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CITY OF BEAUMONT

PARS 115 Trust – Pension Rate Stabilization Program Plan Review
August 8, 2022

CONTACTS



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PARS 115 TRUST TEAM

Trust Administrator & Consultant



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

38 Years of Experience (1984-2022)	2,000+ Plans under Administration	1,000+ Public Agency Clients	490+ 115 Trust Clients	500K+ Plan Participants	\$6.2B Assets under Administration
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Trustee



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

159 Years of Experience (1863-2022)	\$9.0T Assets under Trust Custody
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Investment Manager



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

103 Years of Experience (1919-2022)	\$19.0B Assets under Management & Advisement
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PENSION FUNDING STATUS

As of June 30, 2020, City of Beaumont’s CalPERS pension plan is funded as follows*:

Combined Miscellaneous & Safety Groups	Valuation as of June 30, 2019	Valuation as of June 30, 2020	Change
Actuarial Liability	\$83.0 M	\$90.4 M	9.0% ↑
Assets	\$63.0 M	\$68.4 M	8.7% ↑
Unfunded Liability	\$20.0 M	\$22.0 M	10.0% ↑
Funded Ratio	75.9%	75.7%	0.3% ↓
Employer Contribution Amount	\$3.2 M (FY 20-21)	\$3.6 M (FY 21-22)	13.4% ↑
Employer Contribution Amount – Projected*	---	\$4.8 M (FY 27-28)	31.7% ↑

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

SUMMARY OF AGENCY'S PENSION PLAN

Plan Type:	IRC Section 115 Irrevocable Exclusive Benefit Trust
Trustee Approach:	Discretionary
Plan Effective Date:	December 7, 2021
Plan Administrator:	City Manager
Current Investment Strategy:	Moderate HighMark Plus (Active) Strategy; Pooled Account

AS OF JUNE 30, 2022:

Initial Contribution:	March 2022: \$2,500,000
Additional Contributions:	\$0
Total Contributions:	\$2,500,000
Disbursements:	\$0
Total Investment Earnings:	(\$153,849)
Account Balance:	\$2,344,101

HIGHMARK CAPITAL MANAGEMENT INVESTMENT REVIEW

PARS: City of Beaumont

July 2022

Presented by:

Christiane Tsuda – Senior Portfolio Manager

DISCUSSION HIGHLIGHTS – CITY OF BEAUMONT

Asset Allocation (as of 6-30-22)

- Stocks 46.49% (40% - 60%); Bonds 46.21% (40% - 60%); Cash 7.30% (0% - 20%)
- Large Cap 25.41%, Mid Cap 4.43%, Small Cap 7.19%, International 7.73%, REIT 1.74%
- *Moderate (Active)*

Performance (as of 6-30-22) Gross of investment fees, net of fund level fees

- 1 Month: -5.20%
- 3 Month: -10.18%
- Inception to Date: -10.39% (March, 2022)

Outlook

- US Economy
 - COVID
 - Inflation
 - Unemployment/labor
 - Supply chain
 - State of the consumer
 - Recession?
- Global Economies
 - Developed international / emerging markets.
- Geopolitical
 - War in Ukraine
 - China
- Federal Reserve
 - QE / QT / rate hikes
 - 10-year yield: 2.85-3.15% ('22); 2.60-2.90% ('23)
- Outlook
 - Value vs. Growth
 - Real assets

Selected Period Performance

Account Name: PARS/PRSP MODERATE HIGHMARK PLUS

Account ID: xxxxx50106

As of: June 30, 2022

Performance Report

	1 Month	3 Months	Inception to Date 03/01/2022
Cash Equivalents	.08	.14	.15
<i>Lipper Money Market Funds Index</i>	.07	.13	.14
Total Fixed Income	-2.07	-4.99	-7.42
<i>Bloomberg US Aggregate Bd Index (USD)</i>	-1.57	-4.69	-7.34
Total Equities	-8.68	-15.93	-14.33
Large Cap Funds	-8.54	-16.96	-14.61
<i>S&P 500 Composite Index</i>	-8.25	-16.10	-12.99
Mid Cap Funds	-9.96	-16.84	-14.76
<i>Russell Midcap Index</i>	-9.98	-16.85	-14.72
Small Cap Funds	-8.97	-15.73	-15.38
<i>Russell 2000 Index (USD)</i>	-8.22	-17.20	-16.16
International Equities	-8.33	-12.40	-13.08
<i>MSCI EAFE Index (Net)</i>	-9.28	-14.51	-13.96
<i>MSCI EM Free Index (Net USD)</i>	-6.65	-11.45	-13.45
REIT Funds	-7.46	-15.14	-9.83
<i>Wilshire REIT Index</i>	-7.90	-18.48	-12.89
Total Managed Portfolio	-5.20	-10.18	-10.39
Total Account Net of Fees	-5.23	-10.25	-10.49

Returns are gross of fees not including account level advisory fees unless otherwise stated. Gross returns are presented before management and custodial fees but after all trading expenses, embedded and reflect the reinvestment of dividends and other income. Net returns are net of investment management fees in effect for the respective time period. Returns for periods over one year are annualized. An investor cannot invest directly in unmanaged indices. The information presented has been obtained from sources believed to be accurate and reliable. Past performance is not indicative of future returns. Securities are not FDIC insured have no bank guarantee and may lose value.

Asset Allocation – City of Beaumont

As of June 30, 2022

Current Asset Allocation		Investment Vehicle	
Equity	46.49%		Range: 40% - 60%
Large Cap Core	4.71%	COFYX	Columbia Contrarian Core Cl Y
	8.96%	VGIAX	Vanguard Growth & Income Admiral Shares
Large Cap Value	4.32%	DODGX	Dodge & Cox Stock Fund
	1.96%	IVE	iShares S&P 500 Value ETF
Large Cap Growth	2.73%	HNACX	Harbor Capital Appreciation Instl
	2.73%	PRUFX	T. Rowe Price Growth Stock Fund
Mid Cap Core	4.43%	IWR	iShares Russell Mid Cap ETF
Small Cap Value	3.69%	UBVFX	Undiscovered Managers Behavioral Value R6
Small Cap Growth	3.50%	VBK	Vanguard Small Cap Vipers Fund
International Core	0.98%	DODFX	Dodge & Cox International Stock Fund
	2.71%	DFALX	DFA Large Cap International Portfolio
International Growth	1.00%	MGRDX	MFS International Growth Fund
Emerging Markets	3.04%	HHHFX	Schroder Emerging Market Equity
REIT	1.74%	VNQ	Vanguard REIT ETF
Fixed Income	46.21%		Range: 40% - 60%
Short-Term	10.61%	VFSUX	Vanguard Short-Term Corp Adm Fund
Intermediate-Term	11.51%	DBLFX	DoubleLine Core Fixed Income I
	11.54%	PTRQX	Prudential Total Return Bd Cl Q
	11.58%	PTTRX	PIMCO Total Return Instl Fund
	0.96%	PHIYX	PIMCO High Yield Instl Fund
Cash	7.30%		Range: 0% - 20%
	7.30%	FGZXX	First American Government Obligations Fund
TOTAL	100.00%		

PARS City of Beaumont

For Period Ending June 30, 2022

LARGE CAP EQUITY FUNDS							
Fund Name	1-Month Return	3-Month Return	Year-to- Date	1-Year Return	3-Year Return	5-Year Return	10-Year Return
Columbia Contrarian Core Inst	-7.86	-16.27	-18.76	-12.91	11.28	10.53	13.12
Vanguard Growth & Income Adm	-8.77	-15.78	-19.06	-9.83	10.87	11.32	13.00
Dodge & Cox Stock	-9.31	-12.42	-11.53	-7.57	11.27	9.92	13.09
iShares S&P 500 Value ETF	-8.25	-11.32	-11.51	-5.04	8.05	8.01	10.78
Harbor Capital Appreciation Retirement	-7.93	-25.46	-35.59	-32.06	8.25	12.14	13.69
T. Rowe Price Growth Stock I	-8.62	-25.40	-36.60	-34.11	4.36	8.70	12.52
S&P 500 TR USD	-8.25	-16.10	-19.96	-10.62	10.60	11.31	12.96
MID CAP EQUITY FUNDS							
iShares Russell Mid-Cap ETF	-9.99	-16.88	-21.63	-17.43	6.42	7.81	11.11
SMALL CAP EQUITY FUNDS							
Undiscovered Managers Behavioral Val L	-9.94	-11.05	-7.91	-3.11	10.76	8.19	11.83
Vanguard Small-Cap Growth ETF	-8.00	-20.44	-29.94	-31.77	2.34	6.81	9.82
Russell 2000 TR USD	-8.22	-17.20	-23.43	-25.20	4.21	5.17	9.35
INTERNATIONAL EQUITY FUNDS							
Dodge & Cox International Stock	-8.77	-9.49	-10.02	-10.93	3.52	2.14	6.11
DFA Large Cap International I	-9.31	-13.22	-17.50	-15.71	2.48	3.01	5.62
MFS International Growth R6	-6.78	-12.24	-19.38	-17.98	3.33	5.71	7.08
MSCI EAFE NR USD	-9.28	-14.51	-19.57	-17.77	1.07	2.20	5.40
Hartford Schroders Emerging Mkts Eq F	-6.94	-12.08	-19.78	-28.42	0.75	2.70	3.53
MSCI EM NR USD	-6.65	-11.45	-17.63	-25.28	0.57	2.18	3.06
REAL ESTATE FUNDS							
Fund Name	1-Month Return	3-Month Return	Year-to- Date	1-Year Return	3-Year Return	5-Year Return	10-Year Return
Vanguard Real Estate ETF	-7.51	-15.47	-20.52	-8.07	4.73	5.69	7.47
BOND FUNDS							
DoubleLine Core Fixed Income I	-2.01	-5.50	-10.11	-10.18	-1.24	0.74	2.08
PGIM Total Return Bond R6	-2.59	-6.71	-12.78	-12.53	-1.34	1.08	2.56
PIMCO Total Return Instl	-2.07	-5.46	-11.31	-11.11	-0.77	0.99	1.87
Vanguard Short-Term Investment-Grade Adm	-1.30	-1.86	-5.58	-6.10	0.22	1.25	1.70
BBgBarc US Agg Bond TR USD	-1.57	-4.69	-10.35	-10.29	-0.93	0.88	1.54

Source: SEI Investments, Morningstar Investments

Returns less than one year are not annualized. Past performance is no indication of future results. The information presented has been obtained from sources believed to be accurate and reliable. Securities are not FDIC insured, have no bank guarantee and may lose value.