

PUBLIC
AGENCY
RETIREMENT
SERVICES

PARS

TRUSTED SOLUTIONS. LASTING RESULTS.



CITY OF FORT BRAGG

IRS Code Section 115 Retirement Trust Services

Date Due: April 29, 2022

Proposer: PARS (Public Agency Retirement Services)

April 28, 2022

City of Fort Bragg
Attention: June Lemos, MMC, City Clerk
416 North Franklin Street
Fort Bragg, CA 95437

RE: IRS Code Section 115 Retirement Trust Services

Ms. Lemos,

PARS (Public Agency Retirement Services) is proud to submit the enclosed proposal to provide Section 115 Trust services for pension prefunding and ongoing fiduciary investment advice for the City of Fort Bragg. Our IRS-approved "combination trust" will provide the City with "turn-key" comprehensive implementation, administration, trustee, co-fiduciary investment advisory, investment management, trust documents, state/federal compliance monitoring, and reporting services to help prefund the City's pension liability in accordance with the requested timeframe.

PARS, the pioneer of pension prefunding trusts, serves as the program's consultant and trust administrator with U.S. Bank as trustee and HighMark Capital Management (HighMark) as investment advisor/manager. Together, our firms are the best and top qualified providers to perform the requested services due to the following key features:

- **Experienced, Industry Leading Trust Administrator** – PARS is the most knowledgeable provider, with over 38 years of working with public agencies, 16 years administering Section 115 Trust services and over 490 Section 115 Trust accounts under administration, including 142 cities in California. PARS is both the pioneer and #1 provider of Section 115 pension prefunding and Section 115 "combination" trust (for pension and/or OPEB) administration in California and nationally.
- **Strong, Secure Trustee** – The City's assets will be safeguarded by U.S. Bank, the 5th largest bank in the nation. U.S. Bank holds over \$10 billion in Section 115 Trust assets, making them one of the largest trustees for these type of assets in the country.
- **Successful, Highly-Respected Investment Advisor/Manager** – As a sub-advisor to U.S. Bank, HighMark will provide hands-on investment management/advisory services for the City. The firm, which has 100 years of experience and over \$19 billion in assets (including \$3.5+ billion in Section 115 Trust assets) under management and advisement, provides the highest levels of investment fiduciary protection and offers flexible investment options to fit the City's current and changing needs.
- **Innovative Trust Design** – The PARS program is structured as a unique, industry-leading "combination" trust approach which allows both pension and/or OPEB to be prefunded within one single trust. This structure helps to bring economies of scale and cost efficiencies to the City, while still allowing for local control and customization.

4350 Von Karman Ave., Ste. 100
Newport Beach, CA 92660-2043
800.540.6369
fax 800.660.8057
www.pars.org

TRUSTED SOLUTIONS. LASTING RESULTS.

- **Dedicated Customer Service** – The PARS team handles all levels of service needs for the City. The team will provide guidance and support, development and management of documents, resources and analysis, cell phone access, in-person reviews, same day phone or virtual meeting for immediate needs, and ad hoc reports for the City's needs.

PARS is committed to meeting the needs of your City and will provide a full team of highly experienced personnel to manage your account. This team will be led by:

Ryan Nicasio, Vice President

4350 Von Karman Ave, Suite 100
Newport Beach, CA 92660
Phone: (800) 540-6369 Ext. 134
Email: rnicasio@pars.org

As Chief Financial Officer of PARS, I have the authority to represent PARS, submit a bid, and sign a contract with the City of Fort Bragg.

Thank you for your thoughtful consideration of our proposal.

Sincere regards,



Tod Hammeras
Chief Financial Officer, PARS

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EXECUTIVE SUMMARY

PARS (Public Agency Retirement Services), in collaboration with U.S. Bank and HighMark Capital Management (HighMark), proposes to the City of Fort Bragg our comprehensive solution to the City's Internal Revenue Code (IRC) Section 115 Trust for pension prefunding and ongoing fiduciary investment advice. Using PARS' pioneering, industry-leading Pension Rate Stabilization Program (PRSP), the City can prefund its pension and also its retiree healthcare liabilities in one IRS-approved combination Section 115 Trust. Our unique *combined* trust provides economies of scale for investment, administrative, and trustee services in a way not possible with two separate trusts to minimize staff burdens and administrative costs.

The Pioneer of Pension Rate Stabilization Trusts

PARS has 38 years of experience and serves **over 490 Section 115 Trust clients** nationally, including 142 California cities. Our unparalleled experience includes many firsts:

- **First Section 115 Trust program** for pension prefunding **approved by the IRS in 2015** on a multiple employer basis
- **First combination trust** that allows for **pension and OPEB prefunding** in one trust in the state
- **Fastest growing and largest** Section 115 post-employment benefits trust provider in the nation

Key Program Advantages

As the post-employment benefits trust pioneer and leader, PARS has continually fine-tuned its program to meet the needs of California public agencies. Today, we bring to the City the following key advantages:

- **Section 115 trusts are PARS' #1 core competency**, not a sideline business — giving us unparalleled experience over other providers
- **Pioneer and market leading provider** with over 490 Section 115 trust clients, over 266 pension trust clients
- **IRS-approved** trust with first favorable Private Letter Ruling (PLR) that led the way for others to follow. Our PLR provides immediate and guaranteed tax-exempt status on investment earnings to the City and we are one of only two providers in the nation to have received one
- **Flexible, discretionary investment options** designed by HighMark specifically for prefunding pension liabilities in a trust that is not limited by a few narrow investment options
 - The City can select from 5 model portfolios, all of which can be actively or passively managed (pension and OPEB investment strategies can be different)
 - At \$5 million asset level, the City additionally has the ability to customize investments within each individual pension and OPEB trust account
- **Dedicated Portfolio Manager** that will be available to the City in-person and remotely for questions, meetings, and ad-hoc reports at any time
- **Investment policy development, asset allocation assistance, and ongoing portfolio analysis** to meet the City's objectives

- **Strong, historical Global Investment Performance Standards (GIPS) compliant investment returns for both pension and OPEB** versus providers that have not provided pension trusts and investment options for extended periods of time and may resort to showing *hypothetical* return history
- **Local control**, which provides the City with greater diversification and autonomy over investments and providers
- **Hands-on, individualized attention** from highly experienced PARS/HighMark service team that has a long, successful track record working with California cities like the City of Fort Bragg
- **Fiduciary protection** from U.S. Bank, the 5th largest bank and the most dominant Section 115 trustee in the nation. U.S. Bank currently serves 626 Section 115 Trust clients nationally
- **No startup costs, minimum contribution requirements, transaction/trading fees, or ongoing compliance costs** — there is no red tape or fees to enter or leave the trust
- **Ready-to-use, simply organized** irrevocable Section 115 pension trust and investment program compliant with California and federal law, as well as GASB rules

The Turn-key Solution Provider

PARS has developed a unique, comprehensive program that combines the following services:

- Trust administration, recordkeeping, consulting, analysis, and advisory services
- In-person, individualized services no matter size of assets or agency and education, presentations and/or training to City staff and City Council members
- Trustee and custodial services
- Fiduciary investment advisory and management services with development of investment policy statement (IPS) and asset allocation guidelines
- Comprehensive reporting and performance monitoring including annual audits and GASB 67/68 reporting assistance
- Signature-ready trust documents and state and federal compliance monitoring
- Assistance in developing funding policy, conducting educational workshops, and creating presentations as needed.

EXPERIENCE

Describe your firm's experience serving California local government clients in establishing IRS Section 115 Trusts and related investment services. Comment on the key program advantages which make your firm different from your competitors. Please disclose the total volume of all Section 115 trusts under management with your firm.

The PARS Section 115 Trust Program operates as a collaboration of 3 industry leaders; PARS serves as trust administrator, U.S. Bank as trustee, and HighMark as discretionary investment manager.

Experience of PARS (Trust Administrator)

PARS is a pioneer in the design and administration of governmental retirement trusts for public agencies with over four decades of experience in the business. Throughout this time, our company has experienced continual corporate growth and has built a long track record of service which includes the following key accomplishments:

- Market leading Section 115 pension prefunding trust provider with **over 266** clients nationwide, including **261 in California**
- Administration of over **2,000** plans for more than **1,000** public entities
- Development of the first multiple-employer Section 115 Trust Program for pension prefunding in the nation (2015)
- Vast experience providing integrated retirement trust and plan solutions to agencies – **over 285** of our clients have multiple trusts or plans with us
- Largest Section 115 Trust provider for pension and OPEB liabilities nationwide
- Only provider using a “combination” trust for pension and OPEB nationally
- Development and administration of multiple employer Section 115 Trust programs for numerous associations and group entities including the Community College League of California, California School Boards Association, Rhode Island Interlocal Trust, 4 County Massachusetts Trust, and Arizona Public Safety Personnel Retirement System

Key PARS Milestones

1984	PARS begins to design and administer niche retirement plans for public agencies.
1990	PARS creates the Public Agency Retirement System Trust, an IRC Section 401(a) multiple employer retirement trust program. PARS has since developed several other multiple employer trusts for public agencies based on this initial model.
1996	PARS developed its first trust (VEBA) for prefunding retiree medical benefits in California.
2001	PARS begins consulting with public agencies on projects related to retiree health care liabilities.

2003	PARS begins developing an innovative Section 115 irrevocable trust based on its already established multiple employer trust model.
2004	California School Board Association hires PARS to develop and implement a Section 115 multiple employer trust to prefund retiree health care.
2006	PARS receives the first ever IRS PLR given on a multiple employer Section 115 Trust for post-retirement health care funding. The IRS requests publication of the trust's details as an example for other OPEB multiple employer trusts.
2015	PARS establishes a new Section 115 "combination" trust that allows prefunding of both pension and/or OPEB costs. This trust subsequently receives a favorable IRS PLR, the first of its kind in the nation.
2016	PARS has record year adding over 60 clients to its pension prefunding trust, making the firm the clear market leader and program expert not only in California but in the nation.
2020	In the last 3 years, another 150+ agencies join the program to prefund pension obligations and PARS now administers over \$5.1 billion in Section 115 trust assets.
2021	PARS launches a statewide pension prefunding trust program for Arizona, partnering with the state retirement system.
2022	More than 490 agencies utilize PARS to prefund pension and OPEB liabilities using the PARS Section 115 Trust which has over \$5.1 billion in assets under administration.

Why Select PARS?

1. Unlike other providers, Section 115 Trust services for prefunding pension is PARS' core business and specialty.
2. We are the market pioneer and leader of pension prefunding trusts with 261 client agencies in California.
3. The City receives added protection from the trust's IRS Private Letter Ruling (PLR) that allows for both prefunding of pension and OPEB liabilities (if the City wants to use for that purpose in the future). Other providers applied to the IRS but failed to receive a PLR.
4. We offer mutual indemnification clause in agreements while other providers require a one-sided agreement placing the customer at a severe disadvantage.
5. No start-up costs, no minimums, and no fees are charged until assets are put into the trust.
6. We allow reimbursements to the City for up to 2 years of CalPERS employer contributions (current year + prior year) which can be helpful in an emergency or during a tough budget year.
7. The City will be assigned a dedicated Senior Portfolio Manager/Team from the outset which provides fiduciary responsibility, investment policy assistance, annual onsite reviews, and cell phone access.

8. The City has investment flexibility with the choice of 5 active or 5 passive portfolios, as well as a customized option (for asset balances over \$5 million). Other providers limit the number of available investment options, not allowing equity exposure greater than 40%.
9. HighMark shows true, historical investment return information over 1-, 3-, 5- and 10- years, not hypotheticals like many of our competitors.
10. Historically, clients have experienced greater net investment performance when both returns and fees are taken into consideration, the ultimate measure of value to the City.

KEY PROGRAM ADVANTAGES

<p>Market Leader of Pension Prefunding Trusts</p>	<ul style="list-style-type: none"> • PARS developed the concept of pension prefunding trusts and is currently the only provider with significant clients (currently at 266) and experience for pension prefunding trusts in California • Section 115 trust services for prefunding pension is our core business. This is not the case for other providers (PARS serves 266 while our competitors serve only around 60). • The PARS program is a combination multiple employer solution that allows pension and OPEB within one trust while other providers require the City either to create its own or two separate trusts.
<p>Experienced, Knowledgeable Section 115 Trust Provider</p>	<ul style="list-style-type: none"> • Unlike other providers, our main business is niche retirement trust administration for public agencies. We have spent the last 18 years fine-tuning our Section 115 Trust program to ensure we offer the best program available. • PARS' dedication and knowledge of clients' needs is the reason why we were the first in the nation to develop a multiple-employer trust for combined pension prefunding and why we are the only large-scale provider of pension trusts.
<p>Local Control and Less Red Tape</p>	<ul style="list-style-type: none"> • PARS offers local control, meaning there is no central authority placing mandates on the trust. Other providers require the City to join external Boards that make collective investment decisions for the City more difficult and decreases flexibility. • The trust operates completely separate and apart from CalPERS which provides maximum autonomy and diversification of providers for local control. • PARS does not charge minimum annual fees, trading/transaction fees, disbursement fees, etc. unlike many other providers. All fees with PARS are asset-based.

	<ul style="list-style-type: none"> • There are no hidden fees with PARS. We disclose all fees and are fully transparent. Other providers claim low costs but do not disclose the underlying expense ratios in their investment funds which drive up their costs. • We only require a 30-day termination notice, but competitors may take up to 150 days to transfer funds and may require their board's approval, slowing down the process. • PARS includes a mutual indemnification clause in agreements, providing an additional layer of legal protection to the City and is in the City's best interests, while other providers do not include such a clause. • Our program allows for two plan year reimbursements, unlike one year for other providers, which is helpful in an emergency or difficult budget year.
<p>Diversified Investment Focus</p>	<ul style="list-style-type: none"> • HighMark specializes in pension and OPEB trust investing, rather than fixed income general fund investing, which is common with providers that mainly manage cash and fixed income, rather than long-term liabilities. • We are not limited to the same investment managers and approaches of CalPERS, and we provide further diversification and greater local autonomy.
<p>Transparent Investments</p>	<ul style="list-style-type: none"> • We are not proposing hypotheticals and composites based on portfolios that still need to be developed, which can make it difficult to evaluate performance history and even underlying investment expenses.
<p>Most Flexible Investment Approach</p>	<ul style="list-style-type: none"> • We offer five pre-established investment portfolios as well as a customized allocation and both active and passive strategies, enabling the City to choose an investment structure that most effectively meets its needs. • PARS provides the most investment flexibility of all competitors. • Senior Portfolio Managers, Andrew Brown and Randall Yurchak, will provide hands-on investment policy development, asset allocation recommendations, ongoing investment support, and direct cell phone access. They will be supported by a full team of investment professionals and analysts at HighMark's headquarters who review client portfolios on an ongoing basis. • This flexibility and trust structure means that the City is not tied to using one investment firm/option, unlike other pension prefunding trust providers. • We have the option of 5 investment portfolios, with active and passive platforms, and custom accounts with actual, true 1-, 3-, 5-, and 10-year historical performance. Other providers use "what-if" scenario style portfolios that are not based on actual clients' historical rate of returns.

	<p>The true, historical performance for each strategy can be viewed in the Appendix under “Historical Returns.”</p>
<p>Most Comprehensive Administration</p>	<ul style="list-style-type: none"> • No other provider offers the same level of comprehensive administrative services that reduce workload and costs for the City. • PARS will provide all consulting, plan design, state and federal compliance monitoring, document preparation/management, trust administration, plan-level recordkeeping, employer statements, reporting, plan communications materials, audit and actuarial support, consulting and analysis, and ongoing client reviews and services. As program administrator, PARS will also serve as liaison between the City, U.S. Bank, and HighMark.
<p>User-Friendly Trust Approach</p>	<ul style="list-style-type: none"> • We provide fully vetted, California and IRS compliant, signature-ready trust documents that enable the City’s trust account to be set up quickly and easily. • Once the program is adopted, the City’s only role would be to make contributions, request disbursements, and monitor reports on account and investment activity. We do the rest.
<p>Personalized Service</p>	<ul style="list-style-type: none"> • PARS understands that a hands-on, individualized approach is the most effective method for administration and will take great pride in working closely with City of Fort Bragg, if chosen. • The City’s assigned services team will always be directly available to staff, and we guarantee regular in-person client reviews.

PROGRAM TEAM AND RELATIONSHIP SERVICES

Provide the person's resume (executive assigned to the City's Trust account) who will be the key contact point to coordinate services to the City. Please identify your firm's service team members, including their tenure with the firm, their background, and their role in managing the City's proposed Trust account.

PARS places a heavy emphasis on strong customer services and will dedicate a team of individuals to the ongoing administration and management of the City's trust account. The following individuals will serve as the primary service team members to the City (led by Ryan Nicasio). This service team will also be supported by a larger group working behind the scenes at PARS, HighMark, and U.S. Bank corporate offices and headquarters.

Ryan Nicasio, CEBS, Senior Vice President, PARS



Role

Ryan will serve as the Lead Consultant and primary point of contact to facilitate services to the City – from program initiation to ongoing administration. He will provide a full scope of consulting services and will also take responsibility for coordinating services between PARS, U.S. Bank, and HighMark. The City will have direct access to Ryan on all matters and he will be available to meet in-person, virtually, and by phone as often as requested.

Experience

Ryan joined PARS in 1998 as an Administrator in the Plan Accounting Department. For nine years, he managed this department and the firm's accounting databases to ensure that contributions, earnings, and expenses were properly allocated to more than 300,000 plan participants and agency accounts. In 2007, Ryan transitioned to become Vice President of PARS Consulting Department. He is experienced in the nuances of pension prefunding trusts, defined benefit and contribution plan design, and early retirement incentives.

Education

Ryan holds a bachelor's degree in Economics with a minor in Mathematics from the University of California, San Diego. He also earned a Certified Employee Benefits Specialist (CEBS) designation from the International Foundation of Employee Benefits at the Wharton School of Business.

Andrew Brown, CFA, Director & Senior Portfolio Manager, HighMark



Role

As a Senior Portfolio Manager, Andrew is responsible for managing investment portfolios on behalf of Section 115 trust clients, retirement plans, foundations, not-for-profit organizations, and high net worth investors. Upon trust inception, he will work alongside Randall Yurchak to discuss the City's investment needs and construct an IPS that will serve as the underlying investment guide to your account. The City will have direct access to Andrew at all times, and he will be available to provide ongoing investment advice.

Experience

Andrew joined HighMark in November 1997 and he has been working with PARS clients since 2003. Prior to joining HighMark, Andrew's work experience includes three years as a Japanese Equity Specialist at Wako Securities (America). His duties there included designing and implementing a marketing program to sell Japanese stocks to institutional investors. He also performed securities analysis for Japanese equities and made buy/sell recommendations on Nikkei 225 and OTC equities. Andrew has more than 25 years' experience in the investment industry.

Education/Qualifications

Andrew holds a bachelor's degree in International Relations, concentrating in Asia-Politics/Economy (1984-1989), and a master's degree in Business Administration with an emphasis in Finance/Marketing (1993-1997), both from the University of Southern California. In addition, Andrew is a Chartered Financial Analyst (CFA) charter-holder.

Randall Yurchak, CFA, Vice President & Senior Portfolio Manager, HighMark



Role

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

Experience

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

Education/Qualifications

Randall holds a bachelor's degree in Biochemistry from University of Washington and a master's degree in Business Administration from Arizona State University. He is also a Chartered Financial Analyst (CFA) charterholder.

William (Will) Rogers, Client Services Coordinator, PARS



Role

Will will be responsible for ongoing client services to the City in support of Ryan. He will develop the administrator's handbook guide, coordinate with the trustee/investment manager for the City's client service and investment review meetings. Additionally, he will manage any administrative issues that arise and provide ongoing technical support regarding reporting, contributions, distributions, and other trust account activities.

Experience

Will has 6 years of experience in various client relations positions including 4 years working with various cities and other public entities in PARS' Client Services Department. He currently serves as the primary client service contact to numerous PARS Section 115 trust clients in California.

Education/Qualifications

Will holds a bachelor's degree in Economics and Business Administration from Colorado State University and received his Retirement Plans Associate (RPA) designation from the International Foundation of Employee Benefits and the Wharton School of Business.

Ryan Maxey, Vice President, Relationship Manager, U.S. Bank



Role

Ryan serves as a relationship manager for a select group of Institutional Trust and Custody Division clients, including PARS. Ryan is responsible for overseeing complex relationships to ensure each PARS client's unique needs are met. He works with various client types, including government entities, corporations, foundations, endowments, and insurance companies.

Experience

Ryan brings more than 20 years of industry experience to his clients. He joined U.S. Bank in 2012 after working for a number of years at Union Bank.

Education/Qualifications

Ryan holds a bachelor's degree in Business Administration from Eastern Oregon University.

Phillip Muschetto, Vice President, Plan Accounting, PARS

Role

Phillip is responsible for performing periodic accounting and reporting for the City's Section 115 Trust accounts and oversees the annual trust wide audit performed on the PARS Section 115 Trust.

Experience

Phillip joined PARS 18 years ago and has since advanced his way through the Accounting Department. Phillip is currently responsible for updating and allocating monthly transactions within the PARS database to more than 1,000 plans and oversees the reconciliation of all contributions, distributions, earnings, and expenses.

Education/Qualifications

Phillip holds a bachelor's degree in Finance from California State University, Long Beach, and a master's degree in Business Administration with an emphasis in Accounting from National University.

PROPOSALS SHOULD ALSO:

Describe the entity or entities proposed to serve as the trustee/custodian of the Section 115 Trust and as a trust administrator, including a description of their background and experience with these types of trusts.

PARS serves as the trust administrator; a detailed description of our background and experience can be found in the previous section on page 3.

Experience of U.S. Bank (Trustee)

Established in 1863, U.S. Bank is the fifth largest bank and highest rated in the country. U.S. Bank has offices throughout the nation, including many in California, and manages over \$450 billion in assets. U.S. Bank is consistently recognized for its fiscal conservativeness and sound business model which has enabled investments in core business lines such as Institutional Trust and Custody. This division, which provides advisory, trustee, and investment management services to PARS clients, prides itself on the following qualifications:

- Fifth largest commercial bank (6th largest custodian) in the United States with more than **5,300** IT&C clients in **27** locations
- Serves **626** Section 115 Trust clients nationally
- Provides trust and investment services to over **1,800** government clients
- **100 years** in institutional trust and custody business
- Provided investment management and advisory services since **1914**
- One of the largest trustees of Section 115 Retirement Trust assets in the country with a market value of **over \$10 billion**
- Trustee for **1,300+** PARS clients including all Section 115 Trust clients and has been serving as trustee/custodian for PARS Section 115 Trusts since 2004
- Manages over **\$460 billion** in institutional client assets

Describe the entity or entities proposed to serve as the investment manager of the Section 115 Trust and as a trust administrator, including a description of their background and experience with these types of trusts. Specify the number of years your organization or subcontractor has been providing investment advisory services.

PARS serves as the trust administrator; a detailed description of our background and experience can be found in the previous section on page 3.

Experience of HighMark Capital Management (Investment Manager)

Established as Union Bank in 1919, HighMark manages approximately \$19 billion in U.S. equity and fixed income strategies for a variety of individual and institutional clients including public agencies, corporate retirement plans,

corporate cash portfolios, Taft-Hartley plans, hospital funds, insurance companies, and foundations and endowments.

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

HighMark has provided fiduciary investment advisory and management services to PARS' clients, including those in our retirement trust programs for over 25 years. Today, HighMark serves over 300 of PARS' Section 115 Trust clients, including city, county, and special district clients in California, with \$9.3 billion in assets under management and \$9.5 billion in assets under advisement.¹ PARS has worked with HighMark since 1992.

Note: HighMark is a subsidiary of MFUG Union Bank, N.A. On September 21, 2021, Mitsubishi UFJ Financial Group, Inc. (MUFG) and MUFG Bank, Ltd., a core banking subsidiary of MUFG, announced that they have agreed with U.S. Bancorp (USB) to the sale of all shares in MUFG Union Bank, N.A. The completion of the sale is subject to certain conditions and regulatory approval and is expected to be effective in the first half of 2022. Upon completion of the transaction, USB will not only be the fifth largest bank in the U.S. by total assets but will go from tenth to fifth in deposit market share within California.²

¹ Assets under management ("AUM") include assets for which HighMark provides continuous and regular supervisory and management services. Assets under advisement ("AUA") include assets for which HighMark provides certain investment advisory services (including, but not limited to, investment research and strategies) for client assets of its parent company, MUFG Union Bank, N.A.

²FDIC deposit market share data as of June 30, 2021, adjusted for in-scope deposits acquired.

Disclose if your firm's proposal includes use of any subcontractors for the servicing of the Trust plan and if so, please describe the nature of these services.

PARS handles all day-to-day administration of the program in-house as it has done since we first began administering Section 115 Trusts. PARS does not contract out administrative tasks to other companies, with the following exceptions of legal and audit work:

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

Provide the City with sample copies of contract documents you would expect to require the City to sign and approve to enter into an agreement.

PARS has developed a streamlined implementation process with signature-ready documents which will minimize the workload of City staff from the beginning. To implement the PARS Section 115 Trust, a Council resolution would need to be adopted and the following documents signed:

- Sample Trust Agreement
- Sample Adoption Agreement
- Sample Administrative Services Agreement
- Sample Resolution

Sample implementation documents can be viewed in the *Appendix* under "*Trust Documents*."

Explain if your firm or subcontractor is a registered investment advisor under the Investment Advisor's Act of 1940. Please attach Part 2A of your most current Form ADV as an appendix.

The investment manager for the PARS Section 115 Trust, HighMark Capital Management, is a registered investment advisor under the Investment Advisor's Act of 1940.

Part 2A of the most current Form ADV can be viewed in the *Appendix* under "*Form ADV*."

Describe any SEC, FINRA, or regulatory censure or litigation involving your firm, subcontractor, or its employees within the past three years.

PARS (Public Agency Retirement Services) (Trust Administrator)

There are no pending SEC, FINRA, or regulatory censure or litigation involving PARS or its employees.

HighMark Capital Management (Investment Manager/Advisor)

There are no pending SEC, FINRA, or any other regulatory censure or litigation to which HighMark is currently a party that would: a) materially impair its ability to perform investment advisory services; or b) materially affect the financial condition of the firm if decided in an adverse manner. Detailed information may be reviewed by accessing HighMark's ADV Part I filing on the SEC's IARD website.

HighMark is a wholly owned subsidiary of MUFG Union Bank, N.A. As a large financial institution, MUFG Union Bank from time to time is a party to various pending or threatened legal actions that arise in the normal course of its business. The Bank maintains reserves for losses from legal actions that are considered probable and estimable. Details can be found in the MUFG Americas Holdings Corporation quarterly and annual filings with the SEC on the SEC's website.

U.S. Bank (Trustee/Custodian)

There are no pending SEC, FINRA, or any other regulatory censure or litigation to which U.S. Bank is a party that would: a) materially impair its ability to perform investment advisory services; or b) materially affect the financial condition of the firm if decided in an adverse manner.

As a large financial institution, U.S. Bank from time to time is a party to various pending or threatened legal actions that arise in the normal course of its business. U.S. Bank maintains reserves for losses from legal actions that are considered probable and estimable. Details can be found in the U.S. Bancorp quarterly and annual filings with the SEC and the latest 10-Q report filing can be provided upon request.

While at any given time, U.S. Bank is involved in disputes and litigation which normally occur in banking operations and which often involve claims for money damages, these pending cases are generally not considered unusual in number or amount and based on past experiences in similar litigation, should not have a material adverse effect on the financial position of U.S. Bank, nor impact the delivery of services to our clients.

PRIVATE LETTER RULING

Explain the legal basis for your Section 115 Trust and how your program meets the requirements for compliance with federal and state law and any applicable requirements related to pronouncements issued by the Governmental Accounting Standards Board (GASB).

PARS Section 115 trust program is structured with the following characteristics to ensure compliance with state and federal law, and GASB rules:

- **Favorable Private Letter Ruling**

In 2015, the trust received the first of its kind PLR which ensures that it meets federal IRS laws and guidelines. This is important from a fiduciary standpoint as it legitimizes the tax qualified status of the trust. The IRS is the federal regulatory entity governing public sector plans and benefits, so its favorable ruling is crucial.

- **Investment Management Services**

As a well-respected and highly successful registered investment advisor with the SEC, HighMark ensures the City's fiduciary obligations are met by investing assets according to the parameters established under California and federal law. The firm is highly audited, and its processes are regularly reviewed to ensure that it meets all rules and regulations set forth.

- **Compliance with GASB**

To assist with GASB reporting and compliance, PARS will provide the City with the following:

- An annual individual trust statement of the City's plan assets that shows a reconciliation of assets held at the beginning of the fiscal year through the end of the fiscal year
- Year-end audited financial statements of the trust, including Schedule of Changes in Fiduciary Net Position by Employer
- Supporting SOC 1-Type 2 report on the controls over the calculation and allocation of additions and deductions to employer accounts within the trust
- Investment allocation data and information on investment policies

- **State Constitutional Law**

The PARS trust was developed in compliance with the California Government Code and state constitutional law related to trustee and investment services in Section 115 retirement trusts. It meets the four fiduciary standards that are required to comply with California Code Sections 53620 through 53622 whereby:

- Fiduciaries must act solely in the interests of plan participants and their beneficiaries with the exclusive purpose of providing benefits to them
- Fiduciaries must carry out their duties prudently
- Plan investments must be diversified
- Plan expenses must be reasonable

- **Trust Documents**

The legal documentation and structure of the PARS trust was developed by PARS' attorney Pillsbury Winthrop Shaw Pittman LLP and has been reviewed by multiple attorney firms across California and the country. This high level of scrutiny helps to ensure that the trust program operates in conjunction with the proper state, federal and regulatory requirements.

- **Annual Audits**

PARS has a trust-wide audit and SOC-1 audit completed by independent firms on an annual basis to review both the PARS Section 115 Trust and the firm's internal operations. These audits ensure that we are operating in accordance with proper standards of care and can be provided to the City when requested.

- **Secure, Regulated Trustee**

As a federally chartered bank, U.S. Bank, the program's trustee, is required to meet some of the highest regulatory standards, including ongoing stringent audits and examinations by the Office of the Comptroller of Currency, external auditors, and the bank's own internal audit department. This type of continual audit coverage and oversight reassures the City that its plan is operating according to the terms of trust, with prudent procedures as determined by independent opinions as well as meeting federal and state regulations. This provides the City assurances beyond what a smaller, state-chartered trust company can provide.

- **In-House Implementation/Compliance Monitoring Department**

PARS has an in-house implementation/document oversight department that works alongside our attorneys, auditors and lobbyists on an ongoing basis to ensure that all trust program documents are up to date and in compliance with rules, laws and regulations. This department is directly available to City staff and will make required revisions to the program documents and the services agreement when necessary.

- **Check and Balance System**

As trust administrator, PARS serves as an experienced liaison between the City, trustee and investment manager. This ensures the program works as a check and balance system - one in which all service providers operate independently from each other.

- **Separate Liabilities**

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

- **Combination Trust**

PARS trust approach, as approved by the IRS, allows both **pension and/or OPEB obligations** to be funded in one single trust. To comply with IRS and GASB rules, assets are held in separate sub-accounts but **aggregated for fee reduction purposes**.

Disclose if your pension Section 115 Trust program has received approval from the IRS in the form of a Private Letter Ruling.

PARS received a “first of its kind” PLR from the IRS in June 2015 for its innovative trust vehicle which allows local governments to set aside funds to prefund pension. This PLR confirms the favorable tax-exempt treatment of PARS’ Section 115 Trust for each participating agency.

The PLR is a major advantage since its one of the few issued for a trust covering the funding of all post-employment benefits (both pension and OPEB), and the IRS is no longer issuing these rulings. Therefore, if the City were to create its own Section 115 Trust or join a multiple employer trust through a company who has not received a private letter ruling, it would not benefit from the added layer of protection that an IRS PLR provides.

A copy of PARS’ IRS Private Letter Ruling can be viewed in the *Appendix* under “*IRS Private Letter Ruling (PLR)*.”

Describe safeguards built into your Section 115 Trust program to limit the liability exposure to the City.

The PARS Section 115 Trust was designed to minimize the City’s fiduciary liability exposure in the following ways:

- **Fiduciary Support**

U.S. Bank will serve as a fiduciary to the trust acting as discretionary trustee. U.S. Bank takes its fiduciary responsibilities with the utmost seriousness and is dedicated to fulfilling its fiduciary responsibilities in line with the following core principles:

- Act in the sole interest of participants and beneficiaries
- Act prudently and manage risk
- Follow the terms of plan and trust documents
- Avoid conflicts of interest
- Avoid engaging in transactions that benefit interested parties as a conflict of interest
- Treat beneficiaries with impartiality

As the bank’s investment sub-advisor, HighMark is also considered a fiduciary to the trust. HighMark ensures the City’s fiduciary obligations are met by maintaining investment of assets according to the parameters established in California and federal law. Ultimately, the combined delivery of discretionary trustee and investment management services means that the City has significant fiduciary protection.

- **Federal Laws and Regulations**

U.S. Bank, the program trustee, is a federally chartered bank that acts as an independent trustee for qualified ERISA and governmental retirement plans. As such, the bank is required to meet some of the highest regulatory standards, including ongoing stringent audits and examinations by the Office of the Comptroller of the Currency (OCC), external auditors, and the bank’s own internal audit department. This continual audit coverage and oversight assures the City that its plan is operating according to the terms of trust and is in line with federal and state regulations.

- **Investment Management Services**

Investment services for the City's account will be provided by HighMark Capital Management, which is regulated by the Securities and Exchange Commission (SEC) and must adhere to Investment Advisor Act of 1940, ERISA, and other applicable state and federal law. In its role as investment manager, HighMark will provide investment expertise to ensure that the City's governing body and its designated officers are acting prudently in the investment of plan assets, as required under Section 17 of Article XV1 of the California Constitution, and Government Code Section 53620, both taken from ERISA law, as supported by numerous case law.

- **IRS Approvals**

Obtained in 2015, the program's Private Letter Ruling ensures that the trust meets federal IRS laws and guidelines which is important from a fiduciary standpoint as it legitimizes the tax-exempt status of the trust. The IRS is the federal regulatory entity governing public sector plans and benefits, so its approval of a retirement trust is crucial.

- **Discretionary Trustee Arrangement**

The program makes a discretionary trustee arrangement available to the City, thus permitting the City to delegate investment authority to the trustee to mitigate the fiduciary risk to City staff and its City Council. PARS has over 900 public agency clients using discretionary trustee arrangements for their retirement plans and trusts since 1991. Public agencies like this arrangement because it provides them with a high level of fiduciary protections.

- **Legal Documentation**

The legal documentation and trust structure have been reviewed by outside counsel from various public agencies around California, including many major attorney firms. In each case, there has been unanimous approval of the program. Several attorneys have commented on how pleased they were with the clear delineation of fiduciary roles. They have indicated that the caliber of the underlying providers was superior to any other program evaluated.

TRUSTEE AND TRUST ADMINISTRATION SERVICES

Please provide a comprehensive list of trustee services and Section 115 trust administration services you will provide.

PARS has a detailed understanding of the technical and management requirements of our trust. PARS' Section 115, IRS approved irrevocable trust approach was designed as a comprehensive program to meet the needs of the City of Fort Bragg. Below is a list of trust administration, trustee and investment management services that are provided as part of the PARS Section 115 Trust. Please note there are no additional costs for any of these services.

Trust Administration (PARS)

PARS will provide the City with a full-service, collaborative approach to help address your long-term pension liabilities, through the trust. We will work in close conjunction with your staff to implement a program that meets the City's unique needs. PARS takes pride in our hands-on approach that has proven successful for almost four decades.

As the largest and longest serving trust administrator for pension trusts in California and the nation, we will bring our unmatched expertise to the City. As our core business is focused on retirement trusts for local governments, the City will receive hands-on support from a services team that understands your long-term goals and needs.

Our full-service program is designed for ease of administration and to limit the workload of staff, with the following services being provided:

- Signature-ready implementation documents which enable implementation to be completed within 3-4 business days of executed plan documents being received by PARS
- Maintenance of detailed accounting records, including any sub-accounting, which includes individual recordkeeping of the City's contributions, earnings, and assets
- Reconciliation of contributions to the trust account
- Coordination of distributions from the City's trust account, which includes receiving distribution documentation and directing the trustee to make distributions
- Monthly, quarterly, and annual reporting to the City as well as any customized reports as requested
- All necessary forms, handbooks, training, and technical support
- Administrative training meeting at implementation as well as ongoing training as necessary
- Onsite client service reviews to ensure the City's ongoing satisfaction with the program
- Participation at meetings and assistance in education/presentation preparation for City's leadership, staff, or employee groups, if requested
- Coordination of annual trust-wide audit
- Periodic publications and resources on legislative regulatory developments related to pension prefunding
- Ongoing consulting/analytical services as needed such as development of pension trust funding policy

Consulting

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

- Discussion of plan and trust design options
 - Example, if the City finds value in subaccounting for different employee groups, cost centers, etc.
- Analysis and review of various funding options
 - PARS has a database of “funding policy” examples from hundreds of member agencies and will walk the City through a variety of strategies for consideration
- Assistance with developing and/or modifying funding policies
 - After review of funding strategies, PARS can share detailed staff reports that align with the City's objectives, so that the City may build upon other agencies' policies
 - PARS also has examples of Council presentations detailing funding/withdrawal plans
- Analysis and discussion of actuarial issues and valuations
 - Annual updates of projected City's CalPERS future employer contribution rates and funding status to help aid discussion of timing of contributions/withdrawals
 - Will similarly discuss any changes to GASB, or other reporting changes
- Monitoring of legislation, laws, and regulations impacting pension pre-funding
 - PARS has an in-house department dedicated to monitoring major changes to state law, (such as PEPPRA) and how it impacts out clients/plan design features
- Development of materials and presentations to assist the City and its Council on funding options and policy
- On-site reviews to discuss funding modifications and investment strategies based on changing program, and/or budgetary circumstances

Ongoing Staff Support & Resources

The PARS Section 115 Trust was designed as a comprehensive, full-service approach to minimize the burden and workload of the City staff. Specifically, we will provide the following resources for the City and its staff:

- Direct contact information (phone and email) for all members of the client service team
- In-person trust activity and investment reviews
- Attendance at City Council meetings when requested
- Preparation of education materials and presentations for City's Council and staff
- Ongoing consulting support and technical guidance to ensure the City continually meets its goals and objectives
- Ongoing compliance monitoring and assistance with the GASB 67/68 reporting requirements
- Hands-on investment support including IPS development, asset allocation recommendations and ongoing portfolio management
- Monthly, quarterly, annually, and ad hoc reporting
- Guaranteed response to questions/issues within one business day
 - In a situation where there is a highly unusual request that requires more extensive research, we will be in regular contact with staff to keep you informed on when we expect an answer/resolution.

Reporting

PARS understands that regular, detailed, and fully transparent reporting is key for our clients. Therefore, the following reports will be provided to the City from trust account inception onwards:

- **Monthly account statements** - Produced by PARS, these will be mailed directly to the City, can be sent electronically upon request, and can be accessed at any time through our online portal. The statements summarize the City's opening balance, contributions, distributions, earnings, fees, closing balance, and provide monthly return information.
- **Online portal** - Easy access to downloadable account information including monthly statements, transaction history, investment performance, etc.
- **Quarterly investment reports** - Quarterly reports will be provided to the City by the dedicated Client Services Team. These provide an analysis of the City's selected portfolio by including information such as asset allocation ranges, investment returns, portfolio holdings, and capital market outlook.
- **Annual statements** - PARS will provide the City with an annual statement at the plan's year-end. These reports, which can be mailed and sent electronically, provide a full overview of account activity and performance comparisons for the previous year.
- **Client reviews** - PARS and HighMark will meet with the City annually (or more often if requested) to conduct onsite client service reviews. These meetings will provide a full breakdown of the City's trust and investment activity and are intended to ensure staff's full satisfaction with the program.
- **Ad hoc reports** - If the City requires additional or customized reports, PARS can work with staff to produce these at no additional cost.
- **Audit** - A trust-wide audit of the PARS Section 115 Trust is performed annually and will be provided to the City. Our current auditor is CliftonLarsonAllen (CLA).

Trustee Services (U.S. Bank)

U.S. Bank will provide fiduciary protections for the City as its trustee and custodian of assets in compliance with the trust agreement and federal and state laws:

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

Fiduciary Protection

U.S. Bank will serve as a fiduciary to the trust acting as discretionary trustee. U.S. Bank takes its fiduciary responsibilities with the utmost seriousness and is dedicated to fulfilling its fiduciary responsibilities in line with the following core principles:

- Act in the sole interest of participants and beneficiaries
- Act prudently and manage risk
- Follow the terms of plan documents
- Avoid conflicts of interest
- Avoid engaging in transactions that benefit interested parties as a conflict of interest
- Treat beneficiaries with impartiality

As the program's investment sub-advisor, HighMark is also considered a fiduciary to the trust. HighMark will ensure that the City's fiduciary obligations are met by maintaining investment of assets according to the parameters established in California and federal law. Ultimately, the combined delivery of discretionary trustee and investment management services means that the City benefits from significant fiduciary protection. HighMark will provide direct advice to the City in selecting its investment strategy to mitigate fiduciary risk on the City and its Council.

Please note if there are any additional costs for any of the above-mentioned services.

There are no additional costs for any of the services listed above.

Describe how City contributions to and distributions from the Section 115 Trust are now handled.

Following trust adoption, PARS will provide the City with an Administrator's Handbook to instruct and assist staff with ongoing administration of the plan. The document includes information on contribution and distribution procedures, as well as form completion, reporting requirements, and timelines.

Contributions - With the PARS Section 115 Trust Program, the City has full discretion as to the amounts, timing, and frequency of contributions it makes into the trust. Funds can be sent either electronically or by check, and should be accompanied by a signed Contribution Form. Once the funds are received they are invested in accordance with the selected investment portfolio and will be denoted on the City's subsequent monthly statement.

Disbursements - Like contributions, the City will have full control over the withdrawal of its funds, providing the legal restrictions imposed by the trust and plan are adhered to. For instance, pension assets can only be used to pay for pension plan or administrative expenses (e.g. CalPERS plan costs or actuarial valuation services). As long as these basic requirements are met however, there are no restrictions on the timing or frequency of disbursements. Our program also allows for expenses to be reimbursed for the last two years of CalPERS employer contributions (current and prior plan year).

The City will make reimbursement requests using a form provided by PARS that indicates costs for a particular period. To keep the process secure, every form submitted must be signed by the designated Plan Administrator or his/her designee. The City can request that reimbursements be made: (a) directly to the City, or (b) to pension plan provider (e.g. CalPERS) directly.

Define any termination restrictions for the Section 115 Trust.

There are minimal termination restrictions associated with our Section 115 Trust. PARS simply requires 30 days' notice in order for us to liquidate your assets and transfer them to another Section 115 trust provider. The 30-day process allows us to administratively close out the trust account, provide guidance and support for the City's decision, work with City staff to establish a timeline and data requirements for the process, liquidate the assets, and receive instructions for the transfer. There are no costs associated with program termination and we will work directly with your new provider to ensure a seamless transition process. The IRS requires that any remaining assets that are disbursed to the retirement system or reimbursed by transferred to a *like* Section 115 Trust.

INVESTMENT REQUIREMENTS AND INVESTMENT PERFORMANCE

Is there an initial minimum balance requirement for the 115 Trust? Please describe the investment services your firm offers with respect to the 115 Trust, including:

There is no initial minimum balance requirement for the PARS Section 115 Trust. With our program, contributions of any amount can be made at any time, and no fees will be charged until there are assets in the City's trust account.

Investment Services

As part of the PARS Section 115 Trust, HighMark provides the following investment services:

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

Does your firm offer assistance with investment strategy selection and investment policy development? Does this service typically include specific asset allocations recommendations? If so, please explain.

Yes. As the program's investment manager, HighMark will assist the City with the investment of its assets by providing **investment strategy selection and IPS development assistance** along with **asset allocation recommendations** prior to inception.

The City's designated Senior Portfolio Managers (SPM), Andrew and Randall, will gain an in-depth understanding of the City's circumstances before providing assistance with asset allocation recommendations. During the initial "investment selection"/funding policy conversation, the SPM will hone in on the City's funding status with CalPERS and its future anticipated costs. From there, the SPM will ask the City pointed questions to better understand their objectives for pension-prefunding into a Section 115 Trust to help determine how investments will interplay with funding policy. Based on the City's feedback regarding funding/withdrawal policies, the SPM will focus on determining a diversified, multi-asset portfolio structure that represents an optimal asset mix based on the City's time horizon, risk tolerance level, and liquidity needs.

Furthermore, they will develop an IPS unique to the City, which will serve as the foundation for all investment decisions moving forward. Once the IPS has been completed, it can be reviewed and approved by the designated Plan Administrator.

If the City's funding/withdrawal policies change over time, HighMark will similarly participate in discussions regarding how to posture investments to best meet the City's needs.

HighMark's core beliefs serve as the foundation of all investment decision making. These include:

- Actively manage every possible investment decision
- Investment philosophy influences top-down and bottom-up processes
- Team-oriented portfolio management leverages multiple disciplines
- Proprietary differentiation in asset allocation—strategic and tactical
- Rigorous manager/mutual fund due diligence optimizes investment selection decision
- Enabling culture rewards creative initiative through incentives

Discretionary Investment Approach - The City is able to mitigate fiduciary risk by designating a professional investment advisor to make strategic and tactical investment decisions. As a result, the City's only responsibilities are to: (a) agree to investment goals and objectives formulated in the IPS developed by HighMark and (b) monitor and evaluate the reports, statements, and quarterly reviews to confirm that HighMark's portfolio is compliant with the IPS. Ultimately, this approach leaves investment decisions in the hands of professionals, and typically results in stronger returns in the long run.

Investment Policy Statement Development & Asset Allocation Assistance - As the program's investment manager, HighMark will assist the City with the investment of its assets by providing asset allocation recommendations prior to program inception. However, prior to making any recommendations, the designated SPM will gain an in-depth understanding of the City's circumstances. They will focus on determining a diversified, multi-asset portfolio structure that represents an optimal asset mix based on the City's time horizon, risk tolerance level, and liquidity needs. Primary consideration for asset allocation is given to the following:

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

Please note that if the City decides to prefund OPEB along with pension in the future using the PARS combination trust, different investment strategies can be developed/selected for each account.

Please provide the firm's recommended comparative yield benchmarks for trust assets held in this type of Trust. Please provide annual, five-year, ten-year, fifteen-year, and twenty-year return history and expense ratios for each fund/portfolio option available. Would the firm be able to benchmark against yields obtained from similar 115 Trusts such as the California Employee Retirement Benefit Trust? If so, please provide this data.

Recommended Comparative Yield Benchmarks

The construction of HighMark's portfolio benchmarks varies depending on each client's needs. However, the following are the most commonly recommended and used benchmarks for our PARS Section 115 Trust portfolios:

Benchmark Name	Asset Class	Asset Class Expected Return
The S&P 500 Index	Large Cap Core	6.80
The MSCI EAFE Index	International	7.30
The MSCI Emerging Markets Index	Emerging Markets	7.30
The Russell Midcap Index	Mid Cap Core	7.10
The Russell 2000 Index	Small Cap Core	7.90
The ICE BofA US High Yield Master II Index	High Yield	6.10
The Wilshire REIT Index	Real Estate	6.60
The Bloomberg Barclays U.S. Aggregate Bond Index	Intermediate Term Bond	3.90
The ICE BofA 1-3 Year U.S. Corporate & Government Index	Short Term Bond	3.30
The FTSE 1-Month Treasury Bill Index	Cash	2.40

Return History & Expense Ratios

Below is return history and expense ratios for HighMark's pre-established portfolios. HighMark currently does not have the 15-year and 20-year return history for all strategies as this exceeds the life of the portfolios; we have include also the inception to date (ITD) figures for the City's consideration.

ACTIVELY MANAGED PORTFOLIOS (AS OF 3/31/2022)

Strategy	1 Year	3 Year	5 Year	10 Year	15 Year	20 Year	ITD	Expense Ratio
Capital Appreciation	4.22%	11.34%	9.99%	9.19%	--	--	10.28% (Jan. 2009)	0.43%
Balanced	2.49%	9.69%	8.73%	7.94%	6.27%	--	6.37% (Oct. 2006)	0.43%
Moderate	1.50%	8.42%	7.64%	6.99%	5.85%	--	6.35% (Oct. 2004)	0.43%
Mod. Conservative	-0.56%	5.80%	5.48%	5.16%	4.98%	--	5.48% (Aug. 2004)	0.43%
Conservative	-2.02%	3.88%	3.92%	3.79%	4.14%	--	4.46% (Jul.2004)	0.43%

PASSIVELY MANAGED (INDEX) PORTFOLIOS (AS OF 3/31/2022)

Strategy	1 Year	3 Year	5 Year	10 Year	15 Year	20 Year	ITD	Expense Ratio
Balanced	3.19%	9.36%	8.22%	7.72%	--	--	5.94% (Oct. 2007)	0.11%
Moderate	1.94%	8.01%	7.20%	6.80%	5.78%	--	5.93% (May 2006)	0.10%
Mod. Conservative	-0.55%	5.43%	5.12%	4.89%	4.55%	--	4.99% (May 2005)	0.09%
Conservative	-2.34%	3.50%	3.54%	3.41%	3.72%	--	4.03% (Jul. 2004)	0.07%

A full breakdown of the weighted fund fees within the pre-established portfolios can be viewed in the Appendix under "HighMark Weighted Expense Ratios."

Benchmark Comparisons

HighMark has the ability to create custom benchmarks, depending on the City's investment objectives and preferences. HighMark is also able to benchmark against yields for similar Section 115 trusts (including the California Employee Retirement Benefit Trust – CERBT and the California Employee Pension Prefunding Trust – CEPPT) to the extent that the information is available. As the data can only be obtained from CalPERS directly, our ability to provide a comparison depends on their regular communication of returns. Also some of the other competitors are smaller and newer in comparison with the PARS trust program, the first in California.

California Employee Pension Prefunding Trust (CEPPT) Comparison

Unfortunately, the CEPPT is very new in comparison with the PARS Section 115 Trust and there is no longevity of investment performance (only since late 2019).

California Employee Retirement Benefit Trust (CERBT) Comparison

Below is HighMark’s Capital Appreciation Strategy benchmark against CalPERS CERBT’s Strategy 1 yields as of March 31, 2023. From a fixed income asset allocation standpoint, HighMark’s Capital Appreciation strategy is most closely resembles CERBT’s Strategy 1.

	Over 1 Year	Over 3 Years	Over 5 Years	Over 10 Years
	PARS/HIGHMARK	PARS/HIGHMARK	PARS/HIGHMARK	PARS/HIGHMARK
Capital Appreciation (25% Fixed Income/Cash)	4.22%	11.34%	9.99%	9.19%
minus weighted PARS administration fee	(-) 0.25%	(-) 0.25%	(-) 0.25%	(-) 0.25%
minus weighted HighMark investment management fee	(-) 0.35%	(-) 0.35%	(-) 0.35%	(-) 0.35%
1-Year Net Return	3.62%	3-Year Net Return 10.74%	5-Year Net Return 9.39%	10-Year Net Return 8.59%

	CALPERS CERBT	CALPERS CERBT	CALPERS CERBT	CALPERS CERBT
Strategy 1 (30% Fixed Income/Cash)	6.11%	10.74%	9.25%	8.08%
minus fees	(-) 0.10%	(-) 0.10%	(-) 0.10%	(-) 0.10%
1-Year Net Return	6.01%	3-Year Net Return 10.64%	5-Year Net Return 9.15%	10-Year Net Return 7.98%

* Subject to change due to rebalancing; fees are based on assets under \$5 million.
 Past performance does not guarantee future results.

Describe the investment and risk options available for the 115 Trust.

The PARS Section 115 Trust was designed to provide the City with maximum investment flexibility utilizing HighMark as the discretionary investment advisor. The City has the following options related to the investment of its funds:

1. FIVE RISK TOLERANCE LEVELS

The City can participate in one of five risk tolerance levels that have been developed specifically for clients in PARS Section 115 Trust. The five portfolios include: (a) actively managed underlying mutual funds intended to

outperform benchmarks or (b) low-cost Index/Exchange-Traded Funds (ETFs) which are baskets of stocks tracking the composition and performance of most leading market indices. The following table provides shows the tactical asset allocation targets for each of the five portfolios as of March 31, 2022:

Strategy	Equity (%)	Fixed Income (%)	Cash (%)
CAPITAL APPRECIATION	73.12%	20.25%	6.62%
BALANCED	58.50%	36.00%	5.50%
MODERATE	48.75%	46.50%	4.75%
MOD. CONSERVATIVE	29.25%	67.50%	3.25%
CONSERVATIVE	14.63%	83.25%	2.13%

A full breakdown of the funds within the pre-established portfolios can be viewed in the *Appendix* under “Investment Portfolios.”

2. CUSTOMIZED APPROACH

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

Explain your firm’s views on passive versus active management. What is your typical recommendation regarding the allocation of the Section 115 Trust assets between active and passive management?

HighMark believes in active management and frequently uses actively managed strategies. The firm has internal research teams dedicated to discovering the best active investments including equities, bonds, and actively managed funds. In many cases, this process has demonstrated HighMark’s ability to add risk-adjusted return versus passive benchmarks. In addition, whether based on client preference or when active strategies are not available or are not favorable, the firm will also utilize index-based securities such as exchange traded funds in order to gain diversification and exposure to various markets at a traditionally lower embedded fund fee than actively managed funds. To maximize flexibility, the City can select portfolios developed by HighMark for PARS Section 115 Trust as either active or passively managed.

What are the typical approaches made to rebalancing or reallocating asset classes, styles, and sectors for or on behalf of the fund/trust?

Rebalancing is an important part of the success story of any portfolio’s long-term returns, so HighMark places a high degree of importance on these decisions. HighMark’s approach to asset allocation and rebalancing client portfolios is driven specifically by HighMark’s Asset Allocation Committee (AAC). The AAC employs a multi-factor approach to establish long-term strategic asset allocation ranges as well as provide tactical diversification guidelines to capitalize on short-term market opportunities. The AAC team is comprised of 16 senior investment

professionals with an average of 26 years investment experience. The AAC meets monthly to review current portfolio positioning relative to the prevailing risks and opportunities across available asset classes. Tactical asset class overweight and underweight opportunities are proposed by committee members and formally approved by six voting members. On an annual basis, upon updating the capital market assumptions, HighMark's AAC reviews and approves any necessary adjustments to strategic policy allocations.

If at any point a portfolio's allocation veers significantly from long-term and/or established targets because of performance (for example, the equity allocation may have risen due to a general rise in the equity market or other performance), HighMark will generally rebalance to the long-term equity targets set by the AAC.

Are there minimum requirements for periodic contributions to the Section 115 Trust?

There are no minimum periodic contribution requirements for the PARS Section 115 Trust. Member agencies have full discretion to make contributions at any time.

FEES

Please provide all fees for the proposed services in a separate schedule, including administration, trustee, and investment management services.

A full fee schedule breakdown has been included in the response to a question below.

Detail any initial balance or start-up fees.

There are no initial balance or start-up fees associated with the PARS Section 115 Trust. In fact, no fees will be charged until after the City has made its first contribution since all fees are asset-based.

Are fees scalable dependent upon the amount of assets placed into the Section 115 Trust? If so, provide a schedule of the fees.

Yes. Fees for the program decrease as assets in the trust increase. A full breakdown of fees has been included in the response to the question below.

Identify fees for consulting, trustee, and investment services separately.

Fees for PARS' Section 115 Trust services are broken down into: 1) trust administration services and 2) discretionary trustee/investment management services. Please note there are no start-up or termination costs associated with the program.

The PARS fee schedule encompasses all services described in our proposal. The City's PARS service team will provide value-added, comprehensive services for the fees charged which differentiates us from other providers including:

- **A dedicated and knowledgeable team** with a combined two decades of experience in Section 115 trusts. In serving over 490 Section 115 trust clients, we have encountered a range of diverse scenarios and have an unparalleled track record with these specialized niche trusts to assist the City with any inquiries or issues that may arise. Team members provide hands-on service, direct investment advisory support, and individualized attention.
- **A dedicated HighMark Portfolio Manager** that will assist with ongoing reporting and attend meetings to provide City with periodic updates. The City will receive:
 - **Quarterly investment reports** – The reports provide a breakdown of the City's selected portfolio.
 - **Annual reviews** – The PARS team will arrange a meeting with the City at least annually. The meeting can be either in-person or virtual per the request of the City.
 - **Ad hoc meetings** – The Portfolio Manager will be available for meetings with staff, committee, and council at any time.
 - **Cell Access** – The City will be able to contact the Portfolio Manager directly for answers to any immediate questions or concerns.

- **Investment policy assistance** – The Portfolio Manager will discuss in detail the City's funding approach, risk tolerance, and goals to create an investment policy unique to the City's plan.
- **A dedicated administrative team** including:
 - **The PARS Consultant** will provide the City with ongoing analysis of contributions, distributions, and various funding scenarios. They will assist in creating and providing sample staff reports, ad hoc documents, and sample funding policies.
 - **The PARS Client Services Coordinator** will be available to supply same day response to day-to-day questions and requests. They will work with the City's staff on a variety of special reporting needs including but not limited to monthly/annual statements, GASB compliant reports, etc.
 - **The PARS team** will monitor state and federal trust compliance and update trust documents as necessary at no additional cost to relieve costs on the City.

Please note there are no fees for investment policy development, asset allocation recommendation, preparation of presentations, attending or presenting at City Council meetings. In addition, there are no surrender, withdrawal, or deferred sales charges, nor are there any fees associated with transfer of assets or termination of contract. There are no minimum fees, start-up or termination costs associated with our program, or transaction, trading, or hourly fees.

Trust Administration/Consulting Fees

Trust administration fees provide for all administration services, including compliance, consulting, recordkeeping, funding analysis, and reporting.

Company	Ongoing Fee
PARS	0.25% for assets under \$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 Advisory/Management Fees

With HighMark serving as the program's investment advisor, trustee and investment advisory/management fees are comprehensive and include investment fiduciary, investment policy development, asset allocation recommendations, asset management, and trustee/custodial services.

Company	Ongoing Fee
U.S. Bank/HighMark	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

*Please note that all fees are waived on the portfolio's money market fund. The 0.35% fee represents the highest weighted investment management fee that can be charged.

Provide historical fees for each of the prior five years (2012 through 2016).

There have been no fee changes since 2012.

Identify the expense structure of the Section 115 Trust investment platforms. Detail the expenses (i.e., no-load, low-load, proprietary funds, institutional shares, etc.).

The underlying investments within the HighMark portfolios are institutional share class funds. These types of funds will benefit the City because they are the lowest fee share class available and there are no additional fees either: (a) netted from investment performance, or (b) received by providers outside of investment performance.

Describe in detail the revenue-sharing agreement that the firm has with investment managers and/or subcontractors, insurance providers, and any remuneration that the firm derives from investment managers and/or sub-advisors. Include any 12b-1, service, distributor, or platform fees that the firm derives from investment managers and/or sub-advisors.

PARS is a fee-for-service provider. We have no revenue sharing agreements with any investment providers or managers, and/or subconsultants and derive no remuneration for services provided as part of the PARS Section 115 Trust.

U.S. Bank, as discretionary investment advisor utilizes HighMark Capital Management as a sub-advisor to provide investment advisory and management services for members of the PARS Trust. Under this sub-advisory arrangement, U.S. Bank pays HighMark 60% of the annual management/discretionary trustee fee for assets sub-advised by HighMark.

HighMark does not have any revenue sharing agreements. One hundred percent of HighMark's revenue is derived from fees from investment management and advisory services provided to its clients.

Describe any additional fees or potential hidden costs to be netted from investment performance.

The only additional fees not listed above are the embedded fund fees which are charged on the funds within each portfolio. Listed below are the weighted expense ratios for the pre-established portfolio options as of March 31, 2022. *Please note that these weighted expense are already netted out of reported performance returns and are not additional fees charged on top of the asset-based fees listed above.*

Strategy	Active Portfolios	Passive (Index) Portfolios
Capital Appreciation	0.43%	0.12%
Balanced	0.43%	0.11%
Moderate	0.43%	0.10%
Mod. Conservative	0.43%	0.09%
Conservative	0.43%	0.07%

A full breakdown of the weighted expense ratios within the pre-established portfolios can be viewed in the Appendix under "HighMark Weighted Expense Ratios."

Describe in detail any and all surrender, withdrawal, transfer, or deferred sales charges within your investment products.

There are no surrender, withdrawal, transfer, or deferred sales charges within any of the investment products used for the PARS Section 115 Trust.

Describe any fee related to the transfer of assets and restrictions or costs related to the termination of the agreement with your firm.

There are no fees or restrictions related to the transfer of assets or termination of the agreement. PARS simply requests a 30 day notice period in order for us to transfer assets to a like Section 115 Trust.

REFERENCES

Please list the name, address, contact name, telephone number, and email address of at least five public agency client references, emphasizing clients served by the Section 115 Trust pension program proposed in response to this RFP.

Reference	Contact
<p>County of Humboldt 825 Fifth St. Eureka, CA 95501</p> <p>PARS Section 115 Trust Client: 2015 – Present</p>	<p>Elishia Hayes, County Administrative Officer</p> <p>Phone: 707-445-7266 Email: ehayes@co.humboldt.ca.us</p>
<p>Humboldt Bay Municipal Water District 828 Seventh St. Eureka, CA 95502-0095</p> <p>PARS Section 115 Trust Client: 2018 – Present</p>	<p>John Friedenbach, General Manager</p> <p>Phone: 707-443-5018 Email: friedenbach@hbmwd.com</p>
<p>County of Lake 255 N. Forbes St. Lakeport, CA 95453</p> <p>PARS Section 115 Trust Client: 2018 – Present</p>	<p>Cathy Saderlund, Auditor & Controller</p> <p>Phone: 707-263-2312 Email: cathy.saderlund@lakecountycalifornia.gov</p>
<p>Town of Yountville 6550 Yount St. Yountville, CA 94599</p> <p>PARS Section 115 Trust Client: 2011 – Present</p>	<p>Steve Rogers, Town Manager</p> <p>Phone: 707-944-8851 Email: srogers@yountville.com</p>
<p>City of Healdsburg 401 Grove St. Healdsburg, CA 95448</p> <p>PARS Section 115 Trust Client: 2015 – Present</p>	<p>Andrew Sturmfels, Administrative Services & Finance Director</p> <p>Phone: 707-431-3570 Email: asturmfels@ci.healdsburg.ca.us</p>

A full PARS Section 115 pension trust client list can be viewed in the *Appendix* under “*Client List.*”

APPENDIX: HISTORICAL RETURNS

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.

APPENDIX: TRUST DOCUMENTS

**PUBLIC AGENCIES
POST-EMPLOYMENT BENEFITS**

TRUST AGREEMENT

(Effective November 5, 2014)

SAMPLE

ARTICLE I

DEFINITIONS

- 1.1 “**Adoption Agreement**” shall have the meaning given to such term in Section 2.3.
- 1.2 “**Agency Account**” shall have the meaning given to such term in Section 2.4.
- 1.3 “**Agreement for Administrative Services**” shall mean the agreement executed between the Employer and the Trust Administrator which authorizes the Trust Administrator to perform specific duties of administering the Agency Account of the Employer.
- 1.4 “**Assets**” shall have the meaning given to such term in Section 2.5.
- 1.5 “**Code**” shall mean the Internal Revenue Code of 1986 as amended from time to time.
- 1.6 “**Delegatee**” shall mean an individual or entity, appointed by the Plan Administrator or Employer to act in such matters as are specified in the appointment.
- 1.7 “**Effective Date**” shall mean the date first written above, the date the Trust was established, and with respect to each Employer, the Effective Date shall be the date on which the Employer executes the Adoption Agreement.
- 1.8 “**Eligible Beneficiary**” shall mean any person who, due to his or her relationship to an Eligible Employee, is entitled to post-employment benefits pursuant to the Employer’s Pension Plan or OPEB Plan, including but not limited to the Eligible Employee’s current or former spouse or domestic partner, child, dependent, or survivor.
- 1.9 “**Eligible Employee**” shall mean any employee of an Employer who is entitled to post-employment benefits pursuant to the Employer’s Pension Plan or OPEB Plan. Unless the context otherwise requires, the term “Eligible Employee” as used herein shall include any Eligible Beneficiaries.
- 1.10 “**Employer**” shall mean a public agency that executes the Adoption Agreement, thereby adopting the provisions of this Trust Agreement, provided that such agency is a state, a political subdivision of a state, or an entity the income of which is excludible from gross income under Section 115 of the Code.
- 1.11 “**GASB**” shall mean the Governmental Accounting Standards Board.
- 1.12 “**Omnibus Account**” shall mean an account, established for record keeping purposes only, to aggregate the balances of the Assets credited to the Agency Accounts. The Trust Administrator shall maintain and reconcile, at the Agency Account level (and subaccount level), the investments of the Agency Accounts

and will provide reports to the Plan Administrator with respect to such investments. The Trustee will maintain a record of the aggregate balance (principal and earnings) for all Agency Accounts. The Trust Administrator will in the ordinary course of business maintain a record of the name, address, taxpayer identification number, account number and amount of funds, including earnings, of each Employer. On periodic valuation dates (no less frequently than monthly) to be established by the Trust Administrator, the Trustee and Trust Administrator will reconcile the aggregate balance information maintained by the Trustee with the Agency Account level records maintained by the Trust Administrator pursuant to this Trust Agreement.

- 1.13 “**OPEB**” shall mean “other post-employment benefits,” such as medical, dental, vision, life insurance, long-term care and other similar benefits provided to retirees, other than pension benefits.
- 1.14 “**OPEB Obligation**” shall mean an Employer’s obligation to provide OPEB to its Eligible Employees in accordance with the Employer’s OPEB Plan.
- 1.15 “**OPEB Plan**” shall mean the Public Agencies Post-Employment Health Care Plan, as adopted by the Employer under the Adoption Agreement.
- 1.16 “**Pension Obligation**” shall mean an Employer’s obligation to contribute to the Pension Plan’s Qualified Trust and shall not, for example, mean an Employer’s Obligation to provide retirement benefits under the Pension Plan to the Employer’s Eligible Employees.
- 1.17 “**Pension Plan**” shall mean an Employer’s defined-benefit pension plan or plans, each of which is (i) qualified under Section 401(a) of the Code, (ii) sponsored by the Employer in order to provide retirement benefits to its Eligible Employees, and (iii) partly or wholly funded by the Employer’s contributions to a Qualified Trust.
- 1.18 “**Plan Administrator**” shall mean the individual designated by position of employment at the Employer to act on its behalf in all matters relating to the Employer’s participation in the Trust.
- 1.19 “**Qualified Trust**” shall mean a trust which (i) is separate and apart from the Trust, (ii) constitutes a qualified trust under Code Section 401(a), and (iii) funds retirement benefits provided under an Employer’s Pension Plan to the Employer’s Eligible Employees.
- 1.20 “**Trust**” shall mean the Public Agencies Post-Employment Benefits trust arrangement.
- 1.21 “**Trust Administrator**” shall mean Public Agency Retirement Services or any successor trust administrator appointed by the Employers as provided herein. The Trust Administrator shall serve as trust administrator to the Trust established

pursuant to this Trust Agreement until such Trust Administrator resigns or is removed as provided in Article III.

1.22 “**Trust Agreement**” shall mean this Public Agencies Post-Employment Benefits trust document adopted by each Employer upon execution of an Adoption Agreement, as amended from time to time.

1.23 “**Trustee**” shall mean U.S. Bank National Association, or any successor trustee appointed by the Employers as provided herein. The Trustee shall serve as trustee of the Trust established pursuant to the provisions of this Trust Agreement until such Trustee resigns or is removed as provided in Article III.

ARTICLE II

THE TRUST

2.1 Multiple Employer Trust

The Trust is a multiple employer trust arrangement established to provide economies of scale and efficiency of administration to public agencies that adopt it to hold the assets used to fund the agency’s OPEB Obligation or Pension Obligation or both. The Trust is divided into Agency Accounts to hold the Assets of each Employer as described in Section 2.4.

2.2 Purpose

The Trust is established with the intention that it qualify as a tax-exempt trust performing an essential governmental function within the meaning of Section 115 of the Code and any regulations issued thereunder and as a tax-exempt trust under the provisions of the relevant state’s statutory provisions of each Employer. This Trust Agreement shall be construed and the Trust shall be administered in a manner consistent with such intention. The fundamental purpose of the Trust is to fund the Employer’s OPEB Obligation or Pension Obligation or both. It is intended that adopting Employers retain an interest in the underlying securities held in the Trust on their behalf, rather than in the Trust itself.

The Employer hereby represents and warrants that the assets held hereunder (including the Assets) are not assets of any qualified plan under Code Section 401(a), regardless of the character of such assets once distributed. The Employer hereby acknowledges that the Trust does not constitute a qualified trust under Code Section 401(a).

2.3 Employers

Any public agency may, by action of its governing body in writing accepted by the Trustee, adopt the provisions of the Trust Agreement. Executing an adoption instrument for the Trust (“**Adoption Agreement**”), in the form attached hereto as Exhibit "A" (or such other form as may be approved by the Trustee), shall

constitute such adoption, unless the Trustee requires additional evidence of adoption. In order for such adoption to be effective, the public agency must also execute an Agreement for Administrative Services with Public Agency Retirement Services, the Trust Administrator, pursuant to Section 3.6 of this Trust Agreement. Such adopting Employer shall then become an Employer of the Trust.

Each such Employer shall, at a minimum, furnish the Trust Administrator with the following documents to support its adoption of the Trust:

- (a) a certified copy of the resolution(s) of the governing body of the Employer authorizing the adoption of the Trust Agreement and the appointment of the Plan Administrator for such Employer;
- (b) an original of the Adoption Agreement executed by the Plan Administrator or other duly authorized Employer employee;
- (c) an original of the Agreement for Administrative Services with Public Agency Retirement Services executed by the Plan Administrator or other duly authorized Employer employee and Public Agency Retirement Services;
- (d) an address notice; and
- (e) such other documents as the Trustee may reasonably request.
- (f) Any action taken by the Plan Administrator for an Employer shall be deemed to have been taken by such Employer. Any notice given to or delivered by the Plan Administrator for an Employer shall be deemed to have been given to or delivered by such Employer.

2.4 Agency Accounts

(a) Upon an Employer's adopting the Trust Agreement, as provided in Section 2.3, a separate "**Agency Account**" shall be established under the Trust for that Employer, and all Assets of the Trust attributable to that Employer shall be held in that Employer's Agency Account.

(b) An Employer's Agency Account comprises three subaccounts: a "**Pension Account**", an "**OPEB Account**", and a "**Suspense Account**". The Assets of the Trust that are held in the Employer's Pension Account will be available only to fund the Employer's Pension Obligation and defray the reasonable expenses associated with the same. The Assets of the Trust that are held in the Employer's OPEB Account will be available only to fund the Employer's OPEB Obligation and defray the reasonable expenses associated with the same.

(c) The Assets of the Trust that are held in an Employer's Agency Account shall not be available to pay any obligations incurred by any other Employer as provided in Section 2.8.

(d) All contributions and transfers received by the Trust on behalf of the Employer will be held in the Employer's Agency Account and will be allocated to the subaccounts under the Agency Account as follows:

(1) If the Employer maintains a Pension Account or OPEB Account (and not both a Pension Account and an OPEB Account), all contributions and transfers received by the Trust on the Employer's behalf will be allocated to that subaccount.

(2) If the Employer maintains both a Pension Account and an OPEB Account, contributions and transfers received by the Trust on the Employer's behalf will be allocated to either the Pension Account or OPEB Account, as directed by the Plan Administrator. To the extent the Plan Administrator does not provide such direction, the Employer hereby directs the Trustee to allocate such contributions and transfers to the Suspense Account and to use the assets of the Suspense Account to purchase a position in the sweep vehicle identified on an exhibit hereto or, if none is identified, to hold such assets un-invested. The Plan Administrator may at any time direct the reallocation of cash from the Suspense Account to either the Pension Account or the OPEB Account.

(3) Once allocated to the Pension Account or the OPEB Account, amounts under the Trust may not subsequently be transferred to the other subaccount.

2.5 Assets of Agency Account

The assets held in an Agency Account shall consist of all contributions and transfers received by the Trust on behalf of the Employer, together with the income and earnings from such contributions and transfers, and any increments accruing to the Agency Account, net of any investment losses, benefits, expenses or other costs ("Assets"). All contributions or transfers shall be received by the Trustee in cash or in other property acceptable to the Trustee. The Trustee shall manage and administer the Assets held in Agency Accounts without distinction between principal and income. The Trustee and the Trust Administrator shall have no duty to compute any amount to be transferred or paid to the Agency Account by the Employer, and the Trustee and the Trust Administrator shall not be responsible for the collection of any contributions or transfers to the Agency Account.

2.6 Aggregate Balance for Investment and Administration

The balances of the Assets of more than one Agency Account may be aggregated by the Trustee in one or more Omnibus Accounts for investment and administrative purposes, to provide economies of scale and efficiency of administration to the Agency Accounts. The responsibility for Agency Account level accounting (including subaccount-level accounting within each Agency Account) within this Omnibus Account(s) shall be that of the Trust Administrator.

2.7 Trustee Accounting

The Trustee shall be responsible only for maintaining records and maintaining accounts for the aggregate assets of the Trust. The responsibility for accounting and subaccounting for each Agency Account, based upon the Omnibus Account(s), shall be that of the Trust Administrator.

2.8 No Diversion of Assets

The Assets in each Employer's Agency Account shall be held in trust for the exclusive purpose of funding the Employer's OPEB Obligation or Pension Obligation or both and defraying the reasonable expenses associated with the same. The Assets in each Agency Account shall not be used for or diverted to, any other purpose, including, but not limited to, the satisfaction of any other Employer's Pension Obligation or OPEB Obligation.

2.9 Type and Nature of Trust

Neither the full faith and credit nor the taxing power of each Employer is pledged to the distribution of amounts hereunder. Except for contributions and other amounts hereunder, no other amounts are pledged to the distribution of benefits hereunder. Distributions of benefits are neither general nor special obligations of any Employer, but are payable solely from the Assets held in such Employer's Agency Account, as more fully described herein. No employee of any Employer or beneficiary may compel the exercise of the taxing power by any Employer.

Distributions of Assets from any Agency Account are not debts of any Employer within the meaning of any constitutional or statutory limitation or restriction. Such distributions are not legal or equitable pledges, charges, liens or encumbrances, upon any of an Employer's property, or upon any of its income, receipts, or revenues, except amounts in the accounts which are, under the terms of each Plan and the Trust set aside for distributions. Neither the members of the governing body of any Employer nor its officers, employees, agents or volunteers are liable hereunder.

2.10 Loss of Tax-Exempt Status as to Any Employer

If any Employer participating in the Trust receives notice from the Internal Revenue Service that the Trust as to such Employer fails to satisfy the requirements of Section 115 of the Code, or if any Employer consents to the Internal Revenue Service's determination that the Trust fails to meet such requirements, Assets having a value equal to the funds then held in such Employer's Agency Account shall be segregated and placed in a separate trust by the Trustee for the exclusive benefit of such Employer's Eligible Employees within a reasonable time after the Trust Administrator notifies the Trustee of the Internal Revenue Service's determination. Each Employer participating in the Trust agrees to immediately notify the Trust Administrator upon receiving such

notice or giving such consent. The separate trust provided for in this Section 2.10 shall thereafter be considered as a separate trust containing all of the provisions of this Trust Agreement until terminated as provided in this Trust Agreement.

ARTICLE III

ADMINISTRATIVE MATTERS

3.1 Appointment of Trustee

The Employers may, with the approval of two-thirds (2/3) or more of the Employers then participating in the Trust, act to appoint a bank, trust company, retirement board, insurer, committee or such other entity as permitted by law, to serve as the trustee of this Trust. Such action must be in writing. Upon the written acceptance of such entity it shall become the Trustee of the Trust. If the Trustee is removed or resigns pursuant to Section 3.2, the Employers shall appoint a successor Trustee in accordance with the voting requirements set forth in this Section 3.1.

3.2 Resignation or Removal of Trustee

The Employers may act to remove the Trustee, provided that such action must satisfy the voting requirements set forth in Section 3.1 and notice of such action must be promptly delivered to the Trust Administrator, the Trustee and each Plan Administrator. The Trustee may also resign at any time by giving at least ninety (90) days prior written notice to the Trust Administrator and to the Plan Administrator of each Employer that has adopted the Trust Agreement and not terminated its participation in the Trust; provided, however, that the Trustee may resign immediately upon the earlier of the approval date or the effective date of any amendment of the Trust Agreement by the Employers that would change or modify the duties, powers or liabilities of the Trustee hereunder without the Trustee's consent. The Trustee shall, upon the appointment and acceptance of a successor trustee, transfer and deliver the Assets and all records relating to the Trust to the successor, after reserving such reasonable amount as it shall deem necessary to provide for its fees and expenses and any sums chargeable against the Trust for which it may be liable. The Trustee shall do all acts necessary to vest title of record in the successor trustee.

3.3 Withdrawal of Employer

An Employer may elect to withdraw from the Trust by giving at least thirty (30) days prior written notice to the Trustee and the Trust Administrator. If an Employer so elects to withdraw, Assets having a value equal to the funds held in such Employer's Agency Account shall be segregated by the Trustee and, as soon as practicable, shall be transferred to one or more trusts maintained by the Employer, provided that (i) for Assets transferred from the OPEB Account, any such trust shall satisfy the requirements of Section 115 of the Code, (ii) for Assets

transferred from the Pension Account, any such trust shall satisfy the requirements of either Section 115 or 401(a) of the Code, and (iii) all assets held by any such trust and previously held in the Employer's Pension Account or OPEB Account shall qualify as "plan assets" within the meaning of GASB Statement No. 68 (Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27) or GASB Statement No. 45 (Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions), respectively, in each case as reasonably determined by the Employer and certified in writing by the Employer to the Trust Administrator. The Employer shall appoint a trustee for such Employer's separate trust and, upon the trustee's acceptance of that appointment, the trustee will be vested with title to the transferred Assets.

3.4 The Plan Administrator

The governing body of each Employer shall have plenary authority for the administration and investment of such Employer's Agency Account pursuant to any applicable state laws and applicable federal laws and regulations. Each Employer shall by resolution designate a Plan Administrator. Unless otherwise specified in the instrument the Plan Administrator shall be deemed to have authority to act on behalf of the Employer in all matters pertaining to the Employer's participation in the Trust and in regard to the Agency Account of the Employer. Such appointment of a Plan Administrator shall be effective upon receipt and acknowledgment by the Trustee and the Trust Administrator and shall be effective until the Trustee and the Trust Administrator are furnished with a resolution of the Employer that the appointment has been modified or terminated.

3.5 Failure to Appoint Plan Administrator

If a Plan Administrator is not appointed, or such appointment lapses, the Employer shall be deemed to be the Plan Administrator. As used in this document the term "Plan Administrator" shall be deemed to mean "Employer" when a Plan Administrator has not been appointed for such Employer.

3.6 Delegatee

The Plan Administrator, acting on behalf of the Employer, may delegate certain authority, powers and duties to a Delegatee to act in those matters specified in the delegation. Any such delegation must be in a writing that names and identifies the Delegatee, states the effective date of the delegation, specifies the authority and duties delegated, is executed by the Plan Administrator, is acknowledged in writing by the Delegatee, and is certified as required in Section 3.7 to the Trust Administrator. Such delegation shall be effective until the Trustee and the Trust Administrator are directed in writing by the Plan Administrator that the delegation has been rescinded or modified.

3.7 Certification to Trustee

The governing body of each Employer, or other duly authorized official, shall certify in writing to the Trustee and the Trust Administrator the names and specimen signatures of the Plan Administrator and Delegatee, if any, and all others authorized to act on behalf of the Employer whose names and specimen signatures shall be kept accurate by the Employer acting through a duly authorized officer or governing body of the Employer. The Trustee and the Trust Administrator shall have no liability if they act upon the direction of a Plan Administrator or Delegatee that has been duly authorized, as provided in Section 3.6, if that Plan Administrator or Delegatee is no longer authorized to act, unless the Employer has informed the Trustee and the Trust Administrator of such change.

3.8 Directions to Trustee

All directions to the Trustee from the Plan Administrator or Delegatee must be in writing and must be signed by the Plan Administrator or Delegatee, as the case may be. For all purposes of this Trust Agreement, direction shall include any certification, notice, authorization, application or instruction of the Plan Administrator, Delegatee or Trustee appropriately communicated. The above notwithstanding, direction may be implied if the Plan Administrator or Delegatee has knowledge of the Trustee's intentions and fails to file written objection.

The Trustee shall have the power and duty to comply promptly with all proper directions of the Plan Administrator or Delegatee, appointed in accordance with the provisions of this Trust Agreement. In the case of any direction deemed by the Trustee to be unclear or ambiguous the Trustee may seek written instructions from the Plan Administrator, the Employer or the Delegatee on such matter and await their written instructions without incurring any liability. If at any time the Plan Administrator or the Delegatee should fail to give directions to the Trustee, the Trustee may act in the manner that in its discretion seems advisable under the circumstances for carrying out the purposes of the Trust and/or the applicable Agency Account which may include not taking any action. The Trustee may request directions or clarification of directions received and may delay acting until clarification is received. In the absence of timely direction or clarification, or if the Trustee considers any direction to be a violation of the Trust Agreement or any applicable law, the Trustee shall in its sole discretion take appropriate action, or refuse to act upon a direction.

3.9 Appointment of Trust Administrator

The Employers may, with the approval of two-thirds (2/3) or more of the Employers then participating in the Trust, act to appoint a bank, trust company, retirement board, insurer, committee or such other entity as permitted by law, to serve as Trust Administrator of the Trust. Such action must be in writing. Upon the written acceptance of such entity it shall become the Trust Administrator of

the Trust. If the Trust Administrator is removed or resigns pursuant to Section 3.13, the Employers shall appoint a successor Trust Administrator in accordance with the voting requirements set forth in this Section 3.9.

3.10 Trust Administrator

The Trust Administrator's duties involve the performance of the following services pursuant to the provisions of this Trust Agreement and the Agreement for Administrative Services:

- (a) Performing periodic accounting of each Agency Account (including subaccount-level accounting within each Agency Account) and reconciling such Agency Account balances with the Trust/Omnibus Account;
- (b) Directing the Trustee to make distributions from the appropriate subaccount under an Agency Account in accordance with Section 5.9.
- (c) Allocating contributions, earnings and expenses to each Agency Account and the underlying subaccounts;
- (d) Directing the Trustee to pay the fees of the Trust Administrator and to do such other acts as shall be appropriate to carry out the intent of the Trust;
- (e) Such other services as the Employer and the Trust Administrator may agree in the Agreement for Administrative Services pursuant to Section 2.3.

The Trust Administrator shall be entitled to rely on, and shall be under no duty to question, any direction and/or data received from the Plan Administrator, or other duly authorized entity, in order to perform its authorized duties under this Trust Agreement. The Trust Administrator shall not have any duty to compute contributions made to the Trust, determine or inquire whether contributions made to the Trust by the Plan Administrator or other duly authorized entity are adequate to meet an Employer's Pension Obligation or OPEB Obligation as may be determined under any applicable GASB pronouncement; or determine or inquire whether contributions made to the Trust are in compliance with the Employer's OPEB Plan or Pension Plan. The Trust Administrator shall not be liable for nonperformance of duties if such nonperformance is directly caused by erroneous, and/or late delivery of, directions or data from the Plan Administrator, or other duly authorized entity.

3.11 Additional Trust Administrator Services

The Plan Administrator may at any time retain the Trust Administrator as its agent to perform any act, keep any records or accounts and make any computations which are required of the Employer or the Plan Administrator by this Trust Agreement or by the Employer's policies and/or applicable collective bargaining agreements. The Trust Administrator shall be separately compensated

for such service and such services shall not be deemed to be contrary to the Trust Agreement.

3.12 Trust Administrator's Compensation

As may be agreed upon from time to time by the Employer and Trust Administrator, the Trust Administrator will be paid reasonable compensation for services rendered or reimbursed for expenses properly and actually incurred in the performance of duties with respect to such Employer's Agency Account and to the Trust.

3.13 Resignation or Removal of Trust Administrator

The Employers may act to remove the Trust Administrator, provided that such action must satisfy the voting requirements set forth in Section 3.9 and notice of such action must be promptly delivered to the Trust Administrator, the Trustee and each Plan Administrator. The Trust Administrator may also resign at any time by giving at least one hundred and twenty (120) days prior written notice to the Trustee and to the Plan Administrator of each Employer that has adopted the Trust Agreement and not terminated its participation in the Trust; provided, however, that the Trust Administrator may resign immediately upon the earlier of the approval date or the effective date of any amendment of the Trust Agreement by the Employers that would change or modify the duties, powers or liabilities of the Trust Administrator hereunder without the Trust Administrator's consent. The Trust Administrator shall, upon the appointment and acceptance of a successor trust administrator, transfer all records relating to the Trust to the successor.

ARTICLE IV

THE TRUSTEE

4.1 Powers and Duties of the Trustee

Except as otherwise provided in Article V and subject to Article VI, the Trustee shall have full power and authority with respect to property held in the Trust to do all such acts, take all proceedings, and exercise all such rights and privileges, whether specifically referred to or not in this document, as could be done, taken or exercised by the absolute owner, including, without limitation, the following:

(a) To invest and reinvest the Assets or any part hereof in any one or more kind, type, class, item or parcel of property, real, personal or mixed, tangible or intangible; or in any one or more kind, type, class, item or issue of investment or security; or in any one or more kind, type, class or item of obligation, secured or unsecured; or in any combination of them (including those issued by the Trustee of any of its affiliates, to the extent permitted by applicable law), and to retain the property for the period of time that the Trustee deems appropriate;

(b) To acquire and sell options to buy securities ("call" options) and to acquire and sell options to sell securities ("put" options);

(c) To buy, sell, assign, transfer, acquire, loan, lease (for any purpose, including mineral leases), exchange and in any other manner to acquire, manage, deal with and dispose of all or any part of the Trust property, for cash or credit and upon any reasonable terms and conditions;

(d) To make deposits, with any bank or savings and loan institution, including any such facility of the Trustee or an affiliate thereof provided that the deposit bears a reasonable rate of interest;

(e) To invest and reinvest the Assets, or any part thereof in any one or more collective investment trust funds, including common and group trust funds that consist exclusively of assets of exempt pension and profit sharing trusts and individual retirement accounts qualified and tax exempt under the Code, that are maintained by the Trustee or an affiliate thereof. The declaration of trust or plan of operations for any such common or collective fund is hereby incorporated herein and adopted into this Trust Agreement by this reference. The combining of money and other assets of the Trust with money and other assets of other non-qualified trusts in such fund or funds is specifically authorized. Notwithstanding anything to the contrary in this Trust Agreement, the Trustee shall have full investment responsibility over Assets of the Trust invested in such commingled funds. If the plan and trust for any reason lose their tax exempt status, and the Assets have been commingled with assets of other tax exempt trusts in Trustee's collective investment funds, the Trustee shall within 30 days of notice of such loss of tax exempt status, liquidate the Trust's units of the collective investment fund(s) and invest the proceeds in a money market fund pending investment or other instructions from the Plan Administrator. The Trustee shall not be liable for any loss or gain or taxes, if any, resulting from said liquidation;

(f) To place uninvested cash and cash awaiting distribution in one or more mutual funds and/or commingled investment funds maintained by or made available by the Trustee or any of its affiliates, and to receive compensation from the sponsor of such fund(s) for services rendered, separate and apart from any Trustee's fees hereunder. The Trustee or its affiliate may also be compensated for providing investment advisory services to any mutual fund or commingled investment funds;

(g) To borrow money for the purposes of the Trust from any source with or without giving security; to pay interest; to issue promissory notes and to secure the repayment thereof by pledging all or any part of the Assets;

(h) To take all of the following actions: to vote proxies of any stocks, bonds or other securities; to give general or special proxies or powers of attorney with or

without power of substitution; to exercise any conversion privileges, subscription rights or other options, and to make any payments incidental thereto; to consent to or otherwise participate in corporate reorganizations or other changes affecting corporate securities and to delegate discretionary powers and to pay any assessments or charges in connection therewith; and generally to exercise any of the powers of an owner with respect to stocks, bonds, securities or other property held in the Trust;

(i) To make, execute, acknowledge and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted;

(j) To raze or move existing buildings; to make ordinary or extraordinary repairs, alterations or additions in and to buildings; to construct buildings and other structures and to install fixtures and equipment therein;

(k) To pay or cause to be paid from the Trust any and all real or personal property taxes, income taxes or other taxes or assessments of any or all kinds levied or assessed upon or with respect to the Trust;

(l) To exercise all the further rights, powers, options and privileges granted, provided for, or vested in trustees generally under applicable federal or state laws, as amended from time to time, it being intended that, except as herein otherwise provided, the powers conferred upon the Trustee herein shall not be construed as being in limitation of any authority conferred by law, but shall be construed as consistent or in addition thereto.

4.2 Additional Trustee Powers

In addition to the other powers enumerated above, the Trustee in any and all events is authorized and empowered:

(a) To invest funds pending required directions in any type of interest-bearing account, including, without limitation, time certificates of deposit or interest-bearing accounts issued by the Trustee, or any mutual fund or short term investment fund (“**Fund**”), whether sponsored or advised by the Trustee or any affiliate thereof); the Trustee or its affiliates may be compensated for providing such investment advice and providing other service to such Fund, in addition to any Trustee’s fees received pursuant to this Trust Agreement;

(b) To cause all or any part of the Trust to be held in the name of the Trustee (which in such instance need not disclose its fiduciary capacity) or, as permitted by law, in the name of any nominee, and to acquire for the Trust any investment in bearer form, but the books and records of the Trust shall at all times show that all such investments are a part of the Trust and the Trustee shall hold evidences of title to all such investments;

- (c) To serve as custodian with respect to the Trust Assets;
- (d) To employ such custodians, agents and counsel as may be reasonably necessary in managing and protecting the Assets and to pay them reasonable compensation from the Trust; to employ any broker-dealer or other agent, including any broker-dealer or other agent affiliated with the Trustee, and pay to such broker-dealer or other agent, at the expense of the Trust, its standard commissions or compensation; to settle, compromise or abandon all claims and demands in favor of or against the Trust; and to charge any premium on bonds purchased at par value to the principal of the Trust without amortization from the Trust, regardless of any law relating thereto;
- (e) In addition to the powers listed herein, to do all other acts necessary or desirable for the proper administration of the Trust, as though the absolute owner thereof;
- (f) To prosecute, compromise and defend lawsuits, but without obligation to do so, all at the risk and expense of the Trust; and to tender its defense to the Employer in any legal proceeding where the interests of the Trustee and the Employer are not adverse;
- (g) To exercise and perform any and all of the other powers and duties specified in this Trust Agreement or the Plan;
- (h) To permit such inspections of documents at the principal office of the Trustee as are required by law, subpoena or demand by a United States agency;
- (i) To comply with all requirements imposed by applicable provisions of law;
- (j) To seek written instructions from the Plan Administrator or other fiduciary on any matter and await their written instructions without incurring any liability. If at any time the Plan Administrator or the fiduciary should fail to give directions to the Trustee, the Trustee may act in the manner that in its discretion seems advisable under the circumstances for carrying out the purposes of the Trust;
- (k) To compensate such executive, consultant, actuarial, accounting, investment, appraisal, administrative, clerical, secretarial, medical, custodial, depository and legal firms, personnel and other employees or assistants as are engaged by the Plan Administrator in connection with funding the Employer's OPEB Obligation or Pension Obligation or both and to pay from the Trust the necessary expenses of such firms, personnel and assistants, to the extent not paid by the Plan Administrator;

(l) To act upon proper written directions of the Plan Administrator or Delegatee, including directions given by photostatic transmissions using facsimile signature, and such other forms of directions as the parties shall agree;

(m) To pay from the Trust the expenses reasonably incurred in the administration of the Trust;

(n) To maintain insurance for such purposes, in such amounts and with such companies as the Plan Administrator shall elect, including insurance to cover liability or losses occurring by reason of the acts or omissions of fiduciaries but only if such insurance permits recourse by the insurer against the fiduciary in the case of a breach of a fiduciary obligation by such fiduciary.

ARTICLE V

INVESTMENTS

5.1 Discretionary Versus Directed Investment

For the Pension Account and the OPEB Account under the Agency Account, the Employer shall elect either a discretionary or directed investment approach. The Employer may elect the same or different investment approaches for those two subaccounts. The Employer hereby elects a directed approach for the Suspense Account. If the Employer elects a discretionary investment approach for a subaccount, the Employer shall further elect between the various investment strategies offered and the Trustee, in accordance with Article IV, shall have absolute discretion over the investment of the Assets held in such subaccount under the Employer's Agency Account. If the Employer elects a directed investment approach for a subaccount, the Trustee shall direct the investment of the Assets of such subaccount under the Employer's Agency Account in accordance with the direction provided by such Employer.

5.2 Trustee Fees

As may be agreed upon, in writing, between the Plan Administrator and Trustee, the Trustee will be paid reasonable compensation for services rendered or reimbursed for expenses properly and actually incurred in the performance of duties with respect to the applicable Agency Account or the Trust.

5.3 Contributions

Eligible Employees are not permitted to make contributions to the Trust. The Plan Administrator shall, on behalf of the Employer, make all contributions to the Trustee. Such contributions shall be in cash unless the Trustee agrees to accept a contribution that is not in cash. All contributions shall be paid to the Trustee for investment and reinvestment pursuant to the terms of this Trust Agreement. The Trustee shall not have any duty to determine or inquire whether any contributions

to the Trust made to the Trustee by any Plan Administrator are in compliance with the Employer's Pension Plan or OPEB Plan; nor shall the Trustee have any duty or authority to compute any amount to be paid to the Trustee by any Plan Administrator; nor shall the Trustee be responsible for the collection or adequacy of the contributions to meet an Employer's Pension Obligation or OPEB Obligation. The contributions received by the Trustee from each Employer shall be held and administered pursuant to the terms hereof without distinction between income and principal.

5.4 Records

(a) The Trustee shall maintain accurate records and detailed accounts of all investments, receipts, disbursements and other transactions hereunder at the Trust level. Such records shall be available at all reasonable times for inspection by the Trust Administrator. The Trustee shall, at the direction of the Trust Administrator, submit such valuations, reports or other information as the Trust Administrator may reasonably require.

(b) The Assets of the Trust shall be valued at their fair market value on the date of valuation, as determined by the Trustee based upon such sources of information as it may deem reliable; provided, however, that the Plan Administrator shall instruct the Trustee as to valuation of assets which are not readily determinable on an established market. The Trustee may rely conclusively on such valuations provided by the Plan Administrator and shall be indemnified and held harmless by the Employer with respect to such reliance. If the Plan Administrator fails to provide such values, the Trustee may take whatever action it deems reasonable, including employment of attorneys, appraisers or other professionals, the expense of which will be an expense of administration of the Trust. Transactions in the account involving such hard to value assets may be postponed until appropriate valuations have been received and Trustee shall have no liability therefore.

5.5 Statements

(a) Periodically as specified, and within sixty days after December 31, or the end of the Trust's fiscal year if different, Trustee shall render to the Trust Administrator as directed, a written account showing in reasonable summary the investments, receipts, disbursements and other transactions engaged in by the Trustee during the preceding fiscal year or period with respect to the Trust. Such account shall set forth the assets and liabilities of the Trust valued as of the end of the accounting period.

(b) The Trust Administrator may approve such statements either by written notice or by failure to express objections to such statements by written notice delivered to the Trustee within 90 days from the date the statement is delivered to the Trust Administrator. Upon approval, the Trustee shall be released and discharged as to all matters and items set forth in such statement as if such

account had been settled and allowed by a decree from a court of competent jurisdiction.

5.6 Wire Transfers

The Trustee shall follow the Plan Administrator's, Delegate's, or Trust Administrator's wire transfer instructions in compliance with the written security procedures provided by the party providing the wire transfers. The Trustee shall perform a telephonic verification to the Plan Administrator, Trust Administrator, or Delegate, or such other security procedure as selected by the party providing wire transfer directions, prior to wiring funds or following facsimile directions as Trustee may require. The Plan Administrator assumes the risk of delay of transfer if Trustee is unable to reach the Plan Administrator, or in the event of delay as a result of attempts to comply with any other security procedure selected by the directing party.

5.7 Exclusive Benefit

The Assets of an Employer's Agency Account shall be held in trust for the exclusive purpose of funding the Employer's OPEB Obligation or Pension Obligation or both and defraying the reasonable expenses associated with the same and shall not be used for or diverted to any other purpose. No party shall have authority to use or divert the Assets of an Agency Account of an Employer for the satisfaction of any other Employer's Pension Obligation or OPEB Obligation or any other Employer's expenses.

5.8 Delegation of Duties

The Plan Administrator, Delegate, or Trust Administrator, may at any time retain the Trustee as its agent to perform any act, keep any records or accounts and make any computations that are required of the Plan Administrator, Delegate or Trust Administrator by this Trust Agreement or by the Plan. The Trustee may be compensated for such retention and such retention shall not be deemed to be contrary to this Trust Agreement.

5.9 Distributions

(a) The Trustee shall, from time to time, upon the written direction of the Plan Administrator or Delegate, make distributions from the Assets of the Trust under the OPEB Account to the insurers, third party administrators, service providers or other entities providing benefits or services under the OPEB Plan, or to Eligible Employees and Eligible Beneficiaries for reimbursement of OPEB Plan premiums (or other payments for OPEB Plan benefits) paid by the Eligible Employee or Eligible Beneficiary, or to the Employer for reimbursement of OPEB Plan benefits and expenses paid by the Employer, in such manner in such form(s), in such amounts and for such purposes as may be specified in such directions.

(b) In addition, the Trustee shall, from time to time, upon the written direction of the Plan Administrator or Delegatee, make distributions from the Assets of the Trust under the Pension Account directly to (i) the Qualified Trust as employer contributions, (ii) any insurers, third party administrators, service providers or other entities providing services in connection with determining the Employer's Pension Obligation, or (iii) the Employer as reimbursement for the Employer's payment of amounts described in this Section 5.9(b)(i) and (ii).

(c) In no event shall the Trustee have any responsibility respecting the application of distributions from the Assets of the Trust, or for determining or inquiring into whether such distributions are in accordance with the Employer's OPEB Plan, Pension Plan, policies, or applicable collective bargaining agreements.

ARTICLE VI

FIDUCIARY RESPONSIBILITIES

6.1 More Than One Fiduciary Capacity

Any one or more of the fiduciaries with respect to the Trust Agreement or the Trust may, to the extent required thereby or as directed by the Plan Administrator pursuant to this Trust Agreement, serve in more than one fiduciary capacity with respect to the Trust Agreement and the Trust.

6.2 Fiduciary Discharge of Duties

Except as otherwise provided by applicable law, each fiduciary shall discharge such fiduciary's duties with respect to the Trust Agreement and the Trust:

(a) solely in the interest of the Eligible Employees and for the exclusive purpose of funding the Employer's OPEB Obligation or Pension Obligation or both and defraying the reasonable expenses associated with the same; and

(b) with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims.

6.3 Limitations on Fiduciary Responsibility

To the extent allowed by the laws of the state of each Employer:

No fiduciary shall be liable with respect to a breach of fiduciary duty by any other fiduciary if such breach was committed before such party became a fiduciary or after such party ceased to be a fiduciary.

No fiduciary shall be liable for a breach by another fiduciary except as provided by law.

No fiduciary shall be liable for carrying out a proper direction from another fiduciary, including refraining from taking an action in the absence of a proper direction from the other fiduciary possessing the authority and responsibility to make such a direction, which direction the fiduciary in good faith believes to be authorized and appropriate.

6.4 Indemnification of Trustee by Employer

The Trustee shall not be liable for, and Employer shall (to the extent allowed by the laws of the state of each Employer) indemnify, defend (as set out in Section 6.8 of this Trust Agreement), and hold the Trustee (including its officers, agents, employees and attorneys) and other Employers harmless from and against any claims, demands, loss, costs, expense or liability imposed on the indemnified party, including reasonable attorneys' fees and costs incurred by the indemnified party, arising as a result of Employer's active or passive negligent act or omission or willful misconduct in the execution or performance of its duties under this Trust Agreement.

6.5 Indemnification of Employer by Trustee

The Employer shall not be liable for, and Trustee shall (to the extent allowed by the laws of the state of each Employer) indemnify, defend (as set out in Section 6.8 of this Trust Agreement), and hold the Employer (including its officers, agents, employees and attorneys) and other Employers harmless from and against any claims, demands, loss, costs, expense or liability imposed on the indemnified party, including reasonable attorneys' fees and costs incurred by the indemnified party, arising as a result of Trustee's active or passive negligent act or omission or willful misconduct in the execution or performance of its duties under this Trust Agreement.

6.6 Indemnification of Trustee by Trust Administrator

The Trustee shall not be liable for, and Trust Administrator shall (to the extent allowed by the laws of the state of each Employer) indemnify and hold the Trustee (including its officers, agents, employees and attorneys) harmless from and against any claims, demands, loss, costs, expense or liability imposed on the indemnified party, including reasonable attorneys' fees and costs incurred by the indemnified party, arising as a result of Trust Administrator's active or passive negligent act or omission or willful misconduct in the execution or performance of its duties under this Trust Agreement.

6.7 Indemnification of Trust Administrator by Trustee

The Trust Administrator shall not be liable for, and Trustee shall (to the extent allowed by the laws of the state of each Employer) indemnify and hold the Trust

Administrator (including its officers, agents, employees and attorneys) harmless from and against any claims, demands, loss, costs, expense or liability imposed on the indemnified party, including reasonable attorneys' fees and costs incurred by the indemnified party, arising as a result of Trustee's active or passive negligent act or omission or willful misconduct in the execution or performance of its duties under this Trust Agreement.

6.8 Indemnification Procedures

Promptly after receipt by an indemnified party of notice or receipt of a claim or the commencement of any action for which indemnification may be sought, the indemnified party will notify the indemnifying party in writing of the receipt or commencement thereof. When the indemnifying party has agreed to provide a defense as set out above that party shall assume the defense of such action (including the employment of counsel, who shall be counsel reasonably satisfactory to such indemnitee) and the payment of expenses, insofar as such action shall relate to any alleged liability in respect of which indemnity may be sought against the indemnifying party. Any indemnified party shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall not be at the expense of the indemnifying party unless (i) the employment of such counsel has been specifically authorized by the indemnifying party or (ii) the named parties to any such action (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interest between them. The indemnifying party shall not be liable to indemnify any person for any settlement of any such action effected without the indemnifying party's consent. The indemnification procedures of this Trust Agreement shall survive the termination of the Trust, any Employer's participation in the Trust and/or this Trust Agreement.

6.9 No Joint and Several Liability

This document is not intended to and does not create any joint powers agreement or any joint and several liability. No Employer shall be responsible for any contributions, costs or distributions of any other Employer.

ARTICLE VII

AMENDMENT, TERMINATION AND MERGER

7.1 No Contractual Obligation

An Employer's participation in the Trust does not create, and is not intended to create, any contractual obligation to Eligible Employees. Therefore, no Employer is contractually obligated to Eligible Employees solely due to its participation in

the Trust to continue providing benefits under its Pension Plan or OPEB Plan or to make contributions to the Trust.

7.2 Amendment of Trust

(a) The Trust Agreement may be amended only by the approval of two-thirds (2/3) or more of the Employers then participating in the Trust. Any such amendment by the Employers shall be set forth in an instrument in writing and shall be delivered to the Trustee, the Trust Administrator and all Plan Administrators not less than one hundred and eighty (180) days before the effective date of such amendment; provided, however, that any party may waive in writing such 180-day requirement with respect to any amendment (and such waiver shall not constitute a waiver with respect to any other amendment); and provided, further, that a waiver in writing of such 180-day requirement by two-thirds (2/3) or more of the Plan Administrators of the Employers participating in the Trust as of the date the amendment is adopted shall constitute a waiver of such 180-day requirement by all of the Employers then participating in the Trust. In addition, the Trust Administrator or the Trustee shall have the right to amend this Trust Agreement from time to time (without the requirement of a vote of Employers) solely for the purpose of keeping the Trust Agreement in compliance with the Code and applicable state law. Any such amendment by the Trust Administrator or the Trustee shall be set forth in an instrument in writing and shall be delivered to the Trustee, the Trust Administrator and all Plan Administrators promptly as each is made.

(b) Any amendment of the Trust Agreement may be current, retroactive or prospective, provided, however, that no amendment shall:

(1) Cause the Assets of any Agency Account to be used for or diverted to purposes other than for the exclusive purpose of funding the Employer's OPEB Obligation or Pension Obligation or both and defraying the reasonable expenses associated with the same.

(2) Permit the Assets of any Agency Account to be used for the benefit of any other Employer.

7.3 Termination of Employer's Obligation to Provide Pension Benefits or OPEB

A termination of the Employer's obligation to provide benefits under the Employer's Pension Plan or OPEB Plan for which the Employer's Agency Account was established shall not, in itself, effect a termination of the Agency Account. Upon a termination of the Employer's obligation to provide benefits under its Pension Plan or OPEB Plan, the Assets of the Employer's Pension Account or OPEB Account, as applicable, will be distributed by the Trustee when directed by the Plan Administrator in accordance with this Section 7.3. From and after the date of such termination and until final distribution of all Assets under the Employer's Agency Account, the Trustee shall continue to have all the powers

provided herein as are necessary or expedient for the orderly liquidation and distribution of such Assets, and the Agency Account shall continue until the Assets have been completely distributed. Any Assets remaining in the Pension Account or OPEB Account will be used first to satisfy any remaining Pension Obligation or OPEB Obligation, respectively, pursuant to the Employer's Pension Plan or OPEB Plan (to the extent that such distribution constitutes the exercise of an "essential governmental function" within the meaning of Section 115 of the Code) and to satisfy any of such Employer's obligations under this Trust Agreement. Any Assets remaining in the Employer's Pension Account or OPEB Account (as applicable) after giving effect to the preceding sentence will be paid to the Employer to the extent permitted by law and consistent with the requirements of Section 115 of the Code.

7.4 Fund Recovery Based on Mistake of Fact

Except as hereinafter provided or in accordance with Section 7.3, the Assets of the Trust shall never inure to the benefit of the Employer. The Assets shall be held for the exclusive purpose of funding the Employer's OPEB Obligation or Pension Obligation or both and defraying the reasonable expenses associated with the same. However, in the case of a contribution which is made by an Employer because of a mistake of fact, that portion of the contribution relating to the mistake of fact (exclusive of any earnings or losses attributable thereto) may be returned to the Employer, provided such return occurs within two (2) years after discovery by the Employer of the mistake. If any repayment is payable to the Employer, then, as a condition to such repayment, and only if requested by Trustee, the Employer shall execute, acknowledge and deliver to the Trustee its written undertaking, in a form satisfactory to the Trustee, to indemnify, defend and hold the Trustee harmless from all claims, actions, demands or liabilities arising in connection with such repayment.

7.5 Termination of Trust

(a) The Trust and this Trust Agreement may be terminated by the unanimous agreement of all Employers, which action must be in writing and delivered to the Trustee and Trust Administrator. Upon termination of the Trust under this Section 7.5(a), the Assets of each Employer's Pension Account or OPEB Account, as applicable, will be distributed by the Trustee when directed by the Plan Administrator in accordance with this Section 7.5(a). From and after the date of such termination and until final distribution of all Assets under each Employer's Agency Account, the Trustee shall continue to have all the powers provided herein as are necessary or expedient for the orderly liquidation and distribution of such Assets, and the Agency Account shall continue until the Assets have been completely distributed. Any Assets remaining in the Pension Account or OPEB Account will be used first to satisfy any remaining Pension Obligation or OPEB Obligation, respectively, pursuant to the Employer's Pension Plan and OPEB Plan (to the extent that such distribution constitutes the exercise of an "essential governmental function" within the meaning of Section 115 of the Code) and to

satisfy any of such Employer's obligations under this Trust Agreement. Any Assets remaining in the Employer's Pension Account or OPEB Account (as applicable) after giving effect to the preceding sentence will be paid to the Employer to the extent permitted by law and consistent with the requirements of Section 115 of the Code.

(b) Contributions to the Trust are conditioned on initial qualification of the Trust under Section 115 of the Code. If the Trust receives an adverse determination with respect to its initial qualification, then the Trust and this Trust Agreement will automatically terminate without any action by any Employer or other parties. After such termination, the Assets of each Employer's Pension Account or OPEB Account, as applicable, will be returned by the Trustee to the Employer as directed by the Plan Administrator in accordance with this Section 7.5(b) to the extent permitted by law and consistent with the requirements of Section 115 of the Code. This Section 7.5(b) will cease to apply upon the Trust's receipt of a favorable determination with respect to its initial qualification.

(c) The Trust and this Trust Agreement may be terminated only as described in this Section 7.5. In no case will the assets of the Trust be distributed on termination to an entity that is not a state, a political subdivision of a state or an entity the income of which is excluded from gross income under Section 115 of the Code.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

8.1 Nonalienation

Eligible Employees do not have an interest in the Trust. Accordingly, the Trust shall not in any way be liable to attachment, garnishment, assignment or other process, or be seized, taken, appropriated or applied by any legal or equitable process, to pay any debt or liability of an Eligible Employee or any other party. Trust Assets shall not be subject to the claims of any Employer or the claims of its creditors.

8.2 Saving Clause

In the event any provision of this Trust Agreement is held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts of the Trust Agreement, but this instrument shall be construed and enforced as if said provision had never been included.

8.3 Applicable Law

This Trust Agreement and the Trust shall be construed, administered and governed under the Code and the law of the State of California. To the extent any

of the provisions of this Trust Agreement are inconsistent with the Code or applicable state law, the provisions of the Code or state law shall control. In the event, however, that any provision is susceptible to more than one interpretation, such interpretation shall be given thereto as is consistent with the Trust Agreement being a tax-exempt trust within the meaning of the Code.

8.4 Joinder of Parties

In any action or other judicial proceedings affecting this Trust Agreement, it shall be necessary to join as parties only the Trustee, the Plan Administrator or Delegatee. No participant or other persons having an interest in the Trust or any Agency Account shall be entitled to any notice or service of process unless otherwise required by law. Any judgment entered in such a proceeding or action shall be binding on all persons claiming under this Trust Agreement; provided, however, that nothing in this Trust Agreement shall be construed as to deprive a participant of such participant's right to seek adjudication of such participant's rights under applicable law.

8.5 Employment of Counsel

The Trustee may consult with legal counsel (who may be counsel for the Trustee, the Trust Administrator or any Employer) with respect to the interpretation of this Agreement or the Trustee's duties hereunder or with respect to any legal proceedings or any questions of law and shall be entitled to take action or not to take action in good faith reliance on the advice of such counsel and charge the Trust and, as applicable, one or more Agency Accounts.

8.6 Gender and Number

Words used in the masculine, feminine or neuter gender shall each be deemed to refer to the other whenever the context so requires; and words used in the singular or plural number shall each be deemed to refer to the other whenever the context so requires.

8.7 Headings

Headings used in this Trust Agreement are inserted for convenience of reference only and any conflict between such headings and the text shall be resolved in favor of the text.

8.8 Counterparts

This Trust Agreement may be executed in an original and any number of counterparts by the Plan Administrator (executing an Adoption Agreement), the Trust Administrator and the Trustee, each of which shall be deemed to be an original of the one and the same instrument.

IN WITNESS WHEREOF, the Plan Administrator (by executing the Adoption Agreement), the Trustee and the Trust Administrator have executed this Trust Agreement by their duly authorized agents on the Effective Date.

U.S. BANK NATIONAL ASSOCIATION

“Trustee”

By: _____



Signature

Susan M. Hughes

Typed or printed name

Its: Vice President & Relationship Manager

**PUBLIC AGENCY
RETIREMENT SERVICES**

“Trust Administrator”

By: _____



Signature

Daniel Johnson

Typed or printed name

Its: President

SAMPLE

**ADOPTION AGREEMENT
for the
POST-EMPLOYMENT SECTION 115 TRUST**

A.1.1. Trust agreement with U.S. Bank National Association (the “Bank”) (the “Trust Agreement”):

Post-Employment Section 115 Trust. Public Agencies Post-Employment Benefits—Trust Agreement, effective November 5, 2014

A.1.2. OPEB Plan: Public Agencies Post-Employment Health Care Plan

The plan document for the OPEB Plan is the Public Agencies Post-Employment Health Care Plan—Master Plan Document, effective as of November 5, 2014 (the “Plan Document”).

A.1.3. Pension Plan: _____

A.1.4. Pension Plan’s effective date: _____

(Check if applicable) Additional Pension Plans (and their respective effective dates) are listed on an exhibit attached hereto.

A.2.1. Employer:

Name: _____

U.S. mail address: _____

Phone number: _____

EIN: _____

Fiscal year end: _____

A.2.2. Plan Administrator:

Position at Employer: _____

Incumbent: _____

U.S. mail address: _____

Phone number: _____

Email address: _____

A.3.1 **Adoption.** The Employer hereby:

A.3.1.1. Adopts the Trust Agreement as part of the (*Check one or both of the following boxes.*):

- OPEB Plan
- Pension Plan

(each such plan separately, the “Plan”) and agrees to be bound by the Trust Agreement’s terms, effective as of the Employer’s signature date below and subject to the investment approach selected below.

A.3.1.2. *The following provisions apply if and only if the **OPEB Plan** box above is checked:* (i) Adopts the Plan Document and agrees to be bound by the Plan Document’s terms, effective as of the Employer’s signature date below and (ii) acknowledges that the determination of Eligible Employees and Eligible Beneficiaries is finally and conclusively made by the Employer according to the Employer’s applicable policies and collective bargaining agreements and without reference to the Trust Agreement.

A.3.1.3. Ratifies, affirms, and approves Employer’s appointment of Phase II Systems as Trust Administrator and represents and warrants that attached hereto is a fully-executed original of Employer’s Agreement for Administrative Services with Phase II Systems, d/b/a Public Agency Retirement Services (PARS).

A.3.1.4. Agrees that capitalized terms used herein but not defined herein shall have the same meaning attributed to them as in the Trust Agreement or Plan Document, as the case may be.

A.4.1. The Employer hereby represents and warrants that:

A.4.1.1. **Authorizing Law.** Employer has reviewed with its legal counsel and has determined that Employer is authorized to establish and maintain the Plan and to establish a financial-institution trust (separate and apart from the state) for the Plan, including the authority to adopt the Trust Agreement.

A.4.1.2. **Authorizing Resolution.** Attached hereto is a certified copy of a resolution of the Employer’s governing body authorizing the adoption of the Trust Agreement as part of the Plan and authorizing the appointment of the Plan Administrator designated by position of employment at the Employer to act on the Employer’s behalf in all matters relating to the trust.

A.4.1.3. **Tax Status.** The Plan is a “governmental plan” as defined in Section 414(d) of the Internal Revenue Code of 1986, as amended; is a “Section 401(a)(24) governmental plan” as defined in Revenue Ruling 2011-1; and is not subject to Federal income taxation. The Plan’s governing document expressly provides that it is irrevocably impossible for any part of the corpus or income of the Plan to be used for, or diverted to, purposes other than for the exclusive benefit of the Plan participants and their beneficiaries. The Pension Plan is a qualified plan under Code Section 401(a). (In addition, the Employer hereby acknowledges that the Plan is prohibited from assigning any part of its equity or interest in the trust.)

A.4.2. Investment Approach.

A.4.2.1. *The following provisions apply if and only if the **OPEB Plan** box above is checked:*
OPEB Account. OPEB Account assets are invested in the discretion of (*check one and only one of the following boxes*):

Discretionary investment approach:

- The Bank, subject to **Exhibit A (Investment Strategy Selection and Disclosure Form)** hereto.

Directed investment approach:

- The Plan Administrator.
- The following registered investment adviser, bank (other than the Bank), or insurance company (a "Third-Party Manager):

_____. The Employer hereby represents and warrants that attached hereto is an executed copy of the agreement with the above appointed Third Party Manager.

A.4.2.2. *The following provisions apply if and only if the **Pension Plan** box above is checked:*
Pension Account. Pension Account assets are invested in the discretion of (*check one and only one of the following boxes*):

Discretionary investment approach:

- The Bank, subject to **Exhibit A (Investment Strategy Selection and Disclosure Form)** hereto.

Directed investment approach:

- The Plan Administrator.
- The following registered investment adviser, bank (other than the Bank), or insurance company (a "Third-Party Manager):

_____. The Employer hereby represents and warrants that attached hereto is an executed copy of the agreement with the above appointed Third Party Manager.

A.4.3. It is intended that any references to GASB pronouncements and/or statements in the Public Agencies Post-Employment Health Care Plan and Trust Agreement shall incorporate any applicable successor pronouncements and/or statements.

[signature page follows]

EMPLOYER

By: _____

Its: _____

Date: _____

Accepted by:

**PHASE II SYSTEMS, DBA PUBLIC AGENCY
RETIREMENT SERVICES (PARS)**

By: _____
Daniel Johnson

Its: President _____

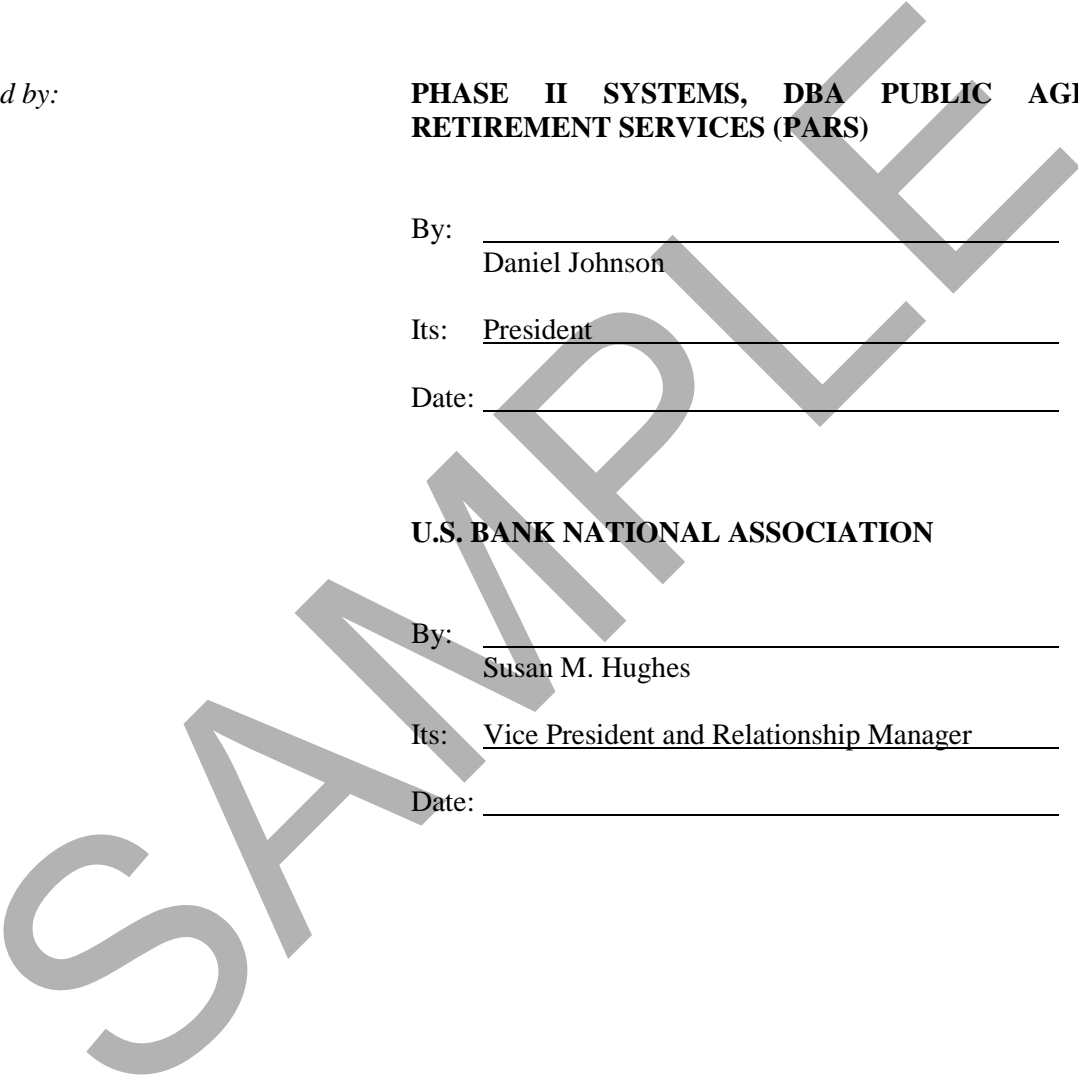
Date: _____

U.S. BANK NATIONAL ASSOCIATION

By: _____
Susan M. Hughes

Its: Vice President and Relationship Manager _____

Date: _____



AGREEMENT FOR ADMINISTRATIVE SERVICES

This agreement (“Agreement”) is made this ____ day of _____, 2022, between Phase II Systems, a corporation organized and existing under the laws of the State of California, doing business as Public Agency Retirement Services and PARS (hereinafter “PARS”) and the [Agency Name] (“Agency”).

WHEREAS, the Agency has adopted the PARS Public Agencies Post-Employment Benefits Trust for the purpose of pre-funding pension obligations and/or Other Post-Employment Benefits (“OPEB”) obligations (“Plan”) and is desirous of retaining PARS as Trust Administrator to the Trust, to provide administrative services.

NOW THEREFORE, the parties agree:

1. **Services.** PARS will provide the services pertaining to the Plan as described in the exhibit attached hereto as “Exhibit 1A” (“Services”) in a timely manner, subject to the further provisions of this Agreement.
2. **Fees for Services.** PARS will be compensated for performance of the Services as described in the exhibit attached hereto as “Exhibit 1B”.
3. **Payment Terms.** Payment for the Services will be remitted directly from Plan assets unless the Agency chooses to make payment directly to PARS. In the event that the Agency chooses to make payment directly to PARS, it shall be the responsibility of the Agency to remit payment directly to PARS based upon an invoice prepared by PARS and delivered to the Agency. If payment is not received by PARS within thirty (30) days of the invoice delivery date, the balance due shall bear interest at the rate of 1.5% per month. If payment is not received from the Agency within sixty (60) days of the invoice delivery date, payment plus accrued interest will be remitted directly from Plan assets, unless PARS has previously received written communication disputing the subject invoice that is signed by a duly authorized representative of the Agency.
4. **Fees for Services Beyond Scope.** Fees for services beyond those specified in this Agreement will be billed to the Agency at the rates indicated in the PARS’ standard fee schedule in effect at the time the services are provided and shall be payable as described in Section 3 of this Agreement. Before any such services are performed, PARS will provide the Agency with a detailed description of the services, terms, and applicable rates for such services. Such services, terms, and applicable rates shall be agreed upon in writing and executed by both parties.
5. **Information Furnished to PARS.** PARS will provide the Services contingent upon the Agency providing PARS the information specified in the exhibit attached hereto as “Exhibit 1C” (“Data”). It shall be the responsibility of the Agency to certify the accuracy, content, and completeness of the Data so that PARS may rely on such information without further audit. It shall further be the responsibility of the Agency to deliver the Data to PARS in such a manner that allows for a reasonable amount of time for the Services to be performed. Unless specified in Exhibit 1A, PARS shall be under no duty to question Data received from the Agency, to compute contributions made to the

Plan, to determine or inquire whether contributions are adequate to meet and discharge liabilities under the Plan, or to determine or inquire whether contributions made to the Plan are in compliance with the Plan or applicable law. In addition, PARS shall not be liable for nonperformance of Services to the extent such nonperformance is caused by or results from erroneous and/or late delivery of Data from the Agency. In the event that the Agency fails to provide Data in a complete, accurate and timely manner and pursuant to the specifications in Exhibit 1C, PARS reserves the right, notwithstanding the further provisions of this Agreement, to terminate this Agreement upon no less than ninety (90) days written notice to the Agency.

6. **Records.** Throughout the duration of this Agreement, and for a period of five (5) years after termination of this Agreement, PARS shall provide duly authorized representatives of Agency access to all records and material relating to calculation of PARS' fees under this Agreement. Such access shall include the right to inspect, audit and reproduce such records and material and to verify reports furnished in compliance with the provisions of this Agreement. All information so obtained shall be accorded confidential treatment as provided under applicable law.
7. **Confidentiality.** Without the Agency's consent, PARS shall not disclose any information relating to the Plan except to duly authorized officials of the Agency, subject to applicable law, and to parties retained by PARS to perform specific services within this Agreement. The Agency shall not disclose any information relating to the Plan to individuals not employed by the Agency without the prior written consent of PARS, except as such disclosures may be required by applicable law.
8. **Independent Contractor.** PARS is and at all times hereunder shall be an independent contractor. As such, neither the Agency nor any of its officers, employees or agents shall have the power to control the conduct of PARS, its officers, employees, or agents, except as specifically set forth and provided for herein. PARS shall pay all wages, salaries, and other amounts due its employees in connection with this Agreement and shall be responsible for all reports and obligations respecting them, such as social security, income tax withholding, unemployment compensation, workers' compensation, and similar matters.
9. **Indemnification.** PARS and Agency hereby indemnify each other and hold the other harmless, including their respective officers, directors, and employees, from any claim, loss, demand, liability, or expense, including reasonable attorneys' fees and costs, incurred by the other as a consequence of, to the extent, PARS' or Agency's, as the case may be, negligent acts, errors or omissions with respect to the performance of their respective duties hereunder.
10. **Compliance with Applicable Law.** The Agency shall observe and comply with federal, state, and local laws in effect when this Agreement is executed, or which may come into effect during the term of this Agreement, regarding the administration of the Plan. PARS shall observe and comply with federal, state, and local laws in effect when this Agreement is executed, or which may come into effect during the term of this Agreement, regarding Plan administrative services provided under this Agreement.

11. **Applicable Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of California. In the event any party institutes legal proceedings to enforce or interpret this Agreement, venue and jurisdiction shall be in any state court of competent jurisdiction.
12. **Force Majeure.** When a party's nonperformance hereunder was beyond the control and not due to the fault of the party not performing, a party shall be excused from performing its obligations under this Agreement during the time and to the extent that its performance is prevented by such cause. Such cause shall include, but not be limited to: any incidence of fire, flood, acts of God or unanticipated communicable disease, acts of terrorism or war commandeering of material, products, plants or facilities by the federal, state or local government, a material act or omission by the other party or any law, ordinance, rule, guidance or recommendation by the federal, state or local government, or any agency thereof, which becomes effective after the date of this Agreement that delays or renders impractical either party's performance under the Agreement.
13. **Ownership of Reports and Documents.** The originals of all letters, documents, reports, and data produced for the purposes of this Agreement shall be delivered to and become the property of the Agency. Copies may be made for PARS but shall not be furnished to others without written authorization from Agency.
14. **Designees.** The Plan Administrator of the Agency, or their designee, shall have the authority to act for and exercise any of the rights of the Agency as set forth in this Agreement, subsequent to and in accordance with the written authority granted by the Governing Body of the Agency, a copy of which writing shall be delivered to PARS. Any officer of PARS, or his or her designees, shall have the authority to act for and exercise any of the rights of PARS as set forth in this Agreement.
15. **Notices.** All notices hereunder and communications regarding the interpretation of the terms of this Agreement, or changes thereto, shall be effected by delivery of the notices in person or by depositing the notices in the U.S. mail, registered or certified mail, return receipt requested, postage prepaid and addressed as follows:
 - (A) To PARS: PARS; 4350 Von Karman Avenue, Suite 100, Newport Beach, CA 92660; Attention: President
 - (B) To Agency: [Agency]; [Agency Address]; Attention: [Plan Administrator Title]Notices shall be deemed given on the date received by the addressee.
16. **Term of Agreement.** This Agreement shall remain in effect for the period beginning _____, 2022 and ending _____, 2025 ("Term"). This Agreement may be terminated at any time by giving thirty (30) days written notice to the other party of the intent to terminate. Absent a thirty (30) day written notice to the other party of the intent to terminate, this Agreement will continue unchanged for successive twelve-month periods following the Term.
17. **Amendment.** This Agreement may not be amended orally, but only by a written instrument executed by the parties hereto.

18. **Entire Agreement.** This Agreement, including exhibits, contains the entire understanding of the parties with respect to the subject matter set forth in this Agreement. In the event a conflict arises between the parties with respect to any term, condition or provision of this Agreement, the remaining terms, conditions, and provisions shall remain in full force and legal effect. No waiver of any term or condition of this Agreement by any party shall be construed by the other as a continuing waiver of such term or condition.
19. **Attorneys Fees.** In the event any action is taken by a party hereto to enforce the terms of this Agreement the prevailing party herein shall be entitled to receive its reasonable attorney's fees.
20. **Counterparts.** This Agreement may be executed in any number of counterparts, and in that event, each counterpart shall be deemed a complete original and be enforceable without reference to any other counterpart.
21. **Headings.** Headings in this Agreement are for convenience only and shall not be used to interpret or construe its provisions.
22. **Effective Date.** This Agreement shall be effective on the date first above written, and also shall be the date the Agreement is executed.

AGENCY:

BY: _____
Plan Administrator Name

TITLE: _____

DATE: _____

PARS:

BY: _____
Tod Hammeras

TITLE: Chief Financial Officer

DATE: _____

EXHIBIT 1A
SERVICES

PARS will provide the following services for the [Agency Name] Public Agencies Post-Employment Benefits Trust:

1. Plan Installation Services:

- (A) Meeting with appropriate Agency personnel to discuss plan provisions, implementation timelines, actuarial valuation process, funding strategies, benefit communication strategies, data reporting, and submission requirements for contributions/reimbursements/distributions;
- (B) Providing the necessary analysis and advisory services to finalize these elements of the Plan;
- (C) Providing the documentation needed to establish the Plan to be reviewed and approved by Agency legal counsel. Resulting final Plan documentation must be approved by the Agency prior to the commencement of PARS Plan Administration Services outlined in Exhibit 1A, paragraph 2 below.

2. Plan Administration Services:

- (A) Monitoring the receipt of Plan contributions made by the Agency to the trustee of the PARS Public Agencies Post-Employment Benefits Trust (“Trustee”), based upon information received from the Agency and the Trustee;
- (B) Performing periodic accounting of Plan assets, reimbursements/distributions, and investment activity, based upon information received from the Agency and/or Trustee;
- (C) Coordinating the processing of distribution payments pursuant to authorized direction by the Agency, and the provisions of the Plan, and, to the extent possible, based upon Agency-provided Data;
- (D) Coordinating actions with the Trustee as directed by the Plan Administrator within the scope of this Agreement;
- (E) Preparing and submitting a monthly report of Plan activity to the Agency, unless directed by the Agency otherwise;
- (F) Preparing and submitting an annual report of Plan activity to the Agency;
- (G) Facilitating actuarial valuation updates and funding modifications for compliance with the applicable GASB pronouncements and/or statements, if prefunding OPEB obligations;
- (H) Coordinating periodic audits of the Trust;
- (I) Monitoring Plan and Trust compliance with federal and state laws.

3. PARS is not licensed to provide and does not offer tax, accounting, legal, investment or actuarial advice.

EXHIBIT 1B
FEES FOR SERVICES

PARS will be compensated for performance of Services, as described in Exhibit 1A based upon the following schedule:

An annual asset fee shall be paid from Plan assets based on the following schedule:

<u>For Plan Assets from:</u>			<u>Annual Rate:</u>
\$1	to	\$10,000,000	0.25%
\$10,000,001	to	\$15,000,000	0.20%
\$15,000,001	to	\$50,000,000	0.15%
\$50,000,001	and	above	0.10%

Annual rates are prorated and paid monthly. The annual asset fee shall be calculated by the following formula [Annual rate divided by 12 (months of the year) multiplied by the Plan asset balance at the end of the month]. Trustee and Investment Management Fees are not included.

EXHIBIT 1C
DATA REQUIREMENTS

PARS will provide the Services under this Agreement contingent upon receiving the following information. Agency is solely responsible for ensuring that all information and documentation provided to PARS is true, correct, and authorized:

1. Executed Legal Documents:
 - (A) Certified Resolution
 - (B) Adoption Agreement to the Public Agencies Post-Employment Benefits Trust
 - (C) Trustee Investment Forms

2. Contribution – completed Contribution Transmittal Form signed by the Plan Administrator (or authorized Designee) which contains the following information:
 - (A) Agency name
 - (B) Contribution amount
 - (C) Contribution date
 - (D) Contribution method (Check, ACH, Wire)

3. Distribution – completed Payment Reimbursement/Distribution Form signed by the Plan Administrator (or authorized Designee) which contains the following information:
 - (A) Agency name
 - (B) Payment reimbursement/distribution amount
 - (C) Applicable statement date
 - (D) Copy of applicable premium, claim, statement, warrant, and/or administrative expense evidencing payment
 - (E) Signed certification of reimbursement/distribution from the Plan Administrator (or authorized Designee)

4. Other information pertinent to the Services as reasonably requested by PARS and Actuarial Provider.

APPENDIX: FORM ADV



Vision. Discipline. Results.™

Form ADV Part 2A

March 28, 2022

HighMark Capital Management, Inc.
350 California Street, Suite 1600
San Francisco, CA 94104

<https://www.unionbank.com/commercial/highmark-capital>

Contact Info: 1-800-582-4734

This Form ADV Part 2A (“the Brochure”) provides information about the qualifications and business practices of HighMark Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at 1-800-582-4734. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

HighMark Capital Management, Inc. is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about HighMark Capital Management, Inc. is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2: Material Changes

Below is a summary of material changes made by HighMark Capital Management, Inc. (“HighMark”) to its Form ADV Part 2A (the “Brochure”), since its last update on November 11, 2021:

- Additional non-material changes that update, enhance, or further clarify existing language have also been incorporated throughout the Brochure since its prior version.

You may also request a free copy of the Brochure by calling 1-800-582-4734 or by visiting <https://www.unionbank.com/commercial/highmark-capital>, or on the SEC’s website at <https://adviserinfo.sec.gov>.

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Item 4: Advisory Business

HighMark is an investment adviser registered with the Securities and Exchange Commission (“SEC”), and a wholly owned subsidiary of MUFG Union Bank, N.A. (“MUFG Union Bank”), a national banking association regulated by the Office of the Comptroller of the Currency. HighMark and MUFG Union Bank’s ultimate parent company is Mitsubishi UFJ Financial Group, Inc. (“MUFG”), a Japan-based financial institution. Please refer to Item 10: Other Financial Industry Activities and Affiliations, for additional information regarding HighMark’s affiliates.

Including its predecessor organizations, HighMark has been managing client assets since 1919, and has been registered as an investment adviser with the SEC since 1998. As of December 31, 2021, HighMark had \$10.08 billion in assets under management, with \$9.3 billion of these assets managed on a discretionary basis, and over \$780 million managed on a non-discretionary basis. Assets under advisement total \$10.17 billion, and reflect client assets of MUFG Union Bank, wherein HighMark provides certain investment advisory services (including, but not limited to, investment research and strategies). These services are described in further detail below under “Services Provided to MUFG Union Bank”.

Managed Accounts

HighMark manages accounts for clients with which it has a direct investment management agreement and also manages accounts for certain MUFG Union Bank affiliates and U.S. Bank National Association (“U.S. Bank”) under applicable investment management agreements. HighMark clients includes institutional separate account portfolios for a wide variety of for-profit and non-profit organizations, public agencies, and public and private retirement plans. Services include some or all of the following:

- Assisting the client in developing and modifying investment objectives, guidelines, and restrictions.
- Determining an appropriate investment strategy, including asset allocation, consistent with the investment objectives, guidelines and restrictions established by the client, and reviewing and periodically modifying the strategy through meetings and consultations with the client or its agent.
- Implementing the client’s investment strategy through the purchase and sale of securities and other financial instruments, the exercise of options, warrants, and subscription rights, and the investment and re-investment of cash balances for the account.
- Providing information and instructions to the client or its custodian (or trustee) so that transactions for the account are settled in an accurate and timely manner.
- Reconciling its records with those of the client or its custodian (or trustee) on a periodic basis.
- Reviewing the client’s overall accounts and monitoring individual instruments so that the overall portfolio remains consistent with the account’s investment strategy, as well as the client’s investment objectives, guidelines and restrictions.
- Furnishing reports to the client on a periodic basis concerning account activity and performance.

For certain clients, HighMark provides clients access to third-party investment platforms. HighMark also engages an affiliated sub-adviser to provide selected investment strategies to institutional clients.

As a wholly owned subsidiary of MUFG Union Bank, HighMark is required to comply with MUFG Union Bank’s applicable compliance policies and procedures, which include reporting obligations that are not generally required by unaffiliated clients.

Sub-Advisory Services Provided to Non-Affiliated Parties

HighMark has a sub-advisory agreement with U.S. Bank to sub-advise certain client accounts. The range of services HighMark provides for these accounts is similar to the services described above. U.S. Bank pays HighMark a fee to provide these investment advisory services, as described in the agreement between U.S. Bank and HighMark.

Services Provided to MUFG Union Bank

Pursuant to a services agreement, HighMark furnishes its parent company, MUFG Union Bank with portfolio management and research support including without limitation, strategic and tactical asset allocation guidance, trading, operational, and certain compliance functions with respect to certain MUFG Union Bank trust and agency accounts. MUFG Union Bank's engagement of HighMark and the services HighMark provides are disclosed by MUFG Union Bank to its clients.

MUFG Union Bank pays HighMark a portion of the fees it receives as compensation for these services, as described in the agreement between MUFG Union Bank and HighMark. The range of services HighMark provides to MUFG Union Bank is similar to the services it provides to other managed accounts, as described above.

Consulting Services

HighMark provides investment consulting services, including supplying investment research and information, on a non-discretionary basis. These services consist of providing sample portfolios, investment strategies, general overviews of certain securities markets, or similar services. Fees for consulting services are negotiated in each case based on the nature and complexity of the services to be provided. Such fees may be fixed or based on a percentage of the assets subject to the consulting arrangement and such fees are generally payable upon provision of the services.

Item 5: Fees and Compensation

Fees are generally charged as a percentage of assets under management as described in the investment advisory agreement between HighMark and the client. Fees may be negotiated on a relationship basis.

HighMark's investment advisory fees range from .15% (typically charged for liquidity management strategies) to .75% (typically charged for equity management strategies). HighMark requires a minimum annual fee of \$10,000 for managed account investment management services. In certain circumstances, the fees charged for managed accounts and/or the minimum fee may be negotiable.

In addition to the investment advisory fee, it is possible that clients will pay other fees or expenses related to the management of their account depending on the type of account and investment such as, brokerage, trading, custody, transfer agent, fund accounting and administration, 12b-1, shareholder servicing and investment management fees associated with any third-party fund. Please see Item 12: Brokerage Practices.

For clients' assets custodied at MUFG Union Bank, clients generally choose to deduct fees from assets or receive a bill for fees incurred. For those clients' assets custodied outside of MUFG Union Bank, clients will be invoiced. Fees are paid in arrears and clients have the option to pay fees monthly or quarterly.

Fees are prorated for the billing period at the beginning or end of a client relationship. The method of fee calculations is disclosed to clients in their investment advisory agreements. For other accounts described under Item 4: Advisory Business, HighMark receives a fee for providing investment advisory services, as described in the agreement between HighMark and the respective party.

Portfolio managers receive a salary from HighMark and participate in the MUFG Union Bank's incentive compensation plan, which is an annual plan that pays a bonus.

On occasion, HCM employees may receive gifts of nominal value from product or service vendors. Certain vendors may also invite our employees to training or educational events or host reasonable business entertainment that is deemed necessary and/or customary industry practice. HCM has implemented policies and procedures governing receipt of gifts and entertainment to mitigate actual or perceived conflicts of interest.

Item 6: Performance-Based Fees and Side-By-Side Management

Generally, performance-based fee structures create a potential conflict of interest by creating incentives regarding portfolio investments that could compromise the independent judgment of the investment adviser. Although there are currently none, it is possible that HighMark might enter into performance-based fee arrangements to the extent permitted by applicable law. If HighMark had performance-based fee arrangements, they could vary depending on the client's needs and individual circumstances.

Item 7: Types of Clients

HighMark provides investment advice to pension and profit sharing plans, pooled investment vehicles, charitable organizations, corporations, state and municipal government entities, corporate employee benefit plans, public agencies, foundations and endowments, Taft-Hartley plans, hospital and religious organizations, and treasury departments.

HighMark generally requires a minimum account size of \$3 million for the client types described above, and \$10 million for liquidity accounts. HighMark may lower the minimum account size in its sole discretion.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

HighMark equity professionals combine fundamental and quantitative analyses to build diversified equity portfolios that aim to outperform respective benchmarks. Different style strategies focus on different criteria. The equity research team seeks companies that carry attractive return and growth profiles, sustainable competitive advantages, and are priced at reasonable valuations relative to those characteristics. We consider the risks involved in specific holdings and how such risk might affect the total portfolio.

HighMark's fixed income investment professionals utilize both a top down and bottom up investment process to build diversified fixed income portfolios that seek to capture investment opportunities by

actively managing risk through the various stages of the business and economic cycle. The top down process seeks to allocate sector, portfolio quality, duration, yield curve positioning, and implementation of key themes. Individual security and industry allocation uses extensive bottom-up credit research with a keen focus on identification of high-quality issues and downside protection. To minimize volatility in client portfolios, HighMark carefully manages interest rate and credit risk and repositions portfolios it deems appropriate to take advantage of opportunities arising from changes in interest rates, the yield curve and sector and issuer spreads. HighMark strives to avoid securities that are leveraged with respect to interest rate or prepayment risk.

HighMark's cash management specialists utilize extensive analysis of market sectors and individual issues to enhance diversification and reduce portfolio volatility. HighMark invests in a wide range of investment grade domestic and foreign dollar-denominated securities according to each client's specific liquidity needs.

Investment Strategies

HighMark provides a range of style-specific strategies using both internal and external managers. HighMark's approach is a disciplined, consistent process to actively manage portfolios including equity, fixed income, liquidity management and multi-asset strategies. Active management includes a variety of data sources, which includes data generated by third-party models.

Equity strategies include U.S. Large Cap Fundamental research-based strategies including Large Cap Value, Core Value, Fundamental Advantage, Dividend Advantage and Large Cap Growth. HighMark also employs fixed income strategies in the areas of Core, Intermediate Term, Investment Grade Corporates, Short Term, National Tax-Free and California Tax-Free. For management of institutions' cash and excess working capital, HighMark offers liquidity strategies invested principally in money market instruments. Multi-asset strategies include a variety of asset allocation based portfolios across a spectrum of risk profiles implemented with proprietary and / or third party investment strategies. HighMark offers other strategies through affiliated and third-party sub-adviser relationships, including Japanese equity strategies managed by HighMark's affiliate, Mitsubishi UFJ Trust and Banking ("MUFG: Trust Bank") as described further below. MUFG: Trust Bank is under the ownership of MUFG, also described further below.

Risk of Loss

Investments in HighMark strategies are not bank deposits, are not guaranteed by any agency of the U.S. government, and involve risk, including the possible loss of principal, a risk that clients should be prepared to bear.

Investment performance can also be affected by other risks such as:

- *Market Risk:* The risk of a security's market value declining, especially rapidly and unpredictably for short or extended periods. These fluctuations may cause a security to be worth less than the price the investor originally paid for it. Market risk can affect a single issuer, sector or the market as a whole.
- *Liquidity Risk:* The risk that a security is difficult or impossible to sell at the time and price the seller wishes. The seller may have to accept a lower price for the security, sell other securities instead, or forego a more attractive investment opportunity.
- *Credit Risk:* The risk that the issuer of a security, or the counterparty to a contract, will default or otherwise become unable to honor a financial obligation. Generally speaking, the lower a

security's credit rating, the higher its credit risks. If a security's credit rating is downgraded, its price tends to decline sharply, especially as it becomes more probable that the issuer will default.

- *Interest Rate Risk:* The risk that debt prices overall will decline over short or long periods due to rising interest rates. Interest rate risk usually is modest for shorter-term securities, moderate for intermediate-term securities, and high for longer-term securities. A change in a central bank's monetary policy or improving economic conditions may result in an increase in interest rates. Rising interest rates could decrease liquidity in the fixed income securities markets, making it more difficult to sell fixed income securities. In addition, decreased market liquidity also could make it more difficult to value a fixed income security.
- *Counterparty Risk:* The risk that the counterparty to a repurchase agreement or reverse repurchase agreement will not fulfill its obligation which would cause the income and the value of the investment to decline.
- *Foreign Risk:* Compared with investing in the United States, investing in foreign markets involves a greater degree and variety of risks including the possibility of delayed settlements, currency controls, adverse economic developments, and higher overall transaction costs. In addition, fluctuations in the U.S. dollar's value could erode or reverse gains from investments denominated in foreign currencies or widen losses. Exchange rate fluctuations also could impair an issuer's ability to repay U.S. dollar denominated debt, increasing credit risk of such debt. Finally, the value of foreign securities could be affected by incomplete or inaccurate financial information, smaller and less liquid securities markets, social upheavals or political actions ranging from tax code changes to significant governmental restructuring or collapse.
- *Reinvestment Risk:* The risk that the proceeds, dividends, or interest generated from an investment are reinvested in a security that offers a lower rate of return compared to the returns generated by the original investment.
- *Non-diversification Risk:* The risk involved with excessive exposure to securities in any one issuer, industry or sector.
- *Alternative Investment Risk:* Alternative mutual funds and other managers that employ alternative investment strategies primarily invest in non-traditional asset classes and implement speculative investment techniques. Alternative investments often offer investment return characteristics that are not correlated to traditional investments, but also present greater and/or unique risks to investors. Such risks include: loss of all or a substantial portion of the investment due to leveraging, short selling or other speculative practices; management risk; lack of liquidity; restrictions on transferring interests; higher or excessive volatility; absence of information for valuations and pricing; less transparency on underlying investments, complex tax structures and delays in tax reporting; less regulation; and potentially higher fees than traditional investments.
- *Management Risk:* The risk that a strategy or investment technique used by HighMark may fail to produce the intended result or achieve its investment objective.
- *Model Risk:* Highmark uses a variety of data, including data from third-party models, as inputs into the investment management process. Use of data generated by investment-related models invariably presents model risk, which is the potential for adverse consequences from asset allocation or investment management decisions based on incorrect or misused data output and reports.

- **Third-Party Risk:** HighMark relies on services from third-parties in the execution of investment management and servicing of clients' accounts. Types of such third parties may include but are not limited to: broker-dealers, reporting, pricing, proxy voting, research, investment-related models and technology providers.
- **Tax Risk:** The risk of unfavorable tax consequences to a client that could result from the administration of a client account pursuant to the advisory services described in this Brochure.

Item 9: Disciplinary Information

HighMark has not been involved in legal or disciplinary events that are material to its advisory business or the integrity of its management.

Item 10: Other Financial Industry Activities and Affiliations

Material Related Party Arrangements

As noted in Item 4: Advisory Business, HighMark is a wholly owned subsidiary of MUFG Union Bank. MUFG Union Bank is a principal subsidiary of MUFG Americas Holding Corporation ("MUAH"), a bank holding company regulated by the Federal Reserve Board. MUAH is wholly owned by MUFG Bank, Ltd. (formerly The Bank of Tokyo-Mitsubishi UFJ, Ltd.) headquartered in Tokyo, Japan. MUFG Bank, Ltd., in turn, is a wholly owned subsidiary of MUFG.

HighMark's ultimate parent company, MUFG, beneficially owns approximately 21.01% of the common stock of Morgan Stanley as of March 31, 2021 and is also represented by two seats on Morgan Stanley's Board of Directors. Morgan Stanley is a global financial services firm and is the parent company of several registered broker-dealers and asset managers. The conflicts of interest resulting from MUFG's beneficial ownership interest in Morgan Stanley may limit HighMark's ability to directly or indirectly transact in Morgan Stanley-related securities (including Morgan Stanley or Morgan Stanley affiliate-sponsored or advised funds) or use Morgan Stanley brokerage services for your account, and, in some cases, will wholly prevent such transactions and/or the use of Morgan Stanley brokerage services.

All employees of HighMark, including its board of directors, are also employees of MUFG Union Bank. Certain employees of HighMark may also perform work for MUFG Union Bank. MUFG Union Bank provides a variety of administrative services to HighMark, including, but not limited to, human resources, legal and accounting services.

MUFG Union Bank serves as the custodian for many of the accounts for which HighMark provides advisory services. In addition, MUFG Union Bank may refer clients to HighMark for advisory services and HighMark may refer clients to MUFG Union Bank for banking services.

MUFG Union Bank has an SEC-registered broker-dealer subsidiary, UBIS, which is also an SEC registered investment adviser. Both HighMark and UBIS are under the common control of MUFG Union

Bank. HighMark's President, Chief Executive Officer, Chairman of the Board and its Chief Compliance Officer, who are also each employees of MUFG UnionBank, are registered representatives with UBIS.

HighMark currently has no arrangements with UBIS to provide broker-dealer or advisory services to HighMark or its advisory clients. UBIS may refer a client to HighMark for advisory services.

HighMark engages MUFG: Trust Bank, as a sub-advisor for the management of certain equity strategies. These strategies call upon the MUFG: Trust Bank's experience in the Japanese equity markets, with a focus on investment in companies with varying market capitalization. Clients invested in these strategies may be referred and/or introduced to HighMark by a third-party placement agent for a fee. Management and other fees vary, and are detailed in the client's investment management agreement with HighMark. Brokerage placement and proxy voting will be determined by MUFG: Trust Bank. HighMark and MUFG: Trust Bank are ultimately under the common control and ownership of MUFG, as described previously. HighMark compensates MUFG: Trust Bank with a portion of the overall investment management fee paid by those clients.

On September 21, 2021, MUAH and its ultimate parent corporation, MUFG, entered into a Share Purchase Agreement (the "Purchase Agreement") with U.S. Bancorp ("USB"). Upon the terms and subject to the conditions set forth in the Purchase Agreement, USB will purchase from MUAH all the issued and outstanding shares of common stock of MUFG Union Bank, the direct parent company of HighMark.

While the transaction has not been completed and is subject to the satisfaction of customary closing conditions, including but not limited to the receipt of required regulatory approvals, it is expected to close in the first half of calendar year 2022. Subsequent filings with the SEC, by both USB and MUFG are accessible on the SEC's website at www.sec.gov.

Item 11: Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading

Personal Transactions in Recommended Securities

HighMark generally does not buy or sell securities that it recommends to clients. HighMark's related persons may however, transact or hold securities that are or have been recommended by HighMark to its clients.

HighMark has adopted a Code of Ethics for all employees in accordance with Rule 204A-1 of the Investment Advisers Act of 1940 which describes standards for business conduct, fiduciary duty to clients and rules surrounding personal securities transactions. HighMark's officers and directors, and certain employees are required to report certain personal securities transactions and holdings. These personal securities transactions may raise potential conflicts with the interests of HighMark clients. The Code of Ethics mitigates potential conflicts of interest by requiring, among other things, prior approval of certain securities transactions. The Code of Ethics also requires regular employee certification and reporting and outlines disciplinary actions for exceptions. All Code of Ethics exceptions are reported to HighMark's Board of Directors. A copy of HighMark's Code of Ethics is available upon request by calling 1-800-582-4734.

Principal Transactions

HighMark does not, as principal, buy securities from or sell securities to its clients. HighMark also does not use its investment discretion to direct or authorize securities transactions between its related persons and its clients except in accordance with HighMark policy, and to the extent permitted by law. Certain related persons of HighMark, such as MUFG Bank Ltd., MUFG Union Bank, and UBIS, from time to time, may buy securities from or sell securities to HighMark's clients in connection with their own separate relationship with HighMark's clients. These activities of HighMark's related parties are not connected to HighMark's advisory business. The related persons engage in these activities in a manner that is consistent with customary commercial practice and applicable federal and state regulations.

Agency Transactions

HighMark does not process securities transactions for compensation as broker or agent for its clients. HighMark also does not use its investment discretion to direct or authorize client securities transactions in which a related person is a broker or agent except in accordance with HighMark policy, and to the extent permitted by law. Certain related persons of HighMark, such as MUFG Bank Ltd., MUFG Union Bank and UBIS, from time to time, may effect securities transactions for compensation as broker or agent for clients of HighMark or their counterparties in connection with their own separate relationships with such clients or other persons. These activities are not connected to HighMark's advisory business. The related persons engage in these activities in a manner that is consistent with customary commercial practice and applicable federal and state regulations.

MUFG's Investment in Morgan Stanley

Please see Item 10: Other Financial Industry Activities and Affiliations which discusses MUFG's investment in Morgan Stanley. Although HighMark does not consider this investment an arrangement that is material to its advisory business, this indirect affiliation prevents HighMark from effecting certain broker transactions with Morgan Stanley on behalf of certain client accounts. Where permitted by HighMark policy and law, HighMark may use Morgan Stanley in connection with certain brokerage transactions on an agency or principal basis.

Interest in Client Recommendations

Generally, HighMark does not recommend to clients that they buy or sell securities or investment products in which HighMark has a financial interest. However, HighMark may recommend to clients securities in which HighMark's related persons have a financial interest. HighMark considers that the range of the potential holdings of HighMark's related persons, and the range of the potential issuers to whom HighMark's related persons provide banking, custodial, brokerage and other services, is such that it would be inadvisable to exclude these securities from consideration for a client's portfolio solely because of these potential conflicts of interest. HighMark makes portfolio transaction decisions or recommendations independently and not based on the interests of any related person.

HighMark may also engage in cross transactions, most likely in a format where client accounts are matched to provide liquidity and avoid brokerage fees. These are broker-less and non-principal transactions and there is no compensation earned by HighMark. There may be nominal transaction processing fees involved in cross transactions. Cross transactions are done in compliance with applicable rules and procedures.

HighMark may purchase or recommend securities for clients issued by other clients. HighMark receives no additional compensation in this situation.

Item 12: Brokerage Practices

HighMark provides investment advice to clients on both a discretionary and non-discretionary basis, depending upon clients' wishes. For more information about the advisory services offered by HighMark, please refer to Item 4: Advisory Business.

Most clients authorize HighMark to use broker-dealers selected by HighMark, and to pay commission rates negotiated by HighMark with the broker-dealer. HighMark however, may, agree to take written direction from a client to use a broker-dealer selected by the client. Please see discussion below about "Client Directed Brokerage."

Client Directed Brokerage

HighMark may accept a client's written request for client directed brokerage by executing a transaction with the broker-dealer selected by the client, which may or may not be a broker-dealer used by HighMark for other trades in the same security during that period. In accordance with client directed brokerage instructions, the brokerage transactions may result in higher commissions, greater spreads, or less favorable net prices than would be the case if HighMark were authorized to select the broker-dealer. Client directed brokerage may not, in all cases, result in the best execution of securities transactions for the client. Clients acknowledge the possibility of paying higher commission rates and not obtaining best execution when they enter into their agreement with HighMark. HighMark may limit the extent to which it will agree to client directed brokerage.

Although HighMark has no brokerage commission recapture program, from time to time, certain clients may direct HighMark to a certain broker as part of their participation in such a program. Where a client directs the use of a particular broker-dealer, HighMark may be unable to achieve most favorable execution of client transactions and the client may pay more in execution fees than if HighMark was permitted to choose the executing broker-dealer. In such cases, HighMark may not be able to determine the terms of how an order will be handled with such broker-dealer and may not be able to freely negotiate commission rates. In addition, HighMark may not be able to aggregate the client's orders with other client orders, even to reduce transaction costs. As a result, a client's direction that HighMark use a particular broker-dealer may cause a client to pay higher commissions or receive less favorable net prices than would be the case if HighMark were given discretion to choose the broker-dealer through which to execute the transaction for the client's account.

Broker Selection

In selecting a broker-dealer for a transaction, HighMark endeavors to choose the broker-dealer most capable of providing the services necessary to obtain best execution of the transaction. HighMark maintains a list of approved broker-dealers from which its traders select a broker-dealer for a particular transaction. HighMark's Investment Policy Committee ("IPC"), a committee composed of HighMark's senior investment personnel, reviews and determines the approved broker-dealers list at least once a year. Broker-dealers are evaluated on various criteria, including the commissions charged, as well as the reliability, integrity, and financial condition of the firm, the timeliness and accuracy of trade execution skills, operational and settlement capabilities, and any research services or products offered. HighMark does not commit a specific amount of business to any broker-dealer, but does set an overall target based on what is required to gain the best arrangement of services, products, and best execution of client transactions. Actual brokerage business directed to any broker-dealer may not reach or may exceed the target. HighMark does not place brokerage orders for a client with UBIS, or with any other affiliate of HighMark, except in accordance with HighMark's policy, and to the extent permitted by law.

On a continuing basis, HighMark seeks to determine what levels of commission rates are reasonable for specific transactions. Consideration is given to factors including historical commission rates, market commission rates (based on publicly available information), the size and complexity of the transaction, the type and level of business done with a firm over a period of time, and the extent to which the broker-dealer has capital at risk in the transaction.

For each transaction, HighMark's trading desk determines which broker-dealer on the approved list can provide the best execution of a specific transaction. Consideration is given to various factors including consistency of quality execution, general order flow, market-making skills, ability or willingness to commit capital and provide liquidity, and sales trading and coverage skills. HighMark's policy does allow the use of a broker-dealer not on the approved list when HighMark deems it will be able to achieve best execution. Trades with brokers not on the approved list are reported to HighMark's Client Commissions Committee at its next meeting with an explanation as to why a broker not on the approved list was selected to provide best execution.

HighMark may effect transactions through an electronic crossing network ("ECN") in an attempt to find liquidity per price improvement not available through traditional trading methods. In selecting among market makers, and non-market makers or ECNs, HighMark generally seeks to select those it believes to be actively and effectively trading the security being purchased or sold. HighMark may select an ECN offered by a provider of services to HighMark in addition to ECNs offered by other vendors.

In some cases, HighMark aggregates as a block transaction multiple transaction orders that are received at about the same time. HighMark's policy is to engage in block transactions in a fair and equitable manner to all participating clients, so that the price of the securities purchased or sold of all participating clients will be the average share price for the block transaction with commissions and costs shared among the participating clients on a pro-rata basis. There can be no assurance, however, that any particular investment will be proportionally allocated among clients, or that the allocation process will achieve the same results for each client. HighMark does not receive additional compensation for aggregating orders in block transactions. HighMark believes that the use of block transactions may prevent the transaction of one client from affecting the purchase or sale price of a transaction for another client, and that the use of block transactions may enable HighMark, on average and over time, to obtain enhanced execution and lower brokerage commissions.

Client Commissions

HighMark may process securities transactions that result in a client paying an amount of commission in excess of the amount of commission another broker would have charged. In selecting such broker-dealer, HighMark will make a good faith determination that the amount of commission is reasonable in relation to the value of the brokerage services, research and investment information, viewed in terms of either the specific transaction or HighMark's overall responsibility to the accounts for which it exercises investment discretion.

In processing client brokerage transactions through broker-dealers, HighMark may receive from such broker-dealers, at no direct cost, certain investment information and research services, including conferences, research reports, oral advice, or data regarding particular companies, industries, or general market or economic conditions. To the extent legally allowed, certain of such services include the use of or delivery of quotation or computer systems whose software components are provided to HighMark as part of the services.

In any case in which information and other services can be used for both research and non-research purposes, HighMark will make an appropriate good faith allocation of those uses and will pay directly for that portion of the services to be used for non-research purposes.

HighMark uses investment information and research services that it receives from broker-dealers to evaluate securities and formulate investment recommendations for both discretionary and non-discretionary clients. These recommendations, as well as HighMark's analyses and the information and research services used to formulate recommendations, may be made available to HighMark's affiliates and all of HighMark's clients and are used by HighMark in providing services to all of its clients. A client account may pay commissions to a broker-dealer which supplies research services not utilized by the account. Non-discretionary clients for whom HighMark does not ordinarily place brokerage orders may benefit from such investment information, even though such information was generated through commission paid by other clients.

The procedure to determine the allocation amounts includes an evaluation by HighMark's traders of the broker-dealers' execution capability, and an evaluation by a committee of HighMark's equity advisory personnel of the quality and usefulness of the broker-dealers' research. The minutes of this committee are then reviewed and approved by HighMark's IPC. No absolute dollar amounts are required to be met, and in no case will an order be placed if the broker-dealer is not believed to be able to provide best execution of a particular transaction in light of all the factors HighMark considers. HighMark does endeavor to direct sufficient orders to such broker-dealers to ensure continued receipt of research services that HighMark believes are useful to all HighMark accounts. Substantial portions of brokerage commissions are paid to broker-dealers who supply investment information and research services to HighMark.

At HighMark's discretion, HighMark can choose to trade on an execution-only basis for a particular transaction or client account.

Initial Public Offerings

From time to time, HighMark may be offered securities in an initial public offering ("IPO") and HighMark will determine in its sole discretion whether to accept any such offer. Generally, HighMark does not accept offers to participate in IPOs. In the event that HighMark accepts an offer of IPO securities, HighMark's policy is to allocate the securities proportionally, based on asset value, among client portfolios for which the securities are deemed suitable. Suitability will be determined by HighMark's portfolio managers based on a number of factors, including but not limited to, investment goals, existing securities in the portfolio available cash and purchasing power, portfolio investment restrictions, and the subjective judgments of the portfolio managers. A small IPO offering may be allocated only to one client portfolio, if HighMark determines in its sole discretion that allocation among more than one portfolio would be inefficient for client accounts. While generally based on objective criteria, HighMark does not make IPO allocations based on strict, mathematical formulas. HighMark's allocation of any specific IPO offering may not result in proportional allocation across all its client portfolios. HighMark however, will treat all client portfolios fairly and will not give preferences to any particular client or type of clients when allocating IPOs.

HighMark may occasionally purchase securities for a client in an initial or secondary offering in which an affiliate is a syndicate member, which may create an indirect benefit to the affiliate. In such event, HighMark will purchase the security from a syndicate member that is not an affiliate and under procedures designed to minimize conflicts of interest.

Item 13: Review of Accounts

Account Review Process

Investment strategies, risk characteristics and performance are set and reviewed regularly by HighMark's IPC. HighMark's portfolio managers then review accounts on an ongoing basis to assess the appropriateness of client investments relative to the investment strategy and in accordance with the client's specific investment objective, guidelines and restrictions for the account. HighMark Operations routinely reviews direct account custodian reconciliations.

Trade Errors

It is HighMark's policy to ensure trading errors are handled and corrected in a timely manner in the best interests of the client affected by the error. All trade errors should be corrected within a reasonable period of time following discovery of the error. HighMark will not use commissions from client accounts to correct trade errors. It is the strict policy of HighMark that HighMark employees are not permitted to make payments to clients or to client accounts.

Reports to Clients

HighMark issues periodic reports to direct clients, which include transaction summaries, portfolio valuation, and performance data. These reports often include information compiled by others including MUFG Union Bank and U.S. Bank. MUFG Union Bank provides periodic reports to its trust and agency account clients. The information provided by MUFG Union Bank in these reports is similar to the information included in HighMark's periodic reports described above.

Item 14: Client Referrals and Other Compensation

HighMark or its related persons may from time to time receive some economic benefit from non-clients, such as a broker-dealer, in connection with giving advice to clients. See Item 12, Brokerage Practices.

Compensation for Client Referrals to MUFG Union Bank and Relationship Management of Clients Participating in MUFG Union Bank Services

MUFG Union Bank generally compensates certain employees and employees of its affiliates, such as UBIS and HighMark, when clients they refer to MUFG Union Bank establish an account, relationship or service. In addition, MUFG Union Bank generally pays certain MUFG Union Bank employees and employees of MUFG Union Bank's affiliates compensation for providing relationship management services that facilitate the coordination of the review, recommendation and integration of suitable products and services of MUFG Union Bank and its affiliates, including UBIS and HighMark, that are relevant to the client's overall financial situation. Such compensation can vary depending on the account, relationship or service.

Other Referral Arrangements

In addition, from time to time, HighMark and its related persons may also enter into cash referral arrangements with related and unrelated persons in accordance with Rule 206(4)-3 of the Investment Advisers Act of 1940, and compensate referrals with respect to such activities in accordance with Rule 206(4)-3 or other applicable regulations. The amounts of such fees are individually negotiated.

Item 15: Custody

The custodian of each client account (either MUFG Union Bank or a client-directed custodian) sends a periodic statement of the account to the client on at least a quarterly basis. HighMark recommends that clients compare the security positions shown on the investment statement they receive from HighMark to those shown on the statement they receive from the applicable custodian. Differences in reported security positions may exist because investment statements are presented on a trade date basis and custodial statements are often shown on a settlement date basis. Differences in the reported security values may exist due to the timing of posting of accrued but uncollected income and/or the use of differing valuation sources and methods by HighMark and the custodian. For clients who utilize MUFG Union Bank as their custodian, HighMark may be deemed to have custody of those assets because certain of HighMark's staff hold positions at MUFG Union Bank and HighMark shares premises with MUFG Union Bank. At no time does HighMark have physical custody of such client assets.

Item 16: Investment Discretion

Clients grant discretionary authority to HighMark at the outset of an advisory relationship when they execute an investment management agreement with HighMark. At such time, the client communicates the investment parameters, including limitations, restrictions, asset allocation requirements, and/or market capitalization thresholds that apply; any desire to invest only in socially responsible companies; and any other client-defined investment specifications.

Item 17: Voting Client Securities

HighMark's clients have the option to vote their proxies themselves or to authorize HighMark to vote such proxies on their behalf. Most clients authorize HighMark to vote proxies for securities held in the client's account. HighMark has established policies for voting these proxies in the interests of the clients.

HighMark retains ISS Governance Services ("ISS"), an independent proxy voting service, as its agent. HighMark delegates to ISS the authority to vote the proxies according to ISS' policies, subject to monitoring and review by HighMark. HighMark reserves the right to withdraw any proxy from ISS and vote the proxy with review and approval by the IPC. HighMark will withdraw a proposed proxy vote from ISS in the event that HighMark determines that the proposed vote by ISS would not be consistent with HighMark's fiduciary duty to one or more of its clients.

HighMark has written policies and procedures in place to address any situation where there is a conflict of interest between HighMark and a client. Before HighMark votes a proxy, the IPC will take steps to determine if HighMark has a conflict of interest in voting the proxy. If the IPC finds that a material conflict exists, either HighMark or MUFG Union Bank will retain an independent fiduciary to vote the proxy, depending on whether the client or MUFG Union Bank has engaged MUFG Union Bank for its investment advisory services.

The majority of the proxy voting records for HighMark are maintained by ISS. HighMark will make proxy voting records available to client as required by law. Clients may obtain a copy of HighMark's proxy voting policies and procedures and/or proxy voting records for their account by calling 1-800-582-4734.

Item 18: Financial Information

HighMark is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments. HighMark has not been the subject of a bankruptcy petition.

As noted in Item 10 above, on September 21, 2021, MUFG and MUAH entered into a Purchase Agreement with USB.

Subsequent filings with the SEC, by both MUFG and USB are accessible on the SEC's website at www.sec.gov.



Vision. Discipline. Results.™

HighMark Capital Management, Inc. Form ADV Part 2A

March 28, 2022

Summary of Material Changes

HighMark Capital Management, Inc. (“HCM”) has amended its Form ADV Part 2A (the “Brochure”). Following are summaries of material changes HCM has made to its Brochure since its last update on November 11, 2021:

- Additional non-material changes that update, enhance, or further clarify existing language have also been incorporated throughout the Brochure since its prior version.

You may also request a free copy of the Brochure by calling 1-800-582-4734 or by visiting unionbank.com/commercial-bank/investment-management/highmark-capital-management or on the SEC’s website at www.adviserinfo.sec.gov.

APPENDIX:
**IRS PRIVATE LETTER RULING
(PLR)**

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

Index Number: 115.00-00

Third Party Communication: None
Date of Communication: Not Applicable

U.S. Bank National Association
c/o Susan Hughes, Vice President
3121 Michelson Drive (Suite 300)
Irvine, CA 92612

Person To Contact:
Robin J. Ehrenberg, ID No. 1000219292
Telephone Number:
(202) 317-5800
Refer Reply To:
CC:TEGE:EOEG:EO3
PLR-146796-14
Date: June 5, 2015

Legend

Trust = Public Agencies Post-Employment Benefits Trust
Trust Agreement = Public Agencies Post-Employment Benefits Trust Agreement
Trustee = U.S. Bank National Association

Dear Ms. Hughes:

This letter responds to a letter from your authorized representative dated December 22, 2014, requesting rulings that (1) the Trust's income is excludable from gross income under section 115 of the Internal Revenue Code (IRC) and (2) the Trust is not required to file annual federal income tax returns under IRC section 6012(a)(4). The Trust represents the facts as follows:

FACTS

The Trust is a multiple employer trust established to enable public-agency employers to fund post-retirement employee benefits. Each participating employer must be a public agency that is a state, political subdivision of a state, or an entity the income of which is excludable from gross income under IRC section 115. The employer's governing body must authorize in writing the adoption of the Trust and the employer must execute the adoption agreement, which approves the Trust's administrator and provides that the agency adopts and agrees to be bound by the Trust Agreement. In the adoption agreement, the employer elects to fund obligations to provide benefits under a post-employment health care plan and contribute to a defined-benefit pension plan maintained by the employer that is qualified under IRC section 401(a). The employer may elect to fund either or both obligations.

The Trust Agreement provides that assets are held by the Trust for the exclusive purpose of funding participating employers' benefit obligations and defraying the reasonable expenses of the Trust. The Trust's assets may not be used for any other purpose. Each employer's contributions to the Trust, together with any allocable investment earnings and losses, are held in a separate account for that employer. Assets allocated to satisfy an employer's health and welfare benefit obligation or the employer's pension obligation may only be used for purposes of satisfying that particular obligation. The assets held in an employer's account are not available to pay any obligations incurred by any other employer.

The employers appoint the Trustee and the Trust's administrator and may remove the Trustee or the administrator by a two-thirds vote of all employers. The employers may amend the Trust Agreement with the approval of two-thirds of all employers then participating in the Trust. The employers may terminate the Trust by unanimous agreement of all employers.

Upon termination of the Trust, any assets remaining in an employer's account, after satisfaction of benefit and the Trust's obligations are returned to the employer to the extent permitted by law and consistent with the requirements of IRC section 115.

LAW AND ANALYSIS

Issue 1 - IRC section 115(1)

IRC section 115(1) provides that gross income does not include income derived from any public utility or the exercise of any essential governmental function and accruing to a state or any political subdivision thereof.

Rev. Rul. 77-261, 1977-2 C.B. 45, holds that income generated by an investment fund that is established by a state to hold revenues in excess of the amounts needed to meet current expenses is excludable from gross income under IRC section 115(1), because such investment constitutes an essential governmental function. The ruling explains that the statutory exclusion is intended to extend not to the income of a state or municipality resulting from its own participation in activities, but rather to the income of an entity engaged in the operation of a public utility or the performance of some governmental function that accrues to either a state or political subdivision of a state. The ruling points out that it may be assumed that Congress did not desire in any way to restrict a state's participation in enterprises that might be useful in carrying out projects that are desirable from the standpoint of a state government and that are within the ambit of a sovereign to conduct.

Rev. Rul. 90-74, 1990-2 C.B. 34, holds that the income of an organization formed, funded, and operated by political subdivisions to pool various risks (e.g., casualty, public liability, workers' compensation, and employees' health) is excludable from gross income under IRC section 115(1), because the organization is performing an essential governmental function. The revenue ruling states that the income of such an organization is excludable from gross income so long as private interests do not participate in the organization or benefit more than incidentally from the organization. The benefit to the employees of the insurance coverage obtained by the member political subdivisions was deemed incidental to the public benefit.

Through the Trust, participating public agency employers fund health and welfare and pension obligations for retired employees. Each of the Trust's participating employers is required to be a state, political subdivision of a state or an entity the income of which is excludable from gross income under IRC section 115. Providing health, welfare and pension benefits to current and former employees constitutes the performance of an essential government function within the meaning of IRC section 115(1). See Rev. Rul. 90-74 and Rev. Rul. 77-261.

The Trust's income accrues to its participating employers, all of which are political subdivisions of a state or entities the income of which is excludable from gross income under IRC section 115. No private interests will participate in, or benefit from, the operation of Trust, other than as providers of goods or services. The benefit to employees is incidental to the public benefit. See Rev. Rul. 90-74.

In no event, including dissolution, will the Trust's assets be distributed or revert to any entity that is not a state, a political subdivision of a state, or entity the income of which is excludable from its gross income by application of IRC section 115(1).

Issue 2- IRC section 6012(a)(4)

Section 301.7701-1(b) of the Procedure and Administration Regulations (Regulations) provides that the classification of organizations that are recognized as separate entities is determined under sections 301.7701-2, 301.7701-3, and 301.7701-4, unless a provision of the IRC provides for special treatment of that organization.

Section 301.7701-4(a) of the Regulations provides that, in general, an arrangement will be treated as if it can be shown that the purpose of the arrangement is to vest in trustees responsibility for the protection and conservation of property for beneficiaries who cannot share in the discharge of this responsibility and, therefore, are not associates in a joint enterprise for the conduct of business for profit.

The Trust enables public-agency employers to set aside funds to be used to satisfy each employer's separate pension and health and welfare benefit obligations. The

Trustee is charged with the responsibility of the protection and conservation of the Trust property for the benefit of the beneficiaries of the Trust. The beneficiaries of the Trust cannot share in the discharge of the Trustee's responsibility for the protection and conservation of property and, therefore, are not associates in a joint enterprise for the conduct of business for profit. IRC section 6012(a)(4) provides that every trust having for the taxable year any taxable income or having gross income of \$600 or more, regardless of the amount of taxable income, shall make returns with respect to income taxes under Subtitle A.

Based solely on the facts and representations submitted by the Trust, we conclude that:

1. Because the income of the Trust derives from the exercise of an essential governmental function and will accrue to a state or a political subdivision thereof, the Trust's income is excludable from gross income under IRC section 115(1).
2. The Trust is classified as a trust within the meaning of IRC section 7701(a) and section 301.7701-4(a) of the Regulations. Because Trust's income is excludable from gross income under IRC section 115, the Trust is not required by IRC section 6012(a)(4) to file an annual income tax return.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter. This ruling concerns only the federal tax treatment of the Trust's income and may not be cited or relied upon by any taxpayer, including the Trust, employers participating in the Trust, and any recipients of benefits paid under the terms of the Trust, as to any matter relating to the taxation of accident or health contributions or benefits.

This ruling is directed only to the taxpayer who requested it. IRC section 6110(k)(3) provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

Sincerely,

A handwritten signature in black ink, appearing to read 'K. Griffin', with a stylized flourish at the end.

Kenneth M. Griffin
Branch Chief, Exempt Organizations Branch 3
(Tax Exempt and Government Entities)

cc: Marcus Wu
Pillsbury Winthrop Shaw Pittman LLP
12255 El Camino Real, Suite 300
San Diego, CA 92130-4088

Paul Marmolejo
Director, Office of Federal, State and Local Governments
SE:T:GE:FSL

APPENDIX: HIGHMARK WEIGHTED EXPENSE RATIOS

Active Portfolio as of March 2022

	PARS					Ticker	Actively Managed Mutual Funds Fund Name
	PARS Conservative	PARS Moderately Conservative	PARS Moderate	PARS Balanced	PARS Capital Appreciation		
Equity	<20% equity	<40% equity	<60% equity	50-70% equity	65-85% equity		
Large Cap Core	1.58%	2.93%	4.96%	6.04%	7.51%	COFYX	COLUMBIA CONTRARIAN CORE-I3
Large Cap Core	2.71%	5.50%	9.44%	11.50%	14.58%	VGIAX	VANGUARD GROWTH & INCOME-ADM
Large Cap Value	1.22%	2.57%	4.42%	5.30%	6.43%	DODGX	DODGE & COX STOCK
Large Cap Value	0.60%	1.20%	2.00%	2.40%	3.01%	IVE	ISHARES S&P 500 VALUE ETF
Large Cap Growth	0.79%	1.65%	2.82%	3.38%	4.12%	HNACX	HARBOR CAPITAL APPRECIATION-RTR
Large Cap Growth	0.79%	1.65%	2.82%	3.38%	4.12%	PRUFX	T ROWE PRICE GROWTH STOCK-I
Mid Cap Blend	1.50%	3.00%	4.93%	6.00%	7.50%	IWR	ISHARES RUSSELL MID-CAP ETF
Real Estate	0.50%	1.05%	1.77%	2.00%	2.00%	VNQ	VANGUARD REAL ESTATE ETF
Small Cap Value	1.23%	2.26%	3.73%	4.44%	5.18%	UBVFX	UNDISC MGRS BEHAV VAL-R6
Small Cap Growth	1.23%	2.26%	3.73%	4.44%	5.18%	VBK	VANGUARD SMALL-CAP GRWTH ETF
International	0.87%	1.79%	2.78%	3.28%	4.71%	DFALX	DFA L/C INTERNATIONAL PORTF
International	0.29%	0.69%	1.01%	1.17%	1.82%	DODFX	DODGE & COX INTL STCK
International	0.29%	0.69%	1.02%	1.17%	1.82%	MGRDX	MFS INTERNATIONAL GROWTH-R6
Emerging Markets	<u>1.00%</u>	<u>2.02%</u>	<u>3.32%</u>	<u>4.00%</u>	<u>5.14%</u>	HHEFX	HRTFRD SCHR EM MRKT EQ-F
	14.63%	29.25%	48.75%	58.50%	73.12%		
Fixed Income							
Short Term Bond	18.23%	13.33%	9.58%	6.63%	2.82%	VFSUX	VANGUARD S/T INVEST GRD-ADM
High Yield	1.10%	1.03%	1.01%	0.88%	0.80%	PHIYX	PIMCO HIGH YIELD FUND-INST
Interm Term Bond	21.30%	17.72%	11.97%	9.50%	5.54%	PTTRX	PIMCO TOTAL RETURN FUND-INST
Interm Term Bond	21.30%	17.72%	11.97%	9.50%	5.54%	PTRQX	PGIM TOTAL RETURN BOND-R6
Interm Term Bond	<u>21.30%</u>	<u>17.72%</u>	<u>11.97%</u>	<u>9.50%</u>	<u>5.54%</u>	DBLFX	DOUBLELINE CORE FIX INC-I
	83.25%	67.50%	46.50%	36.00%	20.25%		
Cash	2.13%	3.25%	4.75%	5.50%	6.62%	FGZXX	FIRST AM GOV OBLIG-Z
TOTAL	100.00%	100.00%	100.00%	100.00%	100.00%		
	0.43%	0.43%	0.43%	0.43%	0.43%	Weighted embedded expense ratio*	
	0.34%	0.34%	0.33%	0.33%	0.33%	Weighted investment management fee**	

*Represents the weighted embedded expense ratio for that fund (Source: Morningstar Direct)

**Represents the weighted investment management fee net of any waivers in place for assets invested in funds for which US Bank serves as advisor; assuming a \$5 million account

Passive Portfolio as of March 2022

	PARS						Passively Managed Mutual Funds
	PARS Conservative	Moderately Conservative	PARS Moderate	PARS Balanced	PARS Capital Appreciation	Ticker	Fund Name
Equity	<20% equity	<40% equity	<60% equity	50-70% equity	65-85% equity		
Large Cap Blend	4.29%	8.42%	14.40%	17.54%	22.10%	IVV	ISHARES CORE S&P 500 ETF
Large Cap Value	1.82%	3.77%	6.42%	7.70%	9.43%	IVE	ISHARES S&P 500 VALUE ETF
Large Cap Growth	1.59%	3.30%	5.63%	6.76%	8.25%	IVW	ISHARES S&P 500 GROWTH ETF
Mid Cap Blend	1.50%	3.00%	4.93%	6.00%	7.50%	IWR	ISHARES RUSSELL MID-CAP ETF
Real Estate	0.50%	1.05%	1.77%	2.00%	2.00%	VNQ	VANGUARD REAL ESTATE ETF
Small Cap Value	1.23%	2.26%	3.73%	4.44%	5.17%	IWN	ISHARES RUSSELL 2000 VALUE E
Small Cap Growth	1.23%	2.26%	3.73%	4.44%	5.17%	IWO	ISHARES RUSSELL 2000 GROWTH
International	1.46%	3.16%	4.81%	5.62%	8.36%	IEFA	ISHARES CORE MSCI EAFE ETF
Emerging Markets	<u>1.00%</u>	<u>2.02%</u>	<u>3.32%</u>	<u>4.00%</u>	<u>5.14%</u>	VWO	VANGUARD FTSE EMERGING MARKE
	14.63%	29.25%	48.75%	58.50%	73.12%		
Fixed Income							
Short Term Bond	18.23%	13.33%	9.58%	6.63%	2.82%	VFSUX	VANGUARD S/T INVEST GRD-ADM
High Yield	1.10%	1.03%	1.01%	0.88%	0.80%	VWEAX	VANGUARD HI YLD CORP-ADM
Intermediate Term Bond	<u>63.91%</u>	<u>53.15%</u>	<u>35.91%</u>	<u>28.50%</u>	<u>16.63%</u>	AGG	ISHARES CORE U.S. AGGREGATE
	83.25%	67.50%	46.50%	36.00%	20.25%		
Cash	2.13%	3.25%	4.75%	5.50%	6.62%	FGZXX	FIRST AM GOV OBLIG-Z
TOTAL	100.00%	100.00%	100.00%	100.00%	100.00%		
	0.07%	0.09%	0.10%	0.11%	0.12%	Weighted embedded expense ratio*	
	0.34%	0.34%	0.33%	0.33%	0.33%	Weighted investment management fee**	

*Represents the weighted embedded expense ratio for that fund (Source: Morningstar Direct)

**Represents the weighted investment management fee net of any waivers in place for assets invested in funds for which US Bank serves as advisor; assuming a \$5 million account

APPENDIX: INVESTMENT PORTFOLIOS

PARS DIVERSIFIED PORTFOLIOS CONSERVATIVE

Q1 2022

WHY THE PARS DIVERSIFIED CONSERVATIVE PORTFOLIO?

Comprehensive Investment Solution

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

Rigorous Manager Due Diligence

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

Flexible Investment Options

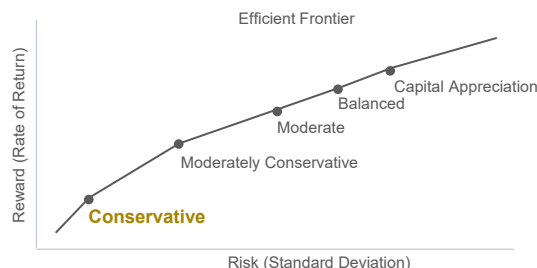
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation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

Risk Management

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

INVESTMENT OBJECTIVE

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



ASSET ALLOCATION — CONSERVATIVE PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	5 – 20%	15%	15%
Fixed Income	60 – 95%	80%	83%
Cash	0 – 20%	5%	2%

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

HighMark Plus Composite (Active)

Current Quarter*	-5.24%
Blended Benchmark*,**	-4.65%
Year To Date*	-5.24%
Blended Benchmark*,**	-4.65%
1 Year	-2.02%
Blended Benchmark**	-1.78%
3 Year	3.88%
Blended Benchmark**	3.62%
5 Year	3.92%
Blended Benchmark**	3.61%
10 Year	3.79%
Blended Benchmark**	3.44%

Index Plus Composite (Passive)

Current Quarter*	-5.36%
Blended Benchmark*,**	-4.65%
Year To Date*	-5.36%
Blended Benchmark*,**	-4.65%
1 Year	-2.34%
Blended Benchmark**	-1.78%
3 Year	3.50%
Blended Benchmark**	3.62%
5 Year	3.54%
Blended Benchmark**	3.61%
10 Year	3.41%
Blended Benchmark**	3.44%

* 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/Govt, 2% ICE BofA US High Yield Master II, 0.5% Wilshire REIT, and 5% FTSE 1 Mth US T-Bill. From 4/1/2007 – 9/30/2012, the blended benchmark was 12% S&P 500, 1% Russell 2000, 2% MSCI EAFE (net), 40% ICE BofA 1-3 Yr Corp./Govt, 40% Bloomberg US Agg, 5% FTSE 1 Mth US T-Bill. Prior to April 2007, the blended benchmark was 15% S&P 500, 40% ICE BofA 1-3Yr Corp/Govt, 40% Bloomberg US Agg, and 5% FTSE 1 Mth US T-Bill.

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

HighMark Plus Composite (Active)

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%

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%

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

HOLDINGS

HighMark Plus (Active)

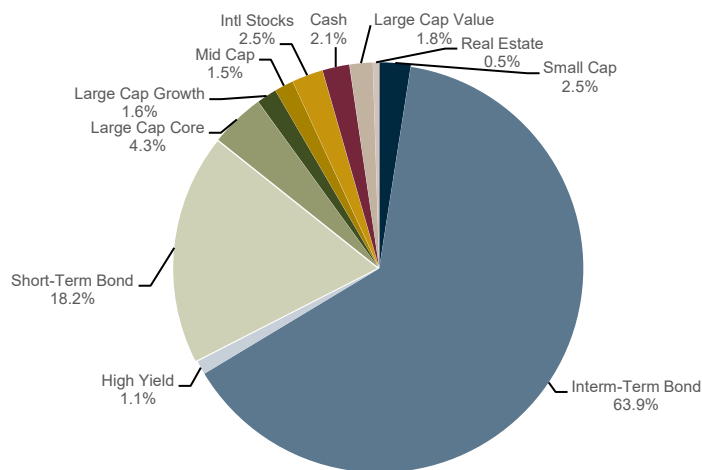
Columbia Contrarian Core I3
Vanguard Growth & Income Adm
Dodge & Cox Stock Fund
iShares S&P 500 Value ETF
Harbor Capital Appreciation - Retirement
T. Rowe Price Growth Stock - I
iShares Russell Mid-Cap ETF
Vanguard Real Estate ETF
Undiscovered Managers Behavioral Value-R6
Vanguard Small Cap Growth ETF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

Index Plus (Passive)

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

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

STYLE



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

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

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

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

HIGHMARK CAPITAL MANAGEMENT

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

ABOUT THE ADVISER

HighMark® Capital Management, Inc. (HighMark) has over 100 years (including predecessor organizations) of institutional money management experience with \$9.4 billion in assets under management and \$9.6 billion in assets under advisement*. HighMark has a long term disciplined approach to money management and currently manages assets for a wide array of clients.

ABOUT THE PORTFOLIO MANAGEMENT TEAM

Andrew Brown, CFA®

Senior Portfolio Manager
Investment Experience: since 1994
HighMark Tenure: since 1997
Education: MBA, University of Southern California; BA, University of Southern California

Salvatore "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

Randy Yurchak, CFA®

Senior Portfolio Manager
Investment Experience: since 2002
HighMark Tenure: since 2017
Education: MBA, Arizona State University; BS, University of Washington

Asset Allocation Committee

Number of Members: 17
Average Years of Experience: 27
Average Tenure (Years): 15

Manager Review Group

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

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

PARS DIVERSIFIED PORTFOLIOS MODERATELY CONSERVATIVE

Q1 2022

WHY THE PARS DIVERSIFIED MODERATELY CONSERVATIVE PORTFOLIO?

Comprehensive Investment Solution

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

Rigorous Manager Due Diligence

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

Flexible Investment Options

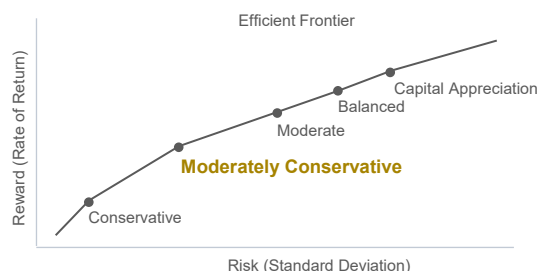
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation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

Risk Management

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

INVESTMENT OBJECTIVE

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



ASSET ALLOCATION — MODERATELY CONSERVATIVE PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	20 - 40%	30%	29%
Fixed Income	50 - 80%	65%	68%
Cash	0 - 20%	5%	3%

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

HighMark Plus Composite (Active)		Index Plus Composite (Passive)	
Current Quarter*	-5.15%	Current Quarter*	-5.36%
Blended Benchmark**, **	-4.96%	Blended Benchmark**, **	-4.96%
Year To Date*	-5.15%	Year To Date*	-5.36%
Blended Benchmark**, **	-4.96%	Blended Benchmark**, **	-4.96%
1 Year	-0.56%	1 Year	-0.55%
Blended Benchmark**	-0.08%	Blended Benchmark**	-0.08%
3 Year	5.80%	3 Year	5.43%
Blended Benchmark**	5.76%	Blended Benchmark**	5.76%
5 Year	5.48%	5 Year	5.12%
Blended Benchmark**	5.36%	Blended Benchmark**	5.36%
10 Year	5.16%	10 Year	4.89%
Blended Benchmark**	5.09%	Blended Benchmark**	5.09%

* 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/Govt, 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/Govt, 40% Bloomberg US Agg, and 5% FTSE 1 Mth US T-Bill.

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

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

PORTFOLIO FACTS

HighMark Plus (Active)		Index Plus (Passive)	
Composite Inception Date	08/2004	Composite Inception Date	05/2005
No of Holdings in Portfolio	20	No of Holdings in Portfolio	13

HOLDINGS

HighMark Plus (Active)

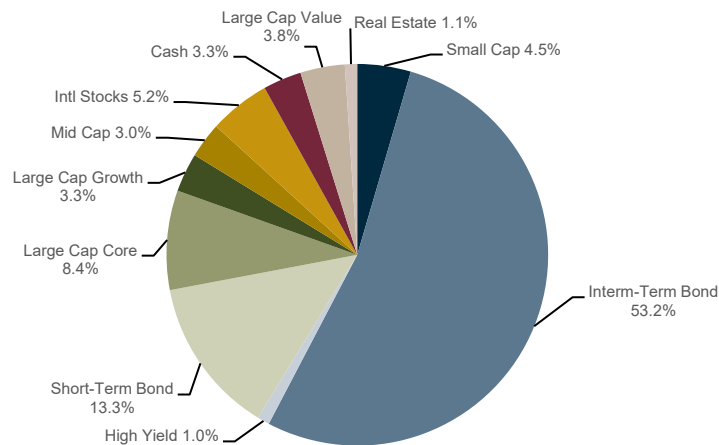
Columbia Contrarian Core I3
Vanguard Growth & Income Adm
Dodge & Cox Stock Fund
iShares S&P 500 Value ETF
Harbor Capital Appreciation - Retirement
T. Rowe Price Growth Stock - I
iShares Russell Mid-Cap ETF
Vanguard Real Estate ETF
Undiscovered Managers Behavioral Value-R6
Vanguard Small Cap Growth ETF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

Index Plus (Passive)

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

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

STYLE



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

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

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

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

HIGHMARK CAPITAL MANAGEMENT

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ABOUT THE ADVISER

HighMark® Capital Management, Inc. (HighMark) has over 100 years (including predecessor organizations) of institutional money management experience with \$9.4 billion in assets under management and \$9.6 billion in assets under advisement*. HighMark has a long term disciplined approach to money management and currently manages assets for a wide array of clients.

ABOUT THE PORTFOLIO MANAGEMENT TEAM

Andrew Brown, CFA®

Senior Portfolio Manager
Investment Experience: since 1994
HighMark Tenure: since 1997
Education: MBA, University of Southern California; BA, University of Southern California

Salvatore "Tory" Milazzo III, CFA®

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Education: MBA, Arizona State University; BS, University of Washington

Asset Allocation Committee

Number of Members: 17
Average Years of Experience: 27
Average Tenure (Years): 15

Manager Review Group

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

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

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

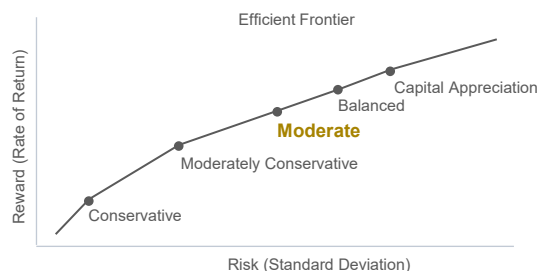
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation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

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%	49%
Fixed Income	40 - 60%	45%	46%
Cash	0 - 20%	5%	5%

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

HighMark Plus Composite (Active)

Current Quarter*	-5.07%
Blended Benchmark**,**	-4.97%
Year To Date*	-5.07%
Blended Benchmark**,**	-4.97%
1 Year	1.50%
Blended Benchmark**	2.42%
3 Year	8.42%
Blended Benchmark**	8.54%
5 Year	7.64%
Blended Benchmark**	7.61%
10 Year	6.99%
Blended Benchmark**	7.20%

Index Plus Composite (Passive)

Current Quarter*	-5.38%
Blended Benchmark**,**	-4.97%
Year To Date*	-5.38%
Blended Benchmark**,**	-4.97%
1 Year	1.94%
Blended Benchmark**	2.42%
3 Year	8.01%
Blended Benchmark**	8.54%
5 Year	7.20%
Blended Benchmark**	7.61%
10 Year	6.80%
Blended Benchmark**	7.20%

* Returns less than one year are not annualized. **Breakdown for Blended Benchmark: From 10/11/2012 – 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/Govt, 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%

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%

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

HOLDINGS

HighMark Plus (Active)

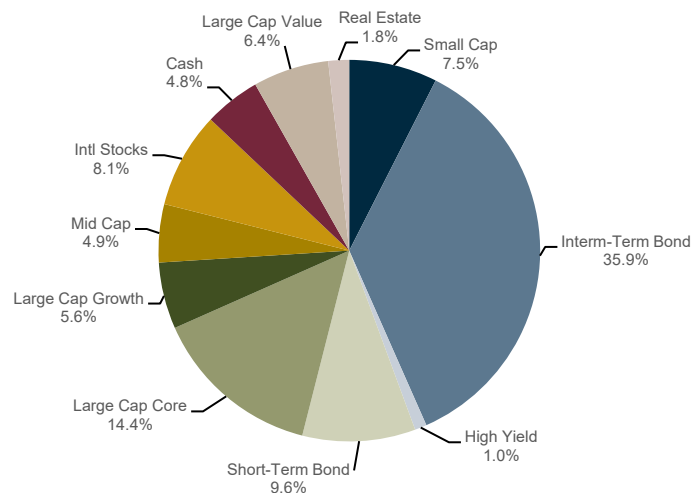
Columbia Contrarian Core I3
Vanguard Growth & Income Adm
Dodge & Cox Stock Fund
iShares S&P 500 Value ETF
Harbor Capital Appreciation - Retirement
T. Rowe Price Growth Stock - I
iShares Russell Mid-Cap ETF
Vanguard Real Estate ETF
Undiscovered Managers Behavioral Value-R6
Vanguard Small Cap Growth ETF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

Index Plus (Passive)

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



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HighMark Tenure: since 1997

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Asset Allocation Committee

Number of Members: 17

Average Years of Experience: 27

Average Tenure (Years): 15

Manager Review Group

Number of Members: 7

Average Years of Experience: 22

Average Tenure (Years): 10

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PARS DIVERSIFIED PORTFOLIOS
BALANCED

Q1 2022

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

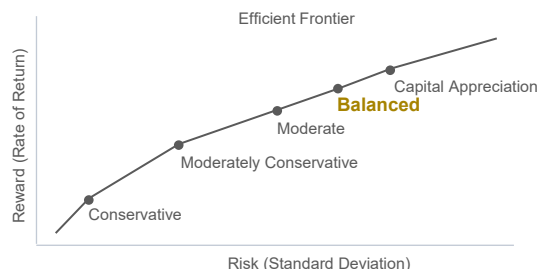
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Risk Management

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

INVESTMENT OBJECTIVE

To provide 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%	59%
Fixed Income	30 – 50%	35%	36%
Cash	0 – 20%	5%	5%

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

ANNUALIZED TOTAL RETURNS

HighMark Plus Composite (Active)

Current Quarter*	-5.03%
Blended Benchmark*, **	-5.02%
Year To Date*	-5.03%
Blended Benchmark*, **	-5.02%
1 Year	2.49%
Blended Benchmark**	3.64%
3 Year	9.69%
Blended Benchmark**	9.92%
5 Year	8.73%
Blended Benchmark**	8.72%
10 Year	7.94%
Blended Benchmark**	8.26%

Index Plus Composite (Passive)

Current Quarter*	-5.39%
Blended Benchmark*, **	-5.02%
Year To Date*	-5.39%
Blended Benchmark*, **	-5.02%
1 Year	3.19%
Blended Benchmark**	3.64%
3 Year	9.36%
Blended Benchmark**	9.92%
5 Year	8.22%
Blended Benchmark**	8.72%
10 Year	7.72%
Blended Benchmark**	8.26%

* 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/Govt, 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/Govt, 30% Bloomberg US Agg, and 5% FTSE 1 Mth US T-Bill.

ANNUAL RETURNS

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

HighMark Plus Composite (Active)

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%

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%

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

HOLDINGS

HighMark Plus (Active)

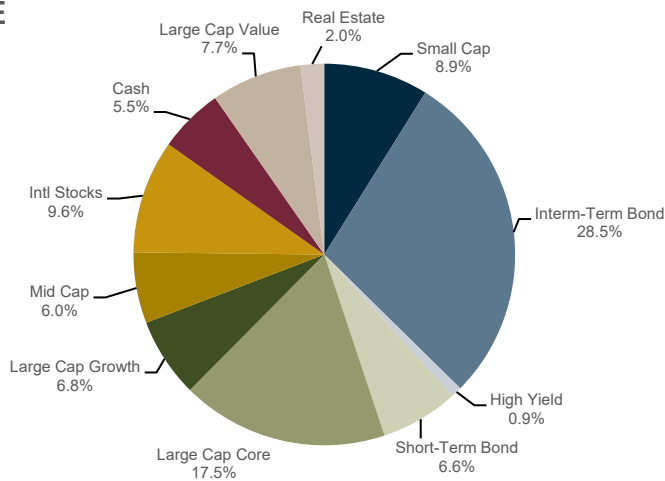
Columbia Contrarian Core I3
Vanguard Growth & Income Adm
Dodge & Cox Stock Fund
iShares S&P 500 Value ETF
Harbor Capital Appreciation - Retirement
T. Rowe Price Growth Stock - I
iShares Russell Mid-Cap ETF
Vanguard Real Estate ETF
Undiscovered Managers Behavioral Value-R6
Vanguard Small Cap Growth ETF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

Index Plus (Passive)

iShares Core S&P 500 ETF
iShares S&P 500 Value ETF
iShares S&P 500 Growth ETF
iShares Russell Mid-Cap ETF
Vanguard Real Estate ETF
iShares Russell 2000 Value ETF
iShares Russell 2000 Growth ETF
iShares Core MSCI EAFE ETF
Vanguard FTSE Emerging Markets ETF
Vanguard Short-Term Invest-Grade Adm
iShares Core U.S. Aggregate
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STYLE



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The composite name has been changed from PARS Balanced/Moderately Aggressive to PARS Balanced on 5/1/2013. The adviser to the PARS portfolios is US Bank, and HighMark serves as sub-adviser to US Bank to manage these portfolios. US Bank may charge clients as much as 0.60% annual management fee based on a sliding scale. US Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with US Bank. The 0.36% paid to HighMark, as well as other expenses that may be incurred in the management of the portfolio, will reduce the portfolio's returns. Assuming an investment for five years, a 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.

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Average Years of Experience: 22
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*Assets under management ("AUM") include assets for which HighMark provides continuous and regular supervisory and management services. Assets under advisement ("AUA") include assets for which HighMark provides certain investment advisory services (including, but not limited to, investment research and strategies) for client assets of its parent company, MUFG Union Bank, N.A.

WHY THE PARS DIVERSIFIED CAPITAL APPRECIATION PORTFOLIO?

Comprehensive Investment Solution

HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance.

Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

Rigorous Manager Due Diligence

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

Flexible Investment Options

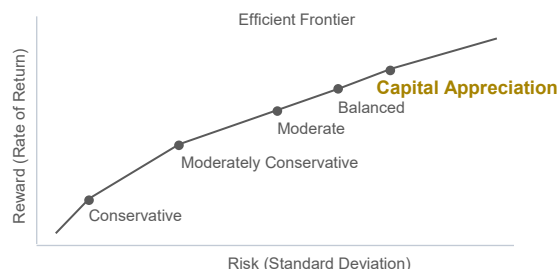
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation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

Risk Management

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

INVESTMENT OBJECTIVE

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



ASSET ALLOCATION — CAPITAL APPRECIATION PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	65 - 85%	75%	73%
Fixed Income	10 - 30%	20%	20%
Cash	0 - 20%	5%	7%

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

Consolidated Composite

Current Quarter*	-5.19%
Blended Benchmark*,**	-5.09%
Year To Date*	-5.19%
Blended Benchmark*,**	-5.09%
1 Year	4.22%
Blended Benchmark**	5.24%
3 Year	11.34%
Blended Benchmark**	11.77%
5 Year	9.99%
Blended Benchmark**	10.21%
10 Year	9.19%
Blended Benchmark**	9.58%

* 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%

PORTFOLIO FACTS

Consolidated Composite

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

HOLDINGS

HighMark Plus (Active)

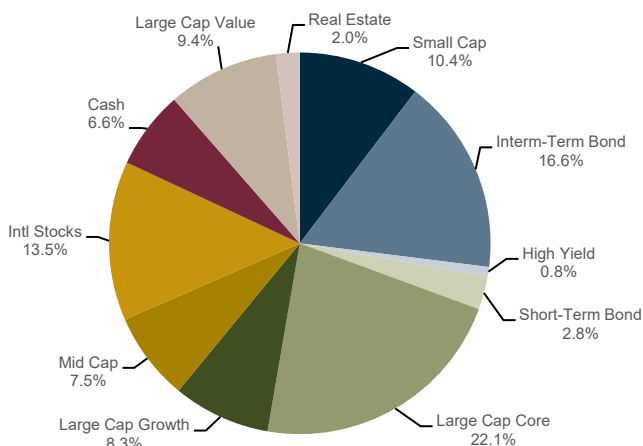
Columbia Contrarian Core I3
Vanguard Growth & Income Adm
Dodge & Cox Stock Fund
iShares S&P 500 Value ETF
Harbor Capital Appreciation – Retirement
T. Rowe Price Growth Stock - I
iShares Russell Mid-Cap ETF
Vanguard Real Estate ETF
Undiscovered Managers Behavioral Value-R6
Vanguard Small Cap Growth ETF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

Index Plus (Passive)

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

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

STYLE



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

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

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

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

HIGHMARK CAPITAL MANAGEMENT

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

ABOUT THE ADVISER

HighMark® Capital Management, Inc. (HighMark) has over 100 years (including predecessor organizations) of institutional money management experience with \$9.4 billion in assets under management and \$9.6 billion in assets under advisement*. HighMark has a long term disciplined approach to money management and currently manages assets for a wide array of clients.

ABOUT THE PORTFOLIO MANAGEMENT TEAM

Andrew Brown, CFA®

Senior Portfolio Manager
Investment Experience: since 1994
HighMark Tenure: since 1997
Education: MBA, University of Southern California; BA, University of Southern California

Salvatore "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

Randy Yurchak, CFA®

Senior Portfolio Manager
Investment Experience: since 2002
HighMark Tenure: since 2017
Education: MBA, Arizona State University; BS, University of Washington

Asset Allocation Committee

Number of Members: 17
Average Years of Experience: 27
Average Tenure (Years): 15

Manager Review Group

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

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APPENDIX: CLIENT LIST

PARS CLIENT LIST – PRSP (261)

Updated April 2022

CITIES & TOWNS (128)

Alameda
Anaheim
Atherton
Atwater
Bakersfield
Beaumont
Bell Gardens
Benicia
Beverly Hills
Brea
Brisbane
Burlingame
Camarillo
Capitola
Carmel
Chino Hills
Chula Vista
Claremont
Colma
Commerce
Corcoran
Coronado
Costa Mesa
Cudahy
Cupertino
Cypress
Daly City
Dana Point
Del Rey Oaks
Dinuba
Duarte
Dublin
El Cajon
El Centro
El Segundo
Emeryville
Escondido
Fairfax
Fairfield
Fountain Valley
Fullerton
Garden Grove
Gilroy
Glendale
Goleta
Grass Valley
Half Moon Bay
Healdsburg
Hercules
Huntington Beach
Indian Wells
Indio
La Habra
La Mesa
La Quinta
La Verne
Laguna Niguel
Lake Forest
Lemon Grove
Lodi
Los Alamitos
Los Altos Hills
Manhattan Beach
Merced
Modesto
Monrovia
Morgan Hill
Napa
National City
Norco
Norwalk
Novato
Oakley
Oroville
Pacifica
Palmdale

Palo Alto
Pasadena
Patterson
Perris
Pico Rivera
Piedmont
Pinole
Pittsburg
Placentia
Pleasant Hill
Pleasanton
Port Hueneme
Rancho Cucamonga
Redwood City
Rialto
Rio Vista
Riverside
Rohnert Park
Rolling Hills
Ross
San Anselmo
San Jacinto
San Leandro
San Ramon
Sanger
Santa Ana
Santa Clara
Santa Clarita
Sausalito
Selma
Solana Beach
Stanton
Stockton
Taft
Temecula
Thousand Oaks
Tiburon
Tustin

Twentynine Palms
Union City
Upland
Vallejo
Villa Park
Walnut
West Covina
West Sacramento
Westminster
Woodland
Woodside
Yountville
Yuba City
Yucca Valley

COUNTIES (22)

Calaveras
Colusa
Humboldt
Kings
Lake
Lassen
Mariposa
Merced
Monterey
Napa
Nevada
Placer
Plumas
Riverside
San Benito
Siskiyou
Solano
Sutter
Tehama
Tulare
Yolo
Yuba

EDUCATION DISTRICTS (47)

Alisal Union SD
Allan Hancock CCD
Alta Loma USD
Bass Lake Joint Union ESD
Beverly Hills USD
Brea Olinda USD
Calistoga Joint USD
Campbell Union HSD
Citrus CCD
Coast CCD
Corning Union ESD
Coronado USD
Cotati-Rohnert Park USD
El Monte Union HSD
Fontana USD
Grossmont-Cuyamaca CCD

Hartnell CCD
Hermosa Beach City SD
Hesperia Unified SD
Imperial CCD
Lakeside Union SD
Lemon Grove SD
Lindsay USD
Madera Unified SD

Marin CCD
Natomas USD
Ocean View SD
Ontario-Montclair SD
Palos Verdes Peninsula USD
Pasadena CCD
Placer Union HSD
Porterville USD

Rancho Santiago CCD
Rio Hondo CCD
River Delta USD
Roseville JUHSD
San Bernardino CCD
San Marino USD
Santa Rita Union SD
Shasta County OE

Shasta-Trinity-Tehama Joint CCD
SLO County CCD (Cuesta College)
Victor Valley CCD
Visalia USD
West Valley-Mission CCD
Whittier City SD
Yosemite CCD

SPECIAL DISTRICTS (64)

Agoura Hills/Calabasas Community Center JPA
Alameda County Mosquito Abatement District
Alpine Fire Protection District
Beach Cities Health District
Bighorn-Desert View Water Agency
Central Contra Costa Sanitary District
Conejo Recreation & Park District
Delta Diablo (Sanitation District)
East Bay Regional Park District
East Contra Costa Fire Protection District
East Orange County Water District
El Dorado Hills County Water District
Fallbrook Public Utility District
Goleta West Sanitary District
Great Basin Unified Air Pollution Control District
Greater Vallejo Recreation District

Hesperia Fire Protection District
Housing Authority of the County of Butte
Housing Authority of the County of San Bernardino
Housing Authority of the County of Santa Cruz
Humboldt Bay Municipal Water District
Mesa Water District
Metropolitan Transportation Commission
Midpeninsula Regional Open Space District
Midpeninsula Water District
Mojave Desert Air Quality Management District
Montecito Fire Protection District
Monterey Bay Unified Air Pollution Control District
Monterey County Mosquito Abatement District
Moraga-Orinda Fire Protection District
Mosquito & Vector Mgmt Dist. of Santa Barbara Co.
Mountains Recreation and Conservation Authority

Municipal Pooling Authority
Municipal Water District of Orange County
Napa County Mosquito Abatement District
Nevada County Consolidated Fire Department
North Central Fire District
Novato Sanitary District
Orange County Fire Authority
Orange County LAFCO
Orange County Mosquito & Vector District
Orchard Dale Water District
Pebble Beach Community Services District
Placer County Air Pollution Control District
Public Agency Risk Sharing Authority of CA
Rancho Cucamonga Fire Protection Department
Regional Housing Authority
Sacramento Area Flood Control Agency

San Elijo Joint Powers Authority
San Mateo Mosquito and Vector Control District
Santa Fe Irrigation District
Shasta Valley Cemetery District
South Coast Water District
Southern Marin Fire Protection District
Superior Court of CA, County of Inyo
Superior Court of CA, County of Kern
Sweetwater Springs Water District
Three Valleys Municipal Water District
Twentynine Palms Water District
Union Sanitary District
West Bay Sanitary District
Western Riverside Council of Governments
Yorba Linda Water District
Zone 7 Water District