

PRSP

Pension Rate
Stabilization Program

In partnership with



COMMUNITY COLLEGE LEAGUE
OF CALIFORNIA

CUESTA COLLEGE

Introduction to PARS Pension Rate Stabilization Program (PRSP)
July 2017

PUBLIC
AGENCY
RETIREMENT
SERVICES

PARS

TRUSTED SOLUTIONS. LASTING RESULTS.

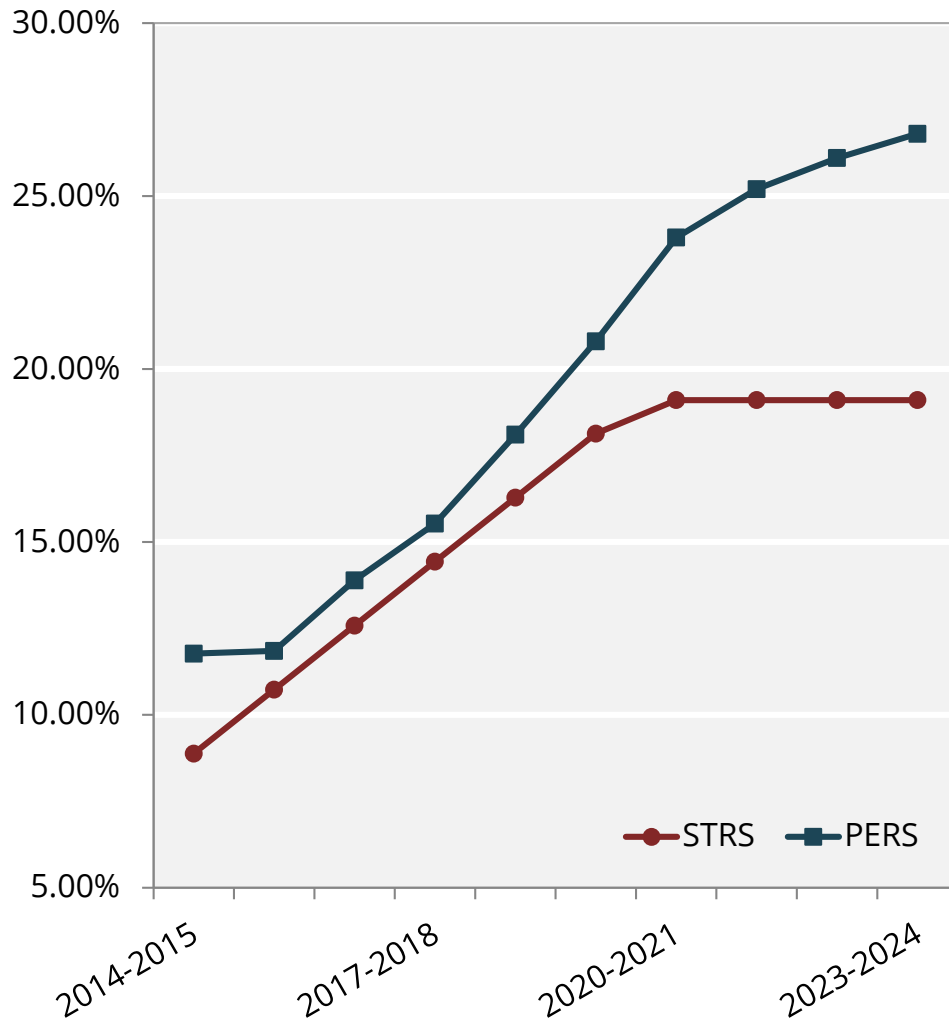


BACKGROUND

- The PARS-CCLC Pension Rate Stabilization Program (PRSP) is a first-of-its kind, IRS-approved trust program developed by PARS
- Offered to community college districts in partnership with the Community College League of California
- Turn-key approach to prefunding and managing STRS/PERS costs

STRS/PERS CONTRIBUTION RATE INCREASES

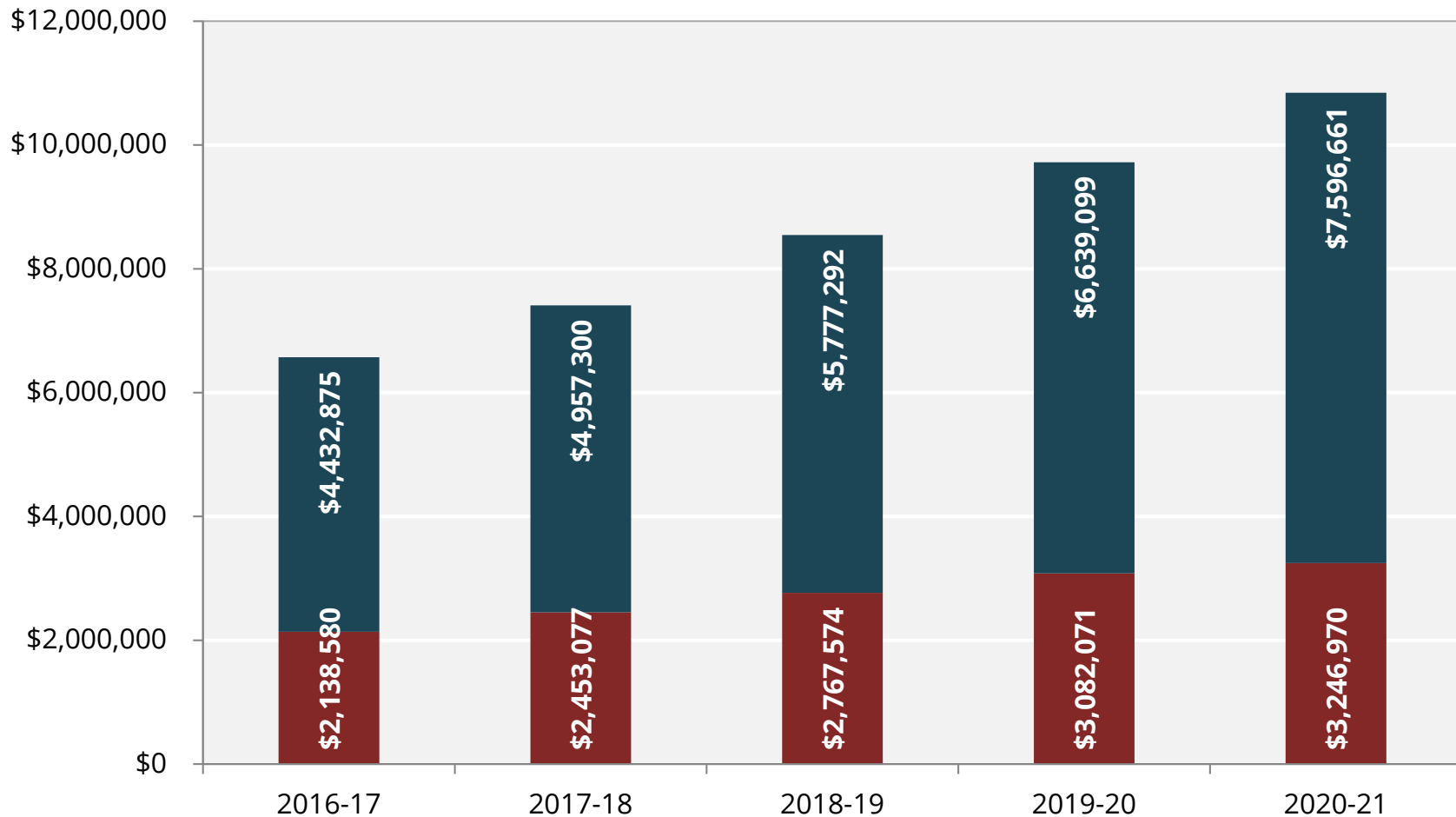
STRS/PERS rate increases through 2023-24:



Fiscal Year	STRS	PERS
2014-2015	8.88%	11.77%
2015-2016	10.73%	11.85%
2016-2017	12.58%	13.89%
2017-2018	14.43%	15.53%
2018-2019	16.28%	18.10%
2019-2020	18.13%	20.80%
2020-2021	19.10%	23.80%
2021-2022	19.10%	25.20%
2022-2023	19.10%	26.10%
2023-2024	19.10%	26.80%

HOW DO RATE INCREASES AFFECT YOUR DISTRICT?

Annual pension costs increase from \$6.6 million to \$10.8 million in 2020-21.



**Based on an initial STRS contributions of \$4.4 million and PERS contributions of \$2.1 million beginning in 2016-17 and constant payroll thereafter*

WHY PREFUND PENSION OBLIGATIONS?

1

Address Long-Term Liability

STRS/PERS cost are a long term burden, and prudent investment planning is critical to current and future management of obligations

2

Deal with GASB 68 Liability

GASB 68 now requires reporting of net pension liability on the College's financial statements

3

Protect from Diversion

Funds are protected from diversion to other uses and curtails stakeholder pressure to use funds in other ways

4

Rainy Day Fund

Assets can be used as an emergency source of funds for pension-related costs when College revenues are impaired based on economic or other conditions

WHY PREFUND PENSION OBLIGATIONS?

5

Stabilize Pension Costs

When contribution rates increase, assets can be transferred from the program to STRS/PERS which can help mitigate large contribution increases

6

Achieve Better Returns

Prefunding with the program enables diversified investments that may achieve greater return

7

Beneficial in Credit Rating & Accreditation

Credit rating and accreditation agencies may look more favorably upon Colleges who take steps to reduce liabilities

PARS PRSP CLIENT LIST (89)

UPDATED: JULY 2017

COMMUNITY COLLEGE DISTRICTS

Coast CCD
Grossmont-Cuyamaca CCD
Hartnell CCD
Marin CCD
San Bernardino CCD
State Center CCD
Victor Valley CCD
Yosemite CCD

SCHOOL DISTRICTS

Corning Union ESD
Bass Lake Joint Union ESD
Calistoga Joint USD
Campbell Union HSD
Cotati-Rohnert Park USD
River Delta USD
San Marino USD
Santa Rita USD
Visalia USD
Hesperia Unified SD
Lakeside Union SD
Lemon Grove SD
Natomas USD
Ocean View SD
Ontario-Montclair SD
Placer Union SD
Whittier City SD

CITIES & TOWNS

City of Alameda
City of Bell Gardens
City of Brea
City of Brisbane
City of Capitola
City of Chino Hills
City of Coronado
City of Daly City
City of Dublin
City of Fountain Valley
City of Fullerton
City of Glendale
City of Half Moon Bay
City of Healdsburg
City of Huntington Beach
City of La Mesa
City of Lake Forest
City of Lodi
City of Manhattan Beach
City of Morgan Hill
City of Napa
City of Oakley
City of Palo Alto
City of Rancho Cucamonga
City of Redwood City
City of Rohnert Park
City of Santa Ana
City of Santa Clara
City of Sausalito
City of Solana Beach
City of Stanton

City of Tustin
City of Union City
City of Upland
City of West Sacramento
City of Westminster
City of Yuba City
Town of Colma
Town of Tiburon

COUNTIES

County of Humboldt
County of Kings
County of Nevada
County of Placer
County of Riverside
County of San Benito
County of Solano
County of Sutter

SPECIAL DISTRICTS

Delta Diablo (Sanitation District)
El Dorado Hills County Water District
Fallbrook Public Utility District
Great Basin Unified APCD
Mesa Water District
Mojave Desert AQMD
Montecito Fire Protection District
Moraga-Orinda Fire Protection District
Napa County Mosquito Abatement District
Nevada County Consolidated Fire District
Novato Sanitary District
Rancho Cucamonga Fire PD
South Coast Water District
Superior Court of CA - County of Kern
Three Valleys Municipal Water District
Twentynine Palms Water District
West Bay Sanitary District

PARS: TRUST ADMINISTRATOR & CONSULTANT

- 33 years experience specializing exclusively in governmental retirement plan consulting and administration
- Focus and experience with all types of local governments: community colleges, school districts, cities, counties and special districts
- Developed first multiple employer Section 115 trust program in 2004
- Administers one of the largest, private Section 115 Trust Programs in the nation with over 250 clients and over \$1.5 billion in assets
- 89 Pension Rate Stabilization Program clients
- 1,600 retirement plans
- Services 850 clients agencies with over 420,000 plan participants

STRUCTURE OF THE PRSP TRUST

IRC SECTION 115

- A governmental trust designed specifically to be used for pension prefunding whereby **any income derived is tax exempt**

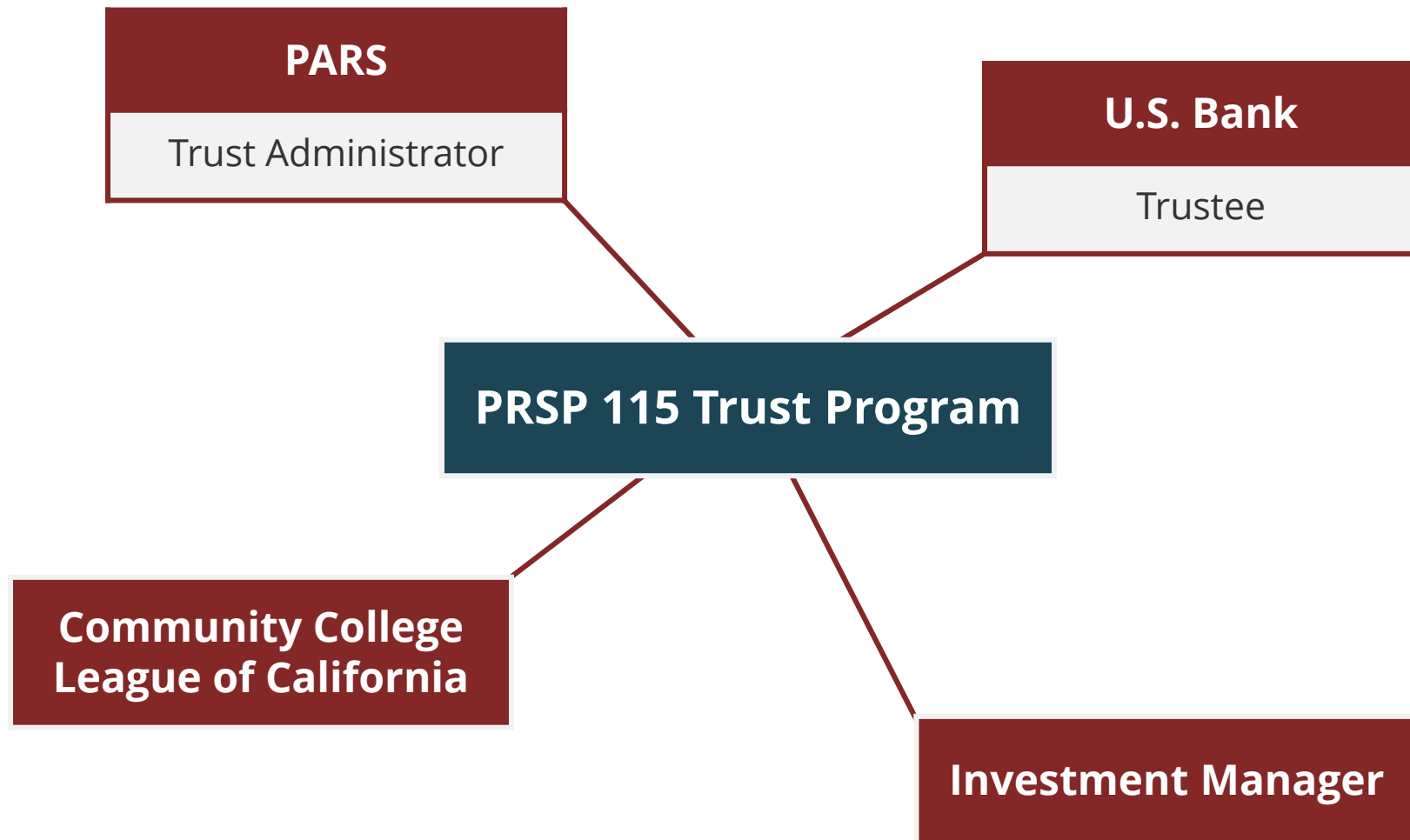
IRREVOCABLE

- To comply with GASB rules, trust was set up as irrevocable which means that once contributions are placed into trust, **assets can only be used for retirement plan purposes**

MULTIPLE EMPLOYER

- Based on proprietary PARS model
- **Separate accounts** - program is aggregation of **separate accounts with centralized** administration and pooled investments
- **No risk sharing** - each employer's contributions provide benefits only for employees of that employer. There is **no cross-liability or joint liability** among participating public agencies and **no sharing of assets**

PROGRAM PARTNERS



COMPREHENSIVE SERVICES

The PARS Trust Team offers a variety of services:

Consulting

Investment Fiduciary

Investment Management

Document Preparation

Trustee Services

Custodian Services

Ongoing Compliance Monitoring

Disbursement Processing

Funding Processing

Contribution Processing



WHAT IS THE ROLE OF THE COLLEGE?

After documents have been signed, the College's main responsibilities are to:

- 1 Contribute funds to the Trust
- 2 Submit disbursement requests
- 3 Monitor reports on account and provide investment oversight

CONTRIBUTIONS & DISBURSEMENTS

CONTRIBUTIONS

- Each College has full flexibility in regard to its contribution amounts and timing
- Funds can be transferred into the trust at any time and can be sent either electronically or by check

DISBURSEMENTS

- Colleges also have full control over the amounts and timing of disbursements, providing they are made for pension-related costs
- Colleges can request that a disbursement be made:
 - Directly to the College (to reimburse STRS/PERS costs)
 - Directly to STRS/PERS
 - Pay trust administration expenses
- Disbursements are made using the PARS Payment Reimbursement Form and must include documentation showing STRS/PERS costs

INVESTMENT OPTION A:

VANGUARD

This non-advisory approach offers very low costs with portfolios comprised of institutional class, index-based, mutual funds and the following target asset allocations:

Portfolios

- (a) Fixed Income
- (b) Conservative
- (c) Balanced
- (d) Growth

INVESTMENT OPTION B:

HIGHMARK CAPITAL MANAGEMENT

HighMark Capital Management, when acting as a sub-advisor to the Discretionary Trustee, U.S. Bank, offers managed portfolios and provides oversight of the investment process. Portfolios have been designed exclusively for the PARS/CCLC PSRP.

Active Managed Portfolios

- (a) Conservative
- (b) Moderately Conservative
- (c) Moderate
- (d) Balanced
- (e) Capital Appreciation

** Available according to asset size*

INVESTMENT RETURNS

AS OF MARCH 31, 2017

		Equity	Fixed Income	Other	1 Year	3 Years	5 Years
Vanguard	Fixed Income	0.00%	93.30%	0.70%	1.31%	2.86%	2.73%
	Conservative	42.40%	56.10%	0.40%	6.68%	4.88%	5.87%
	Balanced	60.20%	38.50%	0.50%	9.49%	5.67%	7.31%
	Growth	75.90%	22.70%	0.70%	12.00%	6.43%	8.75%
HighMark Capital	Conservative	15.00%	79.00%	6.00%	4.07%	2.97%	3.67%
	Mod. Conservative	30.00%	66.00%	4.00%	6.44%	3.64%	4.85%
	Moderate	49.00%	47.00%	4.00%	9.67%	4.58%	6.34%
	Balanced	58.00%	38.00%	4.00%	11.25%	4.86%	7.16%
	Capital Appreciation	72.00%	24.00%	4.00%	13.08%	5.87%	8.39%

**If a College wishes to use an alternative investment advisor, PARS PRSP can accommodate this option with its fully flexible investment structure.*

*** Past performance is not an predictor or guarantee of future results*

**** PARS and CCLC are not licensed to provide and does not offer investment advice or recommendations of any kind.*

All investment decisions in the PRSP are made at the sole discretion of the College, with or without the assistance of the College's selected investment advisors and/or managers.

PROGRAM FEES: OPTION A

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

Investment Management Fees**



Ongoing Fees:

0.07%	for assets \$0-50 million
0.04%	for assets \$50-150 million
0.03%	for assets \$150-250 million
0.01%	for assets \$250-500 million
0.005%	for assets over \$500 million

Directed Trustee Fees**



Ongoing Fees:

0.05%	for assets \$0-25 million
0.04%	for assets \$25-50 million
0.03%	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.

** Tiered fee schedules are based on combined assets in each of the Vanguard pools.

PROGRAM FEES: OPTION B

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:

Ranges from 0.25% to 0.32% (at first tier for HighMark PLUS portfolios; depending on risk tolerance level; net after fee waivers)

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.

** Fees as of March 31, 2017. Subject to change due to rebalancing.

STEPS TO IMPLEMENTATION

- 1 Board of Trustees authorizes adoption of The PARS/CCLC Trust and appoints a Plan Administrator by adoption of resolution
- 2 PARS provides legal documents for signature by Plan Administrator
- 3 After receipt of signed documents, College's account is set up within one week
- 4 College makes initial deposit to The PARS Trust
- 5 PARS conducts an annual review of investment performance

KEY ADVANTAGES OF PARS/CCLC PRSP

- **Ready-to-use** irrevocable multiple employer trust and investment program
- **Partnership with CCLC** to help meet the needs of member community college districts
- **IRS Private Letter Ruling** on a multiple employer basis (obtained June 2015)
- **“Turn-key” comprehensive approach** so costs and burdens are not shifted to the College
- **No start up costs** or termination costs/restrictions
- **Local control** that allows each College to determine its own funding schedules
- Fully vetted **signature-ready documents** that enable streamlined implementation process
- **Economies of scale** decrease fees as assets grow
- **Flexible investment options** that include both discretionary and College-directed approaches
- **Regular reporting** and ongoing support that includes monthly statements and in-person client reviews
- **Local support and individualized attention** from California based services team

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