

PUBLIC
AGENCY
RETIREMENT
SERVICES

PARS

TRUSTED SOLUTIONS. LASTING RESULTS.



CITY OF BEAUMONT

PARS 115 Trust - Pension Rate Stabilization Program (PRSP)

December 7, 2021

CONTACTS



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PARS 115 TRUST TEAM

Trust Administrator & Consultant



- Recordkeeping
- Sub-trust accounting
- Monitors plan compliance
- Processes contributions/disbursements
- Hands-on, dedicated support teams
- Coordinates all agency services

37 Years of Experience (1984-2021)	2,000+ Plans under Administration	1,000+ Public Agency Clients	450+ 115 Trust Clients	500 K+ Plan Participants	\$6.0 B Assets under Administration
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Trustee



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

158 Years of Experience (1863-2021)	\$5.0 T Assets under Administration
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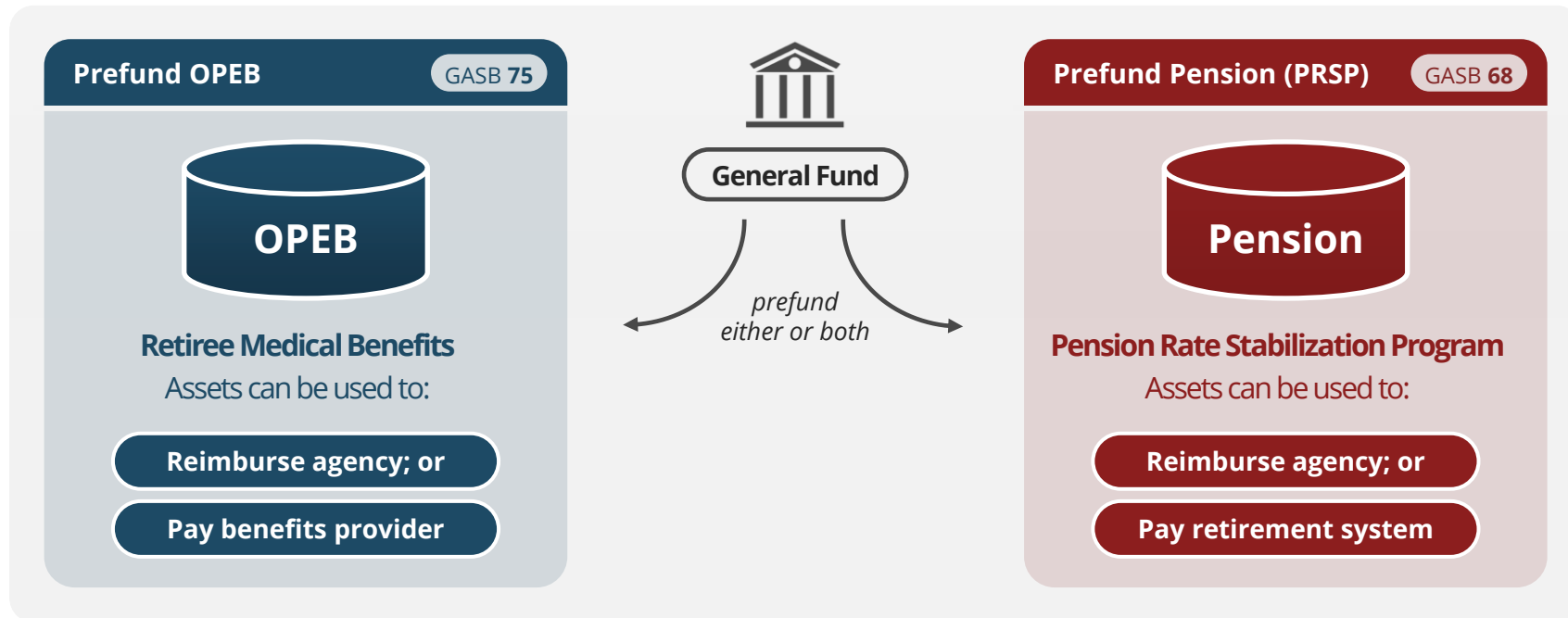
Investment Manager



- 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)

102 Years of Experience (1919-2021)	\$18.8 B Assets under Management/Advisement
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PARS IRS-APPROVED SECTION 115 TRUST



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

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

Flexible Investing
 Allows separate investment strategies for OPEB and Pension subaccounts.

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

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

No Set Up Cost or Minimums
 No set-up costs, no minimum annual contribution amounts, and no fees until assets are added.

PARS CLIENT LIST – PRSP (245)

Updated November 2021

CITIES & TOWNS (119)

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

COUNTIES (21)

Thousand Oaks	Calaveras	Sutter
Tiburon	Colusa	Tulare
Tustin	Humboldt	Yolo
Twentynine Palms	Kings	Yuba
Union City	Lake	
Upland	Lassen	
Vallejo	Mariposa	
Villa Park	Merced	
Walnut	Monterey	
West Covina	Napa	
West Sacramento	Nevada	
Westminster	Placer	
Woodland	Plumas	
Woodside	Riverside	
Yountville	San Benito	
Yuba City	Siskiyou	
Yucca Valley	Solano	

EDUCATION DISTRICTS (43)

Citrus CCD	Rio Hondo CCD	Alisal Union SD	Cotati-Rohnert Park USD	Madera Unified SD	Santa Rita Union SD
Coast CCD	San Bernardino CCD	Alta Loma USD	El Monte Union HSD	Natomas USD	Shasta County OE
Grossmont-Cuyamaca CCD	San Luis Obispo County CCD	Bass Lake Joint Union ESD	Fontana USD	Ocean View SD	Visalia USD
Hartnell CCD	(Cuesta College)	Beverly Hills USD	Hermosa Beach City SD	Ontario-Montclair SD	Whittier City SD
Imperial CCD	Shasta-Trinity-Tehama Joint CCD	Calistoga Joint USD	Hesperia Unified SD	Placer Union HSD	
Marin CCD	Victor Valley CCD	Campbell Union HSD	Lakeside Union SD	Porterville USD	
Pasadena CCD	West Valley-Mission CCD	Corning Union ESD	Lemon Grove SD	River Delta USD	
Rancho Santiago CCD	Yosemite CCD	Coronado USD	Lindsay USD	San Marino USD	

SPECIAL DISTRICTS (62)

Agoura Hills/Calabasas Community Center JPA	Housing Authority of the County of Butte	Municipal Water District of Orange County	San Elijo Joint Powers Authority
Alameda County Mosquito Abatement District	Housing Authority of the County of San Bernardino	Napa County Mosquito Abatement District	San Mateo Mosquito and Vector Control District
Beach Cities Health District	Housing Authority of the County of Santa Cruz	Nevada County Consolidated Fire Department	Santa Fe Irrigation District
Bighorn-Desert View Water Agency	Humboldt Bay Municipal Water District	North Central Fire District	Shasta Valley Cemetery District
Central Contra Costa Sanitary District	Mesa Water District	Novato Sanitary District	South Coast Water District
Conejo Recreation & Park District	Metropolitan Transportation Commission	Orange County Fire Authority	Southern Marin Fire Protection District
Delta Diablo (Sanitation District)	Midpeninsula Regional Open Space District	Orange County LAFCO	Superior Court of CA, County of Inyo
East Bay Regional Park District	Midpeninsula Water District	Orange County Mosquito & Vector District	Superior Court of CA, County of Kern
East Contra Costa Fire Protection District	Mojave Desert Air Quality Management District	Orchard Dale Water District	Sweetwater Springs Water District
East Orange County Water District	Montecito Fire Protection District	Pebble Beach Community Services District	Three Valleys Municipal Water District
El Dorado Hills County Water District	Monterey Bay Unified Air Pollution Control District	Placer County Air Pollution Control District	Twentynine Palms Water District
Fallbrook Public Utility District	Monterey County Mosquito Abatement District	Public Agency Risk Sharing Authority of CA	West Bay Sanitary District
Goleta West Sanitary District	Moraga-Orinda Fire Protection District	Rancho Cucamonga Fire Protection Department	Western Riverside Council of Governments
Great Basin Unified Air Pollution Control District	Mosquito & Vector Mgmt Dist. of Santa Barbara Co.	Regional Housing Authority	Yorba Linda Water District
Greater Vallejo Recreation District	Mountains Recreation and Conservation Authority	Sacramento Area Flood Control Agency	Zone 7 Water District
Hesperia Fire Protection District	Municipal Pooling Authority		

The

PARS PENSION RATE STABILIZATION PROGRAM

for prefunding pension obligations

BACKGROUND – PENSION

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

CalPERS Changes

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

Lowering of Discount Rate ¹

7.0%
▼
6.8%

CalPERS is lowering the discount rate from 7.0% to 6.8% (at least) per "Funding Risk Mitigation Policy"

¹ CALPERS previously voted to lower discount rate from 7.5% to 7.0% back in December, 2016

Shortened Amortization Period ²

30 years
▼
20 years

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

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



PENSION FUNDING STATUS

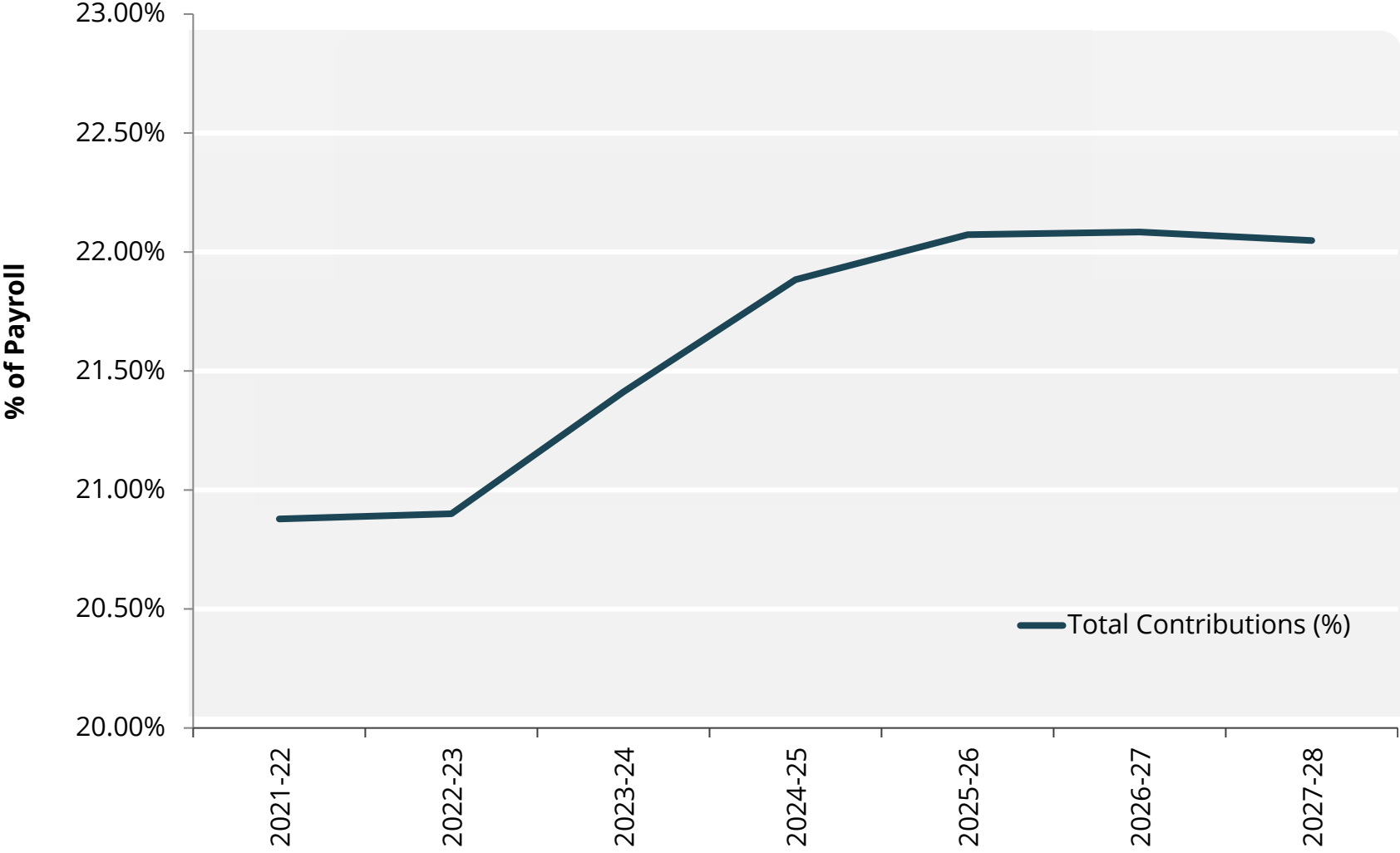
As of June 30, 2020, City of Beaumont’s CalPERS pension plan is funded as follows:

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.

PROJECTED EMPLOYER CONTRIBUTIONS (MISC.)

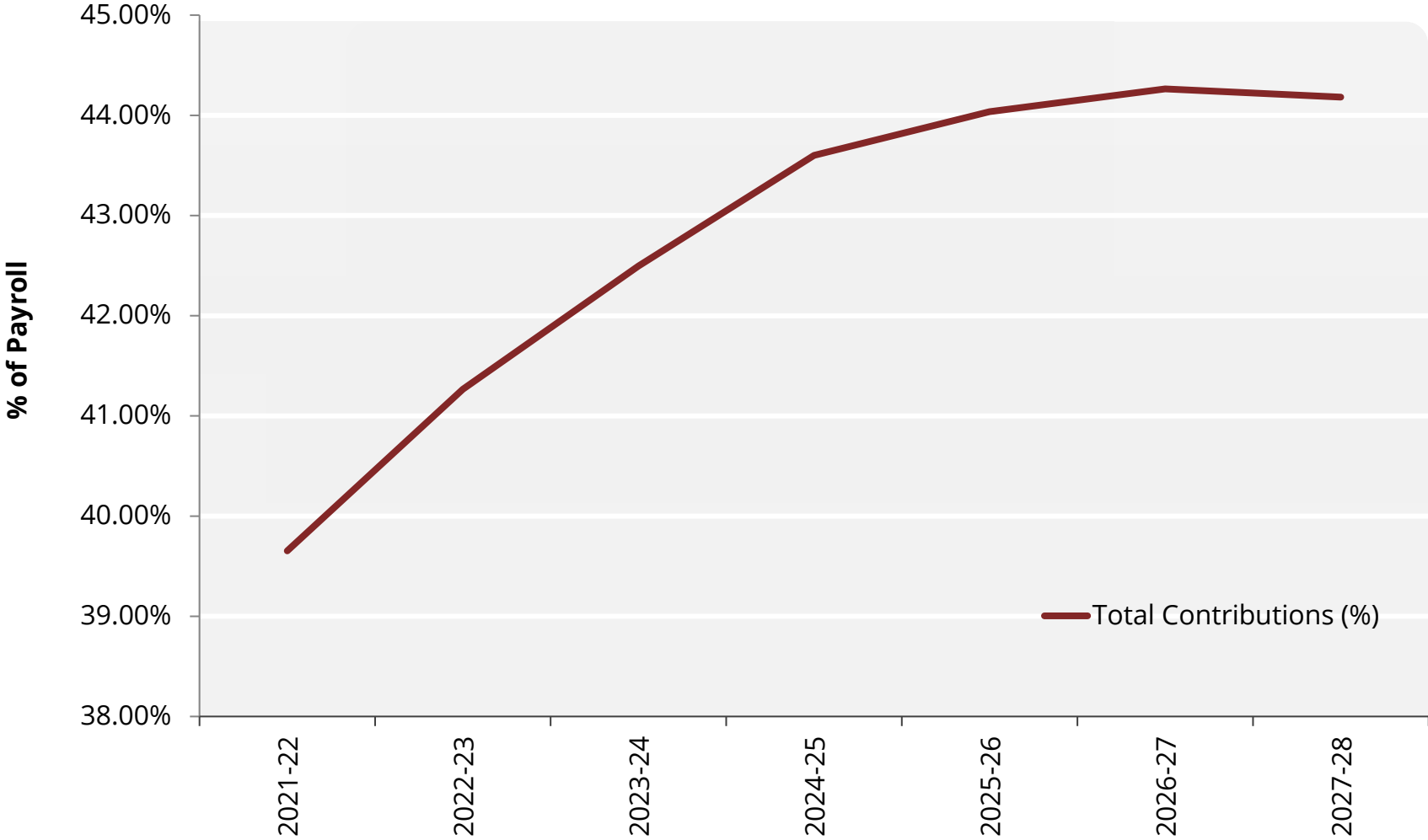
Projected misc. contributions increase from \$1.7M to \$2.2M* (34.4% ↑)



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

PROJECTED EMPLOYER CONTRIBUTIONS (SAFETY)

Projected safety contributions increase from \$2.0M to \$2.5M* (29.5% ↑)



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

WHY PREFUND PENSION OBLIGATIONS?

1. Complete Local Control over Assets

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

2. Pension Rate Stabilization

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

3. Rainy Day Fund

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

4. Diversification

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



SIMPLE INVESTMENT APPROACH

1. Input Phase

- Target discount rate
- Risk tolerance
- Investment philosophy
- Asset allocation
- Timing on use of funds

2. Model Portfolios

Strategy	Equity
Capital Appreciation	65-85%
Balanced	50-70%
Moderate	40-60%
Moderately Conservative	20-40%
Conservative	5-20%

3. Dedicated Portfolio Manager

- Makes recommendation
- Fiduciary responsibility
- Drafts investment policy
- Annual on-site reviews
- Cell phone access

HIGHMARK INVESTMENT RETURNS

As of September 30, 2021

ACTIVE PORTFOLIO RETURNS

Strategy	Equity (%)	1 Year	3 Years	5 Years	10 Years
Capital Appreciation	65-85%	23.25%	11.22%	11.42%	11.12%
Balanced	50-70%	19.24%	10.30%	10.11%	9.83%
Moderate	40-60%	15.94%	9.54%	8.93%	8.72%
Moderately Conservative	20-40%	9.83%	7.80%	6.61%	6.64%
Conservative	5-20%	5.40%	6.58%	4.95%	4.97%

**Past performance does not guarantee future results.*

PROGRAM FEES

As of September 30, 2021

Trust Administration/Consulting Fees*



Plan Set-Up Fee:

None

Ongoing Fees:

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

Discretionary Trustee/Investment Management Fees**



Plan Set-Up Fee:

None

Ongoing Fees:

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

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

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

STEPS TO IMPLEMENTATION

- 1.** City Council authorizes establishment of The PARS Trust and appoints a Plan Administrator
- 2.** PARS provides legal documents for signature by Plan Administrator
- 3.** City develops investment policy and guidelines for Investment Manager
- 4.** City Council approves initial deposit to The PARS Trust
- 5.** City develops policies & procedures for future annual contributions and/or disbursements
- 6.** PARS conducts an annual client services review