OPEB Prefunding Trust Program
Client Review

County of Contra Costa

February 4, 2016
Contacts

PARS

Mitch Barker, Executive Vice President mbarker@pars.org; 800.540.6369 ext. 116

Rachael Sanders, Supervisor, Client Services rsanders@pars.org; 800.540.6369 ext. 121

HighMark Capital Management

Anders Brown, CFA, Senior Portfolio Manager andrew.brown@highmarkcapital.com; 415-705-7605
# OPEB Trust Team

<table>
<thead>
<tr>
<th>Role</th>
<th>Trust Administrator and Consultant</th>
<th>Trustee</th>
<th>Investment Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Recordkeeping/Sub-trust accounting</td>
<td>• Safeguard plan assets • Oversight protection</td>
<td>• Open architecture • Investment policy assistance</td>
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<td></td>
<td>• Actuarial Coordination</td>
<td>• Plan Fiduciary • Custodian of assets</td>
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<td></td>
<td>• Monitor Contributions/ Process Disbursements</td>
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<td></td>
<td>• Monitor Plan Compliance</td>
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<td></td>
<td>• Ongoing Client Liaison</td>
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<td>• Pre-fund Pension Option – NEW!</td>
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<thead>
<tr>
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<tbody>
<tr>
<td>OPEB Experience</td>
<td>19 years</td>
<td>10 years</td>
<td>19 years</td>
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<tr>
<td>Number of plans under administration</td>
<td>1,400 plans for 700 public agencies</td>
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<tr>
<td>Dollars under administration</td>
<td>More than $1.7 billion</td>
<td>More than $4 trillion</td>
<td>More than $15.3 billion under management</td>
</tr>
</tbody>
</table>
# More than 190 OPEB/Pension Clients

## CITIES & TOWNS
- Alameda
- Atherton
- Bakersfield
- Brea – **PENSION TOO**
- Brisbane
- Camarillo
- Colma – **PENSION TOO**
- Commerce
- Coronado – **PENSION TOO**
- Covina
- Crescent City
- Cupertino
- Duarte
- Elk Grove
- Fountain Valley
- Fullerton – **PENSION TOO**
- Galt
- Half Moon Bay
- Healdsburg – **PENSION ONLY**
- Hercules
- Hermosa Beach
- La Mesa – **PENSION TOO**
- La Verne
- Lake Forest – **PENSION TOO**
- Lakewood
- Livermore
- Mammoth Lakes
- Morgan Hill – **PENSION TOO**
- Norwalk
- Novato
- Redding
- Rialto
- Richmond
- Rohnert Park – **PENSION ONLY**
- Rosemead
- San Leandro
- Santa Clara
- Santa Clarita
- Sausalito – **PENSION TOO**
- Solana Beach – **PENSION TOO**
- Temple City
- Union City
- Woodland
- Yountville
- Yucca Valley

## COUNTIES
- Amador
- Contra Costa
- Humboldt – **PENSION ONLY**
- Imperial
- Inyo
- Kern
- Merced
- Mono
- Plumas
- San Benito
- Shasta
- Solano – **PENSION TOO**
- Sonoma
- Trinity
- Yolo

## SPECIAL DISTRICTS
- Bodega Bay Public Utility District
- Calaveras County Water District
- California Joint Powers IA
- California Joint Powers RMA
- Central Contra Costa Sanitary District
- Central Contra Costa Transit Authority
- Coachella Valley Water District
- Coastside Fire Protection District
- Contra Costa Mosquito & Vector Control District
- Crestline Village Water District
- Delta Diablo
- Desert Recreation District
- Eastern Sierra Community Services District
- Fresno Irrigation District
- Fresno Metropolitan Flood Control District
- Glenn-Colusa Irrigation District
- Great Basin Unified Air Pollution Control District
- Hayward Area Recreation & Park District
- Housing Authority of the County of Contra Costa
- Housing Authority of the County of San Bernardino
- Humboldt No. 1 Fire Protection District
- Menlo Park Fire Protection District
- Mesa Water District
- Metropolitan Transportation Commission
- Mid-Peninsula Water District
- Mojave Desert Air Quality Management District
- Montecito Fire Protection District
- Monterey Bay Unified Air Pollution Control Dist
- Moraga-Orinda Fire Protection District
- Municipal Water District of Orange County
- Orange County Vector Control District
- Orange County Water District
- Placer County Resource Conservation District
- Rancho Murrieta Community Services District
- Rowland Water District
- San Mateo County MVCD
- Santa Barbara County Law Library
- Santa Cruz Regional 9-1-1
- South Montebello Irrigation District
- South Orange County Wastewater Authority
- South Placer Fire Protection District
- Southern Marin Fire Protection District
- Superior Court of CA, County of Contra Costa
- Superior Court of CA, County of Imperial
- Superior Court of CA, County of Inyo
- Superior Court of CA, County of Kern – **PENSION TOO**
- Superior Court of CA, County of Marin
- Superior Court of CA, County of Merced
- Superior Court of CA, County of Orange
- Superior Court of CA, County of San Mateo
- Superior Court of CA, County of Shasta
- Superior Court of CA, County of Siskiyou
- Superior Court of CA, County of Sonoma
- Vallejo Sanitation & Flood Control District
- Ventura Regional Sanitation District
- Walnut Valley Water District
- West County Wastewater District
- Western Riverside Council of Governments

*Updated: January 2016*
More than 190 OPEB/Pension Clients

**SCHOOL DISTRICTS**

Auburn Union School District
Bass Lake Joint Union Elementary School District
Bellflower Unified School District
Beverly Hills Unified School District
Calistoga Joint Unified School District
Corning Union Elementary School District
El Dorado Union High School District
Fowler Unified School District
John Swett Unified School District
Lemon Grove School District – **PENSION TOO**
Manteca Unified School District
Moreno Valley Unified School District
Ocean View School District – **PENSION TOO**
Ontario-Montclair School District
Red Bluff Joint Union High School District
Red Bluff Union Elementary School District
River Delta Unified School District
Riverdale Joint Union School District
San Bruno Park School District
San Marino Unified School District
Santa Rita Union School District
Trona Joint Unified School District
Twin Rivers Unified School District
Visalia Unified School District

**COMMUNITY COLLEGE DISTRICTS**

State Center Community College District
Yosemite Community College District

**SPECIAL EDUCATION DISTRICT**

INTELECOM

Updated: January 2016
Plan Overview

**Type of Plan:** IRC Section 115 Irrevocable Exclusive Benefit Trust

**Trustee Approach:** Discretionary

**Plan Effective Date:** January 1, 2011

**Plan Administrator:** Russell (Rusty) Watts

**Current Investment Strategy:** Custom Strategy  
-Selected February 2011

**As of 11/30/2015:**

**Initial Contribution:** January 2011—$51,070,366

**Additional Contributions:** $96,284,373

**Total Contributions:** $147,354,739

**Disbursements:** $0

**Total Investment Earnings:** $31,870,704

**Account Balance:** $177,899,074
Summary of the Plan Activity

Plan Year Ending June, 2016 is based on 5 months of activity, through 11/30/2015
** Does not reflect contribution made on 1/13/16 for $4,999,999.75.

<table>
<thead>
<tr>
<th>Plan Y/E</th>
<th>Contributions</th>
<th>Disbursements</th>
<th>Total Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jun –11</td>
<td>$61,698,777</td>
<td>$0</td>
<td>$62,297,373</td>
</tr>
<tr>
<td>Jun –12</td>
<td>$20,606,199</td>
<td>$0</td>
<td>$85,491,338</td>
</tr>
<tr>
<td>Jun –13</td>
<td>$20,596,635</td>
<td>$0</td>
<td>$114,599,118</td>
</tr>
<tr>
<td>Jun –14</td>
<td>$19,373,129</td>
<td>$0</td>
<td>$149,031,810</td>
</tr>
<tr>
<td>Jun –15</td>
<td>$20,039,999</td>
<td>$0</td>
<td>$173,307,975</td>
</tr>
<tr>
<td>Jun –16†</td>
<td>$5,040,000</td>
<td>$0</td>
<td>$177,899,074</td>
</tr>
</tbody>
</table>

†Plan Year Ending June, 2016 is based on 5 months of activity, through 11/30/2015
** Does not reflect contribution made on 1/13/16 for $4,999,999.75.
We have received the actuarial report prepared by Milliman, with a valuation date of January 1, 2014. In the tables below, we have summarized the results.

Demographic Study

<table>
<thead>
<tr>
<th></th>
<th>January 1, 2012</th>
<th>January 1, 2014</th>
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</thead>
<tbody>
<tr>
<td><strong>Active Participants</strong></td>
<td>7,720</td>
<td>8,089</td>
</tr>
<tr>
<td><strong>Retirees</strong></td>
<td>5,941</td>
<td>6,206</td>
</tr>
<tr>
<td><strong>Total Plan Members</strong></td>
<td>13,661</td>
<td>14,295</td>
</tr>
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</table>
## Actuarial Results (continued)

<table>
<thead>
<tr>
<th></th>
<th>January 1, 2012</th>
<th>January 1, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6.32% Discount Rate</td>
<td>5.70% Discount Rate</td>
</tr>
<tr>
<td><strong>Actuarial Accrued Liability (AAL)</strong></td>
<td>$1,033,266,000</td>
<td>$923,848,000</td>
</tr>
<tr>
<td><strong>Actuarial Value of Assets</strong></td>
<td>$65,491,000</td>
<td>$129,426,000</td>
</tr>
<tr>
<td><strong>Unfunded AAL</strong></td>
<td>$967,775,000</td>
<td>$794,422,000</td>
</tr>
<tr>
<td><strong>Normal Cost</strong></td>
<td>$27,504,000</td>
<td>$27,882,000</td>
</tr>
<tr>
<td><strong>Annual Required Contribution (ARC)</strong></td>
<td>$59,763,000</td>
<td>$88,538,000</td>
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**Note:** Rule of thumb is, for every one percent increase in the discount rate, the unfunded liability is reduced by 10-12%.
Administrative Review

- Future Contributions
- Future Disbursement Requests- Options
- Agency’s future actuarial valuation for GASB 45 compliance – Next Valuation Due 01/16
- Investment Guidelines Document – Completed May, 2014
- Pension Rate Stabilization Plan (PRSP) – **New**
- Client Funding Policy
- Client Feedback