



COUNTY OF HUMBOLDT

OPEB Pre-Funding Trust Program &
Pension Rate Stabilization Program (PRSP) Client Review
November 19, 2019

CONTACTS



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PARS TRUST TEAM

Trust Administrator & Consultant



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

35

Years of Experience
(1984-2019)

1,400+

Plans under
Administration

900+

Public Agency
Clients

500K+

Plan Participants

\$4.0B

Assets under
Administration

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

156

Years of Experience
(1863-2019)

\$5.0T

Assets under
Administration

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)

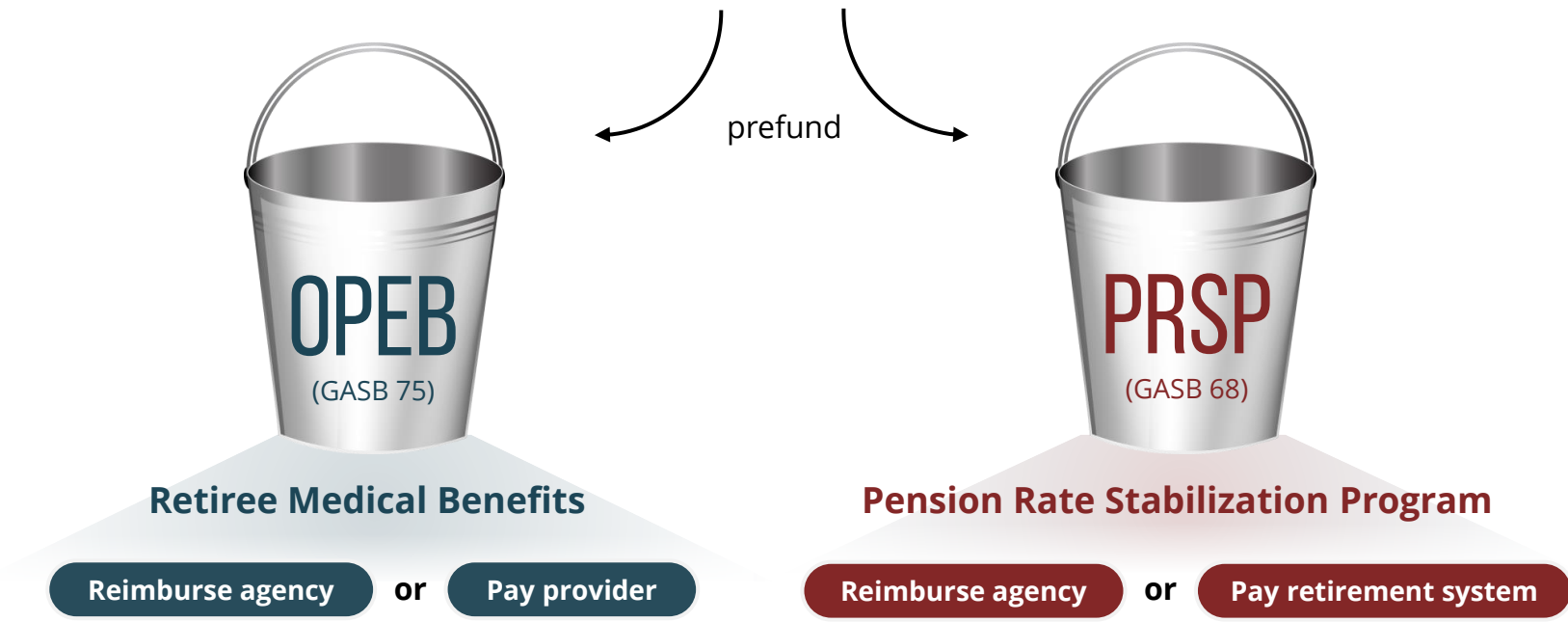
100

Years of Experience
(1919-2019)

\$16.4B

Assets under
Management

THE PARS IRS-APPROVED COMBINATION 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
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.



400+ 115 TRUST CLIENTS, INCLUDING:

Updated November 2019

COUNTIES (28)

- | | | | |
|--------------|--------|------------|---------|
| Amador | Kings | Plumas | Trinity |
| Calaveras | Lake | Riverside | Tulare |
| Colusa | Lassen | San Benito | Yolo |
| Contra Costa | Merced | Shasta | Yuba |
| Humboldt | Mono | Siskiyou | |
| Imperial | Napa | Solano | |
| Inyo | Nevada | Sonoma | |
| Kern | Placer | Sutter | |

The

PARS OPEB TRUST PROGRAM

for prefunding Other Post-Employment Benefits (retiree medical)

OPEB ACTUARIAL RESULTS

- We have received the actuarial report by GovInvest dated August 30, 2018 with a valuation date as of June 30, 2017. In the table below, we have summarized the results.

Demographic Study Valuation Date: June 30, 2017	
Actives	1,930
Retirees	598
Total	2,528
Average Active Age	45.0
Average Active Agency Service	9.2

OPEB ACTUARIAL RESULTS

	June 30, 2017 Valuation 3.50% Discount Rate	Percent Change	Hypothetical Prefunding Discount Rate: 6.50%
Total OPEB Liability (TOL)	\$41,392,660	30-36% ▼	?
Fiduciary Net Position	\$0	--	\$0
Net OPEB Liability (NOL)	\$41,392,660	30-36% ▼	?
Service Cost	\$2,573,681	30-36% ▼	?
Annual Benefit Payments (Pay-as-you-Go)	\$1,738,727	--	\$1,738,727

Rule of thumb: For every one percent increase in the discount rate, the unfunded liability is lowered by 10-12%.

WHY PREFUND OPEB?

- Greater expected rate of return (discount rate) which lowers your liabilities
- Contributions into trust are “assets” that offset liabilities on financial statements
- GASB 68 – Pension liabilities listed as line item on Balance Sheet in 2015
GASB 75 – OPEB liabilities have been listed on Balance sheet after FY2017
- GFOA recommends prefunding OPEB and considers it “best practice” (January 2012)
- Credit rating companies look more favorably on agencies who adopt an Irrevocable Trust and prefund
 - At least 4 agencies have improved credit rating
 - Higher credit rating means lower borrowing costs
- OPEB assets are accessible for OPEB expenses at any time
- Prefunding has no downside other than market fluctuation (similar to pension)

The

PARS PENSION RATE STABILIZATION PROGRAM

for prefunding pension obligations



PENSION FUNDING STATUS

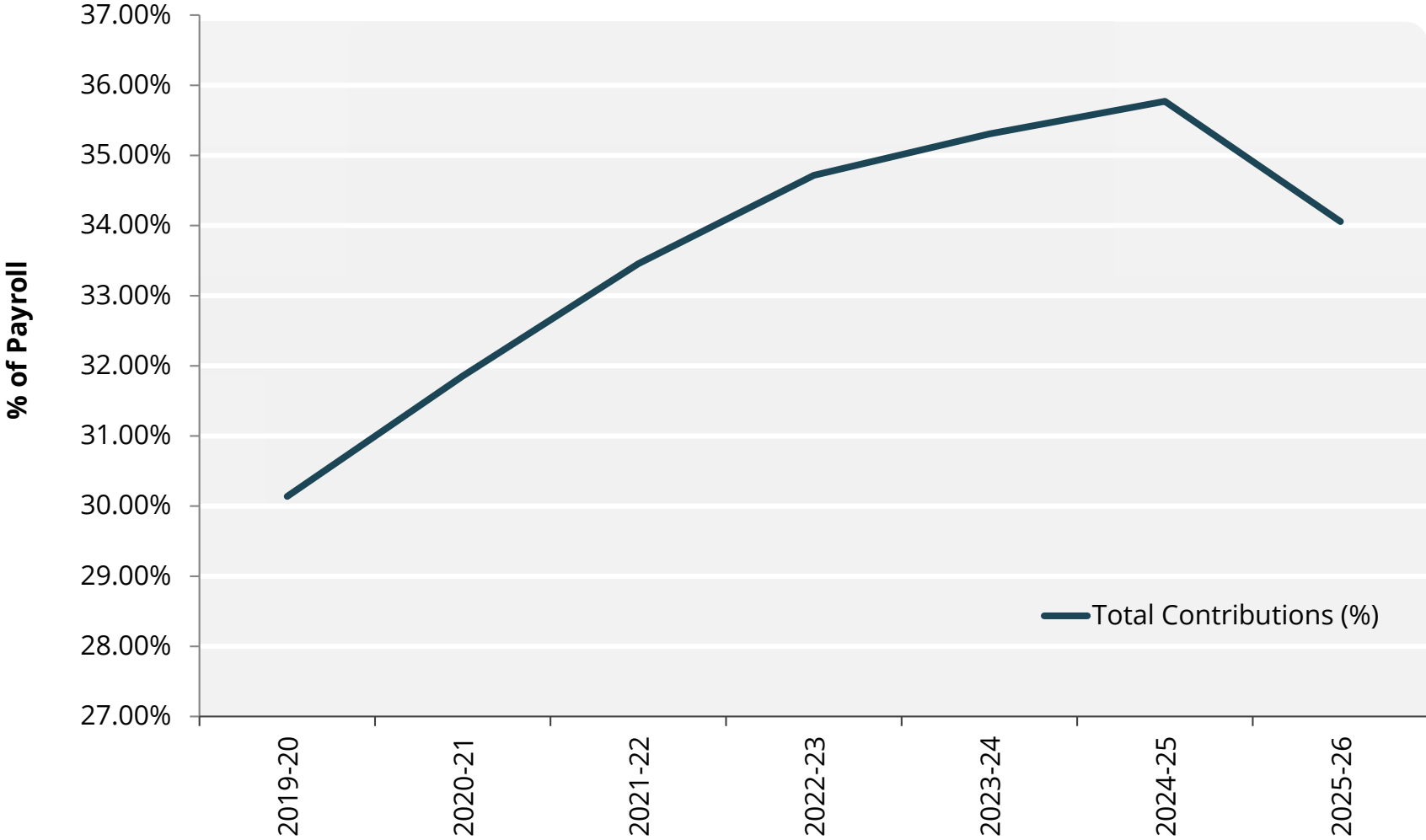
As of June 30, 2018, County of Humboldt’s CalPERS pension plan is funded as follows*:

Actuarial Liability	\$1.0 B
Assets	\$686.4 M
Unfunded Liability	\$318.0 M
Funded Ratio	68.3%
Employer Contribution Amount (FY 19-20)	\$36.6 M
Projected Employer Contribution Amount (FY 25-26)	\$48.8 M (33.5% ↑)

* Data through 2025-26 from Agency’s latest CalPERS actuarial valuation. Data after 2025-26 are not actuarial projections.

PROJECTED EMPLOYER CONTRIBUTIONS (MISC.)

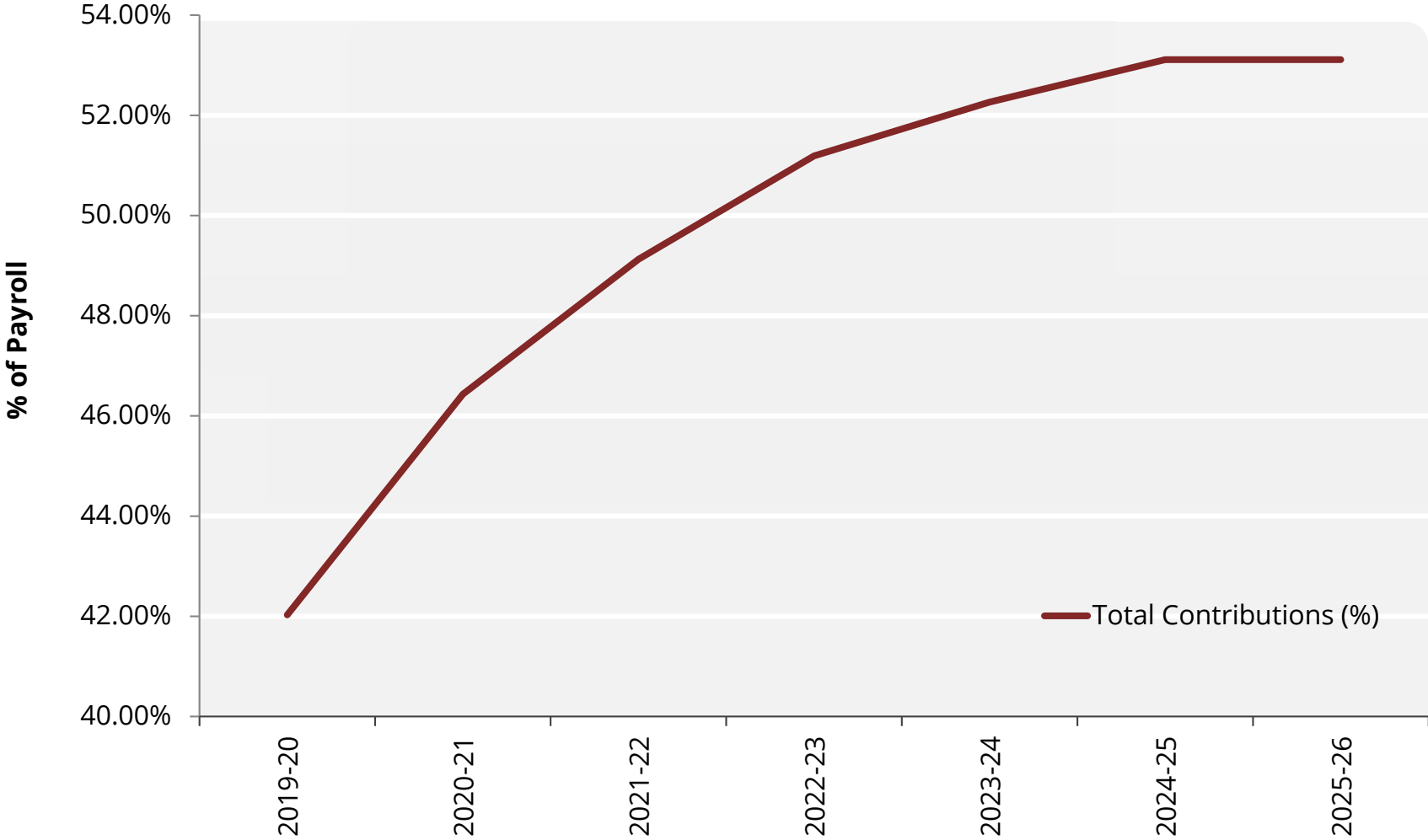
Projected misc. contributions increase from \$28.9M to \$38.1M* (31.7% ↑)



* Data through 2025-26 from Agency's latest CalPERS actuarial valuation; data after 2025-26 are not actuarial projections.

PROJECTED EMPLOYER CONTRIBUTIONS (SAFETY)

Projected safety contributions increase from \$7.6M to \$10.7M* (40.4% ↑)



* Data through 2025-26 from Agency's latest CalPERS actuarial valuation; data after 2025-26 are not actuarial projections.

SUMMARY OF AGENCY'S PENSION PLAN

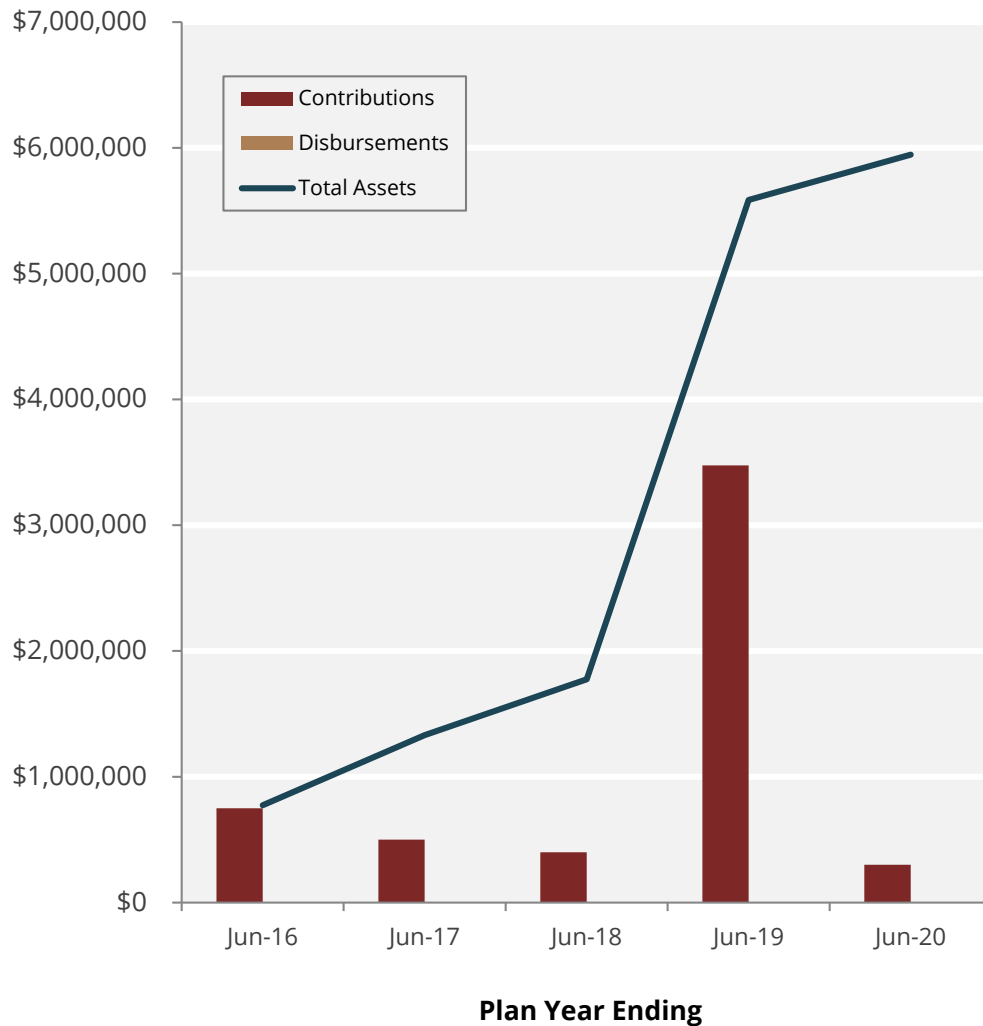
Plan Type:	IRC Section 115 Irrevocable Exclusive Benefit Trust
Trustee Approach:	Discretionary
Plan Effective Date:	September 15, 2015
Plan Administrators:	County Administrative Officer
Current Investment Strategy:	Moderately Conservative HighMark Plus (Active) Strategy; Individual Account

AS OF SEPTEMBER 30, 2019:

Initial Contribution:	December 2015: \$187,500
Additional Contributions:	\$5,237,500
Total Contributions:	\$5,425,000
Disbursements:	\$0
Total Investment Earnings:	\$545,339
Account Balance:	\$5,945,818

SUMMARY OF AGENCY'S PENSION PLAN

CONTRIBUTIONS, DISBURSEMENTS, AND TOTAL ASSETS AS OF SEPTEMBER 30, 2019:



Year	Contributions	Disbursements	Total Assets
Jun-16*	\$750,000	\$0	\$773,282
Jun-17	\$500,000	\$0	\$1,330,745
Jun-18	\$400,000	\$0	\$1,775,057
Jun-19	\$3,475,000	\$0	\$5,585,600
Jun-20**	\$300,000	\$0	\$5,945,818

*Plan Year Ending June 2016 is based on 7 months of activity
 **Plan Year Ending June 2020 is based on 3 months of activity

GASB REPORTING

- **To assist our public agency clients with GASB reporting, PARS is providing the following:**
 - An individual trust statement of each agency’s plan assets that shows a reconciliation of assets held at the beginning of the fiscal year through the end of the fiscal year, breaking out the appropriate plan contributions, benefit payments, expenses, and investment earnings
 - Year-end audited financial statements of the Trust as a whole including Schedule of Changes in Fiduciary Net Position by Employer completed by White Nelson Diehl Evans that is intended to be compliant with GASB requirements
 - 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 including target asset allocations and allowable asset class allocation ranges

HIGHMARK CAPITAL MANAGEMENT INVESTMENT REVIEW

PARS: County of Humboldt

Third Quarter, 2019

**Presented by
Andrew Brown, CFA**

Discussion Highlights –County of Humboldt Pension

Investment objective – Moderately Conservative

Asset Allocation:

- Allocation: 28.5% stocks (20-40% range), 67% bonds (50-80% range), 4.5% cash (0-20% range)
- Breakdown: Large cap 15.25%, mid-cap 2.5%, small cap 4%, international 5%, REIT's 1.75%

Performance: *(as of 09-30-2019; Net of fund fees, gross of investment management fees):*

- 3 month: 1.23%
- Year to date: 10.70%
- 1-year: 6.39%
- 3-year: 5.27%
- Inception (01/16): 5.76%

- Bonds: **12-month Strong**
 - 1) Global low bond yields/ negative yielding debt
 - 2) Fed cuts
- Stocks: **2019 Rally**
 - 1) global monetary easing bias (FED)
 - 2) optimism on a US/China trade deal
 - Domestic markets: All asset classes higher year-to-date with REIT's leading
 - International: Developed outperformed international

12-Month Changes

- Sold T. Rowe Price New Horizons (PRJIX); Bought RS Victory Small Cap Growth Fund (RSEJX)
- Reduced Equities to an underweight allocation, increase to fixed income

Outlook 2020

- GDP 1.8% to 2.4%
- S&P500 earnings \$172-\$178
- Unemployment 3.8%
- Core PCE Inflation 1.8% to 2.1%
- Fed Fund target 1.25% to 1.75%

Selected Period Performance
County of Humboldt Pension
Period Ending: 9/30/2019

	3 Months	Year to Date (9 Months)	1 Year	3 Years	Inception to Date 01/01/2016
Cash Equivalents	.53	1.65	2.18	1.39	1.17
<i>Lipper Money Market Funds Index</i>	<i>.49</i>	<i>1.59</i>	<i>2.11</i>	<i>1.31</i>	<i>1.07</i>
Total Fixed Income	1.90	7.96	9.06	3.02	3.94
<i>BBG Barclays US Aggregate Bd Index</i>	<i>2.27</i>	<i>8.52</i>	<i>10.30</i>	<i>2.92</i>	<i>3.88</i>
Total Equities	-.25	17.48	.45	10.68	10.33
Large Cap Funds	.60	18.07	1.07	12.75	11.60
<i>S&P 500 Composite Index</i>	<i>1.70</i>	<i>20.55</i>	<i>4.25</i>	<i>13.39</i>	<i>12.83</i>
Mid Cap Funds	.44	21.55	2.83	10.50	11.10
<i>Russell Midcap Index</i>	<i>.48</i>	<i>21.93</i>	<i>3.19</i>	<i>10.69</i>	<i>11.33</i>
Small Cap Funds	-4.23	16.23	-5.99	11.12	11.57
<i>Russell 2000 Index</i>	<i>-2.40</i>	<i>14.18</i>	<i>-8.89</i>	<i>8.23</i>	<i>9.66</i>
International Equities	-1.38	12.62	-.33	6.48	6.78
<i>MSCI EAFE Index</i>	<i>-1.07</i>	<i>12.80</i>	<i>-1.34</i>	<i>6.48</i>	<i>5.63</i>
<i>MSCI EM Free Index</i>	<i>-4.25</i>	<i>5.89</i>	<i>-2.02</i>	<i>5.97</i>	<i>8.99</i>
REIT Funds	7.27	27.73	19.34	7.45	8.40
<i>Wilshire REIT Index</i>	<i>7.88</i>	<i>27.21</i>	<i>18.39</i>	<i>7.21</i>	<i>8.39</i>
Total Managed Portfolio	1.23	10.70	6.39	5.27	5.76

Performance Inception: 01/01/2016

Returns are gross of account level investment advisory fees and net of any fees, including fees to manage mutual fund or exchange traded fund holdings. Returns for periods over one year are annualized. 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. **From 1/01/2016 to 4/30/2019 the County of Humboldt Plan was managed under the PARS/PRSP Highmark Moderate Conservative Plus account #6746050104. From 5/1/2019 assets were transferred to account #6746062101, but is still managed under the Moderately Conservative Plus objective.

Asset Allocation- County of Humboldt
PARS/PRSP Moderately Conservative - 6746050104
As of September 30, 2019

Current Asset Allocation		Investment Vehicle	
Equity		Range: 20%-40%	28.52%
Large Cap Core	COFYX	Columbia Contrarian Core Inst3	2.35%
	VGIAX	Vanguard Growth & Income Adm	6.14%
Large Cap Value	DODGX	Dodge & Cox Stock Fund	3.33%
Large Cap Growth	HNACX	Harbor Capital Appreciation Retirement	1.65%
	PRUFX	T. Rowe Price Growth Stock Fund I	1.65%
Mid Cap Core	IWR	iShares Russell Mid-Cap ETF	2.39%
Small Cap Value	UBVFX	Undiscovered Managers Behavioral Val R6	2.13%
Small Cap Growth	RSEJX	Victory RS Sm Cap Growth #279	2.06%
International Core	DFALX	DFA Large Cap International I	1.50%
International Value	DODFX	Dodge & Cox International Stock Fund	1.06%
International Growth	MGRDX	MFS® International Growth R6	1.08%
Emerging Markets	HHHFX	Hartford Schrodgers Emerging Mkts Eq F	1.49%
Real Estate	VNQ	Vanguard Real Estate ETF	1.68%
Fixed Income		Range: 50%-80%	67.19%
Short-Term	VFSUX	Vanguard Short-Term Investment-Grade Adm	12.20%
Intermediate-Term	DBLFX	DoubleLine Core Fixed Income I	18.29%
	PTTRX	PIMCO Total Return Instl Fund	18.36%
	PTRQX	Prudential Total Return Bond Q	18.35%
Cash		Range: 0%-20%	4.28%
	FGZXX	First American Government Oblig Z	4.28%
TOTAL			100.00%

COUNTY OF HUMBOLDT

For Period Ending September 30, 2019

LARGE CAP EQUITY FUNDS

Fund Name	3-Month		YTD		1-Year		3-Year		5-Year		10-Year	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
Columbia Contrarian Core Inst3	1.91	33	21.86	17	3.85	41	11.34	63	9.77	40	12.93	21
Vanguard Growth & Income Adm	1.52	51	19.28	58	2.32	63	12.67	40	10.52	21	13.24	8
Dodge & Cox Stock	0.21	86	13.38	87	-2.00	83	11.34	13	8.10	32	12.01	17
T. Rowe Price Growth Stock I	-1.15	72	18.99	71	2.21	47	16.47	26	13.15	21	15.01	13
Harbor Capital Appreciation Retirement	-2.11	81	18.62	75	-0.82	77	16.34	28	12.74	27	14.21	27
S&P 500 TR USD	1.70	--	20.55	--	4.25	--	13.39	--	10.84	--	13.24	--

MID CAP EQUITY FUNDS

iShares Russell Mid-Cap ETF	0.43	44	21.75	17	3.08	24	10.54	24	8.94	18	12.89	11
Russell Mid Cap TR USD	0.48	--	21.93	--	3.19	--	10.69	--	9.10	--	13.07	--

SMALL CAP EQUITY FUNDS

Undiscovered Managers Behavioral Val R6	-1.31	67	14.96	28	-8.51	45	6.20	27	7.66	14	12.72	1
Russell 2000 Value TR USD	-0.57	--	12.82	--	-8.24	--	6.54	--	7.17	--	10.06	--
Victory RS Small Cap Growth R6	-7.29	84	21.96	23	-6.42	45	16.10	15	11.94	19	14.72	9

INTERNATIONAL EQUITY FUNDS

Dodge & Cox International Stock	-1.66	52	11.00	19	-2.75	26	5.26	28	0.64	69	4.92	14
DFA Large Cap International I	-0.99	36	12.98	30	-2.04	50	6.45	23	3.13	44	4.86	37
MFS International Growth R6	-1.17	48	16.76	52	3.06	26	10.07	11	7.35	12	7.38	19
MSCI EAFE NR USD	-1.07	--	12.80	--	-1.34	--	6.48	--	3.27	--	4.90	--
Hartford Schrodgers Emerging Mkts Eq F	-2.68	28	9.88	31	0.23	45	7.55	17	3.81	14	3.95	34
MSCI EM Free Index	-4.25	--	5.89	--	-2.02	--	5.97	--	2.33	--	3.37	--

Data Source: Morningstar, SEI Investments

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

COUNTY OF HUMBOLDT

For Period Ending September 30, 2019

REIT EQUITY FUNDS

Fund Name	3-Month		YTD		1-Year		3-Year		5-Year		10-Year	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
Vanguard Real Estate ETF	7.40	42	28.13	35	19.85	29	7.06	52	9.93	39	12.88	36
Wilshire REIT Index	7.88	--	27.21	--	18.39	--	7.21	--	10.17	--	13.06	--

BOND FUNDS

PIMCO Total Return Instl	2.36	20	8.58	62	10.08	31	3.56	24	3.58	33	4.32	53
PGIM Total Return Bond R6	2.68	2	10.74	3	12.25	1	4.43	5	4.66	3	5.77	6
Vanguard Short-Term Investment-Grade Adm	0.99	23	5.18	16	5.88	15	2.46	22	2.48	11	2.83	19
DoubleLine Core Fixed Income I	1.48	83	7.65	78	8.29	77	3.22	48	3.63	26	--	--
BBgBarc US Agg Bond TR USD	2.27	--	8.52	--	10.30	--	2.92	--	3.38	--	3.75	--

Data Source: Morningstar, SEI Investments

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