Contra Costa County

PARS
Post Retirement Healthcare Plan
Trust Funding Client Review

May 3, 2012
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Union Bank / HighMark Capital Management

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Program Overview & Responsible Parties
# OPEB Trust Team

<table>
<thead>
<tr>
<th>Role</th>
<th>Trust Administrator and Consultant</th>
<th>Trustee</th>
<th>Investment Manager</th>
</tr>
</thead>
</table>
|      | • Recordkeeping/Sub-trust accounting  
|      | • Actuarial Coordination  
|      | • Legal/Compliance  
|      | • Ongoing Client Liaison | • Safeguard plan assets  
|      |      | • Oversight protection  
|      |      | • Effective 2/1/2012 acquired Union Bank’s Retirement Plan Services business, which includes trustee services for all PARS programs | • An investment sub-advisor to U.S. Bank  
|      |      |      | • Open architecture  
|      |      |      | • Investment policy assistance |
| Corporate Experience | 29 years  
(1983 – 2012) | 149 years  
(1863 – 2012) | 93 years  
(1919 – 2012) |
| OPEB Experience | 16 years | 7 years | 16 years |
| Number of plans under administration | 1,137 plans for 611 public agencies |
| Dollars under administration | More than $1.06 billion | More than $4 trillion | More than $17.5 billion under management |
PARS Trustee Change

• U.S. Bank purchased Union Bank’s Retirement Plan Services business, which includes trustee services for all PARS programs effective February 1, 2012.

• The change should not have a noticeable impact on your Agency or plan participants. No actions are required at this point by your Agency.

• U.S. Bank has now assumed the same fiduciary and investment responsibility as Trustee for the ARS program that had been previously held by Union Bank.

• U.S. Bank will continue to use the same investment management company, HighMark Capital Management, in a subadvisory role to manage your plan’s investments. No change to your plan’s investments will occur.

• Anticipated conversion from Union Bank to U.S. Bank systems will take place in September, 2012. Until further notice from PARS, continue to send PARS contributions as you would normally do.
Trust Overview

PARS received an IRS Private Letter Ruling on the Section 115 Trust in May 2007.

Established as an irrevocable exclusive benefit trust:

- Assets can revert back to employer only when no beneficiaries of the plan remain
- Assets are legally protected from creditors of the employer and beneficiaries
Plan Review
Plan Overview

Type of Plan: IRC Section 115 Irrevocable Exclusive Benefit Trust
Trustee Approach: Discretionary
Plan Effective Date: January 1, 2011
Plan Administrator: Russell Watts – County Treasurer/Tax Collector
Current Investment Strategy: Custom Strategy
  - Selected February 2011

As of 02/29/2012:
Initial Contribution: January 2011 – $51,070,366.18
Additional Contributions: $20,570,659.25
Total Contributions: $71,641,025.43
Reimbursements: $0.00
Total Investment Earnings: $3,325,005.09
Account Balance: $74,774,255.39

*Additional Contribution made April 2012 in the amount of $4,992,826.74
Actuarial Results

We have received the actuarial reports prepared by Buck Consultants on April 9, 2012 with a valuation date of January 1, 2012. In the tables below, we have summarized the results.

Demographic Study

<table>
<thead>
<tr>
<th>Demographic Category</th>
<th>Valuation Date: January 1, 2010</th>
<th>January 1, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Participants</td>
<td>8,013</td>
<td>7,720</td>
</tr>
<tr>
<td>Retirees and Survivors</td>
<td>5,251</td>
<td>5,941</td>
</tr>
<tr>
<td>Total Plan Members</td>
<td>13,264</td>
<td>13,661</td>
</tr>
</tbody>
</table>
## Actuarial Results (continued)

<table>
<thead>
<tr>
<th></th>
<th>January 1, 2010 6.32% Discount Rate</th>
<th>January 1, 2012 6.32% Discount Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial Accrued Liability (AAL)</td>
<td>$1,047,028,000</td>
<td>$1,033,266,000</td>
</tr>
<tr>
<td>Actuarial Value of Assets</td>
<td>$25,048,000</td>
<td>$65,491,000</td>
</tr>
<tr>
<td>Unfunded AAL</td>
<td>$1,021,980,000</td>
<td>$967,775,000</td>
</tr>
<tr>
<td>Normal Cost</td>
<td>$29,232,000</td>
<td>$27,504,000</td>
</tr>
<tr>
<td>Annual Required Contribution (ARC)</td>
<td>$63,298,000</td>
<td>$59,763,000</td>
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