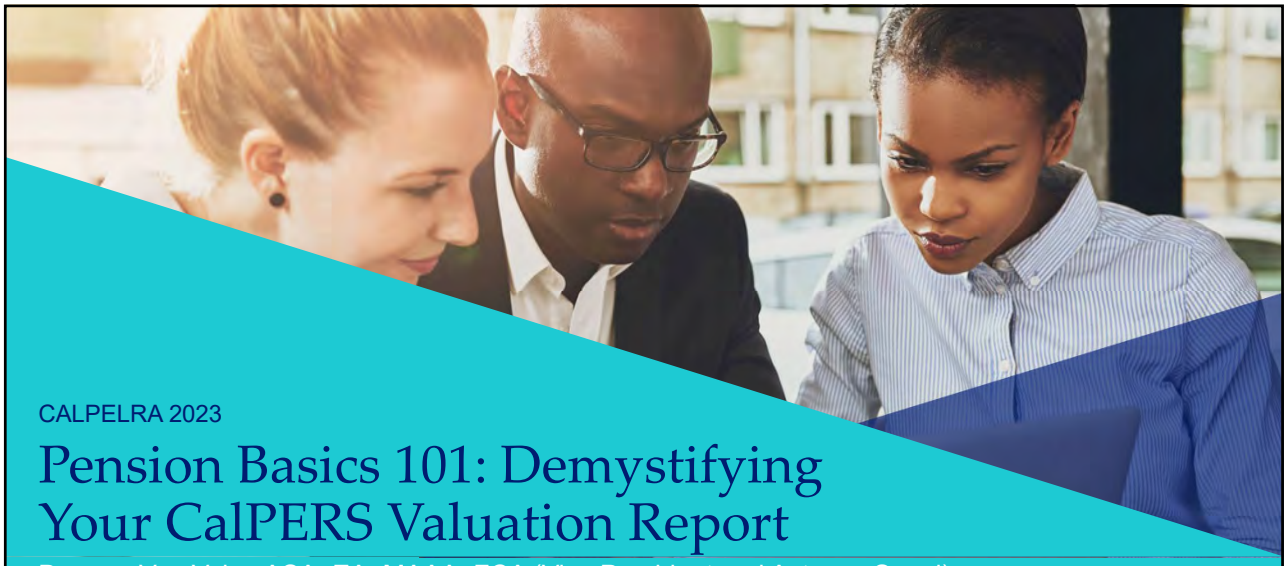



*ADJUSTED FOR ECONOMIC DATA

## TOP NON-CONFIDENTIAL BUSINESS TYPES

| El Cerrito Business Type | Q2 '23 | Change | County Change | HdL State Change |
|---|---|---|---|---|
| Family Apparel | 88,079 | 3.8% | 5.7% | -0.9% |
| Casual Dining | 72,002 | 11.1% | 7.1% | 4.5% |
| Quick-Service Restaurants | 60,843 | 3.4% | 2.9% | 3.2% |
| Grocery Stores | 53,161 | 3.1% | 5.4% | 2.9% |
| Specialty Stores | 39,884 | 4.5% | -0.8% | -1.3% |
| Electronics/Appliance Stores | 22,452 | -0.3% | -8.7% | -6.3% |
| Fast-Casual Restaurants | 22,271 | 45.3% | 4.3% | 4.0% |
| Convenience Stores/Liquor | 16,262 | -10.5% | -8.5% | -5.1% |
| Auto Repair Shops | 6,893 | -65.5% | 8.2% | 2.2% |
| Sporting Goods/Bike Stores | 3,692 | -34.8% | -10.1% | -9.1% |

*Allocation aberrations have been adjusted to reflect sales activity*



CALPELRA 2023

# Pension Basics 101: Demystifying Your CalPERS Valuation Report

Deanna Van Valer, ASA, EA, MAAA, FCA (Vice President and Actuary, Segal)
Randy Dziubek, ASA, MAAA (Deputy Chief Actuary, CalPERS)

November 16, 2023

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CalPERS Segal

1

# Agenda

- **"Pension Actuarial 101"**
- **Kinds of CalPERS Reports**
- **Finding Actuarial Info in Your 6/30/22 CalPERS Report**
- **Results of the 6/30/22 CalPERS Actuarial Valuations**
- **How Your Plan Compares to Other Plans**
- **More Interesting Information**



2

# "Pension Actuarial 101"



3

# Polling Question

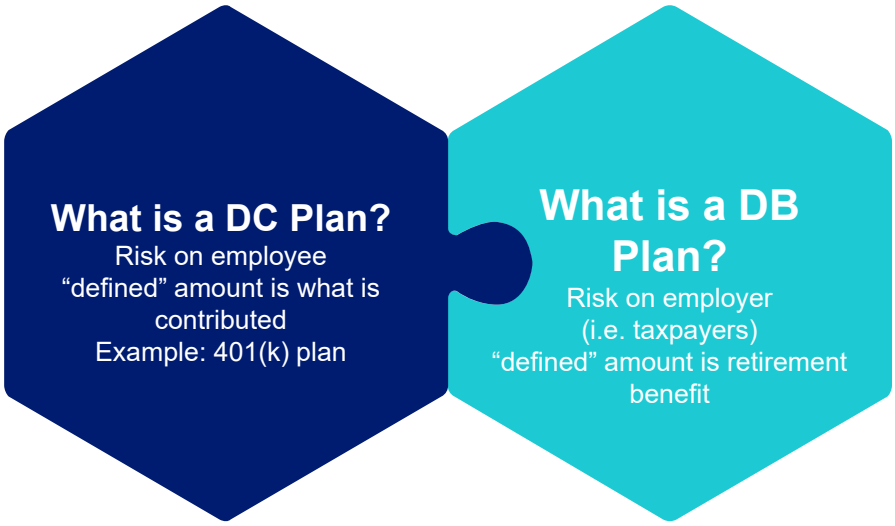
**Is your position at your agency best described as?**

- HR
- Finance
- Other



4

# What is a DB Plan?






# Actuarial Terminology

*3 Measures of Cost*

## Present Value of Benefits (PVB)

- Value, using actuarial assumptions, of all benefits expected to be paid to current employees & retirees

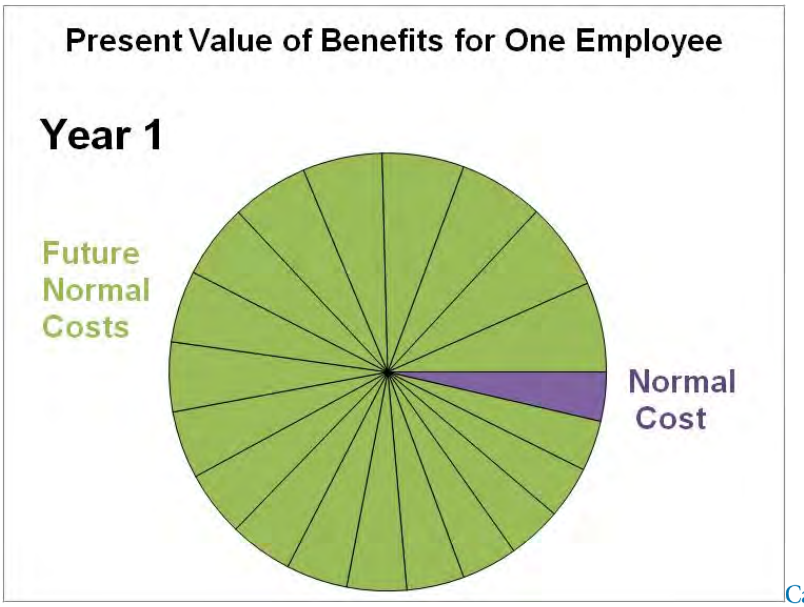
## Actuarial Accrued Liability (AAL)

- Liability for benefits "earned" for past service

## Normal Cost (NC)

- Value of benefits "earned" during the current year

# Definition of Terms



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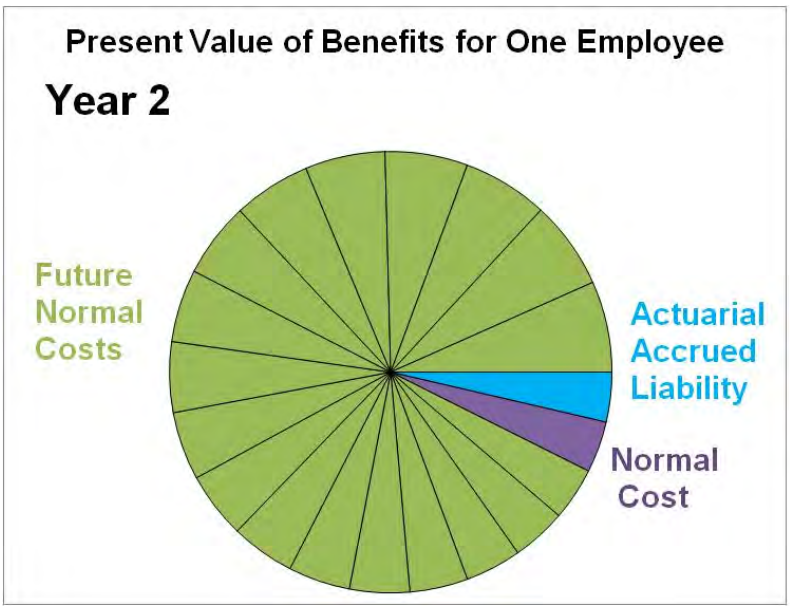

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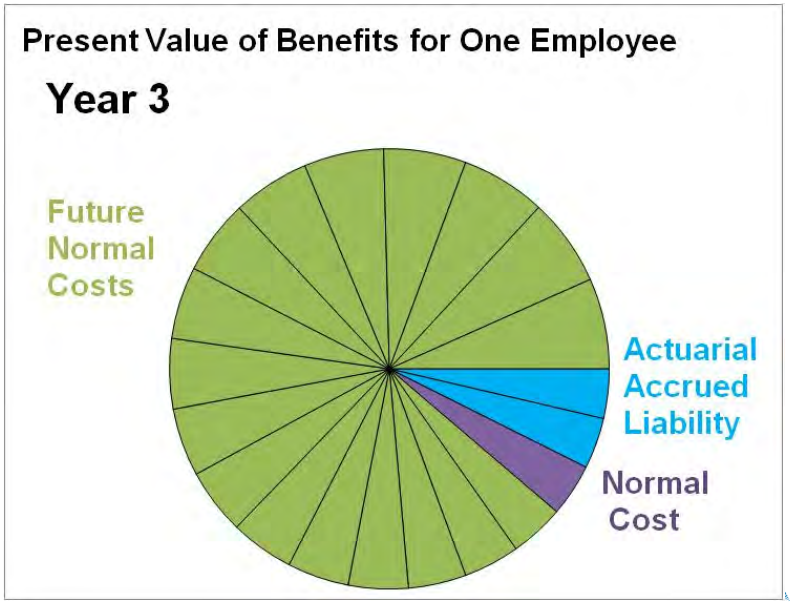
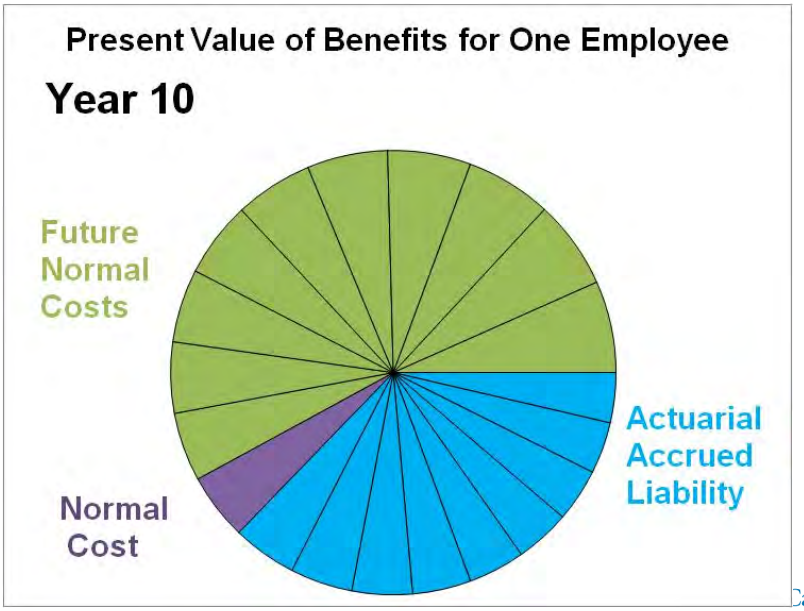





# Definition of Terms



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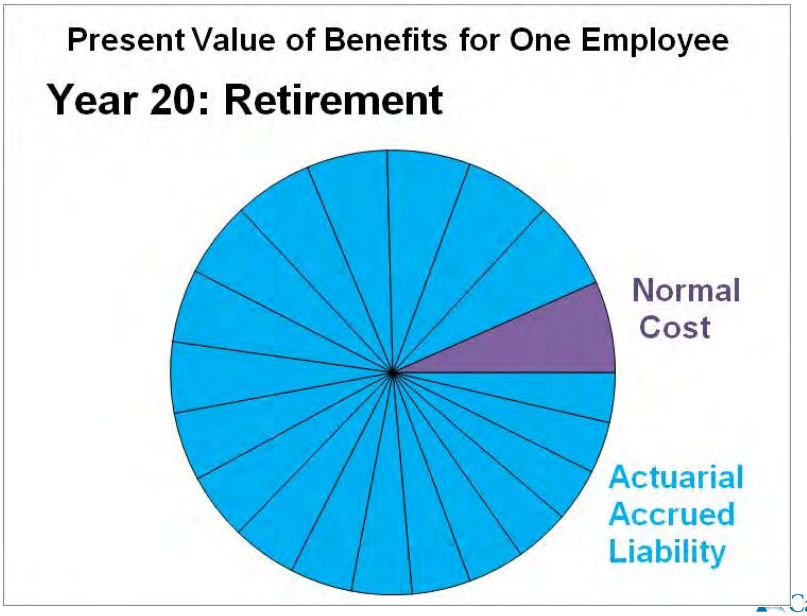






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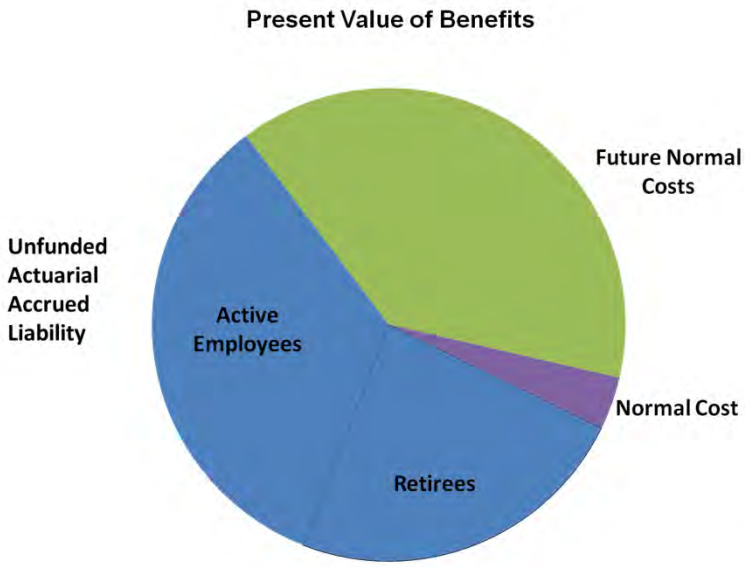
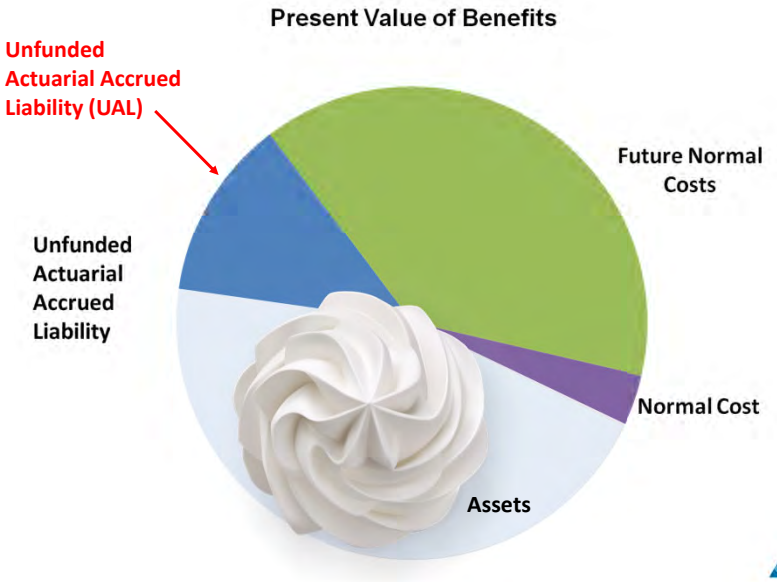


# Definition of Terms








# Actuarial Terminology

**Target — have funds to cover Actuarial Accrued Liability (AAL)**

**Unfunded AAL = AAL — Assets = UAL**

- If all actuarial assumptions were always exactly met, then the plan assets would always equal AAL, and the employer contribution would always equal Normal Cost
- Any difference is the unfunded (or overfunded) AAL
- Every year, the actuary calculates the difference between the expected UAL and Actual UAL. This is a new layer or amortization base
- Each new layer gets amortized (paid off) over a period of time as part of the contribution rate

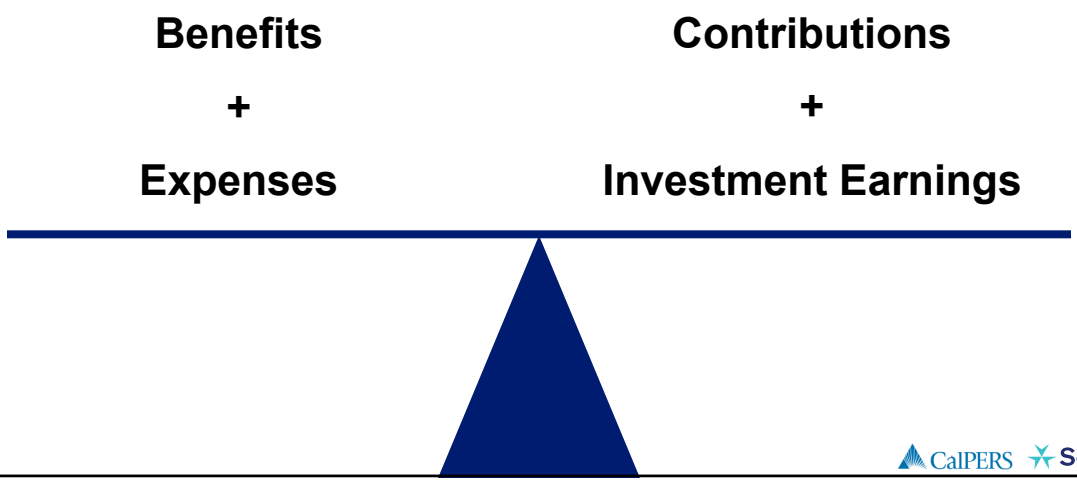
# How is Unfunded Liability Created?

## Main sources of Unfunded Liability (UAL)

- Plan benefit change (e.g. golden handshakes)
- Assumption changes (e.g. discount rate drop from 7.0% to 6.8% increases AAL and NC)
- Experience gains/losses (e.g. pay increases more than expected, living longer than expected, assets earning less than expected, etc. can all increase unfunded liabilities, and in some cases NC too) ("Stuff Happens")
- UAL grows if payment on UAL less than interest charge on UAL (7 years ago ~65% of all plans were in this situation. As of the 23-24 UAL payment, 0% of plans)

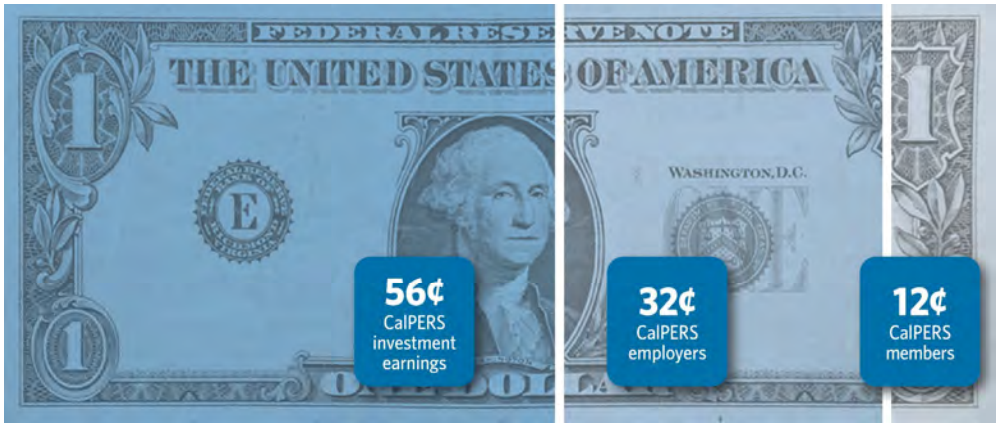


# Basic Rule of Pensions



# CalPERS Pension Buck

*(20 years of data ending 6/30/2022)*








# Polling Question

**What is your agency's retirement system?**

- CalPERS
- '37 Act County System
- Some other pension system
- We don't have a DB Pension plan

# 2 Different Kinds of CalPERS Valuation Reports





# Type of CalPERS Plan

| Agent multiple employer plan | Cost sharing multiple employer plan |
|---|---|
| = Stand-alone Plan | = Pooled Plan |
| = Non-Risk Pool Plan | = Risk Pool Plan<br>only 2 Risk Pools – one Miscellaneous and one Safety |
| = Non-Pooled Plan | |

# Polling Question

**Does your agency have**

- Non-pooled plans only
- Risk Pool plans only
- Both!
- Not sure





# Risk Pool Plans

*Is Your Plan in a Risk Pool?*

**Risk Pools began with the 6/30/2003 valuation. All rate plans with fewer than 100 active members went into a Risk Pool**

Mandated participation occurs annually on every valuation date — if on 6/30/XX you have less than 100 active members, you go into the Risk Pool

Once a plan is in a risk pool, it never comes out, even if it grows to 100 or more active members

# Finding Actuarial Info in Your 6/30/2022 CalPERS Report





# Where is UAL and Funded Status in your CalPERS Report?

Page 6

## Funded Status – Funding Policy Basis

| | June 30, 2021 | June 30, 2022 |
|---|---|---|
| 1. Present Value of Benefits | $379,744,427 | $394,783,846 |
| 2. Entry Age Accrued Liability | 333,670,103 | 344,831,306 |
| 3. Market Value of Assets (MVA) | 272,953,415 | 246,688,189 |
| 4. Unfunded Accrued Liability (UAL) [(2) – (3)] | $60,716,688 | $98,143,117 |
| 5. Funded Ratio [(3) / (2)] | 81.8% | 71.5% |

# Why is UAL Increasing?

Page 6

## Funded Status – Funding Policy Basis

| | June 30, 2021 | June 30, 2022 |
|---|---|---|
| 1. Present Value of Benefits | $379,744,427 | $394,783,846 |
| 2. Entry Age Accrued Liability | 333,670,103 | 344,831,306 |
| 3. Market Value of Assets (MVA) | 272,953,415 | 246,688,189 |
| 4. Unfunded Accrued Liability (UAL) [(2) – (3)] | $60,716,688 | $98,143,117 |
| 5. Funded Ratio [(3) / (2)] | 81.8% | 71.5% |

UAL increased from $60.717 million to $98.143 million in just one year!
And funded ratio decreased from 81.8 to 71.5%.



# Changes Affecting 6/30/22 Valuations

*No Assumption changes*

**Large Investment Loss**

Actual return for 21/22 = -7.6%*
vs. discount rate = 6.8%

**Therefore contributions for 24/25 have increased**

*net of expenses

**Next year preview – Small Investment Loss**

Actual return for 22/23 = 6.1%*
vs. discount rate = 6.8%

**Therefore we expect contributions for 25/26 to increase slightly**

# Employer Contribution Information

# in Your 6/30/2022 CalPERS Report





# Timing of Employer Contribution

**2-year lag period between valuation date and contribution**

| | | |
|---|---|---|
| June 30, 2021 valuation | › | 2023/24 contribution delivered July 2022 |
| **June 30, 2022 valuation** | › | **2024/25 contribution delivered July 2023** |
| June 30, 2023 valuation | › | 2025/26 contribution will deliver July 2024 |

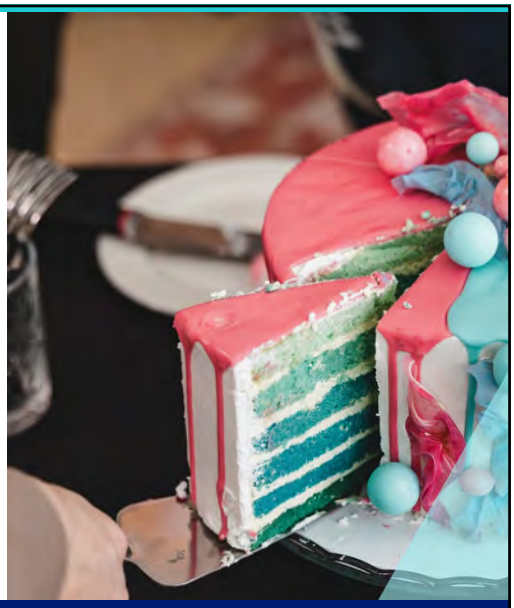
# Determination of Employer Contribution

## Normal Cost (% of pay)

- Total NC less CalPERS-Required Employee Contributions

## Plus, Amortization of UAL (fixed $ amount)

- Multiple "bases" each amortized over different periods



Rates do not reflect any negotiated cost sharing.





# Determination of Employer Contribution (& for some plans PEPRA Member Rate)

Page 4

| Required Employer Contributions | Fiscal Year 2024-25 |
|---|---|
| Employer Normal Cost Rate | 10.97% |
| *Plus* | |
| Required Payment on Amortization Bases | $8,211,357 |
| *Paid either as* | |
| 1) Monthly Payment | $684,280 |
| *Or* | |
| 2) Annual Prepayment Option* | $7,945,648 |
| Required PEPRA Member Contribution Rate | 8.75% |

*The total minimum required employer contribution is the sum of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll and paid as payroll is reported) plus the Employer Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly (1) or prepaid annually (2) in dollars).*

** Only the UAL portion of the employer contribution can be prepaid **(which must be received in full no later than July 31)**.*

*For additional detail regarding the determination of the required contribution for PEPRA members, see "PEPRA Member Contribution Rates" in the "Liabilities and Contributions" section. Required member contributions for Classic members can be found in Appendix B.*

# Risk Pool Plans

*How Many Reports per Agency?*

## One report for each benefit tier with members in it

- Many agencies will have 3 reports just for their Misc group!
- Total contribution for all plans within a risk pool

Page 8

| | Fiscal Year 2023-24 | Fiscal Year 2024-25 |
|---|---|---|
| **Estimated Combined Employer Contributions for all Pooled Miscellaneous Rate Plans** | | |
| Projected Payroll for the Contribution Year | $1,502,306 | $1,962,788 |
| Estimated Employer Normal Cost | $132,749 | $169,806 |
| Required Payment on Amortization Bases | $0 | $53,217 |
| Estimated Total Employer Contributions | $132,749 | $223,023 |
| Estimated Total Employer Contribution Rate (illustrative only) | 8.84% | 11.36% |



# Determination of Employer Contribution

*Risk Pool Plans*

## Normal Cost paid as % of pay, includes surcharge for Class 1 Benefits (e.g. 1 yr FAC, PRSA, IDR)

Page 4

| | Fiscal Year 2023-24 | Fiscal Year 2024-25 |
|---|---|---|
| **Development of Normal Cost as a Percentage of Payroll** | | |
| Base Total Normal Cost for Formula | 17.03% | 17.08% |
| Surcharge for Class 1 Benefits[2] | | |
| None | 0.00% | 0.00% |
| Phase out of Normal Cost Difference[3] | 0.00% | 0.00% |
| Plan's Total Normal Cost | 17.03% | 17.08% |
| Offset Due to Employee Contributions | 6.93% | 6.93% |
| Employer Normal Cost Rate | 10.10% | 10.15% |

# UAL Payment Details

*Cost of FY22 Investment Loss*

~ Pages 17,18 Non-pooled plan;
~ Pages 11,12,13 Risk pool plan

## Shows sources of UAL and schedule for payment

### Schedule of Amortization Bases (continued)

| Reason for Base | Date Est. | Ramp Level 2024-25 | Ramp Shape | Escala-tion Rate | Amort. Period | Balance 6/30/22 | Expected Payment 2022-23 | Balance 6/30/23 | Expected Payment 2023-24 | Balance 6/30/24 | Minimum Required Payment 2024-25 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| (Gain)/Loss | 6/30/18 | 100% | Up/Down | 2.80% | 26 | (4,701,531) | (185,114) | (4,829,931) | (246,438) | (4,903,687) | (316,673) |
| Assumption Change | 6/30/18 | 100% | Up/Down | 2.80% | 16 | 9,802,601 | 534,719 | 9,916,577 | 718,066 | 9,848,825 | 922,715 |
| Investment (Gain)/Loss | 6/30/19 | 80% | Up Only | 0.00% | 17 | 1,046,662 | 43,781 | 1,072,590 | 64,491 | 1,078,878 | 85,988 |
| Non-Investment (Gain)/Loss | 6/30/19 | No Ramp | | 0.00% | 17 | (1,624,651) | (152,260) | (1,577,776) | (149,592) | (1,530,470) | (149,592) |
| Investment (Gain)/Loss | 6/30/20 | 60% | Up Only | 0.00% | 18 | 6,017,793 | 131,819 | 6,290,776 | 258,596 | 6,451,305 | 387,895 |
| Non-Investment (Gain)/Loss | 6/30/20 | No Ramp | | 0.00% | 18 | 878,292 | 80,297 | 855,034 | 78,854 | 831,685 | 78,853 |
| Assumption Change | 6/30/21 | No Ramp | | 0.00% | 19 | (438,457) | (190,934) | (270,953) | (24,365) | (264,198) | (24,365) |
| Net Investment (Gain) | 6/30/21 | 40% | Up Only | 0.00% | 19 | (30,489,060) | 0 | (32,562,316) | (699,917) | (34,053,231) | (1,399,834) |
| Non-Investment (Gain)/Loss | 6/30/21 | No Ramp | | 0.00% | 19 | (2,073,732) | 0 | (2,214,746) | (199,158) | (2,159,531) | (199,158) |
| Risk Mitigation | 6/30/21 | No Ramp | | 0.00% | 0 | 8,050,704 | (246,897) | 8,853,305 | 9,149,367 | 0 | 0 |
| Risk Mitigation Offset | 6/30/21 | No Ramp | | 0.00% | 0 | (8,289,612) | 0 | (8,853,305) | (9,149,367) | 0 | 0 |
| Benefit Change | 6/30/22 | No Ramp | | 0.00% | 20 | 462,001 | (3,436) | 496,968 | (3,532) | 534,412 | 48,056 |
| Investment (Gain)/Loss | 6/30/22 | 20% | Up Only | 0.00% | 20 | 39,426,936 | 0 | 42,107,968 | 0 | 44,971,310 | 966,645 |
| Non-Investment (Gain)/Loss | 6/30/22 | No Ramp | | 0.00% | 20 | 257,790 | 0 | 275,320 | 0 | 294,042 | 26,441 |
| **Total** | | | | | | **98,143,117** | **7,486,049** | **97,080,461** | **7,324,856** | **96,112,126** | **8,211,357** |

CalPERS Segal 33



# Member Contribution Information

# in Your 6/30/2022 CalPERS Report

CalPERS Segal 34

# Notes
*PEPRA Member Pay*

**PEPRA member pay = PERSable base pay only, limited by PEPRA compensation limit:**

- $ 146,042 if in Social Security (for 2023)
  $ 175,250 if not in Social Security (for 2023)
- $134,974 if in Social Security (for 2022)
  $161,969 if not in Social Security (for 2022)

**Limited PEPRA pay for:**

- All member & employer contributions
- CalPERS pension benefits



# Determination of Member Contribution Rate
*Risk Pool Plan/PEPRA*

Last Page before Section 2 at very back of report

PEPRA Member Contribution Rates

| Rate Plan Identifier | Benefit Group Name | Basis for Current Rate: Total Normal Cost | Basis for Current Rate: Member Rate | Rates Effective July 1, 2024: Total Normal Cost | Rates Effective July 1, 2024: Change | Rates Effective July 1, 2024: Change Needed | Rates Effective July 1, 2024: Member Rate |
|---|---|---|---|---|---|---|---|
| [redacted] | Miscellaneous PEPRA Level | 16.25% | 8.25% | 16.43% | 0.18% | No | 8.25% |

# Member Contribution Rate
*Risk Pool Plan/not PEPRA*

Page 4

## Found under development of Normal Cost?

| | Fiscal Year 2023-24 | Fiscal Year 2024-25 |
|---|---|---|
| **Development of Normal Cost as a Percentage of Payroll** | | |
| Base Total Normal Cost for Formula | 17.03% | 17.08% |
| Surcharge for Class 1 Benefits[2] | | |
| a) PRSA | 0.77% | 0.78% |
| Phase out of Normal Cost Difference[3] | 0.00% | 0.00% |
| Plan's Total Normal Cost | 17.80% | 17.86% |
| Offset Due to Employee Contributions | 6.93% | 6.93% |
| Employer Normal Cost Rate | 10.87% | 10.93% |



# Member Contribution Rate
*Risk Pool Plan/not PEPRA*

Last Page before Section 2 at very back of report

## Plan's Major Benefit Options

Shown below is a summary of the major optional benefits for which the agency has contracted in Section 2.

| | Benefit Group |
|---|---|
| **Member Category** | Misc |
| **Demographics** | |
| Actives | Yes |
| Transfers/Separated | Yes |
| Receiving | Yes |
| **Benefit Provision** | |
| Benefit Formula | 2% @ 60 |
| Social Security Coverage | Yes |
| Full/Modified | Modified |
| Employee Contribution Rate | 7.00% |
| Final Average Compensation Period | Three Year |

# Determination of PEPRA Member Contribution Rate

2nd to last page before Risk Analysis section, roughly page 23

*Non-Pool Plan*

**Total NC for each benefit group (tier) within the plan**

Normal Cost by Benefit Group

| Plan Identifier | Benefit Group Name | Total Normal Cost FY 2024-25 | Number of Actives | Payroll on 6/30/2022 |
|---|---|---|---|---|
| [redacted] | Safety Fire Second Level | 30.03% | 17 | $2,050,608 |
| | Safety Fire PEPRA Level | 25.42% | 41 | $4,090,715 |
| | Safety Police PEPRA Level | 29.36% | 72 | $8,277,821 |
| | Safety Police First Level | 37.86% | 36 | $5,699,546 |
| | Safety Police Second Level | 35.56% | 14 | $1,849,960 |
| | Safety Fire First Level | 33.56% | 40 | $5,626,696 |
| | **Plan Total** | **31.77%** | **220** | **$27,595,346** |



# Determination of PEPRA Member Contribution Rate

Last page before Risk Analysis section, roughly page 24

*Non-Pool Plan*

| | | Basis for Current Rate | | Rates Effective July 1, 2024 | | | |
|---|---|---|---|---|---|---|---|
| Plan Identifier | Benefit Group Name | Total Normal Cost | Member Rate | Total Normal Cost | Change | Change Needed | Member Rate |
| [redacted] | Safety Fire PEPRA Level | 26.932% | 13.50% | 28.04% | 1.108% | Yes | 14.00% |
| | Safety Police PEPRA Level | 26.932% | 13.50% | 28.04% | 1.108% | Yes | 14.00% |

In Non-Pooled plans, the Total NC rate for PEPRA is determined based on entire CalPERS employee group until the number of PEPRA members is

- 50% of the active population, OR
- 25% of the active population and 100+ PEPRA members

# Determination of PEPRA Member Contribution Rate – Another Example

*Non-Pool Plan*

| Rate Plan Identifier | Benefit Group Name | Total Normal Cost FY 2023-24 | Number of Actives | Payroll on 6/30/2021 |
|---|---|---|---|---|
| [redacted] | Miscellaneous First Level | 22.43% | 158 | $11,295,007 |
| | Miscellaneous PEPRA Level | 15.24% | 91 | $4,415,347 |
| | **Plan Total** | **20.37%** | **249** | **$15,710,354** |

Prior year valuation

| | | Basis for Current Rate | | Rates Effective July 1, 2023 | | | |
|---|---|---|---|---|---|---|---|
| Rate Plan Identifier | Benefit Group Name | Total Normal Cost | Member Rate | Total Normal Cost | Change | Change Needed | Member Rate |
| [redacted] | Miscellaneous PEPRA Level | 13.007% | 6.50% | 14.47% | 1.463% | Yes | 7.25% |

| Plan Identifier | Benefit Group Name | Total Normal Cost FY 2024-25 | Number of Actives | Payroll on 6/30/2022 |
|---|---|---|---|---|
| [redacted] | Miscellaneous First Level | 22.91% | 143 | $10,347,323 |
| | Miscellaneous PEPRA Level | 15.75% | 103 | $5,180,742 |
| | **Plan Total** | **20.47%** | **246** | **$15,528,065** |

This year valuation

| | | Basis for Current Rate | | Rates Effective July 1, 2024 | | | |
|---|---|---|---|---|---|---|---|
| Plan Identifier | Benefit Group Name | Total Normal Cost | Member Rate | Total Normal Cost | Change | Change Needed | Member Rate |
| [redacted] | Miscellaneous PEPRA Level | 14.470% | 7.25% | 15.75% | 1.280% | Yes | 8.00% |

# What Isn't in Your Report

**Don't forget – the impact of member cost sharing is not reflected in your report**

# Quick Pause for…

# Contribution Projections

# In Your 6/30/22 CalPERS Report

# Projections of Employer Contribution

Page 7

## Projected Employer Contributions section

Includes estimated impact of assuming CalPERS earns 6.8% for 2022/23 (actual 6.1%, net of expenses)

| | Required Contribution | Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2022-23 and Beyond) | | | | |
|---|---|---|---|---|---|---|
| **Fiscal Year** | **2024-25** | **2025-26** | **2026-27** | **2027-28** | **2028-29** | **2029-30** |
| **Normal Cost %** | 19.65% | 19.4% | 19.0% | 18.7% | 18.4% | 18.0% |
| **UAL Payment** | $6,603,827 | $7,174,000 | $7,731,000 | $8,193,000 | $9,141,000 | $9,343,000 |
| *Total as a % of Payroll** | *46.56%* | *47.8%* | *48.8%* | *49.4%* | *51.7%* | *51.2%* |
| *Projected Payroll* | *$24,536,513* | *$25,223,536* | *$25,929,794* | *$26,655,829* | *$27,402,191* | *$28,169,453* |

*Illustrative only and based on the projected payroll shown.



# Risk Analysis Projections of Employer Contribution

*All Plans*

First page of Risk Analysis section ~ near page 18 RP, page 26 non pool

## Analysis of Future Investment Return Scenarios

Hypothetical single year loss during FY 2022-23, 1 year projection

| Assumed Annual Return for Fiscal Year 2022-23 | Required Employer Contributions FY 2024-25 | Projected Employer Contributions FY 2025-26 |
|---|---|---|
| **(17.2%) (2 standard deviation loss)** | | |
| Normal Cost Rate | 19.65% | 19.4% |
| UAL Contribution | $6,603,827 | $8,320,000 |
| **(5.2%) (1 standard deviation loss)** | | |
| Normal Cost Rate | 19.65% | 19.4% |
| UAL Contribution | $6,603,827 | $7,747,000 |

# 6/30/23 Valuation Preview

## No planned assumption changes

- Investment return: 6.1% actual return for 22/23 vs. expected return of 6.8%
- May see employee group stabilizing after “the great resignation”
- May see payroll increasing and payments to retirees increasing due to higher inflation



# What to Expect For Future Rates?

## Gradual increases next roughly 10 years

The more “mature” the plan (i.e. large retiree population in comparison to active members), and the better the benefit, the higher the rate

Decrease gradually thereafter as UAL is paid off and downward trend due to PEPRA continues.

# Results of the 6/30/22 CalPERS Actuarial Valuations



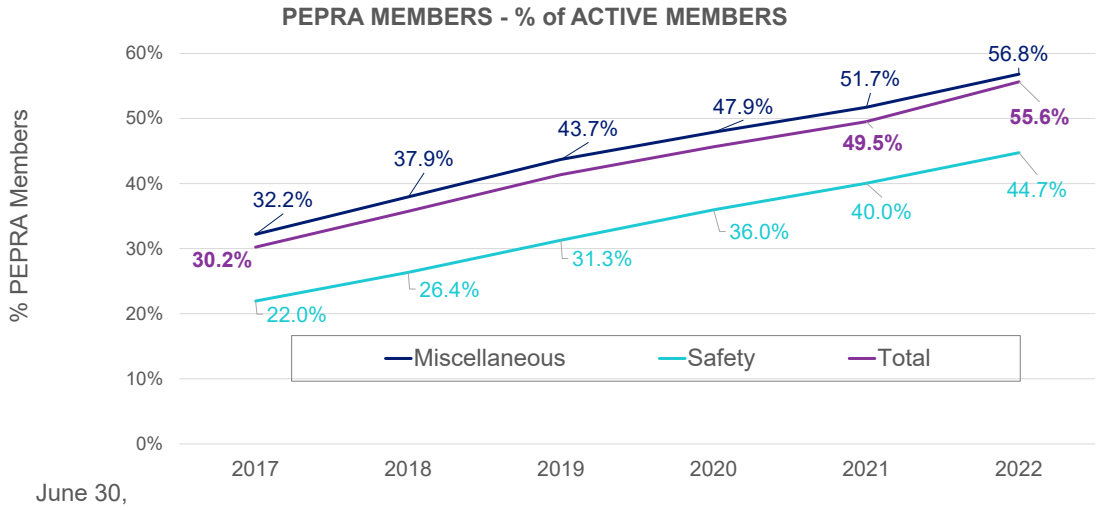


# Public Agency Plans – Statistics

**Recall our discussion of how Unfunded AAL is created (slide 14)**

- Young new hires with lower benefits have little UAL vs. Retirees and older actives close to retirement have most of the UAL
- For Risk Pool Plans only, the UAL Amortization Payment charged to the Employer is
  - Approximately $12 Million for all PEPRA plans vs. Approximately $970 Million for all Classic member plans

# Public Agency Plans
*(Statistics as of 6/30/22)*








# Results of 6/30/22 Valuations compared to 6/30/21 Results

**Typical Employer NC %**

- Did not change much from prior year.
- Classic Misc formulas mostly ~ 10%-18% range, Safety 20%-30% range
- PEPRA Misc formulas mostly ~ 7.5%-8.5% range, Safety 11%-14% range

**Varies by Agency: dependent upon demographics of covered employee group, and benefit formula**

**Average Employer Contribution Rate**

- 2023-24: Misc 26.4%, Safety 51.3%
- 2024-25: Misc 27.9%, Safety 55.2%

# Results of 6/30/22 Valuations

**Funded status decreased**
Mostly due to investment loss, but this was slightly offset due to large number of agencies paying ADPs to pay down their UAL – total of $2.93B in 2021-22.

**NC rate stayed the same or slightly decreased due to more PEPRA employees**
Because PEPRA employees' benefits cost less than Classic employees' benefits

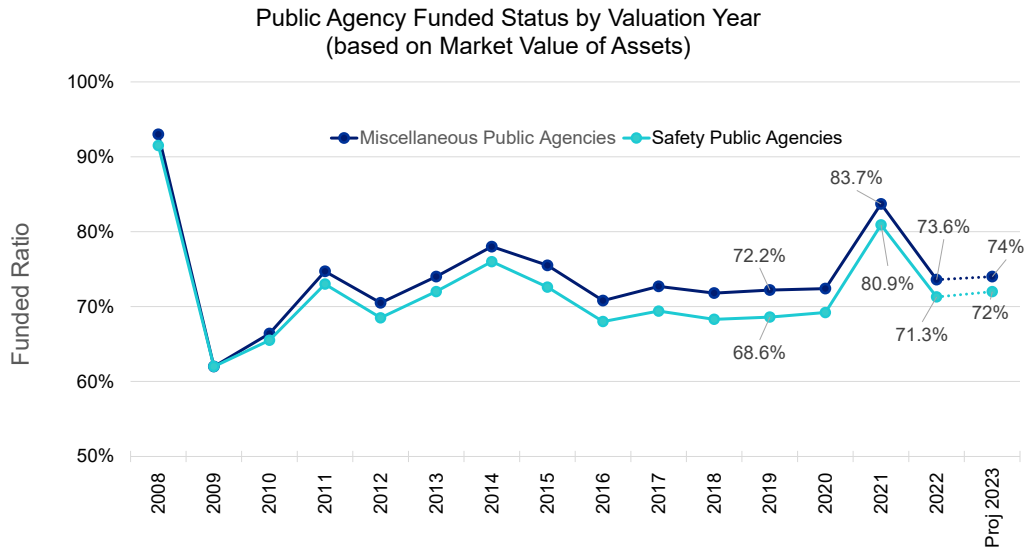
**Usually somewhat higher UAL payment for 24/25**
Mostly due to large investment loss, partly offset for agencies who made ADPs





# How Your Plan Compares to Other Plans

# Historical Funded Status




Source: CalPERS Actuarial Office



# Public Agency Plans

*Statistics as of June 30, 2022*

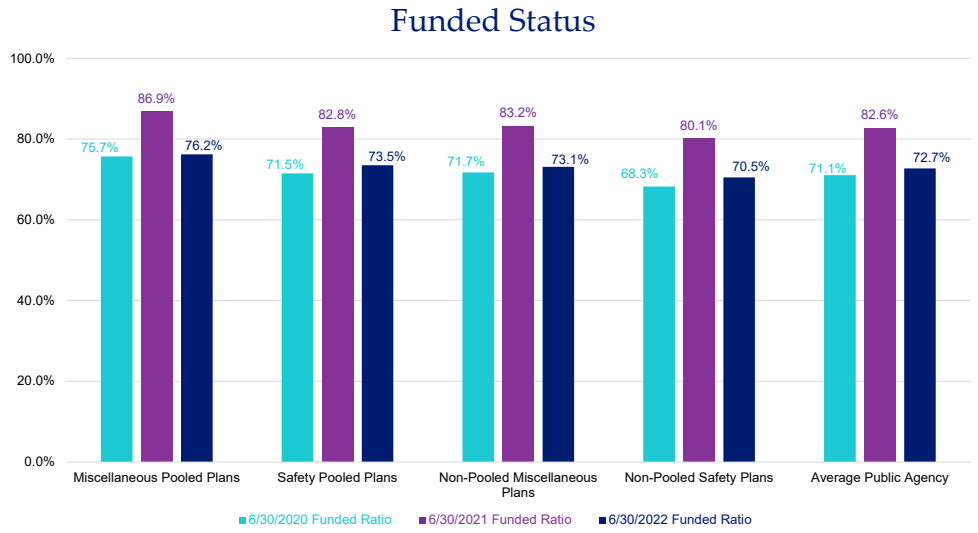
**421 Non-Pooled Plans**

**1,610 Risk Pool Plans** (if combine PEPRA/Classic groups in same way as for non-pooled); **3,714** separate Risk Pool plans

Risk Pool Plans have 19% of total AAL, 20% of assets, and 19% of active members

For all plans, $263 B in AAL, $191 B in Assets — 72.7% Funded, overall

# Funded Status 3-Year History








# What to Expect For Future Funded Status?

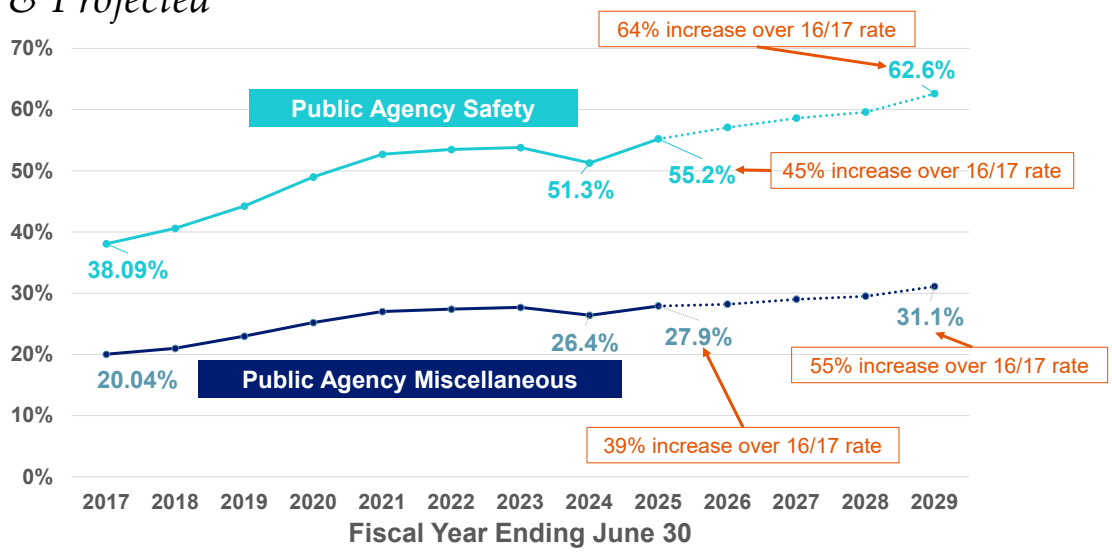
Expect slow improvement to 100% in about 20 years

A single very good or very bad investment return year can have a dramatic effect

Improvement can be sped up with additional contributions (Additional Discretionary Payment = ADP) but end date is about the same unless you pay it all off

# Average Agency Contributions

*Actual & Projected*








# How Does My Agency Compare to Others?

**New Interactive Functionality on CalPERS website**

https://www.calpers.ca.gov/page/employers/actuarial-resources/summary-valuation-results-overview

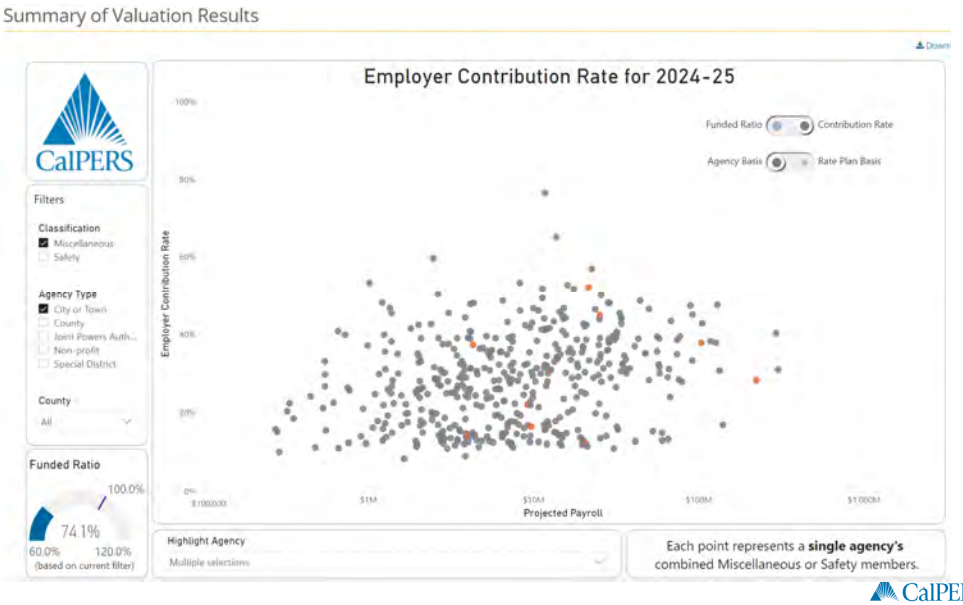
Click on “Access the Summary of Valuation Results Tool”

You can choose to see Funded Status or Contribution Rate; Compare by Agency or by Rate Plan

There are further filters for:

- Misc vs Safety
- Agency Type (e.g. City/Town, County, Special District, etc)

# How Does My Agency Compare to Others?








# More Interesting Information

# Cost to Terminate Plan

Last page of Risk Analysis section,
~ page 30 for non-Pool plans
~ page 22 for Risk Pool plans

## Hypothetical cost to terminate plan

| | Discount Rate: 1.75%<br>Price Inflation: 2.50% | | | Discount Rate: 4.50%<br>Price Inflation: 2.75% | | |
|---|---|---|---|---|---|---|
| Market Value of Assets (MVA) | Termination Liability[1,2] | Funded Ratio | Unfunded Termination Liability | Termination Liability[1,2] | Funded Ratio | Unfunded Termination Liability |
| $194,505,433 | $606,016,183 | 32.1% | $411,510,750 | $370,538,962 | 52.5% | $176,033,529 |

vs. actual current UAL = $84,677,647 or 69.7% funded



# How Does Retiree COLA Work?

## Retiree COLA

Retiree is paid lesser of CPI increase from prior year or the contracted COLA amount (e.g. 2%)

But, when CPI is larger than 2%, excess is banked to be used in years when CPI is less than 2%

**Example:** Retires in calendar 2021. 1st COLA paid May 2023. Inflation from Dec 2021 to Dec 2022 is compared to the 2%, and retiree gets the smaller of the two

PPPA – Purchasing Power Protection Allowance?

# How Does Retiree COLA Work with PPPA?

## PPPA – Purchasing Power Protection Allowance

Cost of living adjustments that maintain a person's allowance at 80% of the initial allowance at retirement adjusted for actual inflation since retirement

Will be paid on top of regular COLA

**Example:** If COLA=2% and actual CPI is always 3%, PPPA kicks in 24 years after retirement

**Example:** If COLA=2% and actual CPI always 4%/5%, PPPA kicks in 13/9 years after retirement! (not a likely scenario)



# Employer Contribution and Funding History

Just before Risk Analysis section,
~ page 22 for Non-Pool plans, and
~ page 16 for Risk Pool plans

10 year history — includes 5 recent years of Additional Discretionary Payments (ADPs) since a number of employers have been paying down their UAL

| Fiscal Year | Employer Normal Cost | Unfunded Rate | Unfunded Liability Payment ($) | Additional Discretionary Payments |
|---|---|---|---|---|
| 2015 - 16 | 19.143% | 22.195% | N/A | N/A |
| 2016 - 17 | 19.762% | 24.558% | N/A | N/A |
| 2017 - 18 | 19.344% | N/A | 7,838,675 | N/A |
| 2018 - 19 | 19.909% | N/A | 9,242,244 | 323,045 |
| 2019 - 20 | 20.712% | N/A | 10,709,872 | 7,084,702 |
| 2020 - 21 | 21.618% | N/A | 11,758,138 | 3,852,458 |
| 2021 - 22 | 20.82% | N/A | 12,943,311 | 3,208,011 |
| 2022 - 23 | 20.18% | N/A | 13,522,306 | 3,004,597 |
| 2023 - 24 | 22.16% | N/A | 12,569,754 | |
| 2024 - 25 | 21.66% | N/A | 14,649,077 | |

# Sample (Optional) Additional Discretionary Payments (ADP)

Page 5

## Valuation reports show sample optional ADP amounts

- Compares optional new total payments to required minimum UAL payment (i.e. ADP = $0)
- ADP amounts = fresh start to pay off entire current UAL over 20/15/10/5 years, level dollar payment

**Alternative Fiscal Year 2024-25 Employer Contributions for Greater UAL Reduction**

| Funding Horizon | Estimated Normal Cost | Minimum UAL Payment | ADP[1] | Total UAL Contribution | Estimated Total Contribution |
|---|---|---|---|---|---|
| 20 years | $4,821,425 | $6,603,827 | $1,009,292 | $7,613,119 | $12,434,544 |
| 15 years | $4,821,425 | $6,603,827 | $2,277,541 | $8,881,368 | $13,702,793 |
| 10 years | $4,821,425 | $6,603,827 | $4,952,504 | $11,556,331 | $16,377,756 |
| 5 years | $4,821,425 | $6,603,827 | $13,269,447 | $19,873,274 | $24,694,699 |



# Source of Optional ADPs on Page 5

~ Page 20 Non-Pooled, Page 15 Risk Pool

## Optional Shorter Amortization Period

| | Current Amortization Schedule | | Alternative Schedules | | | |
|---|---|---|---|---|---|---|
| | | | 15 Year Amortization | | 10 Year Amortization | |
| Date | Balance | Payment | Balance | Payment | Balance | Payment |
| 6/30/2024 | 84,662,126 | 6,603,827 | 84,662,126 | 8,881,368 | 84,662,126 | 11,556,331 |
| 6/30/2025 | 83,594,485 | 7,174,244 | 81,240,782 | 8,881,367 | 78,476,366 | 11,556,331 |
| 6/30/2026 | 81,864,751 | 7,731,087 | 77,586,788 | 8,881,368 | 71,869,974 | 11,556,331 |
| 6/30/2027 | 79,441,933 | 8,193,301 | 73,684,321 | 8,881,368 | 64,814,348 | 11,556,331 |
| . . . | | | | | | |
| 6/30/2045 | 720,196 | 405,500 | | | | |
| 6/30/2046 | 350,109 | 361,817 | | | | |
| Total | | 144,937,364 | | 133,220,513 | | 115,563,311 |
| Interest Paid | | 60,275,238 | | 48,558,387 | | 30,901,185 |
| Estimated Savings | | | | 11,716,851 | | 29,374,053 |

These 15 and 10 year amortizations match the total payments with an ADP, as shown on page 5.

# Questions?

69

# Thank You

**For more info, please contact us**

dvanvaler@segalco.com
Randall.Dziubek@calpers.ca.gov



70

THE CITY OF
EL CERRITO
**FINANCE DEPARTMENT**

**Staff Liaison**
Crystal Reams | 510-215-4312
creams@ci.el-cerrito.ca.us

# MINUTES

## REGULAR MEETING OF THE
## FINANCIAL ADVISORY BOARD (FAB)

**Tuesday, November 28, 2023 at 6:30 p.m.**
City hall, council Chambers
10890 San Pablo Avenue
El Cerrito, CA 94530

**This Meeting Place is Wheelchair Accessible**

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**6:30 p.m. CONVENNE REGULAR MEETING**

1. **ROLL CALL –** Chair Farhad Farahmand, called the meeting to order at 6:33 p.m.
   Present: Chair Farhad Farahmand; Members Dick Patterson, Kimberly White, Nate Schaffran.
   Absent**:** None
   .
2. **ORAL COMMUNICATIONS FROM THE PUBLIC**
   Remarks are typically limited to three (3) minutes per person and may be on anything within the subject matter jurisdiction of the body. Remarks on non-agenda items will be heard first, as well as introduction by individuals interested in serving on the advisory body. Remarks on agenda items will be heard at the time the item is discussed.
   Public Comments: None.

3. **COUNCIL/STAFF LIAISONS ANNOUNCEMENTS AND REPORTS** *(10 min.)*
   Staff and/or Councilmembers may report Council policies, priorities and significant actions taken by the City Council, and/or on matters of general interest to the FAB.
   - Council Liaison Announcements and Reports: Carolyn Wysinger, Councilmember.
     None.
   - Staff Liaison Report: Crystal Reams, Finance Director
     Update on Advisory Body Study Session – meeting December 5, 2023.

4. **APPROVAL OF THE MINUTES** (*5 min.) (*Attachment)
   Consider a motion adopting the minutes for the FAB meeting held on October 24, 2023.
   Moved/Second: Members Patterson/White. Action Passed a motion adopting the minutes of the FAB meeting on October 24, 2023, with the amendment to comment 10; “members would like to discuss unfunded liability and utilize the CalPERS evaluations if available”. Ayes: Chari Farhad Farahmand, Members, Dick Patterson, Kimberly White, Nate Schaffran. Noes: None.

Public comment: None

5. **FAB MEETING SCHEDULE DECEMBER 26, 2023** (*10 min.)*
   Discussion of cancelation or possible scheduling of special meeting in December due to City Hall closure; December 21, 2023, through January 1, 2024. December 14, 2023, is available for a special meeting.
   Moved/Second: Member Patterson/Schaffran. Ayes: Chair Farhad Farahmand, Members, Dick Patterson, Kimberly White, Nate Schaffran. Noes: None.

   Public comment: None.

6. **FAB MEETING SCHEDULE CALENDAR YEAR 2024** *(5 min.)* (Attachment)
   Consider a motion adopting the proposed calendar year 2024 meeting schedule. November has a tentative date of Thursday the 14th, 2024; December has been updated to December 12, 2024.
   Moved/Second: Member Patterson/Chair Farahmand. Ayes: Chair Farhad Farahmand, Members, Dick Patterson, Kimberly White, Nate Schaffran. Noes: None.

   Public comment: None.

7. **FISCAL YEAR 2024 FIRST QUARTER GENERAL FUND UPDATE** (attachment)
   Review the information presented to council.
   No action taken. Members inquired about reviewing adjustments for mid-year. Members also requested that staff consider moving to monthly budgeting to align forecasted revenue with actuals on a monthly basis.

8. **Public Agency Actuarial Valuation Reports CalPERS** (attachment)
   Requested information.
   No action taken. Discussion of unfunded liability using the CalPERS reports.
   Each member will do research in similar cities in size to see how other agencies have been addressing their UAL. Members requested to add this as a future agenda item and discuss if EC be making additional discretionary payments (ADP)? If so, how much and why (December meeting).

9. **WORKGROUP UPDATES (*15 min.*)**
   None

10. **FUTURE AGENDA ITEMS (*10 min.)***
    - Comprehensive Financial Policies
    - Budget process discussion

    Members stated they would like to add discussion of the General Fund reserve balance to next meeting agenda (December). Members would also like to add an agenda item for the section 115 investment policy, and the budget process (December).

11. **ADJOURNMENT**
    The meeting adjourned at 8:34 p.m.

# CITY OF EL CERRITO

PARS 115 Trust – OPEB Prefunding Program &
Pension Rate Stabilization Program (PRSP) Investment Selection
November 30, 2023

# CONTACTS


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**Andrew Brown, CFA**
**Director, Senior Portfolio Manager**
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andrew.brown1@usbank.com

**Ashley Baires**
**Client Services Coordinator**
(800) 540-6369 x170
abaires@pars.org

# INVESTMENT SELECTION CHECKLIST

- 115 Trust Team
- Investment Selection Form
- Actuarial Valuation – OPEB
- Actuarial Valuation – Pension
- Efficient Frontier
- Active vs. Passive
- Quarterly Performance Sheets
- IGD (Investment Guidelines Document)
- Averaging-in Period
- Review Frequency

# PARS 115 TRUST TEAM

## Trust Administrator & Consultant

PUBLIC AGENCY RETIREMENT SERVICES | PARS
TRUSTED SOLUTIONS. LASTING RESULTS.

- 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

| 39 | 2,000+ | 1,000+ | 500+ | 500 K+ | $7.0 B |
|---|---|---|---|---|---|
| Years of Experience (1984-2023) | Plans under Administration | Public Agency Clients | 115 Trust Clients | Plan Participants | Assets under Administration |

## Trustee

usbank

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

| 160 | $9.5 T |
|---|---|
| Years of Experience (1863-2023) | Assets under Trust Custody |

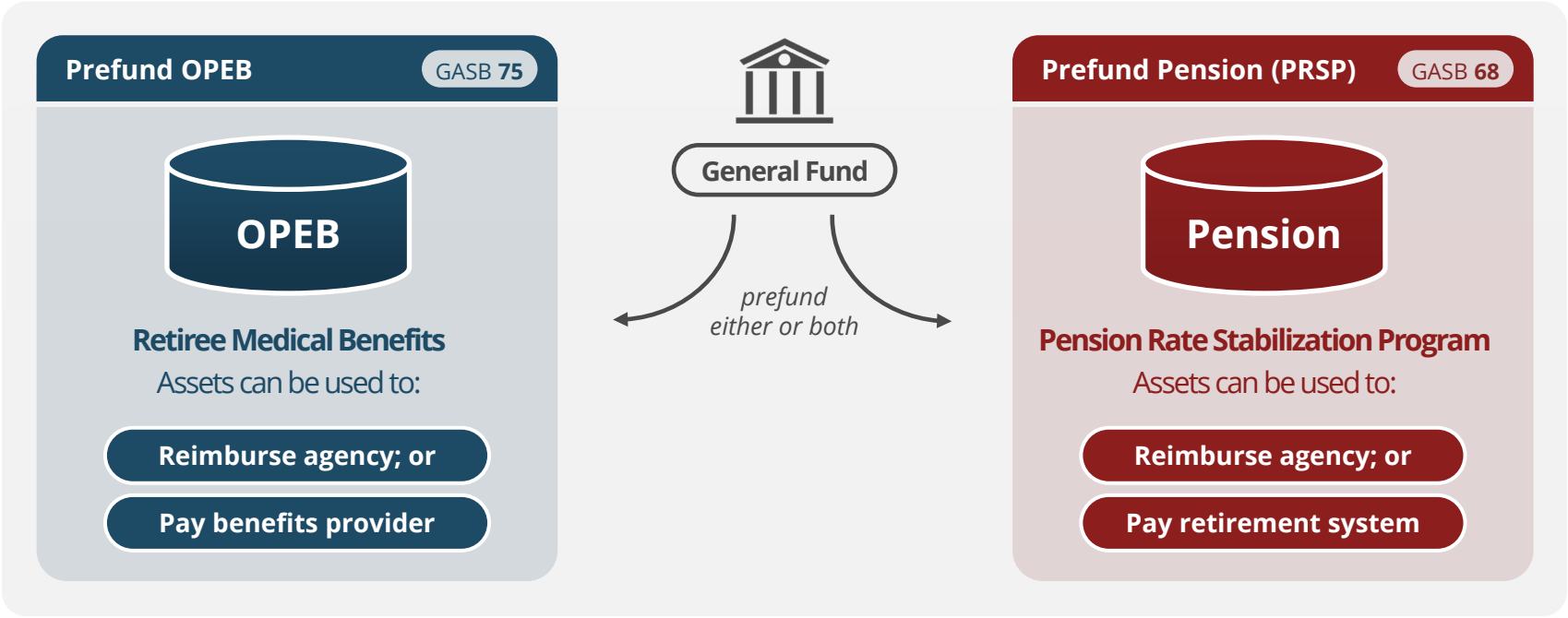
## Investment Manager

HIGHMARK® CAPITAL MANAGEMENT

- 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)

| 104 | $8.7 B |
|---|---|
| Years of Experience (1919-2023) | Assets under Management |

# 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.

PUBLIC AGENCY RETIREMENT SERVICES | PARS

TRUSTED SOLUTIONS. LASTING RESULTS.

# Investment Strategy Selection and Disclosure Form
# PARS Pension / OPEB Trust Program

- This document is entered into by client and U.S. Bank National Association ("U.S. Bank"), as trustee.
- Employer: _____
- Plan/Trust Name: Public Agencies Post-Employment Benefits Trust
- To: HighMark Capital Management, Inc. and U.S. Bank:

U.S. Bank has been or is hereby appointed Investment Manager of the above-referenced Plan/Trust. Please invest the assets of the above-referenced Plan/Trust for which you have been appointed Investment Manager in the **(select one of the strategies listed below for each Plan funded by the Trust)**:

DIVERSIFIED PORTFOLIOS

| ☐ | OPEB Account | ☐ | Pension Account | Primary Goal | Strategic Range |
|---|---|---|---|---|---|
| ☐ | Liquidity Management (US Treasury) | ☐ | Liquidity Management (US Treasury) | Provide current income with liquidity and stability of principal through investments in short-term U.S. Treasury obligations. | Money Market Fund |
| ☐ | Liquidity Management (Prime Obligation) | ☐ | Liquidity Management (Prime Obligation) | Generate current income with liquidity. | Money Market Fund |
| ☐<br>☐ | Conservative HighMark PLUS<br>Conservative Index PLUS | ☐<br>☐ | Conservative HighMark PLUS<br>Conservative Index PLUS | Provide a consistent level of inflation-protected income over the long-term. | Equity: 5-20%<br>Fixed Income: 60-95%<br>Cash: 0-20% |
| ☐<br>☐ | Moderately Conservative HighMark PLUS<br>Moderately Conservative Index PLUS | ☐<br>☐ | Moderately Conservative HighMark PLUS<br>Moderately Conservative Index PLUS | Provide current income with capital appreciation as a secondary objective. | Equity: 20-40%<br>Fixed Income: 50-80%<br>Cash: 0-20% |
| ☐<br>☐ | Moderate HighMark PLUS<br>Moderate Index PLUS | ☐<br>☐ | Moderate HighMark PLUS<br>Moderate Index PLUS | Provide current income and moderate capital appreciation. | Equity: 40-60%<br>Fixed Income: 40-60%<br>Cash: 0-20% |
| ☐<br>☐ | Balanced HighMark PLUS<br>Balanced Index PLUS | ☐<br>☐ | Balanced HighMark PLUS<br>Balanced Index PLUS | Provide growth of principal and income. | Equity: 50-70%<br>Fixed Income: 30-50%<br>Cash: 0-20% |
| ☐<br>☐ | Capital Appreciation HighMark PLUS<br>Capital Appreciation Index PLUS | ☐<br>☐ | Capital Appreciation HighMark PLUS<br>Capital Appreciation Index PLUS | Primary goal is growth of principal. | Equity: 65-85%<br>Fixed Income: 10-30%<br>Cash: 0-20% |
| ☐ | Custom | ☐ | Custom | Specify: | |

**Note**: HighMark PLUS portfolios are diversified portfolios of actively managed mutual funds. Index PLUS portfolios are diversified portfolios of Index-based mutual funds or exchange-traded funds.

SAMPLE

## Acknowledged and Approved

Signature of Authorized Signer _____ Title _____

Print Name of Authorized Signer _____ Date _____

# OPEB ACTUARIAL RESULTS

| Data from 2022 ACFR<br>Measurement Date:<br>June 30, 2020 | Pay-as-you-Go<br>Discount Rate: 2.21% | Percent Change | Prefunding<br>Discount Rate: 5.21% |
|---|---|---|---|
| **Actuarial Accrued Liability (AAL)** | $4,887,434 | 30-36%▼ | ? |
| **Actuarial Value of Assets** | $0 | -- | $0 |
| **Unfunded Actuarial Accrued Liability (UAAL)** | $4,887,434 | 30-36%▼ | ? |
| **Service Cost for FY 2021-22** | $226,219 | 30-36%▼ | ? |
| **Annual Benefit Payments (Pay-as-you-Go) for FY 2021-22** | $127,435 | -- | $127,435 |

**Rule of thumb:** For every one percent increase in the discount rate, the unfunded liability is lowered by 10-12%.

# PENSION FUNDING STATUS

As of June 30, 2022, the City of El Cerrito's CalPERS pension plan is funded as follows:

| Combined Miscellaneous & Safety Groups * | Valuation as of June 30, 2021 | Valuation as of June 30, 2022 | Change |
|---|---|---|---|
| Actuarial Liability | $232.9 M | $243.3 M | 4.4% ↑ |
| Assets | $175.1 M | $158.3 M | 9.6% ↓ |
| Unfunded Liability | $57.8 M | $85.0 M | 47.0% ↑ |
| Funded Ratio | 75.2% | 65.1% | 13.4% ↓ |
| Employer Contribution Amount | $9.4 M (FY 22-23) | $9.4 M (FY 23-24) | 0.0% ↓ |
| Employer Contribution Amount – Projected * | --- | $12.8 M (FY 29-30) | 36.5% ↑ |

** Data through 2029-30 from City's latest CalPERS actuarial valuation.*

# HIGHMARK CAPITAL MANAGEMENT

# Company Profile

## LONGEVITY

Managing assets for clients since **1919***

## STABILITY

Investment boutique structure headquartered in San Francisco backed by strength within U.S. Bank, N.A.

## TALENT

**27** investment professionals

**16** professionals hold the Chartered Financial Analyst ® (CFA) designation

**27** years average industry experience

## LOCATIONS

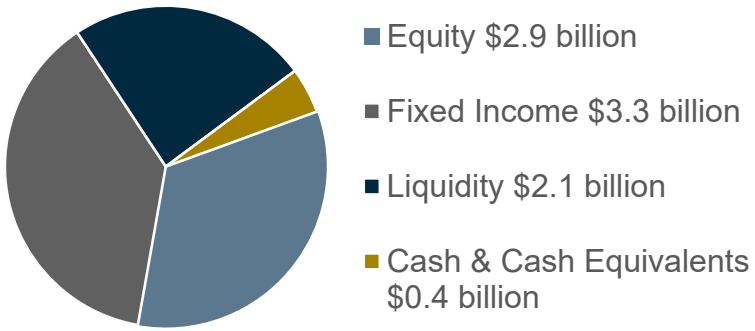
- San Francisco***
- San Jose
- San Diego
- La Jolla
- Irvine
- Los Angeles
- Beverly Hills
- Santa Barbara
- Portland
- Seattle

## ASSETS UNDER MANAGEMENT**

$8.7 billion as of 6/30/2023

### Client Base

### Asset Class




*Includes predecessor organizations. HighMark Capital Management, Inc. registered with the SEC as an investment adviser on August 7, 1998.

**Assets under management ("AUM") include assets for which HighMark provides continuous and regular supervisory and management services. As of 6/1/2023 HighMark previously listed Assets under Advisement ("AUA") are no longer advised by HighMark.

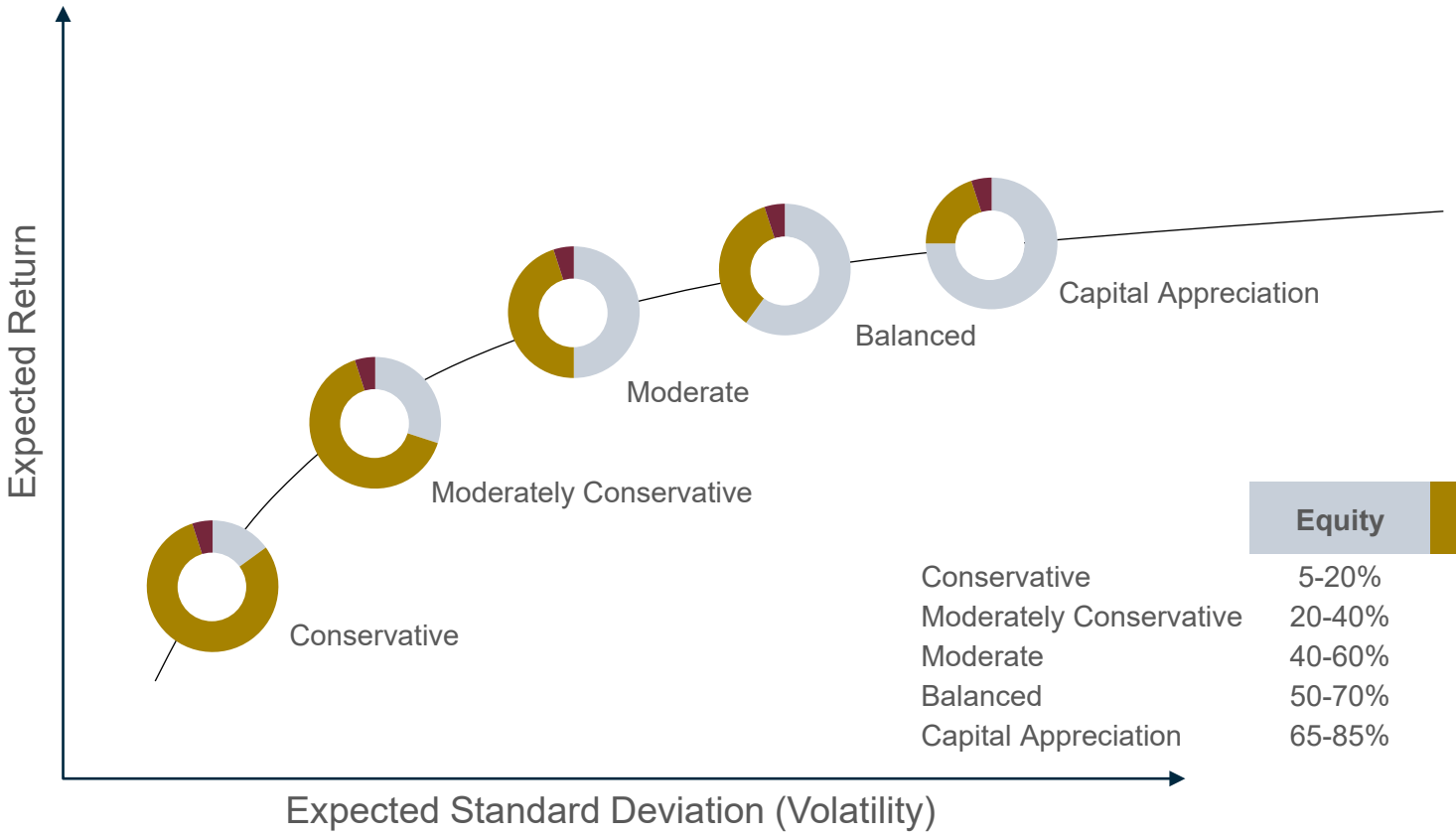
***San Francisco denotes HighMark's main office. Please refer to HighMark's ADV for additional locations.



HIGHMARK® CAPITAL MANAGEMENT

# Establish: Determine your Strategic Asset Allocation Strategy

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




| | Equity | Fixed Income | Cash |
|---|---|---|---|
| Conservative | 5-20% | 60-95% | 0-20% |
| Moderately Conservative | 20-40% | 50-80% | 0-20% |
| Moderate | 40-60% | 40-60% | 0-20% |
| Balanced | 50-70% | 30-50% | 0-20% |
| Capital Appreciation | 65-85% | 10-30% | 0-20% |

*Each Investment Objective reflects the associated PARS Diversified Portfolio as of 6/30/2023. 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.*



HighMark® Capital Management

# Construct Your Plan's Portfolio: PARS Diversified Portfolios – Tactical Allocation

| | Conservative | Moderately Conservative | Moderate | Balanced | Capital Appreciation |
|---|---|---|---|---|---|
| **Equity** | **5-20%** | **20-40%** | **40-60%** | **50-70%** | **65-85%** |
| ***Current Tactical*** | ***14.25%*** | ***28.50%*** | ***47.50%*** | ***57.00%*** | ***71.25%*** |
| Large Cap Blend | 4.10% | 8.05% | 13.77% | 16.79% | 21.16% |
| Large Cap Value | 1.76% | 3.65% | 6.22% | 7.45% | 9.12% |
| Large Cap Growth | 1.53% | 3.17% | 5.43% | 6.51% | 7.94% |
| Mid Cap Blend | 1.25% | 2.50% | 4.10% | 5.00% | 6.25% |
| Real Estate | 0.44% | 0.92% | 1.56% | 1.75% | 1.69% |
| Small Cap Value | 1.11% | 2.01% | 3.32% | 3.94% | 4.55% |
| Small Cap Growth | 1.11% | 2.01% | 3.32% | 3.94% | 4.55% |
| International | 1.83% | 3.91% | 6.06% | 7.12% | 10.23% |
| Emerging Markets | 1.13% | 2.27% | 3.73% | 4.50% | 5.76% |
| **Fixed Income** | **60-95%** | **50-80%** | **40-60%** | **30-50%** | **10-30%** |
| ***Current Tactical*** | ***81.50%*** | ***67.03%*** | ***47.98%*** | ***38.00%*** | ***22.71%*** |
| Short Term Bond | 18.00% | 13.50% | 10.70% | 7.50% | 3.31% |
| High Yield | 1.10% | 1.03% | 1.01% | 0.88% | 0.80% |
| Intermediate Term Bond | 62.40% | 52.50% | 36.27% | 29.63% | 18.60% |
| **Cash** | **0-20%** | **0-20%** | **0-20%** | **0-20%** | **0-20%** |
| ***Current Tactical*** | ***4.25%*** | ***4.48%*** | ***4.52%*** | ***5.00%*** | ***6.04%*** |
| **TOTAL** | **100.00%** | **100.00%** | **100.00%** | **100.00%** | **100.00%** |

*Each Investment Objective reflects the associated PARS Diversified Portfolio as of 6/30/2023. 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.*

# Construct Your Plan's Portfolio: PARS Diversified Portfolios – Active v. Passive

| | HighMark Plus (Active) | | Index Plus (Passive) | |
|---|---|---|---|---|
| **Equity** | ***Ticker*** | ***Fund Name*** | ***Ticker*** | ***Fund Name*** |
| Large Cap Blend | COFYX | Columbia Contrarian Core I3 | IVV | iShares Core S&P 500 ETF |
| Large Cap Blend | VGIAX | Vanguard Growth & Income Adm | | |
| Large Cap Value | DODGX | Dodge & Cox Stock | IVE | iShares S&P 500 Value ETF |
| Large Cap Value | IVE | iShares S&P 500 Value ETF | | |
| Large Cap Growth | HNACX | Harbor Capital Appreciation Ret | IVW | iShares S&P 500 Growth ETF |
| Large Cap Growth | IVW | iShares S&P 500 Growth ETF | | |
| Mid Cap Blend | IWR | iShares Russell Mid-Cap ETF | IWR | iShares Russell Mid-Cap ETF |
| Real Estate | VNQ | Vanguard Real Estate ETF | VNQ | Vanguard Real Estate ETF |
| Small Cap Value | UBVFX | Undiscovered Managers Behavioral Val R6 | IWN | iShares Russell 2000 Value ETF |
| Small Cap Growth | FGROX | Emerald Growth Fund | IWO | iShares Russell 2000 Growth ETF |
| International | DFALX | DFA Large Cap International Portfolio | | |
| International | DODFX | Dodge & Cox International Stock | | |
| International | MGRDX | MFS International Growth R6 | IEFA | iShares Core MSCI EAFE ETF |
| Emerging Markets | HHHFX | Hartford Schroders Emerging Mkts Eq F | VWO | Vanguard FTSE Emerging Markets ETF |
| **Fixed Income** | ***Ticker*** | ***Fund Name*** | ***Ticker*** | ***Fund Name*** |
| Short Term Bond | VFSUX | Vanguard Short-Term Investment-Grade Adm | VFSUX | Vanguard Short-Term Investment-Grade Adm |
| High Yield Bond | PHIYX | PIMCO High Yield Instl | VWEAX | Vanguard High-Yield Corp Adm |
| Intermediate Term Bond | DODIX | Dodge & Cox Income | AGG | iShares Core U.S. Aggregate Bond |
| Intermediate Term Bond | PTRQX | PGIM Total Return Bond Q | | |
| Intermediate Term Bond | DBLFX | DoubleLine Core Fixed Income I | | |
| **Cash** | | | | |
| **Characteristics** | | | | |
| Fund Manager Dependency | | Higher dependency on portfolio manager skill | | Tracks index, thus little-to-no dependency on portfolio manager skill. |
| Opportunity to Outperform Index | | Opportunity to outperform index | | Typically performs below index after fees. |
| Costs | | Higher expense ratios due to portfolio manager skill | | Lower expense ratio due to little dependency on portfolio manager skill or opportunity for outperformance. |

*Each Investment Objective reflects the associated PARS Diversified Portfolio as of 6/30/2023. 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. Specific securities identified above do not represent all of the securities purchased, sold or recommended for advisory clients, and you should not assume that investments in the securities identified in this presentation were or will be profitable.*



HIGHMARK® CAPITAL MANAGEMENT

# HIGHMARK CAPITAL MANAGEMENT

**As of** September 30, 2023

## ACTIVE PORTFOLIO RETURNS

| Strategy | Equity (%) | 1 Year | 3 Years | 5 Years | 10 Years |
|---|---|---|---|---|---|
| **Capital Appreciation** | 65-85% | 12.95% | 4.96% | 5.24% | 6.84% |
| **Balanced** | 50-70% | 10.59% | 3.28% | 4.39% | 5.76% |
| **Moderate** | 40-60% | 9.22% | 2.11% | 3.84% | 5.06% |
| **Moderately Conservative** | 20-40% | 6.24% | -0.27% | 2.50% | 3.56% |
| **Conservative** | 5-20% | 3.88% | -2.07% | 1.53% | 2.44% |

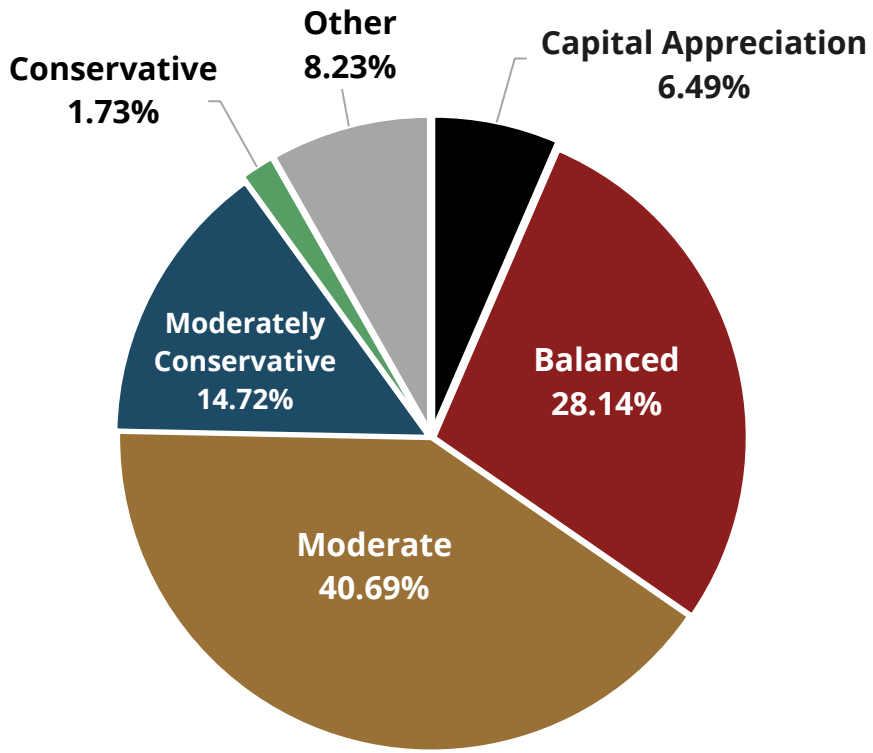
** Past performance does not guarantee future results.*

# OPEB STRATEGY ALLOCATION – CLIENTS

## HIGHMARK CAPITAL MANAGEMENT

**As of** September 30, 2023

| Strategy | Allocation* (%) |
|---|---|
| **Capital Appreciation** (65-85% Equity) | 6.49% |
| **Balanced** (50-70% Equity) | 28.14% |
| **Moderate** (40-60% Equity) | 40.69% |
| **Mod. Conservative** (20-40% Equity) | 14.72% |
| **Conservative** (5-20% Equity) | 1.73% |
| **Other** (Custom) | 8.23% |
| **TOTAL** | **100.00%** |




Active Platform: 60% / Passive Platform: 40%

**Allocations are based on agencies who have funded*

PUBLIC AGENCY RETIREMENT SERVICES | PARS
TRUSTED SOLUTIONS. LASTING RESULTS.

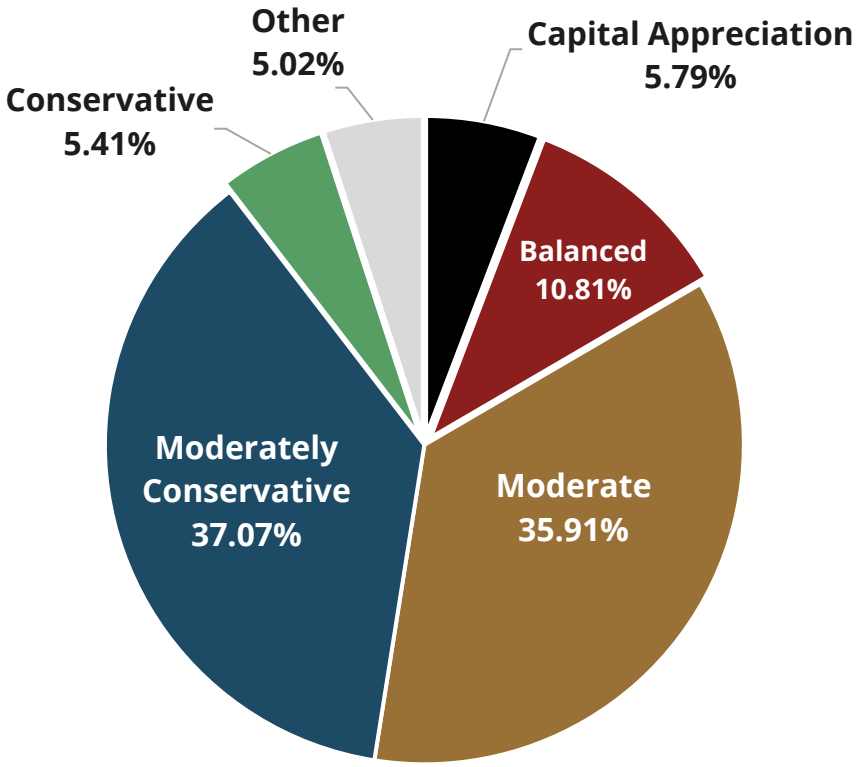
# PRSP STRATEGY ALLOCATION – CLIENTS

## HIGHMARK CAPITAL MANAGEMENT

**As of** September 30, 2023

| Strategy | Allocation* (%) |
|---|---|
| **Capital Appreciation** (65-85% Equity) | 5.79% |
| **Balanced** (50-70% Equity) | 10.81% |
| **Moderate** (40-60% Equity) | 35.91% |
| **Mod. Conservative** (20-40% Equity) | 37.07% |
| **Conservative** (5-20% Equity) | 5.41% |
| **Other** (Custom) | 5.02% |
| **TOTAL** | **100.00%** |

**Allocations are based on agencies who have funded*




Active Platform: 55% / Passive Platform: 45%

# Report: Responsive and Proactive Client Communication

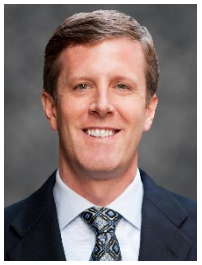
HighMark's dedicated investment team continuously seeks to add value to our relationship with your organization.

- Integrated client service program established with PARS over the last 25 years
- We have a tradition of interactive client service to maintain a strong relationship delivered by local portfolio managers
- You benefit from face-to-face meetings and scheduled conference calls with your client service team and portfolio management team
- You receive regular communications in a variety of formats
  - Account holdings and transactions
  - Quarterly performance evaluation reports
  - Investment outlook and economic updates

**Andrew Brown, CFA**
Director
Sr. Portfolio Manager
Northern California

**Christiane Tsuda**
Vice President
Sr. Portfolio Manager
San Diego

**Hoddy Fritz**
Director
Business Development
Southern California



**Mike Wiehn, CFA**
Director
Business Development
Northern California

**Tory Milazzo, CFA**
Director
Sr. Portfolio Manager
Central Coast

**Anne Wimmer, CFA**
Director
Sr. Portfolio Manager
Los Angeles

**Keith Stribling, CFA**
Vice President
Sr. Portfolio Manager
Orange County



HighMark® Capital Management

HIGHMARK® CAPITAL MANAGEMENT

# PARS DIVERSIFIED PORTFOLIOS
# CONSERVATIVE

Q3 2023

## 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.

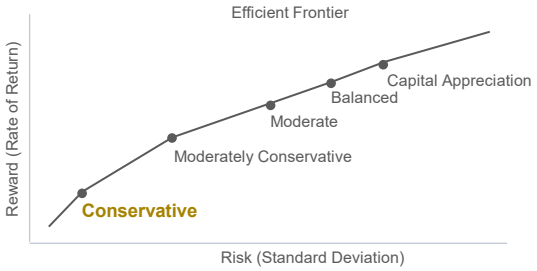
## PORTFOLIO FACTS

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

| Index Plus (Passive) | |
|---|---|
| Composite Inception Date | 07/2004 |
| No of Holdings in Portfolio | 13 |

## 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% | 82% |
| Cash | 0 – 20% | 5% | 4% |

## ANNUALIZED TOTAL RETURNS

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

| HighMark Plus Composite (Active) | Gross | Net |
|---|---|---|
| Current Quarter* | -2.78% | -2.87% |
| *Blended Benchmark*,*** | *-1.99%* | |
| Year To Date* | 1.25% | 0.97% |
| *Blended Benchmark*,*** | *1.48%* | |
| 1 Year | 3.88% | 3.50% |
| *Blended Benchmark*** | *4.24%* | |
| 3 Year | -2.07% | -2.42% |
| *Blended Benchmark*** | *-1.49%* | |
| 5 Year | 1.53% | 1.16% |
| *Blended Benchmark*** | *1.73%* | |
| 10 Year | 2.44% | 2.07% |
| *Blended Benchmark*** | *2.46%* | |

| Index Plus Composite (Passive) | Gross | Net |
|---|---|---|
| Current Quarter* | -3.09% | -3.18% |
| *Blended Benchmark*,*** | *-1.99%* | |
| Year To Date* | 0.37% | 0.10% |
| *Blended Benchmark*,*** | *1.48%* | |
| 1 Year | 2.90% | 2.53% |
| *Blended Benchmark*** | *4.24%* | |
| 3 Year | -2.47% | -2.82% |
| *Blended Benchmark*** | *-1.49%* | |
| 5 Year | 1.30% | 0.94% |
| *Blended Benchmark*** | *1.73%* | |
| 10 Year | 2.16% | 1.79% |
| *Blended Benchmark*** | *2.46%* | |

* Returns less than one year are not annualized. **Breakdown for Blended Benchmark: From 10/1/2012 - Present: 7.5% S&P500, 1.5% Russell Mid Cap, 2.5% Russell 2000, 1% MSCI EM (net), 2% MSCI EAFE (net), 52.25% Bloomberg US Agg, 25.75% ICE BofA 1-3 Yr US Corp/Gov't, 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 Year 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/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) | |
|---|---|
| 2008 | -9.04% |
| 2009 | 15.59% |
| 2010 | 8.68% |
| 2011 | 2.19% |
| 2012 | 8.45% |
| 2013 | 3.69% |
| 2014 | 3.88% |
| 2015 | 0.29% |
| 2016 | 4.18% |
| 2017 | 6.73% |
| 2018 | -1.35% |
| 2019 | 11.05% |
| 2020 | 9.03% |
| 2021 | 2.20% |
| 2022 | -12.63% |

| Index Plus Composite (Passive) | |
|---|---|
| 2008 | -6.70% |
| 2009 | 10.49% |
| 2010 | 7.67% |
| 2011 | 3.70% |
| 2012 | 6.22% |
| 2013 | 3.40% |
| 2014 | 4.32% |
| 2015 | 0.06% |
| 2016 | 3.75% |
| 2017 | 5.52% |
| 2018 | -1.09% |
| 2019 | 10.37% |
| 2020 | 8.56% |
| 2021 | 1.97% |
| 2022 | -12.06% |

## HOLDINGS

**HighMark Plus (Active)**

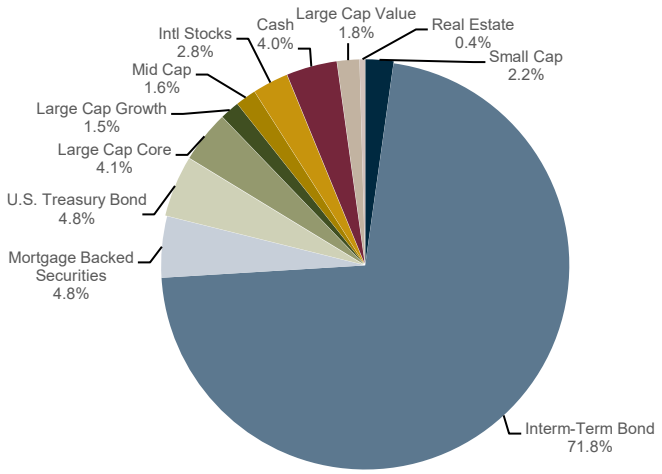
Columbia Contrarian Core I3
Vanguard Growth & Income Adm
Dodge & Cox Stock Fund
iShares S&P 500 Value ETF
Harbor Capital Appreciation - Retirement
iShares S&P 500 Growth ETF
iShares Russell Mid-Cap ETF
Vanguard Real Estate ETF
Undiscovered Managers Behavioral Value-R6
Emerald Growth Fund-I
DFA Large Cap International Portfolio
Dodge & Cox International Stock
MFS International Growth - R6
Hartford Schroders Emerging Markets Eq
iShares MBS ETF
iShares U.S. Treasury Bond ETF
Dodge & Cox Income-I
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
iShares MBS ETF
iShares U.S. Treasury Bond ETF
iShares Core U.S. Aggregate
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 U.S. Bank, and HighMark serves as sub-adviser to U.S. Bank to manage these portfolios. U.S. Bank may charge clients as much as 0.60% annual management fee based on a sliding scale. U.S. Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with U.S. 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) is an investment adviser registered with the U.S. Securities and Exchange Commission and a subsidiary of U.S. Bank National Association ("U.S. Bank"). U.S. Bank is a separate entity and subsidiary of U.S. Bancorp. U.S. Bank is not responsible for and does not guarantee the products, services or performance of HighMark. HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, and public and private retirement plans. Individual account management and construction will vary depending on each client's investment needs and objectives. U.S. Bank provides certain services to HighMark and is compensated for these services. **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*. 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 "Tory" 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: 11
Average Years of Experience: 30
Average Tenure (Years): 17

**Manager Review Group**
Number of Members: 3
Average Years of Experience: 29
Average Tenure (Years): 13

*Assets under management ("AUM") include assets for which HighMark provides continuous and regular supervisory and management services. As of 6/1/2023 HighMark previously listed Assets under Advisement ("AUA") are no longer advised by HighMark.

HIGHMARK® CAPITAL MANAGEMENT

PARS DIVERSIFIED PORTFOLIOS

# MODERATELY CONSERVATIVE

Q3 2023

## 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.

## PORTFOLIO FACTS

HighMark Plus (Active)

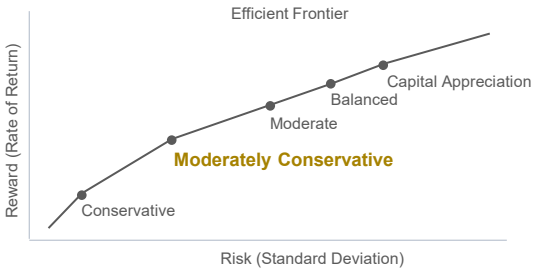
| | |
|---|---|
| Composite Inception Date | 08/2004 |
| No of Holdings in Portfolio | 20 |

Index Plus (Passive)

| | |
|---|---|
| Composite Inception Date | 05/2005 |
| No of Holdings in Portfolio | 13 |

## 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% | 67% |
| Cash | 0 - 20% | 5% | 4% |

## ANNUALIZED TOTAL RETURNS

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

HighMark Plus Composite (Active)

| | Gross | Net |
|---|---|---|
| Current Quarter* | -2.83% | -2.91% |
| *Blended Benchmark*,** | *-2.55%* | |
| Year To Date* | 2.60% | 2.32% |
| *Blended Benchmark*,** | *2.58%* | |
| 1 Year | 6.24% | 5.86% |
| *Blended Benchmark** | *6.60%* | |
| 3 Year | -0.27% | -0.63% |
| *Blended Benchmark** | *-0.01%* | |
| 5 Year | 2.50% | 2.14% |
| *Blended Benchmark** | *2.72%* | |
| 10 Year | 3.56% | 3.19% |
| *Blended Benchmark** | *3.71%* | |

Index Plus Composite (Passive)

| | Gross | Net |
|---|---|---|
| Current Quarter* | -3.14% | -3.23% |
| *Blended Benchmark*,** | *-2.55%* | |
| Year To Date* | 1.73% | 1.45% |
| *Blended Benchmark*,** | *2.58%* | |
| 1 Year | 5.29% | 4.91% |
| *Blended Benchmark** | *6.60%* | |
| 3 Year | -0.66% | -1.01% |
| *Blended Benchmark** | *-0.01%* | |
| 5 Year | 2.35% | 1.98% |
| *Blended Benchmark** | *2.72%* | |
| 10 Year | 3.40% | 3.03% |
| *Blended Benchmark** | *3.71%* | |

* Returns less than one year are not annualized. **Breakdown for Blended Benchmark: From 10/1/2012 - Present: 15.5% S&P500, 3% Russell Mid Cap, 4.5% Russell 2000, 2% MSCI EM (net), 4% MSCI EAFE (net), 49.25% Bloomberg US Agg, 14% ICE BofA 1-3 Yr US Corp/Gov't, 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./Govt, 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)

| | |
|---|---|
| 2008 | -15.37% |
| 2009 | 18.71% |
| 2010 | 10.46% |
| 2011 | 1.75% |
| 2012 | 10.88% |
| 2013 | 7.30% |
| 2014 | 4.41% |
| 2015 | 0.32% |
| 2016 | 4.94% |
| 2017 | 9.56% |
| 2018 | -2.60% |
| 2019 | 13.73% |
| 2020 | 10.76% |
| 2021 | 5.15% |
| 2022 | -13.46% |

Index Plus Composite (Passive)

| | |
|---|---|
| 2008 | -12.40% |
| 2009 | 11.92% |
| 2010 | 9.72% |
| 2011 | 3.24% |
| 2012 | 8.24% |
| 2013 | 6.78% |
| 2014 | 5.40% |
| 2015 | -0.18% |
| 2016 | 5.42% |
| 2017 | 8.08% |
| 2018 | -2.33% |
| 2019 | 13.53% |
| 2020 | 9.74% |
| 2021 | 5.33% |
| 2022 | -13.00% |

## HOLDINGS

**HighMark Plus (Active)**

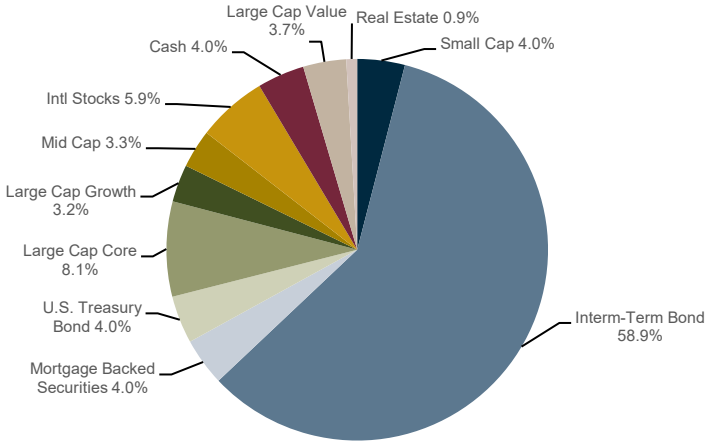
Columbia Contrarian Core I3
Vanguard Growth & Income Adm
Dodge & Cox Stock Fund
iShares S&P 500 Value ETF
Harbor Capital Appreciation - Retirement
iShares S&P 500 Growth ETF
iShares Russell Mid-Cap ETF
Vanguard Real Estate ETF
Undiscovered Managers Behavioral Value-R6
Emerald Growth Fund-I
DFA Large Cap International Portfolio
Dodge & Cox International Stock
MFS International Growth - R6
Hartford Schroders Emerging Markets Eq
iShares MBS ETF
iShares U.S. Treasury Bond ETF
Dodge & Cox Income-I
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
iShares MBS ETF
iShares U.S. Treasury Bond ETF
iShares Core U.S. Aggregate
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 Moderately Conservative active and passive objectives.

The adviser to the PARS portfolios is U.S. Bank, and HighMark serves as sub-adviser to U.S. Bank to manage these portfolios. U.S. Bank may charge clients as much as 0.60% annual management fee based on a sliding scale. U.S. Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with U.S. 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) is an investment adviser registered with the U.S. Securities and Exchange Commission and a subsidiary of U.S. Bank National Association ("U.S. Bank"). U.S. Bank is a separate entity and subsidiary of U.S. Bancorp. U.S. Bank is not responsible for and does not guarantee the products, services or performance of HighMark. HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, and public and private retirement plans. Individual account management and construction will vary depending on each client's investment needs and objectives. U.S. Bank provides certain services to HighMark and is compensated for these services. **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
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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*. 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 "Tory" 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: 11
Average Years of Experience: 30
Average Tenure (Years): 17

**Manager Review Group**
Number of Members: 3
Average Years of Experience: 29
Average Tenure (Years): 13

*Assets under management ("AUM") include assets for which HighMark provides continuous and regular supervisory and management services. As of 6/1/2023 HighMark previously listed Assets under Advisement ("AUA") are no longer advised by HighMark.

HIGHMARK® CAPITAL MANAGEMENT

# PARS DIVERSIFIED PORTFOLIOS
# MODERATE

Q3 2023

## WHY THE PARS DIVERSIFIED MODERATE 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

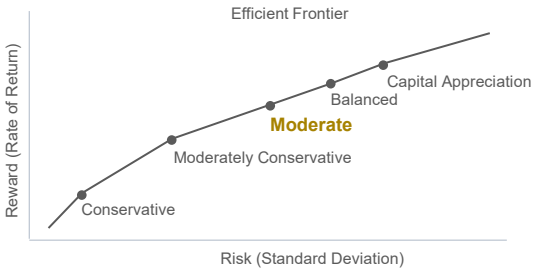
The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return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

## PORTFOLIO FACTS

| HighMark Plus (Active) | |
|---|---|
| Composite Inception Date | 10/2004 |
| No of Holdings in Portfolio | 20 |
| **Index Plus (Passive)** | |
| Composite Inception Date | 05/2006 |
| No of Holdings in Portfolio | 13 |

## 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% | 48% |
| Cash | 0 - 20% | 5% | 4% |

## ANNUALIZED TOTAL RETURNS

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

| HighMark Plus Composite (Active) | Gross | Net |
|---|---|---|
| Current Quarter* | -3.02% | -3.11% |
| *Blended Benchmark*,** | *-2.83%* | |
| Year To Date* | 4.30% | 4.02% |
| *Blended Benchmark*,** | *4.46%* | |
| 1 Year | 9.22% | 8.83% |
| *Blended Benchmark** | *9.99%* | |
| 3 Year | 2.11% | 1.75% |
| *Blended Benchmark** | *2.53%* | |
| 5 Year | 3.84% | 3.46% |
| *Blended Benchmark** | *4.12%* | |
| 10 Year | 5.06% | 4.69% |
| *Blended Benchmark** | *5.38%* | |

| Index Plus Composite (Passive) | Gross | Net |
|---|---|---|
| Current Quarter* | -3.37% | -3.46% |
| *Blended Benchmark*,** | *-2.83%* | |
| Year To Date* | 3.42% | 3.14% |
| *Blended Benchmark*,** | *4.46%* | |
| 1 Year | 8.36% | 7.97% |
| *Blended Benchmark** | *9.99%* | |
| 3 Year | 1.85% | 1.48% |
| *Blended Benchmark** | *2.53%* | |
| 5 Year | 3.63% | 3.26% |
| *Blended Benchmark** | *4.12%* | |
| 10 Year | 4.89% | 4.51% |
| *Blended Benchmark** | *5.38%* | |

* Returns less than one year are not annualized. **Breakdown for Blended Benchmark: From 10/1/2012 – Present: 26.5% S&P500, 5% Russell Mid Cap, 7.5% Russell 2000, 3.25% MSCI EM (net), 6% MSCI EAFE (net), 33.50% Bloomberg US Agg, 10% ICE BofA 1-3 Yr US Corp/Gov't, 1.50% ICE BofA US High Yield Master II, 1.75% Wilshire 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 1-3 Year 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/Gov, 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) | |
|---|---|
| 2008 | -22.88% |
| 2009 | 21.47% |
| 2010 | 12.42% |
| 2011 | 0.55% |
| 2012 | 12.25% |
| 2013 | 13.06% |
| 2014 | 4.84% |
| 2015 | 0.14% |
| 2016 | 6.45% |
| 2017 | 13.19% |
| 2018 | -4.03% |
| 2019 | 17.71% |
| 2020 | 12.92% |
| 2021 | 9.31% |
| 2022 | -14.63% |

| Index Plus Composite (Passive) | |
|---|---|
| 2008 | -18.14% |
| 2009 | 16.05% |
| 2010 | 11.77% |
| 2011 | 2.29% |
| 2012 | 10.91% |
| 2013 | 12.79% |
| 2014 | 5.72% |
| 2015 | -0.52% |
| 2016 | 7.23% |
| 2017 | 11.59% |
| 2018 | -4.03% |
| 2019 | 17.52% |
| 2020 | 11.23% |
| 2021 | 10.18% |
| 2022 | -14.21% |

## HOLDINGS

**HighMark Plus (Active)**

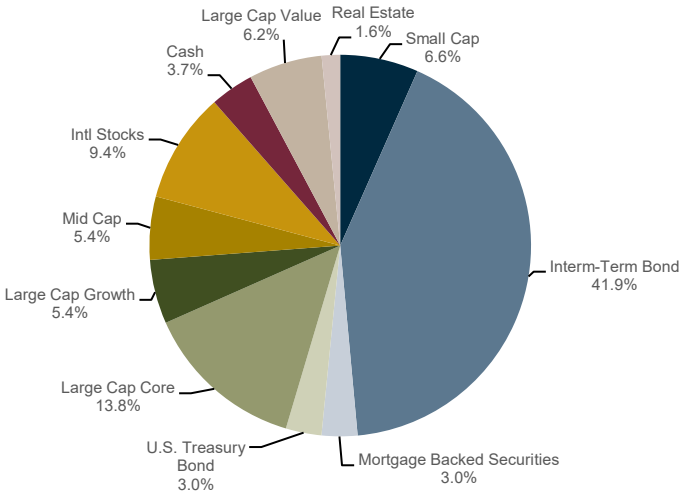
Columbia Contrarian Core I3
Vanguard Growth & Income Adm
Dodge & Cox Stock Fund
iShares S&P 500 Value ETF
Harbor Capital Appreciation - Retirement
iShares S&P 500 Growth ETF
iShares Russell Mid-Cap ETF
Vanguard Real Estate ETF
Undiscovered Managers Behavioral Value-R6
Emerald Growth Fund-I
DFA Large Cap International Portfolio
Dodge & Cox International Stock
MFS International Growth - R6
Hartford Schroders Emerging Markets Eq
iShares MBS ETF
iShares U.S. Treasury Bond ETF
Dodge & Cox Income-I
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
iShares MBS ETF
iShares U.S. Treasury Bond ETF
iShares Core U.S. Aggregate
First American Government Obligations Z

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

## 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 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
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*. 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 "Tory" 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: 11
Average Years of Experience: 30
Average Tenure (Years): 17

**Manager Review Group**
Number of Members: 3
Average Years of Experience: 29
Average Tenure (Years): 13

*Assets under management ("AUM") include assets for which HighMark provides continuous and regular supervisory and management services. As of 6/1/2023 HighMark previously listed Assets under Advisement ("AUA") are no longer advised by HighMark.

HIGHMARK® CAPITAL MANAGEMENT

# PARS DIVERSIFIED PORTFOLIOS
# BALANCED

Q3 2023

## WHY THE PARS DIVERSIFIED BALANCED 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.

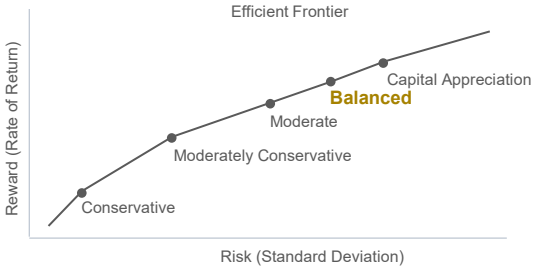
## PORTFOLIO FACTS

| HighMark Plus (Active) | |
|---|---|
| Composite Inception Date | 10/2006 |
| No of Holdings in Portfolio | 20 |

| Index Plus (Passive) | |
|---|---|
| Composite Inception Date | 10/2007 |
| No of Holdings in Portfolio | 13 |

## 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% | 58% |
| Fixed Income | 30 – 50% | 35% | 38% |
| Cash | 0 – 20% | 5% | 4% |

## ANNUALIZED TOTAL RETURNS

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

| HighMark Plus Composite (Active) | Gross | Net |
|---|---|---|
| Current Quarter* | -3.16% | -3.25% |
| *Blended Benchmark*, ***| *-3.03%* | |
| Year To Date* | 5.05% | 4.77% |
| *Blended Benchmark*, ***| *5.33%* | |
| 1 Year | 10.59% | 10.20% |
| *Blended Benchmark*** | *11.64%* | |
| 3 Year | 3.28% | 2.91% |
| *Blended Benchmark*** | *3.71%* | |
| 5 Year | 4.39% | 4.02% |
| *Blended Benchmark*** | *4.76%* | |
| 10 Year | 5.76% | 5.38% |
| *Blended Benchmark*** | *6.18%* | |

| Index Plus Composite (Passive) | Gross | Net |
|---|---|---|
| Current Quarter* | -3.46% | -3.55% |
| *Blended Benchmark*, ***| *-3.03%* | |
| Year To Date* | 4.30% | 4.02% |
| *Blended Benchmark*, ***| *5.33%* | |
| 1 Year | 9.91% | 9.52% |
| *Blended Benchmark*** | *11.64%* | |
| 3 Year | 3.04% | 2.67% |
| *Blended Benchmark*** | *3.71%* | |
| 5 Year | 4.24% | 3.87% |
| *Blended Benchmark*** | *4.76%* | |
| 10 Year | 5.63% | 5.25% |
| *Blended Benchmark*** | *6.18%* | |

* Returns less than one year are not annualized. **Breakdown for Blended Benchmark: From 10/1/2012 – Present: 32% S&P500, 6% Russell Mid Cap, 9% Russell 2000, 4% MSCI EM (net), 7% MSCI EAFE (net), 27% Bloomberg US Agg, 6.75% ICE BofA 1-3 Yr US Corp/Gov't, 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; 3% Russell 2000, 6% MSCI EAFE (net), 5% ICE BofA 1-3 Year Corp./Govt, 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 BofA 1-3Yr Corp/Gov, 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) | |
|---|---|
| 2008 | -25.72% |
| 2009 | 21.36% |
| 2010 | 14.11% |
| 2011 | -0.46% |
| 2012 | 13.25% |
| 2013 | 16.61% |
| 2014 | 4.70% |
| 2015 | 0.04% |
| 2016 | 6.81% |
| 2017 | 15.46% |
| 2018 | -4.88% |
| 2019 | 19.85% |
| 2020 | 13.85% |
| 2021 | 11.44% |
| 2022 | -15.28% |

| Index Plus Composite (Passive) | |
|---|---|
| 2008 | -23.22% |
| 2009 | 17.62% |
| 2010 | 12.76% |
| 2011 | 1.60% |
| 2012 | 11.93% |
| 2013 | 15.63% |
| 2014 | 6.08% |
| 2015 | -0.81% |
| 2016 | 8.26% |
| 2017 | 13.39% |
| 2018 | -5.05% |
| 2019 | 19.59% |
| 2020 | 12.07% |
| 2021 | 12.63% |
| 2022 | -14.97% |

## HOLDINGS

**HighMark Plus (Active)**

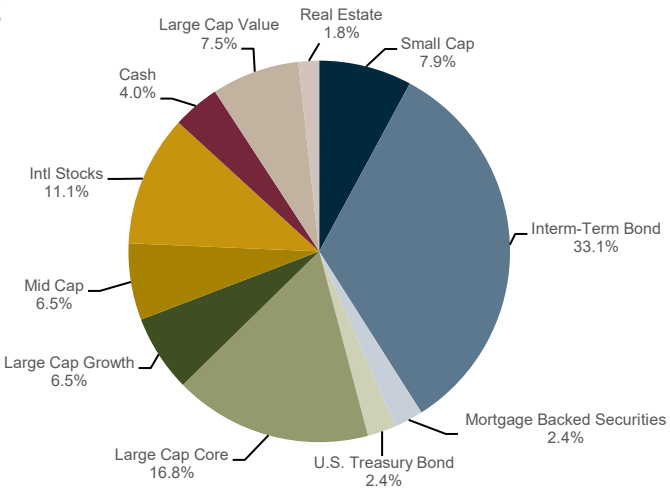
Columbia Contrarian Core I3
Vanguard Growth & Income Adm
Dodge & Cox Stock Fund
iShares S&P 500 Value ETF
Harbor Capital Appreciation - Retirement
iShares S&P 500 Growth ETF
iShares Russell Mid-Cap ETF
Vanguard Real Estate ETF
Undiscovered Managers Behavioral Value-R6
Emerald Growth Fund-I
DFA Large Cap International Portfolio
Dodge & Cox International Stock
MFS International Growth - R6
Hartford Schroders Emerging Markets Eq
iShares MBS ETF
iShares U.S. Treasury Bond ETF
Dodge & Cox Income-I
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
iShares MBS ETF
iShares U.S. Treasury Bond ETF
iShares Core U.S. Aggregate
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 U.S. Bank, and HighMark serves as sub-adviser to U.S. Bank to manage these portfolios. U.S. Bank may charge clients as much as 0.60% annual management fee based on a sliding scale. U.S. Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with U.S. 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) is an investment adviser registered with the U.S. Securities and Exchange Commission and a subsidiary of U.S. Bank National Association ("U.S. Bank"). U.S. Bank is a separate entity and subsidiary of U.S. Bancorp. U.S. Bank is not responsible for and does not guarantee the products, services or performance of HighMark. HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, and public and private retirement plans. Individual account management and construction will vary depending on each client's investment needs and objectives. U.S. Bank provides certain services to HighMark and is compensated for these services. **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*. 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 "Tory" 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: 11
Average Years of Experience: 30
Average Tenure (Years): 17

**Manager Review Group**
Number of Members: 3
Average Years of Experience: 29
Average Tenure (Years): 13

*Assets under management ("AUM") include assets for which HighMark provides continuous and regular supervisory and management services. As of 6/1/2023 HighMark previously listed Assets under Advisement ("AUA") are no longer advised by HighMark.

HIGHMARK®
CAPITAL MANAGEMENT

PARS DIVERSIFIED PORTFOLIOS
# CAPITAL APPRECIATION

Q3 2023

## 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.

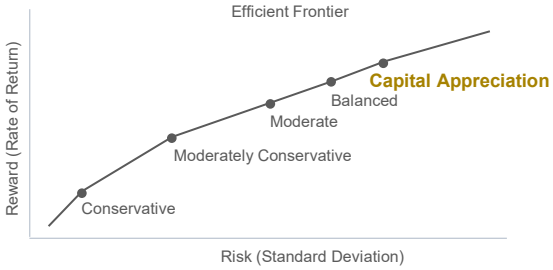
## PORTFOLIO FACTS

Consolidated Composite

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

## 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% | 23% |
| Cash | 0 - 20% | 5% | 5% |

## ANNUALIZED TOTAL RETURNS

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

Consolidated Composite

| | Gross | Net |
|---|---|---|
| Current Quarter* | -3.33% | -3.42% |
| *Blended Benchmark*,*** | *-3.26%* | |
| Year To Date* | 6.27% | 5.99% |
| *Blended Benchmark*,*** | *6.71%* | |
| 1 Year | 12.95% | 12.55% |
| *Blended Benchmark*** | *14.41%* | |
| 3 Year | 4.96% | 4.58% |
| *Blended Benchmark*** | *5.47%* | |
| 5 Year | 5.24% | 4.86% |
| *Blended Benchmark*** | *5.62%* | |
| 10 Year | 6.84% | 6.46% |
| *Blended Benchmark*** | *7.25%* | |

* 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/Gov't, 1% ICE BofA US High Yield Master II, 2% Wilshire 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% |
| 2022 | -16.08% |

## 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
iShares S&P 500 Growth ETF
iShares Russell Mid-Cap ETF
Vanguard Real Estate ETF
Undiscovered Managers Behavioral Value-R6
Emerald Growth Fund-I
DFA Large Cap International Portfolio
Dodge & Cox International Stock
MFS International Growth - R6
Hartford Schroders Emerging Markets Eq
iShares MBS ETF
iShares U.S. Treasury Bond ETF
Dodge & Cox Income-I
PGIM Total Return Bond - R6
DoubleLine Core Fixed Income - I
First American Government Obligations Z

**Index Plus (Passive)**

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iShares S&P 500 Value ETF
iShares S&P 500 Growth ETF
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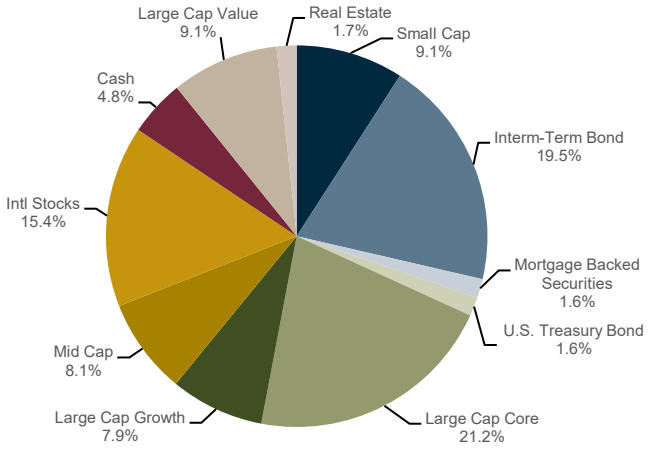
Vanguard Real Estate ETF
iShares Russell 2000 Value ETF
iShares Russell 2000 Growth ETF
iShares Core MSCI EAFE ETF
Vanguard FTSE Emerging Markets ETF
iShares MBS ETF
iShares U.S. Treasury Bond ETF
iShares Core U.S. Aggregate
First American Government Obligations Z

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

## 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 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
Suite 1600
San Francisco, CA 94104
800-582-4734

### ABOUT THE ADVISER

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**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 "Tory" 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: 11
Average Years of Experience: 30
Average Tenure (Years): 17

**Manager Review Group**
Number of Members: 3
Average Years of Experience: 29
Average Tenure (Years): 13

*Assets under management ("AUM") include assets for which HighMark provides continuous and regular supervisory and management services. As of 6/1/2023 HighMark previously listed Assets under Advisement ("AUA") are no longer advised by HighMark.

HIGHMARK®
CAPITAL MANAGEMENT

# Investment Guidelines Document

## City of El Cerrito

## Employee Benefit Fund Pension Plan

## December 2023

**DRAFT**

# Investment Guidelines Document

## Scope and Purpose

The purpose of this Investment Guidelines Document is to:

- Facilitate the process of ongoing communication between the Plan Sponsor and its plan fiduciaries;
- Confirm the Plan's investment goals and objectives and management policies applicable to the investment portfolio identified below and obtained from the Plan Sponsor;
- Provide a framework to construct a well-diversified asset mix that can potentially be expected to meet the account's short- and long-term needs that is consistent with the account's investment objectives, liquidity considerations and risk tolerance;
- Identify any unique considerations that may restrict or limit the investment discretion of its designated investment managers;
- Help maintain a long-term perspective when market volatility is caused by short-term market movements.

**Key Plan Sponsor Account Information as of December 2023**

| | |
|---|---|
| ***Plan Sponsor:*** | City of El Cerrito |
| ***Governance:*** | City Council for the City of El Cerrito |
| ***Plan Name ("Plan"):*** | City of El Cerrito Employee Benefit Fund Pension Plan |
| ***Trustee:*** | US Bank<br>Contact: Susan Hughes, 949-224-7209<br>susan.hughes@usbank.com |
| ***Type of Account:*** | Pension Plan |
| ***ERISA Status:*** | Not subject to ERISA |
| ***Investment Manager:*** | US Bank, as discretionary trustee, has delegated investment management responsibilities to HighMark Capital Management, Inc. ("Investment Manager"), an SEC-registered investment adviser<br>Contact: Andrew Brown, CFA, 925-276-3905<br>Andrew.Brown1@usbank.com |

***Investment Authority:*** Except as otherwise noted, the Trustee, US Bank, has delegated investment authority to HighMark Capital Management, an SEC-registered investment adviser. Investment Manager has full investment discretion over the managed assets in the account. Investment Manager is authorized to purchase, sell, exchange, invest, reinvest and manage the designated assets held in the account, all in accordance with account's investment objectives, without prior approval or subsequent approval of any other party(ies).

## Investment Objectives and Constraints

The goal of the Plan's investment program is to provide a reasonable level of growth which, will result in sufficient assets to pay the present and future obligations of the Plan. The following objectives are intended to assist in achieving this goal:

- The Plan should seek to earn a return in excess of its policy benchmark over the life of the Plan.
- The Plan's assets will be managed on a total return basis which takes into consideration both investment income and capital appreciation. While the Plan Sponsor recognizes the importance of preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns. To achieve these objectives, the Plan Sponsor allocates its assets (asset allocation) with a strategic perspective of the capital markets.

| | |
|---|---|
| ***Investment Time Horizon:*** | Intermediate-term 4 – 6 years |
| ***Anticipated Cash Flows:*** | Assets in the Plan will seek to mitigate the impact of future rate increases from CalPERS. Typically increases in rates come with a one-year advance warning, however this Plan may transfer assets to CalPERS at any time. |
| ***Investment Objective:*** | The primary objective is to generate a reasonable level of growth. The assets in this Plan will eventually be used to fund Pension Plan obligations for assets managed in the CalPERS Trust. |
| ***Risk Tolerance:*** | *Moderately Conservative*<br>The account's risk tolerance has been rated moderately conservative, which demonstrates that the account can accept modest price fluctuations to pursue its investment objectives. |

***Strategic Asset Allocation***: The asset allocation ranges for this objective are listed below:

| *Strategic Asset Allocation Ranges* | | |
|---|---|---|
| Cash | Fixed Income | Equity |
| 0-20% | 50%-80% | 20%-40% |
| Policy: 5% | Policy: 65% | Policy: 30% |

Market conditions may cause the account's asset allocation to vary from the stated range from time to time. The Investment Manager will rebalance the portfolio no less than quarterly and/or when the actual weighting differs substantially from the strategic range, if appropriate and consistent with your objectives.

***Security Guidelines:***

Equities

With the exception of limitations and constraints described above, Investment Manager may allocate assets of the equity portion of the account among various market capitalizations (large, mid, small) and investment styles (value, growth). Further, Investment Manager may allocate assets among domestic, international developed and emerging market equity securities.

| Total Equities | 20%-40% |
|---|---|
| *Equity Style* | *Range* |
| Domestic Large Cap Equity | 10%-30% |
| Domestic Mid Cap Equity | 0%-10% |
| Domestic Small Cap Equity | 0%-12% |
| International Equity (incl. Emerging Markets) | 0%-12% |
| Real Estate Investment Trust (REIT) | 0%-8% |

Fixed Income

In the fixed income portion of the account, Investment Manager may allocate assets among various sectors and industries, as well as varying maturities and credit quality that are consistent with the overall goals and objectives of the portfolio.

| Total Fixed Income | 50%-80% |
|---|---|
| *Fixed Income Style* | *Range* |
| Long-term bonds (maturities >7 years) | 0%30% |
| Intermediate-term bonds (maturities 3-7 years) | 30%-80% |
| Short-Term bonds (maturities <3 years) | 0%-25% |
| High Yield bonds | 0%-6% |
| | |

***Performance Benchmarks:***

The performance of the total Plan shall be measured over a three and five-year periods. These periods are considered sufficient to accommodate the market cycles experienced with investments. The performance shall be compared to the return of the total portfolio blended benchmark shown below.

Total Portfolio Blended Benchmark

| | |
|---|---|
| 15.50% | S&P 500 Index |
| 3.00% | Russell Mid Cap Index |
| 4.50% | Russell 2000 Index |
| 2.00% | MSCI Emerging Markets Index |
| 4.00% | MSCI EAFE Index |
| 1.00% | Wilshire REIT Index |
| 49.25% | Bloomberg U.S. Aggregate Bond Index |
| 14.00% | ICE BofA ML 1-3 Year US Corp/Gov't Index |
| 1.75% | ICE BofA U.S. High Yield Master II Index |
| 5.00% | FTSE 1Mth T-Bill Index |

Asset Class/Style Benchmarks

Over a market cycle, the long-term objective for each investment strategy is to add value to a market benchmark. The following are the benchmarks used to monitor each investment strategy:

| | |
|---|---|
| Large Cap Equity | S&P 500 Index |
| Growth | S&P 500 Growth Index |
| Value | S&P 500 Value Index |
| Mid Cap Equity | Russell Mid Cap Index |
| Growth | Russell Mid Cap Growth Index |
| Value | Russell Mid Cap Value Index |
| Small Cap Equity | Russell 2000 Index |
| Growth | Russell 2000 Growth Index |
| Value | Russell 2000 Value Index |
| REITs | Wilshire REIT Index |
| International Equity | MSCI EAFE Index |
| Investment Grade Bonds | Bloomberg U.S. Aggregate Bond Index |
| High Yield | ICE BofA US High Yield Master II Index |

***Security Selection***

Investment Manager may utilize a full range of investment vehicles when constructing the investment portfolio, including but not limited to individual securities, mutual funds, and exchange-traded funds. In addition, to the extent permissible, Investment Manager is authorized to invest in shares of mutual funds in which the Investment Manager serves as advisor or sub-adviser.

***Investment Limitations:***

The following investment transactions are prohibited:

- Direct investments in precious metals (precious metals mutual funds and exchange-traded funds are permissible).
- Venture Capital
- Short sales*
- Purchases of Letter Stock, Private Placements, or direct payments
- Leveraged Transactions*
- Commodities Transactions Puts, calls, straddles, or other option strategies*
- Purchases of real estate, with the exception of REITs
- Derivatives, with exception of ETFs*

**Permissible in diversified mutual funds and exchange-traded funds*

## Duties and Responsibilities

***Responsibilities of Plan Sponsor***

The Plan Administrator for the City of El Cerrito is responsible for:

- Confirming the accuracy of this Investment Guidelines Document, in writing.
- Advising Trustee and Investment Manager of any change in the plan/account's financial situation, funding status, or cash flows, which could possibly necessitate a change to the account's overall risk tolerance, time horizon or liquidity requirements; and thus would dictate a change to the overall investment objective and goals for the account.
- Monitoring and supervising all service vendors and investment options, including investment managers.
- Avoiding prohibited transactions and conflicts of interest.

***Responsibilities of Trustee***

The plan Trustee is responsible for:

- Valuing the holdings.
- Collecting all income and dividends owed to the Plan.
- Settling all transactions (buy-sell orders).

***Responsibilities of Investment Manager***

The Investment Manager is responsible for:

- Assisting the Plan Administrator with the development and maintenance of this Investment Policy Guideline document annually.
- Meeting with the Plan Administrator annually to review portfolio structure, holdings, and performance.
- Designing, recommending and implementing an appropriate asset allocation consistent with the investment objectives, time horizon, risk profile, guidelines and constraints outlined in this statement.
- Researching and monitoring investment advisers and investment vehicles.
- Purchasing, selling, and reinvesting in securities held in the account.
- Monitoring the performance of all selected assets.
- Voting proxies, if applicable.
- Recommending changes to any of the above.

- Periodically reviewing the suitability of the investments, being available to meet with the committee at least once each year, and being available at such other times within reason at your request.
- Preparing and presenting appropriate reports.
- Informing the committee if changes occur in personnel that are responsible for portfolio management or research.

## Acknowledgement and Acceptance

I/We being the Plan Sponsor with responsibility for the account(s) held on behalf of the Plan Sponsor specified below, designate Investment Manager as having the investment discretion and management responsibility indicated in relation to all assets of the Plan or specified Account. If such designation is set forth in the Plan/trust, I/We hereby confirm such designation as Investment Manager.

I have read the Investment Guidelines Document, and confirm the accuracy of it, including the terms and conditions under which the assets in this account are to be held, managed, and disposed of by Investment Manager. This Investment Guidelines Document supersedes all previous versions of an Investment Guidelines Document or investment objective instructions that may have been executed for this account.

_____ Date:_____

Plan Sponsor: City of El Cerrito

_____ Date:_____

Investment Manager: Andrew Brown, CFA, Senior Portfolio Manager, (925) 276-3905