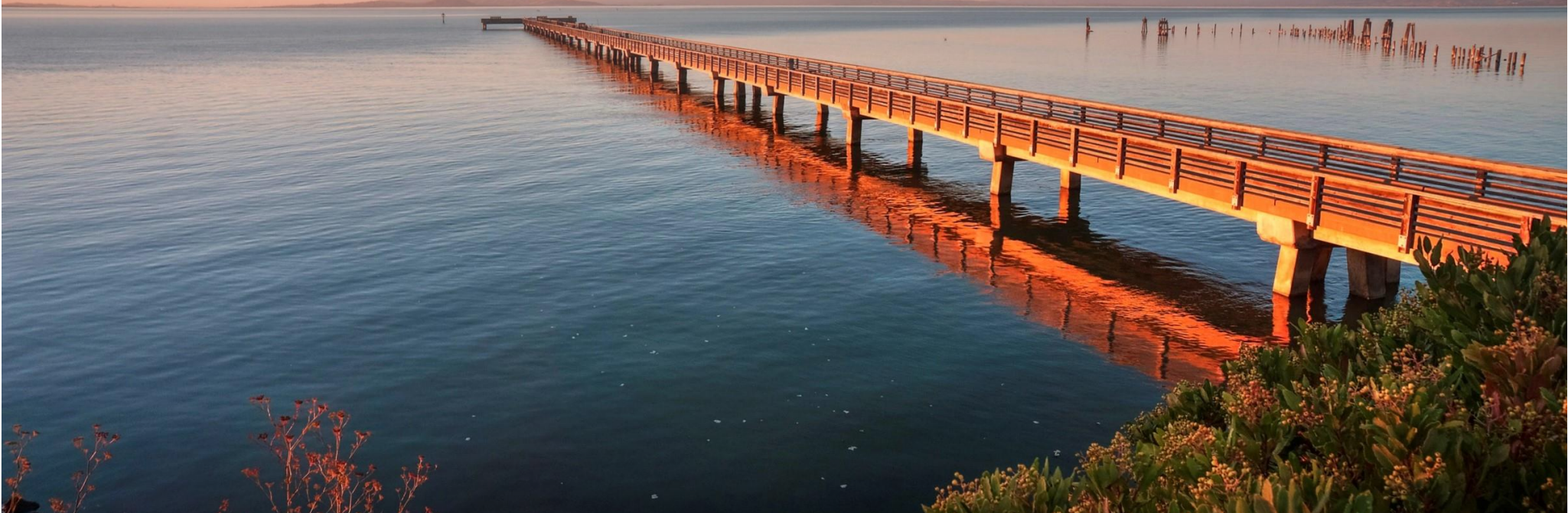


PUBLIC
AGENCY
RETIREMENT
SERVICES

PARS

TRUSTED SOLUTIONS. LASTING RESULTS.



CITY OF RICHMOND

PARS 115 Trust – OPEB Review/Pension Rate Stabilization Program (PRSP)

July 5, 2022

CONTACTS



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PARS 115 TRUST TEAM

Trust Administrator & Consultant



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

38

Years of Experience
(1984-2022)

2,000+

Plans under
Administration

1,000+

Public Agency
Clients

490+

115 Trust Clients

500K+

Plan Participants

\$6.7B

Assets under
Administration

Trustee



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

159

Years of Experience
(1863-2022)

\$5.0T

Assets under
Administration

Investment Manager



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

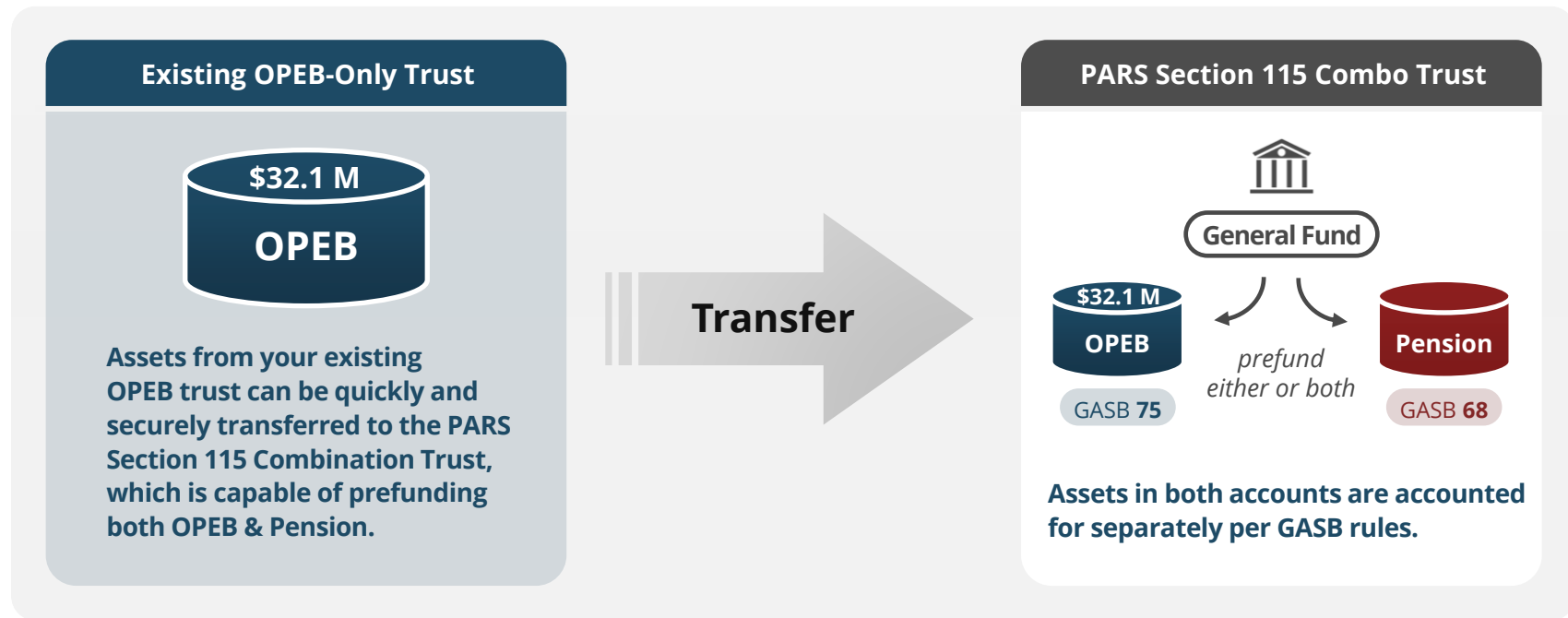
103

Years of Experience
(1919-2022)

\$20.2B

Assets under
Management &
Advisement

PARS IRS-APPROVED SECTION 115 TRUST



Subaccounts

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



Financial Stability

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



Flexible Investing

Allows separate investment strategies for OPEB and Pension subaccounts.



Anytime Access

Trust funds are available anytime; OPEB for OPEB and Pension for Pension.



Economies-of-Scale

OPEB and Pension assets aggregate and reach lower fees on tiered schedule sooner – saving money!



No Set Up Cost or Minimums

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

490+ OPEB/PENSION CLIENTS INCLUDING:

Updated June 2022

BAY AREA CITIES

Alameda
Atherton
Benicia
Brisbane
Burlingame
Colma
Cupertino
Daly City
Dublin
Emeryville
Fairfax
Fairfield
Gilroy
Half Moon Bay
Healdsburg
Hercules
Livermore
Los Altos Hills
Morgan Hill
Napa
Novato
Oakley
Orinda

Pacifica
Palo Alto
Piedmont
Pinole
Pittsburg
Pleasant Hill
Pleasanton
Redwood City
Richmond
Rio Vista
Rohnert Park
Ross
San Anselmo
San Leandro
San Ramon
Santa Clara
Sausalito
Tiburon
Union City
Vallejo
Woodside
Yountville

BAY AREA COUNTIES

Contra Costa
Napa
Solano
Sonoma

SUMMARY OF AGENCY'S OPEB PLAN

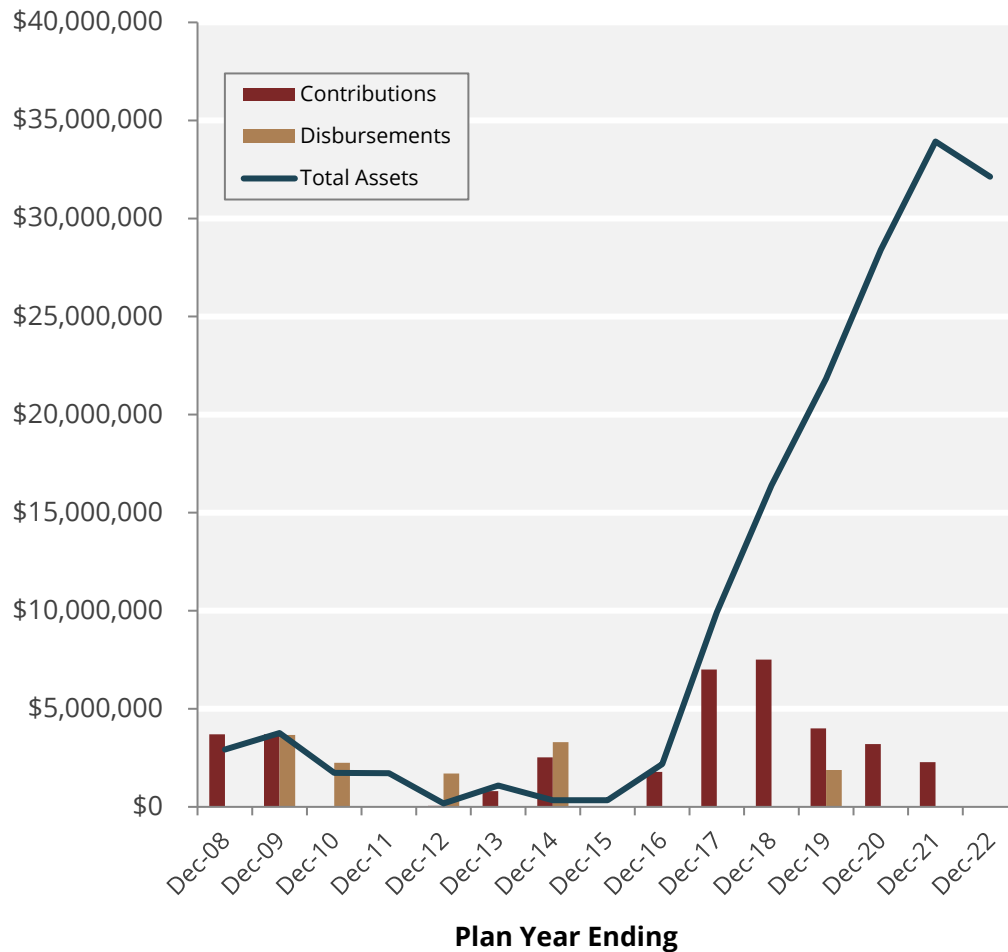
Plan Type:	IRC Section 115 Irrevocable Exclusive Benefit Trust
Trustee Approach:	Discretionary
Plan Effective Date:	April 1, 2008
Plan Administrator:	Finance Director/Treasurer
Current Investment Strategy:	Balanced HighMark PLUS (Active) Strategy; Individual Account

AS OF MARCH 31, 2022:

Initial Contribution:	June 2008: \$3,700,000
Additional Contributions:	\$32,840,594
Total Contributions:	\$36,540,594
Disbursements:	\$12,787,109
Total Investment Earnings:	\$8,373,179
Account Balance:	\$32,126,665

SUMMARY OF AGENCY'S OPEB PLAN

HISTORY OF CONTRIBUTIONS, DISBURSEMENTS, AND TOTAL ASSETS AS OF MARCH 31, 2022:



Year End	Contributions	Disbursements	Total Assets
Dec-08	\$3,700,000	\$0	\$2,925,446
Dec-09	\$3,700,000	\$3,668,450	\$3,763,186
Dec-10	\$1,165	\$2,242,216	\$1,733,127
Dec-11	\$0	\$0	\$1,712,003
Dec-12	\$49,022	\$1,700,000	\$175,354
Dec-13	\$800,000	\$0	\$1,085,696
Dec-14	\$2,520,369	\$3,296,802	\$338,507
Dec-15	\$0	\$0	\$334,566
Dec-16	\$1,782,535	\$0	\$2,176,816
Dec-17	\$6,999,680	\$0	\$9,913,801
Dec-18	\$7,503,066	\$0	\$16,395,146
Dec-19	\$4,002,180	\$1,879,640	\$21,837,898
Dec-20	\$3,201,709	\$0	\$28,404,719
Dec-21	\$2,280,868	\$0	\$33,922,246
Dec-22	\$0	\$0	\$32,126,665

OPEB ACTUARIAL RESULTS

	Measurement Date: June 30, 2020 Discount Rate: 5.76%	Measurement Date: June 30, 2021 Discount Rate: 5.75%
Total OPEB Liability (TOL)	\$120,302,969	\$123,244,653
Fiduciary Net Position	\$22,861,318	\$32,439,802*
Net OPEB Liability (NOL)	\$97,441,651	\$90,804,851
Funded Status	19.0%	26.3%
Service Cost	\$4,292,499	\$2,072,959
Annual Benefit Payments (Pay-as-you-Go)	\$7,753,129 <i>For FY 2019-20</i>	\$7,011,178 <i>For FY 2020-21</i>

*As of March 31, 2021, assets at \$32,126,665 (approx. ~26.1% funded).

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

The

PARS PENSION RATE STABILIZATION PROGRAM

for prefunding pension obligations

BACKGROUND – PENSION

- Since 2015, GASB 68 has required disclosing Net Pension Liability on financial statements as a line item on the balance sheet
- Before the concept of pension prefunding, the only way to reduce retirement system unfunded liabilities was to send additional contributions in excess of annual required employer contributions
- Pension trust prefunding assets can be transferred to the retirement system at the Agency's direction, which can help offset future rate increases (i.e., pension rate stabilization).

CalPERS Changes

CalPERS has announced changes directly affecting unfunded liability amounts and employer contributions:

Lowering of Discount Rate ¹

7.0%
▼
6.8%

CalPERS lowered the discount rate from 7.0% to 6.8%. The impact is reflected in the June 30, 2021 valuation reports.

¹ Contributions from policy changes beginning FY 23-24.

Shortened Amortization Period ²

30 years
▼
20 years

New actuarial liabilities are amortized over 20 years instead of 30, increasing required annual employer contribution amounts*

² 5-year ramp up in payments beginning FY 15-16 with full impact in FY 19/20.

PENSION FUNDING STATUS

As of June 30, 2020, City of Richmond's CalPERS pension plan is funded as follows:

Combined Miscellaneous & Safety Groups *	Valuation as of June 30, 2019	Valuation as of June 30, 2020	Change
Actuarial Liability	\$1.194 B	\$1.219 B	2.1% ↑
Assets	\$843.6 M	\$852.8 M	1.1% ↑
Unfunded Liability	\$350.9 M	\$366.9 M	4.6% ↑
Funded Ratio	70.6%	69.9%	1.0% ↓
Employer Contribution Amount	\$38.5 M (FY 20-21)	\$40.4 M (FY 21-22)	4.9% ↑
Employer Contribution Amount – Projected *	---	\$49.0 M (FY 27-28)	21.4% ↑

* Data through 2027-28 from Agency's latest CalPERS actuarial valuation.

WHY PREFUND PENSION OBLIGATIONS?

1. Complete Local Control over Assets

City has complete control over assets, including contributions, disbursements and the timing, amount, and risk tolerance level of investments

2. Pension Rate Stabilization

Assets can be transferred to the retirement system at the City's direction, potentially reducing/eliminating large fluctuations in employer contribution amounts

3. Rainy Day Fund

Emergency source of funds when employer revenues are strained in difficult budgetary or economic times

4. Diversification

Allows for investment flexibility and offers the potential for assets to earn greater returns than the General Fund; spread the risk vs. sending additional money to CalPERS

HIGHMARK CAPITAL MANAGEMENT

As of March 31, 2022

ACTIVE PORTFOLIO RETURNS

Strategy	Equity (%)	1 Year	3 Years	5 Years	10 Years
Capital Appreciation	65-85%	4.22%	11.34%	9.99%	9.19%
Balanced	50-70%	2.49%	9.69%	8.73%	7.94%
Moderate	40-60%	1.50%	8.42%	7.64%	6.99%
Moderately Conservative	20-40%	-0.56%	5.80%	5.48%	5.16%
Conservative	5-20%	-2.02%	3.88%	3.92%	3.79%

* Past performance does not guarantee future results.

PROGRAM FEES

As of March 31, 2021

Trust Administration/Consulting Fees*



Plan Set-Up Fee:

None

Ongoing Fees:

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

Discretionary Trustee/Investment Management Fees**



Plan Set-Up Fee:

None

Ongoing Fees:

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

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

** Subject to change due to rebalancing, as fees are waived for plan assets in First American Funds (money market)

WHY TAKE THIS STEP?

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

Questions?

WHY PARS?

1. 115 Trust services for Prefunding Pension and OPEB is our Core business, unlike CalPERS
2. Market pioneer and leader with over 270 PRSP client agencies in California (approximately 70 for CalPERS)
3. 1st IRS-approved Section 115 Combination Trust (prefunding both OPEB and Pension in the same trust); CalPERS CEPPT does not have IRS approval
4. Can reimburse Agency for up to 2 years of expenses (current year + prior year) vs. CalPERS who only reimburses for 1 year; helpful in an emergency or tough budget year
5. Dedicated Portfolio Manager
 - Fiduciary responsibility
 - Investment policy assistance
 - Annual onsite reviews
 - Cell phone access
6. Choice of 5 risk tolerance levels (active or passive) and custom option vs. 2 passive options only for CEPPT
7. Greater Net Performance (8.59% vs. 7.98% for CalPERS; 10-Year Returns as of 3/31/22)