PUBLIC AGENCIES

POST-EMPLOYMENT HEALTH CARE PLAN

MASTER PLAN DOCUMENT

(Effective as of November 5, 2014)
INTRODUCTION

The Employer specified in the Adoption Agreement has adopted this qualified governmental post-employment health care plan ("OPEB Plan") for the benefit of its Eligible Employees. The plan document for the OPEB Plan consists of this Master Plan Document plus the Adoption Agreement. Assets of the OPEB Plan are held under a trust (the "Trust") evidenced by a trust agreement (the "Trust Agreement"). Each Employer’s separate portion of the Trust dedicated to funding the Employer’s OPEB Obligation and defraying the reasonable expenses associated with the same is referred to as the Employer’s "OPEB Account." Capitalized terms that are not defined herein shall have the meaning attributed to such terms in the Trust Agreement.

The Trust is established with the intention that it qualify as a tax-exempt trust performing an essential governmental function within the meaning of Section 115 of the Code and any regulations issued thereunder and as a tax-exempt trust under the provisions of the relevant state’s statutory provisions of each Employer. It is intended that contributions to the Employer’s OPEB Account shall qualify as “plan assets” within the meaning of GASB Statement No. 45 (Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions). At any time prior to the satisfaction of all liabilities with respect to Eligible Employees under an Employer’s OPEB Account, the OPEB Account assets shall not be used for, or diverted to, any purpose other than funding the Employer’s OPEB Obligation and defraying the reasonable expenses associated with the same.
ARTICLE I

PLAN AND TRUST INFORMATION

1.1 Plan Name.

The name of the OPEB Plan adopted by the Employer is the Public Agencies Post-Employment Health Care Plan.

1.2 Effective Date.

The OPEB Plan is effective as of the date set forth in Section A.3.1.2 of the Adoption Agreement. If this OPEB Plan is a restatement of an existing plan, that date is also the effective date of the restatement.

1.3 Plan Year.

The plan year for the OPEB Plan shall be the consecutive twelve-month period beginning on January 1 and ending on December 31.

ARTICLE II

EMPLOYER INFORMATION

2.1 Employer.

The name and address of the Employer sponsoring this OPEB Plan (the "Employer") are as set forth in Section A.2.1 of the Adoption Agreement. The Adoption Agreement can only be used by a governmental agency that is a state, a political subdivision of a state, or an entity the income of which is excludible from gross income under Section 115 of the Code to establish a plan.

ARTICLE III

ELIGIBLE EMPLOYEES

3.1 Eligible Persons

Each employee of the Employer who is or becomes eligible for post-employment health care and welfare benefits as specified in such Employer's applicable policies and/or applicable collective bargaining agreements is an Eligible Employee under this OPEB Plan. In addition, any person who, due to his or her relationship with the Eligible Employee, is entitled to post-employment health care and welfare benefits as specified in the Employer's applicable policies and/or collective bargaining agreement, is an Eligible Beneficiary under this OPEB Plan.
3.2 **Termination of Eligible Status**

An Eligible Employee or Eligible Beneficiary shall cease to be an Eligible Employee or Eligible Beneficiary as specified in the Employer's applicable policies and/or applicable collective bargaining agreements.

**ARTICLE IV**

**CONTRIBUTIONS**

4.1 **Amount of Member Agency Contributions**

Eligible Employees and Eligible Beneficiaries are not permitted to make contributions to the Trust, provided however, that nothing herein shall be deemed to (i) prevent the Employer from imposing a charge (including, without limitation, a payroll deduction) for coverage under the OPEB Plan, or (ii) prevent the Employer from depositing the proceeds of any such charge to the Trust (provided that such deposit shall be considered an Employer contribution and shall not be segregated within Employer's OPEB Account from any other Employer contributions). Each Employer shall from time-to-time contribute to its OPEB Account an amount determined by such Employer in its sole discretion. Such amount may, but need not, equal such Employer's "annual required contribution" ("ARC") as determined in accordance with GASB 45.

4.2 **Administrative Expenses**

The Employer may make contributions to its OPEB Account sufficient to defray all or part of the expenses of administering the OPEB Plan or may pay such expenses directly.

4.3 **Allocation of Administrative Expenses**

If the Employer chooses not to directly pay the expenses of administering this OPEB Plan, such expenses shall be charged against the OPEB Account for such Employer.

4.4 **Reversions**

The Employer shall have the right to a return of contributions from this OPEB Plan only if the conditions for such return set forth in the Trust Agreement are satisfied.
ARTICLE V

DISTRIBUTION OF BENEFITS

5.1 Payment of Distribution

Distribution shall only be made to the insurers, third party administrators, service providers, or other entities providing benefits or services under the OPEB Plan, or to Eligible Employees and Eligible Beneficiaries for reimbursement of OPEB Plan premiums (or other payments for OPEB Plan benefits) paid by the Eligible Employee or Eligible Beneficiary, or to the Employer for the reimbursement of OPEB Plan benefits and expenses paid by the Employer. The Plan Administrator or its Delegatee shall provide instructions to the Trustee regarding how distributions and reimbursements are to be made.

ARTICLE VI

FUNDING AND INVESTMENT

6.1 Funding and Investment

The assets of the OPEB Plan shall be held in the OPEB Account of each Employer. In Section A.4.2.1 of the Adoption Agreement, each Employer shall elect between a discretionary or directed investment approach. If the Employer elects a discretionary investment approach, the Employer shall further elect between the various investment strategies offered in the investment strategy selection and disclosure form. If the Employer elects a directed investment approach, the Employer, in accordance with the Trust Agreement, shall have absolute discretion over the investment of the assets of its OPEB Account.

6.2 Type and Nature of Plan and Trust

Neither the faith and credit nor the taxing power of each Employer is pledged to the distribution of benefits hereunder. Except for contributions, earnings and other amounts held in the Trust, no amounts are pledged to the distribution of benefits hereunder. Distributions of benefits are neither general nor special obligations of the Employer, but are payable solely from contributions, as more fully described herein. No employee of any Employer or any other person may compel the exercise of the taxing power by the Employer. Distributions of benefits are not a debt of the Employer within the meaning of any constitutional or statutory limitation or restriction. Distributions are not a legal or equitable pledge, charge, lien or encumbrance, upon any of the Employer’s property, or upon any of its income, receipts or revenues.
ARTICLE VII
ADMINISTRATION, AMENDMENT AND TERMINATION OF PLAN

7.1 Designation of Plan Administrator

In Section A.2.2 of the Adoption Agreement, the Employer shall provide the name of the Plan Administrator that has been duly authorized and designated by the governing body of the Employer to act on its behalf in all matters pertaining to the OPEB Plan and the Trust pursuant to Section 3.4 of the Trust Agreement. If no name is provided, the Employer is the Plan Administrator. In addition to a Plan Administrator the Employer may designate a Delegatee to perform those activities relating to the OPEB Plan as specified in the written appointment of such Delegatee certified to the Trust Administrator. Except where the context requires otherwise, the term “Employer” as used in this Article shall mean the Plan Administrator or Delegatee where responsibility for administration of the OPEB Plan has been given to such parties.

7.2 Rules and Regulations

The Employer has full discretionary authority to supervise and control the operation of this OPEB Plan in accordance with its terms and may make rules and regulations for the administration of this OPEB Plan that are not inconsistent with the terms and provisions hereof. The Employer shall determine any questions arising in connection with the interpretation, application or administration of the OPEB Plan (including any question of fact relating to age, employment, compensation or eligibility of Eligible Employees or Eligible Beneficiaries) and its decisions or actions in respect thereof shall be conclusive and binding upon all persons and parties.

The Employer shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

(a) To determine all questions relating to an Eligible Employee’s or Eligible Beneficiary’s eligibility;

(b) To construe and interpret the terms and provisions of the OPEB Plan;

(c) To compute, certify to, and direct the Trustee with regard to the amount and kind of benefits payable to health care providers;

(d) To authorize all disbursements from its OPEB Account;

(e) To maintain all records that may be necessary for the administration of the OPEB Plan other than those maintained by the Trustee; and

(f) To appoint a Plan Administrator or, any other agent, and to delegate to them or to the Trustee such powers and duties in connection with the administration of the OPEB Plan as it may from time to time prescribe.
Expenses and fees incurred in connection with the administration of the OPEB Plan and the Trust shall be paid from the Trust assets to the fullest extent permitted by law, unless the Employer determines otherwise. The Employer may elect to make contributions to its OPEB Account sufficient to defray the expenses of administering the OPEB Plan or may pay such expenses directly.

7.3 Amendment and Termination

The Employer shall have the right to amend, modify or terminate the OPEB Plan at any time. If an Employer terminates the OPEB Plan, the Assets held in its OPEB Account shall be distributed by the Trustee as provided in Section 7.3 of the Trust Agreement.

ARTICLE VIII

MISCELLANEOUS

8.1 Nonalienation

An Eligible Employee or Eligible Beneficiary does not have any interest in the OPEB Plan or the Assets held in the Trust. Accordingly, the Trust shall not in any way be liable to attachment, garnishment, assignment or other process, or be seized, taken, appropriated or applied by any legal or equitable process, to pay any debt or liability of an Eligible Employee, Eligible Beneficiary or any other party.

8.2 Investment

All contributions, interest earned, and any assets of the OPEB Plan shall at all times be invested and managed in accordance with the Trust Agreement and the requirements of applicable law.

8.3 Parties to the Plan

Eligible Employees, Eligible Beneficiaries and unions of each Employer are not parties to this OPEB Plan. The OPEB Plan is only a funding source for such Employer’s post-employment health care and welfare benefits and does not increase the rights of any Eligible Employee, Eligible Beneficiary or union.

8.4 Confidential Medical Information

Each Employer and its health care providers or other service providers shall not share confidential medical information regarding employees of the Employer with the OPEB Plan, the Trustee, or the Trust Administrator.
PUBLIC AGENCIES
POST-EMPLOYMENT BENEFITS
TRUST AGREEMENT

(Effective November 5, 2014)
ARTICLE I

DEFINITIONS

1.1 “Adoption Agreement” shall have the meaning given to such term in Section 2.3.

1.2 “Agency Account” shall have the meaning given to such term in Section 2.4.

1.3 “Agreement for Administrative Services” shall mean the agreement executed between the Employer and the Trust Administrator which authorizes the Trust Administrator to perform specific duties of administering the Agency Account of the Employer.

1.4 “Assets” shall have the meaning given to such term in Section 2.5.

1.5 “Code” shall mean the Internal Revenue Code of 1986 as amended from time to time.

1.6 “Delegatee” shall mean an individual or entity, appointed by the Plan Administrator or Employer to act in such matters as are specified in the appointment.

1.7 “Effective Date” shall mean the date first written above, the date the Trust was established, and with respect to each Employer, the Effective Date shall be the date on which the Employer executes the Adoption Agreement.

1.8 “Eligible Beneficiary” shall mean any person who, due to his or her relationship to an Eligible Employee, is entitled to post-employment benefits pursuant to the Employer’s Pension Plan or OPEB Plan, including but not limited to the Eligible Employee’s current or former spouse or domestic partner, child, dependent, or survivor.

1.9 “Eligible Employee” shall mean any employee of an Employer who is entitled to post-employment benefits pursuant to the Employer’s Pension Plan or OPEB Plan. Unless the context otherwise requires, the term “Eligible Employee” as used herein shall include any Eligible Beneficiaries.

1.10 "Employer" shall mean a public agency that executes the Adoption Agreement, thereby adopting the provisions of this Trust Agreement, provided that such agency is a state, a political subdivision of a state, or an entity the income of which is excludible from gross income under Section 115 of the Code.

1.11 “GASB” shall mean the Governmental Accounting Standards Board.

1.12 “Omnibus Account” shall mean an account, established for record keeping purposes only, to aggregate the balances of the Assets credited to the Agency Accounts. The Trust Administrator shall maintain and reconcile, at the Agency Account level (and subaccount level), the investments of the Agency Accounts
and will provide reports to the Plan Administrator with respect to such investments. The Trustee will maintain a record of the aggregate balance (principal and earnings) for all Agency Accounts. The Trust Administrator will in the ordinary course of business maintain a record of the name, address, taxpayer identification number, account number and amount of funds, including earnings, of each Employer. On periodic valuation dates (no less frequently than monthly) to be established by the Trust Administrator, the Trustee and Trust Administrator will reconcile the aggregate balance information maintained by the Trustee with the Agency Account level records maintained by the Trust Administrator pursuant to this Trust Agreement.

1.13 "OPEB" shall mean "other post-employment benefits," such as medical, dental, vision, life insurance, long-term care and other similar benefits provided to retirees, other than pension benefits.

1.14 "OPEB Obligation" shall mean an Employer's obligation to provide OPEB to its Eligible Employees in accordance with the Employer's OPEB Plan.

1.15 "OPEB Plan" shall mean the Public Agencies Post-Employment Health Care Plan, as adopted by the Employer under the Adoption Agreement.

1.16 "Pension Obligation" shall mean an Employer’s obligation to contribute to the Pension Plan’s Qualified Trust and shall not, for example, mean an Employer’s Obligation to provide retirement benefits under the Pension Plan to the Employer’s Eligible Employees.

1.17 "Pension Plan" shall mean an Employer’s defined-benefit pension plan or plans, each of which is (i) qualified under Section 401(a) of the Code, (ii) sponsored by the Employer in order to provide retirement benefits to its Eligible Employees, and (iii) partly or wholly funded by the Employer’s contributions to a Qualified Trust.

1.18 "Plan Administrator" shall mean the individual designated by position of employment at the Employer to act on its behalf in all matters relating to the Employer's participation in the Trust.

1.19 "Qualified Trust" shall mean a trust which (i) is separate and apart from the Trust, (ii) constitutes a qualified trust under Code Section 401(a), and (iii) funds retirement benefits provided under an Employer’s Pension Plan to the Employer’s Eligible Employees.

1.20 "Trust" shall mean the Public Agencies Post-Employment Benefits trust arrangement.

1.21 "Trust Administrator" shall mean Public Agency Retirement Services or any successor trust administrator appointed by the Employers as provided herein. The Trust Administrator shall serve as trust administrator to the Trust established
pursuant to this Trust Agreement until such Trust Administrator resigns or is removed as provided in Article III.

1.22 "Trust Agreement" shall mean this Public Agencies Post-Employment Benefits trust document adopted by each Employer upon execution of an Adoption Agreement, as amended from time to time.

1.23 "Trustee" shall mean U.S. Bank National Association, or any successor trustee appointed by the Employers as provided herein. The Trustee shall serve as trustee of the Trust established pursuant to the provisions of this Trust Agreement until such Trustee resigns or is removed as provided in Article III.

ARTICLE II

THE TRUST

2.1 Multiple Employer Trust

The Trust is a multiple employer trust arrangement established to provide economies of scale and efficiency of administration to public agencies that adopt it to hold the assets used to fund the agency’s OPEB Obligation or Pension Obligation or both. The Trust is divided into Agency Accounts to hold the Assets of each Employer as described in Section 2.4.

2.2 Purpose

The Trust is established with the intention that it qualify as a tax-exempt trust performing an essential governmental function within the meaning of Section 115 of the Code and any regulations issued thereunder and as a tax-exempt trust under the provisions of the relevant state’s statutory provisions of each Employer. This Trust Agreement shall be construed and the Trust shall be administered in a manner consistent with such intention. The fundamental purpose of the Trust is to fund the Employer’s OPEB Obligation or Pension Obligation or both. It is intended that adopting Employers retain an interest in the underlying securities held in the Trust on their behalf, rather than in the Trust itself.

The Employer hereby represents and warrants that the assets held hereunder (including the Assets) are not assets of any qualified plan under Code Section 401(a), regardless of the character of such assets once distributed. The Employer hereby acknowledges that the Trust does not constitute a qualified trust under Code Section 401(a).

2.3 Employers

Any public agency may, by action of its governing body in writing accepted by the Trustee, adopt the provisions of the Trust Agreement. Executing an adoption instrument for the Trust ("Adoption Agreement"), in the form attached hereto as Exhibit "A" (or such other form as may be approved by the Trustee), shall
constitute such adoption, unless the Trustee requires additional evidence of adoption. In order for such adoption to be effective, the public agency must also execute an Agreement for Administrative Services with Public Agency Retirement Services, the Trust Administrator, pursuant to Section 3.6 of this Trust Agreement. Such adopting Employer shall then become an Employer of the Trust.

Each such Employer shall, at a minimum, furnish the Trust Administrator with the following documents to support its adoption of the Trust:

(a) a certified copy of the resolution(s) of the governing body of the Employer authorizing the adoption of the Trust Agreement and the appointment of the Plan Administrator for such Employer;

(b) an original of the Adoption Agreement executed by the Plan Administrator or other duly authorized Employer employee;

(c) an original of the Agreement for Administrative Services with Public Agency Retirement Services executed by the Plan Administrator or other duly authorized Employer employee and Public Agency Retirement Services;

(d) an address notice; and

(e) such other documents as the Trustee may reasonably request.

(f) Any action taken by the Plan Administrator for an Employer shall be deemed to have been taken by such Employer. Any notice given to or delivered by the Plan Administrator for an Employer shall be deemed to have been given to or delivered by such Employer.

2.4 Agency Accounts

(a) Upon an Employer’s adopting the Trust Agreement, as provided in Section 2.3, a separate “Agency Account” shall be established under the Trust for that Employer, and all Assets of the Trust attributable to that Employer shall be held in that Employer’s Agency Account.

(b) An Employer’s Agency Account comprises three subaccounts: a “Pension Account”, an “OPEB Account”, and a “Suspense Account”. The Assets of the Trust that are held in the Employer’s Pension Account will be available only to fund the Employer’s Pension Obligation and defray the reasonable expenses associated with the same. The Assets of the Trust that are held in the Employer’s OPEB Account will be available only to fund the Employer’s OPEB Obligation and defray the reasonable expenses associated with the same.

(c) The Assets of the Trust that are held in an Employer’s Agency Account shall not be available to pay any obligations incurred by any other Employer as provided in Section 2.8.
(d) All contributions and transfers received by the Trust on behalf of the Employer will be held in the Employer's Agency Account and will be allocated to the subaccounts under the Agency Account as follows:

(1) If the Employer maintains a Pension Account or OPEB Account (and not both a Pension Account and an OPEB Account), all contributions and transfers received by the Trust on the Employer's behalf will be allocated to that subaccount.

(2) If the Employer maintains both a Pension Account and an OPEB Account, contributions and transfers received by the Trust on the Employer's behalf will be allocated to either the Pension Account or OPEB Account, as directed by the Plan Administrator. To the extent the Plan Administrator does not provide such direction, the Employer hereby directs the Trustee to allocate such contributions and transfers to the Suspense Account and to use the assets of the Suspense Account to purchase a position in the sweep vehicle identified on an exhibit hereto or, if none is identified, to hold such assets un-invested. The Plan Administrator may at any time direct the reallocation of cash from the Suspense Account to either the Pension Account or the OPEB Account.

(3) Once allocated to the Pension Account or the OPEB Account, amounts under the Trust may not subsequently be transferred to the other subaccount.

2.5 Assets of Agency Account

The assets held in an Agency Account shall consist of all contributions and transfers received by the Trust on behalf of the Employer, together with the income and earnings from such contributions and transfers, and any increments accruing to the Agency Account, net of any investment losses, benefits, expenses or other costs ("Assets"). All contributions or transfers shall be received by the Trustee in cash or in other property acceptable to the Trustee. The Trustee shall manage and administer the Assets held in Agency Accounts without distinction between principal and income. The Trustee and the Trust Administrator shall have no duty to compute any amount to be transferred or paid to the Agency Account by the Employer, and the Trustee and the Trust Administrator shall not be responsible for the collection of any contributions or transfers to the Agency Account.

2.6 Aggregate Balance for Investment and Administration

The balances of the Assets of more than one Agency Account may be aggregated by the Trustee in one or more Omnibus Accounts for investment and administrative purposes, to provide economies of scale and efficiency of administration to the Agency Accounts. The responsibility for Agency Account level accounting (including subaccount-level accounting within each Agency Account) within this Omnibus Account(s) shall be that of the Trust Administrator.
2.7 **Trustee Accounting**

The Trustee shall be responsible only for maintaining records and maintaining accounts for the aggregate assets of the Trust. The responsibility for accounting and subaccounting for each Agency Account, based upon the Omnibus Account(s), shall be that of the Trust Administrator.

2.8 **No Diversion of Assets**

The Assets in each Employer’s Agency Account shall be held in trust for the exclusive purpose of funding the Employer’s OPEB Obligation or Pension Obligation or both and defraying the reasonable expenses associated with the same. The Assets in each Agency Account shall not be used for or diverted to, any other purpose, including, but not limited to, the satisfaction of any other Employer’s Pension Obligation or OPEB Obligation.

2.9 **Type and Nature of Trust**

Neither the full faith and credit nor the taxing power of each Employer is pledged to the distribution of amounts hereunder. Except for contributions and other amounts hereunder, no other amounts are pledged to the distribution of benefits hereunder. Distributions of benefits are neither general nor special obligations of any Employer, but are payable solely from the Assets held in such Employer’s Agency Account, as more fully described herein. No employee of any Employer or beneficiary may compel the exercise of the taxing power by any Employer.

Distributions of Assets from any Agency Account are not debts of any Employer within the meaning of any constitutional or statutory limitation or restriction. Such distributions are not legal or equitable pledges, charges, liens or encumbrances, upon any of an Employer's property, or upon any of its income, receipts, or revenues, except amounts in the accounts which are, under the terms of each Plan and the Trust set aside for distributions. Neither the members of the governing body of any Employer nor its officers, employees, agents or volunteers are liable hereunder.

2.10 **Loss of Tax-Exempt Status as to Any Employer**

If any Employer participating in the Trust receives notice from the Internal Revenue Service that the Trust as to such Employer fails to satisfy the requirements of Section 115 of the Code, or if any Employer consents to the Internal Revenue Service’s determination that the Trust fails to meet such requirements, Assets having a value equal to the funds then held in such Employer’s Agency Account shall be segregated and placed in a separate trust by the Trustee for the exclusive benefit of such Employer’s Eligible Employees within a reasonable time after the Trust Administrator notifies the Trustee of the Internal Revenue Service’s determination. Each Employer participating in the Trust agrees to immediately notify the Trust Administrator upon receiving such
notice or giving such consent. The separate trust provided for in this Section 2.10 shall thereafter be considered as a separate trust containing all of the provisions of this Trust Agreement until terminated as provided in this Trust Agreement.

ARTICLE III

ADMINISTRATIVE MATTERS

3.1 Appointment of Trustee

The Employers may, with the approval of two-thirds (2/3) or more of the Employers then participating in the Trust, act to appoint a bank, trust company, retirement board, insurer, committee or such other entity as permitted by law, to serve as the trustee of this Trust. Such action must be in writing. Upon the written acceptance of such entity it shall become the Trustee of the Trust. If the Trustee is removed or resigns pursuant to Section 3.2, the Employers shall appoint a successor Trustee in accordance with the voting requirements set forth in this Section 3.1.

3.2 Resignation or Removal of Trustee

The Employers may act to remove the Trustee, provided that such action must satisfy the voting requirements set forth in Section 3.1 and notice of such action must be promptly delivered to the Trust Administrator, the Trustee and each Plan Administrator. The Trustee may also resign at any time by giving at least ninety (90) days prior written notice to the Trust Administrator and to the Plan Administrator of each Employer that has adopted the Trust Agreement and not terminated its participation in the Trust; provided, however, that the Trustee may resign immediately upon the earlier of the approval date or the effective date of any amendment of the Trust Agreement by the Employers that would change or modify the duties, powers or liabilities of the Trustee hereunder without the Trustee's consent. The Trustee shall, upon the appointment and acceptance of a successor trustee, transfer and deliver the Assets and all records relating to the Trust to the successor, after reserving such reasonable amount as it shall deem necessary to provide for its fees and expenses and any sums chargeable against the Trust for which it may be liable. The Trustee shall do all acts necessary to vest title of record in the successor trustee.

3.3 Withdrawal of Employer

An Employer may elect to withdraw from the Trust by giving at least thirty (30) days prior written notice to the Trustee and the Trust Administrator. If an Employer so elects to withdraw, Assets having a value equal to the funds held in such Employer's Agency Account shall be segregated by the Trustee and, as soon as practicable, shall be transferred to one or more trusts maintained by the Employer, provided that (i) for Assets transferred from the OPEB Account, any such trust shall satisfy the requirements of Section 115 of the Code, (ii) for Assets
transferred from the Pension Account, any such trust shall satisfy the requirements of either Section 115 or 401(a) of the Code, and (iii) all assets held by any such trust and previously held in the Employer’s Pension Account or OPEB Account shall qualify as “plan assets” within the meaning of GASB Statement No. 68 (Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27) or GASB Statement No. 45 (Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions), respectively, in each case as reasonably determined by the Employer and certified in writing by the Employer to the Trust Administrator. The Employer shall appoint a trustee for such Employer’s separate trust and, upon the trustee’s acceptance of that appointment, the trustee will be vested with title to the transferred Assets.

3.4 The Plan Administrator

The governing body of each Employer shall have plenary authority for the administration and investment of such Employer’s Agency Account pursuant to any applicable state laws and applicable federal laws and regulations. Each Employer shall by resolution designate a Plan Administrator. Unless otherwise specified in the instrument the Plan Administrator shall be deemed to have authority to act on behalf of the Employer in all matters pertaining to the Employer’s participation in the Trust and in regard to the Agency Account of the Employer. Such appointment of a Plan Administrator shall be effective upon receipt and acknowledgment by the Trustee and the Trust Administrator and shall be effective until the Trustee and the Trust Administrator are furnished with a resolution of the Employer that the appointment has been modified or terminated.

3.5 Failure to Appoint Plan Administrator

If a Plan Administrator is not appointed, or such appointment lapses, the Employer shall be deemed to be the Plan Administrator. As used in this document the term “Plan Administrator” shall be deemed to mean “Employer” when a Plan Administrator has not been appointed for such Employer.

3.6 Delegatee

The Plan Administrator, acting on behalf of the Employer, may delegate certain authority, powers and duties to a Delegatee to act in those matters specified in the delegation. Any such delegation must be in a writing that names and identifies the Delegatee, states the effective date of the delegation, specifies the authority and duties delegated, is executed by the Plan Administrator, is acknowledged in writing by the Delegatee, and is certified as required in Section 3.7 to the Trust Administrator. Such delegation shall be effective until the Trustee and the Trust Administrator are directed in writing by the Plan Administrator that the delegation has been rescinded or modified.
3.7 Certification to Trustee

The governing body of each Employer, or other duly authorized official, shall certify in writing to the Trustee and the Trust Administrator the names and specimen signatures of the Plan Administrator and Delegatee, if any, and all others authorized to act on behalf of the Employer whose names and specimen signatures shall be kept accurate by the Employer acting through a duly authorized officer or governing body of the Employer. The Trustee and the Trust Administrator shall have no liability if they act upon the direction of a Plan Administrator or Delegatee that has been duly authorized, as provided in Section 3.6, if that Plan Administrator or Delegatee is no longer authorized to act, unless the Employer has informed the Trustee and the Trust Administrator of such change.

3.8 Directions to Trustee

All directions to the Trustee from the Plan Administrator or Delegatee must be in writing and must be signed by the Plan Administrator or Delegatee, as the case may be. For all purposes of this Trust Agreement, direction shall include any certification, notice, authorization, application or instruction of the Plan Administrator, Delegatee or Trustee appropriately communicated. The above notwithstanding, direction may be implied if the Plan Administrator or Delegatee has knowledge of the Trustee's intentions and fails to file written objection.

The Trustee shall have the power and duty to comply promptly with all proper directions of the Plan Administrator or Delegatee, appointed in accordance with the provisions of this Trust Agreement. In the case of any direction deemed by the Trustee to be unclear or ambiguous the Trustee may seek written instructions from the Plan Administrator, the Employer or the Delegatee on such matter and await their written instructions without incurring any liability. If at any time the Plan Administrator or the Delegatee should fail to give directions to the Trustee, the Trustee may act in the manner that in its discretion seems advisable under the circumstances for carrying out the purposes of the Trust and/or the applicable Agency Account which may include not taking any action. The Trustee may request directions or clarification of directions received and may delay acting until clarification is received. In the absence of timely direction or clarification, or if the Trustee considers any direction to be a violation of the Trust Agreement or any applicable law, the Trustee shall in its sole discretion take appropriate action, or refuse to act upon a direction.

3.9 Appointment of Trust Administrator

The Employers may, with the approval of two-thirds (2/3) or more of the Employers then participating in the Trust, act to appoint a bank, trust company, retirement board, insurer, committee or such other entity as permitted by law, to serve as Trust Administrator of the Trust. Such action must be in writing. Upon the written acceptance of such entity it shall become the Trust Administrator of
the Trust. If the Trust Administrator is removed or resigns pursuant to Section 3.13, the Employers shall appoint a successor Trust Administrator in accordance with the voting requirements set forth in this Section 3.9.

3.10 Trust Administrator

The Trust Administrator’s duties involve the performance of the following services pursuant to the provisions of this Trust Agreement and the Agreement for Administrative Services:

(a) Performing periodic accounting of each Agency Account (including subaccount-level accounting within each Agency Account) and reconciling such Agency Account balances with the Trust/Omnibus Account;

(b) Directing the Trustee to make distributions from the appropriate subaccount under the Agency Account in accordance with Section 5.9.

(c) Allocating contributions, earnings and expenses to each Agency Account and the underlying subaccounts;

(d) Directing the Trustee to pay the fees of the Trust Administrator and to do such other acts as shall be appropriate to carry out the intent of the Trust;

(e) Such other services as the Employer and the Trust Administrator may agree in the Agreement for Administrative Services pursuant to Section 2.3.

The Trust Administrator shall be entitled to rely on, and shall be under no duty to question, any direction and/or data received from the Plan Administrator, or other duly authorized entity, in order to perform its authorized duties under this Trust Agreement. The Trust Administrator shall not have any duty to compute contributions made to the Trust, determine or inquire whether contributions made to the Trust by the Plan Administrator or other duly authorized entity are adequate to meet an Employer’s Pension Obligation or OPEB Obligation as may be determined under any applicable GASB pronouncement; or determine or inquire whether contributions made to the Trust are in compliance with the Employer’s OPEB Plan or Pension Plan. The Trust Administrator shall not be liable for nonperformance of duties if such nonperformance is directly caused by erroneous, and/or late delivery of, directions or data from the Plan Administrator, or other duly authorized entity.

3.11 Additional Trust Administrator Services

The Plan Administrator may at any time retain the Trust Administrator as its agent to perform any act, keep any records or accounts and make any computations which are required of the Employer or the Plan Administrator by this Trust Agreement or by the Employer’s policies and/or applicable collective bargaining agreements. The Trust Administrator shall be separately compensated
for such service and such services shall not be deemed to be contrary to the Trust Agreement.

3.12 Trust Administrator's Compensation

As may be agreed upon from time to time by the Employer and Trust Administrator, the Trust Administrator will be paid reasonable compensation for services rendered or reimbursed for expenses properly and actually incurred in the performance of duties with respect to such Employer's Agency Account and to the Trust.

3.13 Resignation or Removal of Trust Administrator

The Employers may act to remove the Trust Administrator, provided that such action must satisfy the voting requirements set forth in Section 3.9 and notice of such action must be promptly delivered to the Trust Administrator, the Trustee and each Plan Administrator. The Trust Administrator may also resign at any time by giving at least one hundred and twenty (120) days prior written notice to the Trustee and to the Plan Administrator of each Employer that has adopted the Trust Agreement and not terminated its participation in the Trust; provided, however, that the Trust Administrator may resign immediately upon the earlier of the approval date or the effective date of any amendment of the Trust Agreement by the Employers that would change or modify the duties, powers or liabilities of the Trust Administrator hereunder without the Trust Administrator's consent. The Trust Administrator shall, upon the appointment and acceptance of a successor trust administrator, transfer all records relating to the Trust to the successor.

ARTICLE IV

THE TRUSTEE

4.1 Powers and Duties of the Trustee

Except as otherwise provided in Article V and subject to Article VI, the Trustee shall have full power and authority with respect to property held in the Trust to do all such acts, take all proceedings, and exercise all such rights and privileges, whether specifically referred to or not in this document, as could be done, taken or exercised by the absolute owner, including, without limitation, the following:

(a) To invest and reinvest the Assets of or any part thereof in any one or more kind, type, class, item or parcel of property, real, personal or mixed, tangible or intangible; or in any one or more kind, type, class, item or issue of investment or security; or in any one or more kind, type, class or item of obligation, secured or unsecured; or in any combination of them (including those issued by the Trustee of any of its affiliates, to the extent permitted by applicable law), and to retain the property for the period of time that the Trustee deems appropriate;
(b) To acquire and sell options to buy securities ("call" options) and to acquire and sell options to sell securities ("put" options);

(c) To buy, sell, assign, transfer, acquire, loan, lease (for any purpose, including mineral leases), exchange and in any other manner to acquire, manage, deal with and dispose of all or any part of the Trust property, for cash or credit and upon any reasonable terms and conditions;

(d) To make deposits, with any bank or savings and loan institution, including any such facility of the Trustee or an affiliate thereof provided that the deposit bears a reasonable rate of interest;

(e) To invest and reinvest the Assets, or any part thereof in any one or more collective investment trust funds, including common and group trust funds that consist exclusively of assets of exempt pension and profit sharing trusts and individual retirement accounts qualified and tax exempt under the Code, that are maintained by the Trustee or an affiliate thereof. The declaration of trust or plan of operations for any such common or collective fund is hereby incorporated herein and adopted into this Trust Agreement by this reference. The combining of money and other assets of the Trust with money and other assets of other non-qualified trusts in such fund or funds is specifically authorized. Notwithstanding anything to the contrary in this Trust Agreement, the Trustee shall have full investment responsibility over Assets of the Trust invested in such commingled funds. If the plan and trust for any reason lose their tax exempt status, and the Assets have been commingled with assets of other tax exempt trusts in Trustee's collective investment funds, the Trustee shall within 30 days of notice of such loss of tax exempt status, liquidate the Trust's units of the collective investment fund(s) and invest the proceeds in a money market fund pending investment or other instructions from the Plan Administrator. The Trustee shall not be liable for any loss or gain or taxes, if any, resulting from said liquidation;

(f) To place uninvested cash and cash awaiting distribution in one or more mutual funds and/or commingled investment funds maintained by or made available by the Trustee or any of its affiliates, and to receive compensation from the sponsor of such fund(s) for services rendered, separate and apart from any Trustee's fees hereunder. The Trustee or its affiliate may also be compensated for providing investment advisory services to any mutual fund or commingled investment funds;

(g) To borrow money for the purposes of the Trust from any source with or without giving security; to pay interest; to issue promissory notes and to secure the repayment thereof by pledging all or any part of the Assets;

(h) To take all of the following actions: to vote proxies of any stocks, bonds or other securities; to give general or special proxies or powers of attorney with or
without power of substitution; to exercise any conversion privileges, subscription rights or other options, and to make any payments incidental thereto; to consent to or otherwise participate in corporate reorganizations or other changes affecting corporate securities and to delegate discretionary powers and to pay any assessments or charges in connection therewith; and generally to exercise any of the powers of an owner with respect to stocks, bonds, securities or other property held in the Trust;

(i) To make, execute, acknowledge and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted;

(j) To raze or move existing buildings; to make ordinary or extraordinary repairs, alterations or additions in and to buildings; to construct buildings and other structures and to install fixtures and equipment therein;

(k) To pay or cause to be paid from the Trust any and all real or personal property taxes, income taxes or other taxes or assessments of any or all kinds levied or assessed upon or with respect to the Trust;

(l) To exercise all the further rights, powers, options and privileges granted, provided for, or vested in trustees generally under applicable federal or state laws, as amended from time to time, it being intended that, except as herein otherwise provided, the powers conferred upon the Trustee herein shall not be construed as being in limitation of any authority conferred by law, but shall be construed as consistent or in addition thereto.

4.2 Additional Trustee Powers

In addition to the other powers enumerated above, the Trustee in any and all events is authorized and empowered:

(a) To invest funds pending required directions in any type of interest-bearing account, including, without limitation, time certificates of deposit or interest-bearing accounts issued by the Trustee, or any mutual fund or short term investment fund ("Fund"), whether sponsored or advised by the Trustee or any affiliate thereof; the Trustee or its affiliates may be compensated for providing such investment advice and providing other service to such Fund, in addition to any Trustee’s fees received pursuant to this Trust Agreement;

(b) To cause all or any part of the Trust to be held in the name of the Trustee (which in such instance need not disclose its fiduciary capacity) or, as permitted by law, in the name of any nominee, and to acquire for the Trust any investment in bearer form, but the books and records of the Trust shall at all times show that all such investments are a part of the Trust and the Trustee shall hold evidences of title to all such investments;
(c) To serve as custodian with respect to the Trust Assets;

(d) To employ such custodians, agents and counsel as may be reasonably necessary in managing and protecting the Assets and to pay them reasonable compensation from the Trust; to employ any broker-dealer or other agent, including any broker-dealer or other agent affiliated with the Trustee, and pay to such broker-dealer or other agent, at the expense of the Trust, its standard commissions or compensation; to settle, compromise or abandon all claims and demands in favor of or against the Trust; and to charge any premium on bonds purchased at par value to the principal of the Trust without amortization from the Trust, regardless of any law relating thereto;

(e) In addition to the powers listed herein, to do all other acts necessary or desirable for the proper administration of the Trust, as though the absolute owner thereof;

(f) To prosecute, compromise and defend lawsuits, but without obligation to do so, all at the risk and expense of the Trust; and to tender its defense to the Employer in any legal proceeding where the interests of the Trustee and the Employer are not adverse;

(g) To exercise and perform any and all of the other powers and duties specified in this Trust Agreement or the Plan;

(h) To permit such inspections of documents at the principal office of the Trustee as are required by law, subpoena or demand by a United States agency;

(i) To comply with all requirements imposed by applicable provisions of law;

(j) To seek written instructions from the Plan Administrator or other fiduciary on any matter and await their written instructions without incurring any liability. If at any time the Plan Administrator or the fiduciary should fail to give directions to the Trustee, the Trustee may act in the manner that in its discretion seems advisable under the circumstances for carrying out the purposes of the Trust;

(k) To compensate such executive, consultant, actuarial, accounting, investment, appraisal, administrative, clerical, secretarial, medical, custodial, depository and legal firms, personnel and other employees or assistants as are engaged by the Plan Administrator in connection with funding the Employer's OPEB Obligation or Pension Obligation or both and to pay from the Trust the necessary expenses of such firms, personnel and assistants, to the extent not paid by the Plan Administrator;
(l) To act upon proper written directions of the Plan Administrator or Delegatee, including directions given by photostatic transmissions using facsimile signature, and such other forms of directions as the parties shall agree;

(m) To pay from the Trust the expenses reasonably incurred in the administration of the Trust;

(n) To maintain insurance for such purposes, in such amounts and with such companies as the Plan Administrator shall elect, including insurance to cover liability or losses occurring by reason of the acts or omissions of fiduciaries but only if such insurance permits recourse by the insurer against the fiduciary in the case of a breach of a fiduciary obligation by such fiduciary.

**ARTICLE V**

**INVESTMENTS**

5.1 **Discretionary Versus Directed Investment**

For the Pension Account and the OPEB Account under the Agency Account, the Employer shall elect either a discretionary or directed investment approach. The Employer may elect the same or different investment approaches for those two subaccounts. The Employer hereby elects a directed approach for the Suspense Account. If the Employer elects a discretionary investment approach for a subaccount, the Employer shall further elect between the various investment strategies offered and the Trustee, in accordance with Article IV, shall have absolute discretion over the investment of the Assets held in such subaccount under the Employer’s Agency Account. If the Employer elects a directed investment approach for a subaccount, the Trustee shall direct the investment of the Assets of such subaccount under the Employer’s Agency Account in accordance with the direction provided by such Employer.

5.2 **Trustee Fees**

As may be agreed upon, in writing, between the Plan Administrator and Trustee, the Trustee will be paid reasonable compensation for services rendered or reimbursed for expenses properly and actually incurred in the performance of duties with respect to the applicable Agency Account or the Trust.

5.3 **Contributions**

Eligible Employees are not permitted to make contributions to the Trust. The Plan Administrator shall, on behalf of the Employer, make all contributions to the Trustee. Such contributions shall be in cash unless the Trustee agrees to accept a contribution that is not in cash. All contributions shall be paid to the Trustee for investment and reinvestment pursuant to the terms of this Trust Agreement. The Trustee shall not have any duty to determine or inquire whether any contributions
to the Trust made to the Trustee by any Plan Administrator are in compliance with the Employer’s Pension Plan or OPEB Plan; nor shall the Trustee have any duty or authority to compute any amount to be paid to the Trustee by any Plan Administrator; nor shall the Trustee be responsible for the collection or adequacy of the contributions to meet an Employer’s Pension Obligation or OPEB Obligation. The contributions received by the Trustee from each Employer shall be held and administered pursuant to the terms hereof without distinction between income and principal.

5.4 Records

(a) The Trustee shall maintain accurate records and detailed accounts of all investments, receipts, disbursements and other transactions hereunder at the Trust level. Such records shall be available at all reasonable times for inspection by the Trust Administrator. The Trustee shall, at the direction of the Trust Administrator, submit such valuations, reports or other information as the Trust Administrator may reasonably require.

(b) The Assets of the Trust shall be valued at their fair market value on the date of valuation, as determined by the Trustee based upon such sources of information as it may deem reliable; provided, however, that the Plan Administrator shall instruct the Trustee as to valuation of assets which are not readily determinable on an established market. The Trustee may rely conclusively on such valuations provided by the Plan Administrator and shall be indemnified and held harmless by the Employer with respect to such reliance. If the Plan Administrator fails to provide such values, the Trustee may take whatever action it deems reasonable, including employment of attorneys, appraisers or other professionals, the expense of which will be an expense of administration of the Trust. Transactions in the account involving such hard to value assets may be postponed until appropriate valuations have been received and Trustee shall have no liability therefore.

5.5 Statements

(a) Periodically as specified, and within sixty days after December 31, or the end of the Trust’s fiscal year if different, Trustee shall render to the Trust Administrator as directed, a written account showing in reasonable summary the investments, receipts, disbursements and other transactions engaged in by the Trustee during the preceding fiscal year or period with respect to the Trust. Such account shall set forth the assets and liabilities of the Trust valued as of the end of the accounting period.

(b) The Trust Administrator may approve such statements either by written notice or by failure to express objections to such statements by written notice delivered to the Trustee within 90 days from the date the statement is delivered to the Trust Administrator. Upon approval, the Trustee shall be released and discharged as to all matters and items set forth in such statement as if such
account had been settled and allowed by a decree from a court of competent jurisdiction.

5.6 Wire Transfers

The Trustee shall follow the Plan Administrator's, Delegatee's, or Trust Administrator's wire transfer instructions in compliance with the written security procedures provided by the party providing the wire transfers. The Trustee shall perform a telephonic verification to the Plan Administrator, Trust Administrator, or Delegatee, or such other security procedure as selected by the party providing wire transfer directions, prior to wiring funds or following facsimile directions as Trustee may require. The Plan Administrator assumes the risk of delay of transfer if Trustee is unable to reach the Plan Administrator, or in the event of delay as a result of attempts to comply with any other security procedure selected by the directing party.

5.7 Exclusive Benefit

The Assets of an Employer's Agency Account shall be held in trust for the exclusive purpose of funding the Employer's OPEB Obligation or Pension Obligation or both and defraying the reasonable expenses associated with the same and shall not be used for or diverted to any other purpose. No party shall have authority to use or divert the Assets of an Agency Account of an Employer for the satisfaction of any other Employer's Pension Obligation or OPEB Obligation or any other Employer's expenses.

5.8 Delegation of Duties

The Plan Administrator, Delegatee, or Trust Administrator, may at any time retain the Trustee as its agent to perform any act, keep any records or accounts and make any computations that are required of the Plan Administrator, Delegatee or Trust Administrator by this Trust Agreement or by the Plan. The Trustee may be compensated for such retention and such retention shall not be deemed to be contrary to this Trust Agreement.

5.9 Distributions

(a) The Trustee shall, from time to time, upon the written direction of the Plan Administrator or Delegatee, make distributions from the Assets of the Trust under the OPEB Account to the insurers, third party administrators, service providers or other entities providing benefits or services under the OPEB Plan, or to Eligible Employees and Eligible Beneficiaries for reimbursement of OPEB Plan premiums (or other payments for OPEB Plan benefits) paid by the Eligible Employee or Eligible Beneficiary, or to the Employer for reimbursement of OPEB Plan benefits and expenses paid by the Employer, in such manner in such form(s), in such amounts and for such purposes as may be specified in such directions.
(b) In addition, the Trustee shall, from time to time, upon the written direction of the Plan Administrator or Delegates, make distributions from the Assets of the Trust under the Pension Account directly to (i) the Qualified Trust as employer contributions, (ii) any insurers, third party administrators, service providers or other entities providing services in connection with determining the Employer’s Pension Obligation, or (iii) the Employer as reimbursement for the Employer’s payment of amounts described in this Section 5.9(b)(i) and (ii).

(c) In no event shall the Trustee have any responsibility respecting the application of distributions from the Assets of the Trust, or for determining or inquiring into whether such distributions are in accordance with the Employer’s OPEB Plan, Pension Plan, policies, or applicable collective bargaining agreements.

ARTICLE VI

FIDUCIARY RESPONSIBILITIES

6.1 More Than One Fiduciary Capacity

Any one or more of the fiduciaries with respect to the Trust Agreement or the Trust may, to the extent required thereby or as directed by the Plan Administrator pursuant to this Trust Agreement, serve in more than one fiduciary capacity with respect to the Trust Agreement and the Trust.

6.2 Fiduciary Discharge of Duties

Except as otherwise provided by applicable law, each fiduciary shall discharge such fiduciary’s duties with respect to the Trust Agreement and the Trust:

(a) solely in the interest of the Eligible Employees and for the exclusive purpose of funding the Employer’s OPEB Obligation or Pension Obligation or both and defraying the reasonable expenses associated with the same; and

(b) with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims.

6.3 Limitations on Fiduciary Responsibility

To the extent allowed by the laws of the state of each Employer:

No fiduciary shall be liable with respect to a breach of fiduciary duty by any other fiduciary if such breach was committed before such party became a fiduciary or after such party ceased to be a fiduciary.
No fiduciary shall be liable for a breach by another fiduciary except as provided by law.

No fiduciary shall be liable for carrying out a proper direction from another fiduciary, including refraining from taking an action in the absence of a proper direction from the other fiduciary possessing the authority and responsibility to make such a direction, which direction the fiduciary in good faith believes to be authorized and appropriate.

6.4 Indemnification of Trustee by Employer

The Trustee shall not be liable for, and Employer shall (to the extent allowed by the laws of the state of each Employer) indemnify, defend (as set out in Section 6.8 of this Trust Agreement), and hold the Trustee (including its officers, agents, employees and attorneys) and other Employers harmless from and against any claims, demands, loss, costs, expense or liability imposed on the indemnified party, including reasonable attorneys' fees and costs incurred by the indemnified party, arising as a result of Employer's active or passive negligent act or omission or willful misconduct in the execution or performance of its duties under this Trust Agreement.

6.5 Indemnification of Employer by Trustee

The Employer shall not be liable for, and Trustee shall (to the extent allowed by the laws of the state of each Employer) indemnify, defend (as set out in Section 6.8 of this Trust Agreement), and hold the Employer (including its officers, agents, employees and attorneys) and other Employers harmless from and against any claims, demands, loss, costs, expense or liability imposed on the indemnified party, including reasonable attorneys' fees and costs incurred by the indemnified party, arising as a result of Trustee's active or passive negligent act or omission or willful misconduct in the execution or performance of its duties under this Trust Agreement.

6.6 Indemnification of Trustee by Trust Administrator

The Trustee shall not be liable for, and Trust Administrator shall (to the extent allowed by the laws of the state of each Employer) indemnify and hold the Trustee (including its officers, agents, employees and attorneys) harmless from and against any claims, demands, loss, costs, expense or liability imposed on the indemnified party, including reasonable attorneys' fees and costs incurred by the indemnified party, arising as a result of Trust Administrator's active or passive negligent act or omission or willful misconduct in the execution or performance of its duties under this Trust Agreement.

6.7 Indemnification of Trust Administrator by Trustee

The Trust Administrator shall not be liable for, and Trustee shall (to the extent allowed by the laws of the state of each Employer) indemnify and hold the Trust
Administrator (including its officers, agents, employees and attorneys) harmless from and against any claims, demands, loss, costs, expense or liability imposed on the indemnified party, including reasonable attorneys’ fees and costs incurred by the indemnified party, arising as a result of Trustee's active or passive negligent act or omission or willful misconduct in the execution or performance of its duties under this Trust Agreement.

6.8 Indemnification Procedures

Promptly after receipt by an indemnified party of notice or receipt of a claim or the commencement of any action for which indemnification may be sought, the indemnified party will notify the indemnifying party in writing of the receipt or commencement thereof. When the indemnifying party has agreed to provide a defense as set out above that party shall assume the defense of such action (including the employment of counsel, who shall be counsel reasonably satisfactory to such indemnitee) and the payment of expenses, insofar as such action shall relate to any alleged liability in respect of which indemnity may be sought against the indemnifying party. Any indemnified party shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall not be at the expense of the indemnifying party unless (i) the employment of such counsel has been specifically authorized by the indemnifying party or (ii) the named parties to any such action (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. The indemnifying party shall not be liable to indemnify any person for any settlement of any such action effected without the indemnifying party’s consent. The indemnification procedures of this Trust Agreement shall survive the termination of the Trust, any Employer’s participation in the Trust and/or this Trust Agreement.

6.9 No Joint and Several Liability

This document is not intended to and does not create any joint powers agreement or any joint and several liability. No Employer shall be responsible for any contributions, costs or distributions of any other Employer.

ARTICLE VII

AMENDMENT, TERMINATION AND MERGER

7.1 No Contractual Obligation

An Employer’s participation in the Trust does not create, and is not intended to create, any contractual obligation to Eligible Employees. Therefore, no Employer is contractually obligated to Eligible Employees solely due to its participation in
the Trust to continue providing benefits under its Pension Plan or OPEB Plan or
to make contributions to the Trust.

7.2 Amendment of Trust

(a) The Trust Agreement may be amended only by the approval of two-thirds
(2/3) or more of the Employers then participating in the Trust. Any such
amendment by the Employers shall be set forth in an instrument in writing and
shall be delivered to the Trustee, the Trust Administrator and all Plan
Administrators not less than one hundred and eighty (180) days before the
effective date of such amendment; provided, however, that any party may waive
in writing such 180-day requirement with respect to any amendment (and such
waiver shall not constitute a waiver with respect to any other amendment); and
provided, further, that a waiver in writing of such 180-day requirement by two-
thirds (2/3) or more of the Plan Administrators of the Employers participating in
the Trust as of the date the amendment is adopted shall constitute a waiver of such
180-day requirement by all of the Employers then participating in the Trust. In
addition, the Trust Administrator or the Trustee shall have the right to amend this
Trust Agreement from time to time (without the requirement of a vote of
Employers) solely for the purpose of keeping the Trust Agreement in compliance
with the Code and applicable state law. Any such amendment by the Trust
Administrator or the Trustee shall be set forth in an instrument in writing and
shall be delivered to the Trustee, the Trust Administrator and all Plan
Administrators promptly as each is made.

(b) Any amendment of the Trust Agreement may be current, retroactive or
prospective, provided, however, that no amendment shall:

(1) Cause the Assets of any Agency Account to be used for or diverted
to purposes other than for the exclusive purpose of funding the
Employer’s OPEB Obligation or Pension Obligation or both and defraying
the reasonable expenses associated with the same.

(2) Permit the Assets of any Agency Account to be used for the benefit
of any other Employer.

7.3 Termination of Employer’s Obligation to Provide Pension Benefits or OPEB

A termination of the Employer’s obligation to provide benefits under the
Employer’s Pension Plan or OPEB Plan for which the Employer’s Agency
Account was established shall not, in itself, effect a termination of the Agency
Account. Upon a termination of the Employer’s obligation to provide benefits
under its Pension Plan or OPEB Plan, the Assets of the Employer’s Pension
Account or OPEB Account, as applicable, will be distributed by the Trustee when
directed by the Plan Administrator in accordance with this Section 7.3. From and
after the date of such termination and until final distribution of all Assets under
the Employer’s Agency Account, the Trustee shall continue to have all the powers
provided herein as are necessary or expedient for the orderly liquidation and
distribution of such Assets, and the Agency Account shall continue until the
Assets have been completely distributed. Any Assets remaining in the Pension
Account or OPEB Account will be used first to satisfy any remaining Pension
Obligation or OPEB Obligation, respectively, pursuant to the Employer’s Pension
Plan or OPEB Plan (to the extent that such distribution constitutes the exercise of
an “essential governmental function” within the meaning of Section 115 of the
Code) and to satisfy any of such Employer’s obligations under this Trust
Agreement. Any Assets remaining in the Employer’s Pension Account or OPEB
Account (as applicable) after giving effect to the preceding sentence will be paid
to the Employer to the extent permitted by law and consistent with the
requirements of Section 115 of the Code.

7.4 Fund Recovery Based on Mistake of Fact

Except as hereinafter provided or in accordance with Section 7.3, the Assets of
the Trust shall never inure to the benefit of the Employer. The Assets shall be
held for the exclusive purpose of funding the Employer’s OPEB Obligation or
Pension Obligation or both and defraying the reasonable expenses associated with
the same. However, in the case of a contribution which is made by an Employer
because of a mistake of fact, that portion of the contribution relating to the
mistake of fact (exclusive of any earnings or losses attributable thereto) may be
returned to the Employer, provided such return occurs within two (2) years after
discovery by the Employer of the mistake. If any repayment is payable to the
Employer, then, as a condition to such repayment, and only if requested by
Trustee, the Employer shall execute, acknowledge and deliver to the Trustee its
written undertaking, in a form satisfactory to the Trustee, to indemnify, defend
and hold the Trustee harmless from all claims, actions, demands or liabilities
arising in connection with such repayment.

7.5 Termination of Trust

(a) The Trust and this Trust Agreement may be terminated by the unanimous
agreement of all Employers, which action must be in writing and delivered to the
Trustee and Trust Administrator. Upon termination of the Trust under this Section
7.5(a), the Assets of each Employer’s Pension Account or OPEB Account, as
applicable, will be distributed by the Trustee when directed by the Plan
Administrator in accordance with this Section 7.5(a). From and after the date of
such termination and until final distribution of all Assets under each Employer’s
Agency Account, the Trustee shall continue to have all the powers provided
herein as are necessary or expedient for the orderly liquidation and distribution of
such Assets, and the Agency Account shall continue until the Assets have been
completely distributed. Any Assets remaining in the Pension Account or OPEB
Account will be used first to satisfy any remaining Pension Obligation or OPEB
Obligation, respectively, pursuant to the Employer’s Pension Plan and OPEB Plan
(to the extent that such distribution constitutes the exercise of an “essential
governmental function” within the meaning of Section 115 of the Code) and to
satisfy any of such Employer’s obligations under this Trust Agreement. Any
Assets remaining in the Employer’s Pension Account or OPEB Account (as
applicable) after giving effect to the preceding sentence will be paid to the
Employer to the extent permitted by law and consistent with the requirements of
Section 115 of the Code.

(b) Contributions to the Trust are conditioned on initial qualification of the
Trust under Section 115 of the Code. If the Trust receives an adverse
determination with respect to its initial qualification, then the Trust and this Trust
Agreement will automatically terminate without any action by any Employer or
other parties. After such termination, the Assets of each Employer’s Pension
Account or OPEB Account, as applicable, will be returned by the Trustee to the
Employer as directed by the Plan Administrator in accordance with this Section
7.5(b) to the extent permitted by law and consistent with the requirements of
Section 115 of the Code. This Section 7.5(b) will cease to apply upon the Trust’s
receipt of a favorable determination with respect to its initial qualification.

(c) The Trust and this Trust Agreement may be terminated only as described
in this Section 7.5. In no case will the assets of the Trust be distributed on
termination to an entity that is not a state, a political subdivision of a state or an
entity the income of which is excluded from gross income under Section 115 of
the Code.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

8.1 Nonalienation

Eligible Employees do not have an interest in the Trust. Accordingly, the Trust
shall not in any way be liable to attachment, garnishment, assignment or other
process, or be seized, taken, appropriated or applied by any legal or equitable
process, to pay any debt or liability of an Eligible Employee or any other party.
Trust Assets shall not be subject to the claims of any Employer or the claims of its
creditors.

8.2 Saving Clause

In the event any provision of this Trust Agreement is held illegal or invalid for
any reason, said illegality or invalidity shall not affect the remaining parts of the
Trust Agreement, but this instrument shall be construed and enforced as if said
provision had never been included.

8.3 Applicable Law

This Trust Agreement and the Trust shall be construed, administered and
governed under the Code and the law of the State of California. To the extent any
of the provisions of this Trust Agreement are inconsistent with the Code or applicable state law, the provisions of the Code or state law shall control. In the event, however, that any provision is susceptible to more than one interpretation, such interpretation shall be given thereto as is consistent with the Trust Agreement being a tax-exempt trust within the meaning of the Code.

8.4 Joinder of Parties

In any action or other judicial proceedings affecting this Trust Agreement, it shall be necessary to join as parties only the Trustee, the Plan Administrator or Delegatee. No participant or other persons having an interest in the Trust or any Agency Account shall be entitled to any notice or service of process unless otherwise required by law. Any judgment entered in such a proceeding or action shall be binding on all persons claiming under this Trust Agreement, provided, however, that nothing in this Trust Agreement shall be construed as to deprive a participant of such participant's right to seek adjudication of such participant's rights under applicable law.

8.5 Employment of Counsel

The Trustee may consult with legal counsel (who may be counsel for the Trustee, the Trust Administrator or any Employer) with respect to the interpretation of this Agreement or the Trustee's duties hereunder or with respect to any legal proceedings or any questions of law and shall be entitled to take action or not to take action in good faith reliance on the advice of such counsel and charge the Trust and, as applicable, one or more Agency Accounts.

8.6 Gender and Number

Words used in the masculine, feminine or neuter gender shall each be deemed to refer to the other whenever the context so requires; and words used in the singular or plural number shall each be deemed to refer to the other whenever the context so requires.

8.7 Headings

Headings used in this Trust Agreement are inserted for convenience of reference only and any conflict between such headings and the text shall be resolved in favor of the text.

8.8 Counterparts

This Trust Agreement may be executed in an original and any number of counterparts by the Plan Administrator (executing an Adoption Agreement), the Trust Administrator and the Trustee, each of which shall be deemed to be an original of the one and the same instrument.
IN WITNESS WHEREOF, the Plan Administrator (by executing the Adoption Agreement), the Trustee and the Trust Administrator have executed this Trust Agreement by their duly authorized agents on the Effective Date.

U.S. BANK NATIONAL ASSOCIATION

"Trustee"

By: ______________________________

Signature

Susan M. Hughes

Typed or printed name

Its: Vice President & Relationship Manager

PUBLIC AGENCY

RETIREMENT SERVICES

"Trust Administrator"

By: ______________________________

Signature

Daniel Johnson

Typed or printed name

Its: President
PROFESSIONAL SERVICES AGREEMENT

THIS AGREEMENT is entered into this 26\textsuperscript{th} day of DECEMBER 2017, between the CITY OF STOCKTON, a municipal corporation ("City" or "Agency"), and PHASE II SYSTEMS, a corporation organized and existing under the laws of the State of California, doing business as PUBLIC AGENCY RETIREMENT SERVICES (PARS) whose address is 4350 VON KARMAN AVENUE, SUITE 100, NEWPORT BEACH, CA 92660 and telephone number is (800) 540-6369X104 ("Consultant" or "PARS").

RECITALS

A. Consultant is qualified to and experienced in facilitating collaboration, teamwork and strategic planning efforts for the purposes specified in this Agreement.

B. City finds it necessary and advisable to use the services of the Consultant for the purposes provided in this Agreement.

NOW THEREFORE, in consideration of the mutual covenants and conditions in this Agreement, City and Consultant agree as follows:

1. Consultant's Services. Subject to the terms and conditions set forth in this Agreement, Consultant shall provide to City the services described in Exhibit A. Consultant shall provide said services at that time, place and in the manner specified in Exhibit A.

2. City Assistance, Facilities, Equipment and Clerical Support. Except as set forth in Exhibit B, Consultant shall, at its sole cost and expense, furnish all facilities and equipment that may be required for furnishing services pursuant to this Agreement. City shall furnish to Consultant only the facilities and equipment listed in Exhibit B according to the terms and conditions set forth in Exhibit A.

3. Term. This Agreement shall commence on the date written above and shall expire on September 30, 2021; provided, however the parties may agree to change either the commencement or expiration date.

4. Compensation. City shall pay Consultant for services rendered pursuant to this Agreement as described more particularly in Exhibit C. The payments shall be made on a monthly basis. Payment for the services will be remitted directly from Plan assets unless the City chooses to make payment directly to PARS. In the event that the City chooses to make payment directly to PARS, it shall be the responsibility of the City to remit payment directly to PARS based upon an invoice prepared by PARS and delivered to the City.

a. Invoices submitted by Consultant to City must contain a brief description of work performed, time used and City reference number. Payment shall be
made within thirty (30) days of receipt of Consultant's invoice and approved by City. If payment is not received from the City within sixty (60) days of the invoice delivery date, payment plus accrued interest at the rate of 1.5% per month will be remitted directly from Plan assets, unless PARS has previously received written communication disputing the subject invoice that is signed by a duly authorized representative of the City.

b. Upon completion of work and acceptance by City, Consultant shall have sixty (60) days in which to submit final invoicing for payment. An extension may be granted by City upon receiving a written request thirty (30) days in advance of said time limitation. The City shall have no obligation or liability to pay any invoice for work performed which the Consultant fails or neglects to submit within sixty (60) days, or any extension thereof granted by the City, after the work is accepted by the City.

5. **Sufficiency of Consultant's Work.** All reports, drawings, designs, plan review comments and work product of Consultant shall be adequate and sufficient to meet the purposes for which they are prepared.

6. **Ownership of Work.** All reports, drawings, designs, plan review comments, work product, and all other documents completed or partially completed by Consultant in the performance of this Agreement shall become the property of the City. Any and all copyrightable subject matter in all materials is hereby assigned to the City and the Consultant agrees to execute any additional documents that may be necessary to evidence such assignment. All materials shall be delivered to the City upon completion or termination of the work under this Agreement. If any materials are lost, damaged or destroyed before final delivery to the City, the Consultant shall replace them at its own expense. Consultant shall keep materials confidential. Materials shall not be used for purposes other than performance of services under this Agreement and shall not be disclosed to anyone not connected with these services, unless the City provides prior written consent.

7. **Changes.** City may request changes in the scope of services to be provided by Consultant. Any changes and related fees shall be mutually agreed upon between the parties and subject to a written amendment to this Agreement.

8. **Consultant's Status.** In performing the obligations set forth in this Agreement, Consultant shall have the status of an independent contractor and Consultant shall not be considered to be an employee of the City for any purpose. All persons working for or under the direction of Consultant are its agents and employees and are not agents or employees of City.

9. **Termination for Convenience of City.** The City may terminate this Agreement at any time by mailing a notice in writing to Consultant. The Agreement shall then be deemed terminated and no further work shall be performed by Consultant. If the Agreement is so terminated, the Consultant shall be paid for that percentage of the work actually completed at the time the notice of termination is received.
10. **Non-Assignability.** The Consultant shall not assign, sublet, or transfer this Agreement or any interest or obligation in the Agreement without the prior written consent of the City, and then only upon such terms and conditions as City may set forth in writing. Consultant shall be solely responsible for reimbursing subcontractors.

11. **Indemnity and Hold Harmless.** Consultant and City hereby indemnify each other and hold the other harmless, including their respective officers, directors, employees, and attorneys, from any claim, loss, demand, liability, or expense, including reasonable attorneys' fees and costs, incurred by the other as a consequence of, to the extent, Consultant's or City's, as the case may be, negligent acts, errors or omissions with respect to the performance of their respective duties hereunder. This indemnification shall extend for a reasonable period of time after completion of the project as well as during the period of actual performance of services under this Agreement. The City's acceptance of the insurance certificates required under this Agreement does not relieve the Consultant from its obligation under this paragraph.

12. **Insurance.** During the term of this Agreement, Consultant shall maintain in full force and effect at its own cost and expense the insurance coverage as set forth in the attached Exhibit D and shall otherwise comply with the other provisions of Exhibit D.

13. **Notices.** All notices herein required shall be in writing and shall be sent by certified or registered mail, postage prepaid, addressed as follows:

Consultant: President  
PARS  
4350 Von Karman Ave., Suite 100  
Newport Beach, CA 92660

City: City Manager  
City of Stockton  
425 N. El Dorado Street  
Stockton, CA 95202

14. **Conformance to Applicable Laws.** Consultant shall comply with all applicable Federal, State, and Municipal laws, rules, and ordinances. Consultant shall not discriminate in the employment of persons or in the provision of services under this Agreement on the basis of any legally protected classification, including race, color, national origin, ancestry, sex or religion of such person.

15. **Licenses, Certifications and Permits.** Prior to the City's execution of this Agreement and prior to the Consultant's engaging in any operation or activity set forth in this Agreement, Consultant shall obtain a City of Stockton business license, which must be kept in effect during the term of this Agreement. Consultant covenants that it has obtained all certificates, licenses, permits and the like required to perform the services under this Agreement.

16. **Records and Audits.** Consultant shall maintain all records regarding this Agreement and the services performed for a period of three years from the date that
final payment is made. At any time during normal business hours, the records shall be made available to the City to inspect and audit.

17. **Confidentiality.** Consultant shall exercise reasonable precautions to prevent the unauthorized disclosure and use of City reports, information or conclusions.

18. **Conflicts of Interest.** Consultant covenants that other than this Agreement, Consultant has no financial interest with any official, employee or other representative of the City. Consultant and its principals do not have any financial interest in real property, sources of income or investment that would be affected in any manner of degree by the performance of Consultant's services under this Agreement. If such an interest arises, Consultant will immediately notify the City.

19. **Waiver.** In the event either City or Consultant at any time waive any breach of this Agreement by the other, such waiver shall not constitute a waiver of any other or succeeding breach of this Agreement, whether of the same or of any other covenant, condition or obligation.

20. **Governing Law.** California law shall govern any legal action pursuant to this Agreement with venue for all claims in the Superior Court of the County of San Joaquin, Stockton Branch or, where applicable, in the federal District Court of California, Eastern District, Sacramento Division.

21. **No Personal Liability.** No official or employee of City shall be personally liable to Consultant in the event of any default or breach by the City or for any amount due Consultant.

22. **Exhibits.** All exhibits referred to herein are attached hereto and are by this reference incorporated herein.

23. **Scope of Agreement.** This writing constitutes the entire Agreement between the parties. Any modification to the Agreement shall be in writing and signed by both parties.
THIS AGREEMENT executed the date and year first above written.

CITY OF STOCKTON

Signed: Kurt Wilson, City Manager

ATTEST:

Signed: [Signature]

City Clerk

APPROVED AS TO FORM:

Signed: [Signature]

City Attorney

CONSULTANT

By: [Signature]

Tod Hammeras

Print name

Title: Chief Financial Officer

[If Consultant is a corporation
signature(s) must comply with
Corporations Code §313.]
EXHIBIT A

DATA REQUIREMENTS

PARS will provide the Services under this Agreement contingent upon receiving the following information:

1. Executed Legal Documents:
   (A) Certified Resolution
   (B) Adoption Agreement to the Public Agencies Post-Employment Benefits Trust
   (C) Trustee Investment Forms

2. Contribution – completed Contribution Transmittal Form signed by the Plan Administrator (or authorized Designee) which contains the following information:
   (A) Agency name
   (B) Contribution amount
   (C) Contribution date
   (D) Contribution method (Check, ACH, Wire)

3. Distribution – completed Payment Reimbursement/Distribution Form signed by the Plan Administrator (or authorized Designee) which contains the following information:
   (A) Agency name
   (B) Payment reimbursement/distribution amount
   (C) Applicable statement date
   (D) Copy of applicable premium, claim, statement, warrant, and/or administrative expense evidencing payment
   (E) Signed certification of reimbursement/distribution from the Plan Administrator (or authorized Designee)

4. Other information pertinent to the Services as reasonably requested by PARS and Actuarial Provider.
EXHIBIT B

SERVICES

City of Stockton

PARS will provide the following services for the [Agency Name] Public Agencies Post-Employment Benefits Trust:

1. Plan Installation Services:

   (A) Meeting with appropriate Agency personnel to discuss plan provisions, implementation timelines, actuarial valuation process, funding strategies, benefit communication strategies, data reporting, and submission requirements for contributions/reimbursements/distributions;

   (B) Providing the necessary analysis and advisory services to finalize these elements of the Plan;

   (C) Providing the documentation needed to establish the Plan to be reviewed and approved by Agency legal counsel. Resulting final Plan documentation must be approved by the Agency prior to the commencement of PARS Plan Administration Services outlined in Exhibit B, paragraph 2 below.

2. Plan Administration Services:

   (A) Monitoring the receipt of Plan contributions made by the Agency to the trustee of the PARS Public Agencies Post-Employment Benefits Trust ("Trustee"), based upon information received from the Agency and the Trustee;

   (B) Performing periodic accounting of Plan assets, reimbursements/distributions, and investment activity, based upon information received from the Agency and/or Trustee;

   (C) Coordinating the processing of distribution payments pursuant to authorized direction by the Agency, and the provisions of the Plan, and, to the extent possible, based upon Agency-provided Data;

   (D) Coordinating actions with the Trustee as directed by the Plan Administrator within the scope this Agreement;

   (E) Preparing and submitting a monthly report of Plan activity to the Agency, unless directed by the Agency otherwise;

   (F) Preparing and submitting an annual report of Plan activity to the Agency;

   (G) Facilitating actuarial valuation updates and funding modifications for compliance with GASB 43/75, if prefunding OPSEB obligations;

   (H) Coordinating periodic audits of the Trust;

   (I) Monitoring Plan and Trust compliance with federal and state laws.

3. PARS is not licensed to provide and does not offer tax, accounting, legal, investment or actuarial advice.
EXHIBIT C

PROPOSAL FEE

Fees for PARS' Section 115 Pension Prefunding Trust services are broken down into trust administration, and discretionary trustee/investment management costs, which are paid separately to each provider. A full breakdown of these program fees are listed below. Please note there are no start-up or termination costs associated with the program.

TRUST ADMINISTRATION/CONSULTING FEES

The following fees are comprehensive and paid to PARS through the trust. These fees provide for administration, including compliance, legal, recordkeeping, funding analysis, and reporting.

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>ONGOING FEE</th>
</tr>
</thead>
<tbody>
<tr>
<td>PARS</td>
<td>0.25% for assets under $10 million</td>
</tr>
<tr>
<td></td>
<td>0.20% for assets $10-15 million</td>
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<tr>
<td></td>
<td>0.15% for assets $15-50 million</td>
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<tr>
<td></td>
<td>0.10% for assets over $50 million</td>
</tr>
</tbody>
</table>

DISCRETIONARY TRUSTEE/INVESTMENT MANAGEMENT FEES

Trusted and investment management fees are paid to U.S. Bank. These fees include investment policy development, asset allocation recommendations, asset management, and all custodial services.

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>ONGOING FEE</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. BANK/HIGHMARK</td>
<td>0.35% for assets under $5 million*</td>
</tr>
<tr>
<td></td>
<td>0.25% for assets $5—$10 million</td>
</tr>
<tr>
<td></td>
<td>0.20% for assets $10—$15 million</td>
</tr>
<tr>
<td></td>
<td>0.15% for assets $15—$50 million</td>
</tr>
<tr>
<td></td>
<td>0.10% for assets over $50 million</td>
</tr>
</tbody>
</table>

*These fees represent the highest weighted investment management fee that can be charged. Fees for HighMark's five risk tolerance portfolios as of March 31, 2017 range from 0.25% to 0.34% for assets under $5 million, depending on risk tolerance level. Subject to change due to rebalancing. This is because all investment management fees are waived on the First American Prime Obligation Z fund as well as any funds within the portfolio that HighMark serves as sub-adviser/adviser.

Signed: [Signature]

By: Dan Johnson, President

Date: 5/12/17
EXHIBIT D

INSURANCE REQUIREMENTS

Insurance Requirements for Professional Services

(Section 115 Pension Prefunding Trust Establishment and Administration Pur 17-017)

Consultant shall procure and maintain for the duration of the contract insurance against
claims for injuries to persons or damages to property which may arise from or in
connection with the performance of the work hereunder by the Consultant, its agents,
representatives, or employees.

MINIMUM SCOPE AND LIMIT OF INSURANCE

Coverage shall be at least as broad as:

1. Commercial General Liability (CGL): Insurance Services Office Form CG 00 01
   covering CGL on an "occurrence" basis, including products and completed
   operations, property damage, bodily injury and personal & advertising injury with
   limits no less than $1,000,000 per occurrence. If a general aggregate limit applies,
   either the general aggregate limit shall apply separately to this project/location or
   the general aggregate limit shall be twice the required occurrence limit.

2. Automobile Liability: Insurance Services Office Form Number CA 0001
   covering, Code 1 (any auto), or if Consultant has no owned autos, Code 8 (hired)
   and 9 (non-owned), with limit no less than $1,000,000 per accident for bodily injury
   and property damage.

3. Workers' Compensation insurance as required by the State of California, with
   Statutory Limits, and Employer's Liability Insurance with limit of no less than
   $1,000,000 per accident for bodily injury or disease. (Not required if consultant
   provides written verification it has no employees)

4. Professional Liability (Errors and Omissions) Insurance appropriate to the
   Consultant's profession, with limit no less than $2,000,000 per occurrence or claim,
   $2,000,000 aggregate. (If Claims-made, see below.)

If the Consultant maintains higher limits than the minimums shown above, the City of
Stockton requires and shall be entitled to coverage for the higher limits maintained by the
consultant. Any available insurance proceeds in excess of the specified minimum limits
of insurance and coverage shall be available to the City of Stockton.
Other Insurance Provisions
The insurance policies are to contain, or be endorsed to contain, the following provisions:

Additional Insured Status
The City of Stockton, its Mayor, Council, officers, representatives, employees and volunteers are to be covered as additional insureds on the CGL policy and AL policy with respect to liability arising out of work or operations performed by or on behalf of the Consultant including materials, parts, or equipment furnished in connection with such work or operations. General liability coverage can be provided in the form of an endorsement to the Consultant's Insurance (at least as broad as ISO Form CG 20 10 11 85 or both CG 20 10 and CG 20 37 forms if later revisions used). Additional insured Name of Organization shall read "City of Stockton, its Mayor, Council, officers, representatives, employees and volunteers." Policy shall cover City of Stockton, its Mayor, Council, officers, representatives, employees and volunteers for all locations work is done under this contract.

Primary Coverage
For any claims related to this contract, the Consultant’s Insurance coverage shall be endorsed as primary insurance as respects the City of Stockton, its Mayor, Council, officers, representatives, employees and volunteers. Any insurance or self-insurance maintained by the City of Stockton, its Mayor, Council, officers, representatives, employees and volunteers shall be excess of the Consultant’s insurance and shall not contribute with it. The City of Stockton does not accept endorsements limiting the Consultant’s insurance coverage to the sole negligence of the Named Insured.

Notice of Cancellation
Each insurance policy required above shall state that coverage shall not be canceled, except with notice to the City of Stockton.

Waiver of Subrogation
Consultant hereby grants to City of Stockton a waiver of any right to subrogation which any insurer of said Consultant may acquire against the City of Stockton by virtue of the payment of any loss under such insurance. Consultant agrees to obtain any endorsement that may be necessary to effect this waiver of subrogation, but this provision applies regardless of whether or not the City of Stockton has received a waiver of subrogation endorsement from the insurer.

Deductibles and Self-Insured Retentions
Any deductibles or self-insured retentions must be declared to and approved by the City of Stockton Risk Services. The City of Stockton may require the Consultant to provide proof of ability to pay losses and related investigations, claims administration, and defense expenses within the retention.

Acceptability of Insurers
Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII if admitted to do business in the State of California; if not admitted to do business in
the State of California, insurance is to be placed with insurers with a current A.M. Best's rating of no less than A+X.

Claims Made Policies

If any of the required policies provide coverage on a claims-made basis:

1. The Retroactive Date must be shown and must be before the date of the contract or the beginning of contract work.

2. If Claims Made policy form is used, a three (3) year discovery and reporting tail period of coverage is required after completion of work.

Verification of Coverage

Consultant shall furnish the City of Stockton with original certificates and amendatory endorsements required by this clause. All certificates and endorsements are to be received and approved by the City of Stockton Risk Services before work commences. Failure to obtain the required documents prior to the work beginning shall not waive the Consultant's obligation to provide them. The City of Stockton reserves the right to require complete, certified copies of all required insurance policies, including endorsements required by these specifications, at any time, for any reason or no reason.

Consultant shall, prior to the commencement of work under this Agreement, provide the City of Stockton with a copy of its Declarations Page and Endorsement Page for each of the required policies.

Certificate Holder Address

Proper address for mailing certificates, endorsements and notices shall be:

- City of Stockton
- Attention: Risk Services
- 425 N El Dorado Street
- Stockton, CA 95202

City of Stockton Risk Services Phone: 209-937-5037
City of Stockton Risk Services Fax: 209-937-8558

Maintenance of Insurance

If at any time during the life of the Contract or any extension, the Consultant fails to maintain the required insurance in full force and effect, all work under the Contract shall be discontinued immediately. Any failure to maintain the required insurance shall be sufficient cause for the CITY to terminate this Contract.

Subcontractors

Consultant shall require and verify that all subcontractors maintain insurance meeting all the requirements stated herein, and Consultant shall ensure that City of Stockton is an additional insured on Insurance required from subcontractors.
Special Risks or Circumstances
City of Stockton reserves the right to modify these requirements, including limits, based on the nature of the risk; prior experience, insurer, coverage, or other special circumstances.
CERTIFICATE OF LIABILITY INSURANCE

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFER NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER: Risk Strategies Company
2040 Main Street, Suite 450
Irvine, CA 92614
www.risk-strategies.com
CA DOI License No. 0F06675

INSURED:
Phase II Systems
da: PARS
4350 Von Karman Ave., Ste 100
Newport Beach CA 92660

CONTACT
NAME: Risk Strategies Company
PHONE: 949-242-9240
FAX: 
E-MAIL: syoung@risk-strategies.com
ADDRESS: 

INSURER(S) AFFORDING COVERAGE
INSURER A: Sentinel Insurance Co.
INSURER A NAIC #: 11000

INSURER B: Travelers Property Casualty Co of America
INSURER B NAIC #: 25674

INSURER C: Lloyds

COVERAGE(S)

CERTIFICATE NUMBER: 37813379

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

<table>
<thead>
<tr>
<th>INSURER</th>
<th>TYPE OF INSURANCE</th>
<th>ADD'L LIMITS</th>
<th>POLICY NUMBER</th>
<th>LIMITS</th>
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<tbody>
<tr>
<td>A</td>
<td>COMMERCIAL GENERAL LIABILITY</td>
<td>$2,000,000</td>
<td>72SBAAC2429</td>
<td>$2,000,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5/5/2017-5/5/2018</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>EACH OCCURRENCE</td>
<td>$2,000,000</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>DAMAGE TO RENTED PREMISES</td>
<td>$1,000,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>MED EXP (Any one person)</td>
<td>$10,000</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td>PERSONAL &amp; ADV INJURY</td>
<td>$2,000,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>GENERAL AGGREGATE</td>
<td>$4,000,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>PRODUCTS - COMMERCIAL</td>
<td>$4,000,000</td>
</tr>
</tbody>
</table>

| A       | AUTOMOBILE LIABILITY | $2,000,000 | 72SBAAC2429 | $2,000,000 |
|         |                   |             | 5/5/2017-5/5/2018 |       |
|         |                   |             | EACH OCCURRENCE | $2,000,000 |
|         |                   |             | AGGREGATE |         |

| B       | WORKERS Compensation | $1,000,000 | UB2J193983 | $1,000,000 |
|         | AND EMPLOYERS' LIABILITY |             | 6/1/2017-6/1/2018 |       |
|         | ANY PROPRIETOR PARTNER EXECUTIVE OFFICER | | |       |
|         | ANY MEMBERS EXCLUDED | | |       |
|         | (Mandatory in WA) | | |       |
|         | If you describe under DESCRIPTION OF OPERATIONS below | | |       |
| C       | Professional Liability | $1,000,000 | LDUSA1704508 | $1,000,000 |
|         |                   |             | 7/30/2017-7/30/2018 |       |
|         |                   |             | EACH OCCIDENT | $1,000,000 |
|         |                   |             | EL-EACH ACCIDENT | $1,000,000 |
|         |                   |             | EL-DISEASE - EMPL | $1,000,000 |
|         |                   |             | EL-DISEASE - POLICY LIMIT | $1,000,000 |

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 191, Additional Remarks Schedule, may be attached if more space is required)

Projects as on file with the insured including but not limited to:
Trust administration services related to the Public Agencies Post-Employment Benefits Trust.
The City of Stockton, its Mayor, Council, officers, representatives, employees and volunteers are named as additional insureds and primary/non-contributory clause applies to the general liability policy and a waiver of subrogation applies to the general liability and work comp policies-see attached endorsements.

CERTIFICATE HOLDER
City of Stockton
Risk Services
425 N. El Dorado St.
Stockton CA 95202

CANCELLATION
SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE
Michael Christan

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ACORD 25 (2010/03) The ACORD name and logo are registered marks of ACORD

37813379 17-18 CA 06-900A-WC-RG | Sherry Young | 9/10/2017 11:15:49 AM (PDT) | Page 1 of 13
BUSINESS LIABILITY COVERAGE FORM

2. Applicable To Medical Expenses Coverage
   We will not pay expenses for "bodily injury":
   a. Any Insured
      To any insured, except "volunteer workers".
   b. Hired Person
      To a person hired to do work for or on behalf of any insured or a tenant of any insured.
   c. Injury On Normally Occupied Premises
      To a person injured on that part of premises you own or rent that the person normally occupies.
   d. Workers' Compensation And Similar Laws
      To a person, whether or not an "employee" of any insured, if benefits for the "bodily injury" are payable or must be provided under a workers' compensation or disability benefits law or a similar law.
   e. Athletics Activities
      To a person injured while practicing, instructing or participating in any physical exercises or games, sports or athletic contests.
   f. Products-Completed Operations Hazard
      Included with the "products-completed operations hazard".
   g. Business Liability Exclusions
      Excluded under Business Liability Coverage.

C. WHO IS AN INSURED

1. If you are designated in the Declarations as:
   a. An individual, you and your spouse are insureds, but only with respect to the conduct of a business of which you are the sole owner.
   b. A partnership or joint venture, you are an insured. Your members, your partners, and their spouses are also insureds, but only with respect to the conduct of your business.
   c. A limited liability company, you are an insured. Your members are also insureds, but only with respect to the conduct of your business. Your managers are insureds, but only with respect to their duties as your managers.
   d. An organization other than a partnership, joint venture or limited liability company, you are an insured. Your "executive officers" and directors are insureds, but only with respect to their duties as your officers or directors. Your stockholders are also insureds, but only with respect to their liability as stockholders.
   e. A trust, you are an insured. Your trustees are also insureds, but only with respect to their duties as trustees.

2. Each of the following is also an insured:
   a. Employees And Volunteer Workers
      Your "volunteer workers" only while performing duties related to the conduct of your business, or your "employees", other than either your "executive officers" (if you are an organization other than a partnership, joint venture or limited liability company) or your managers (if you are a limited liability company), but only for acts within the scope of their employment by you or while performing duties related to the conduct of your business.
      However, none of these "employees" or "volunteer workers" are insureds for:
      (1) "Bodily injury" or "personal and advertising injury":
         (a) To you, to your partners or members (if you are a partnership or joint venture), to your members (if you are a limited liability company), or to a co-"employee" while in the course of his or her employment or performing duties related to the conduct of your business, or to your other "volunteer workers" while performing duties related to the conduct of your business;
         (b) To the spouse, child, parent, brother or sister of that co-"employee" or that "volunteer worker" as a consequence of Paragraph (1)(a) above;
         (c) For which there is any obligation to share damages with or repay someone else who must pay damages because of the injury described in Paragraphs (1)(a) or (b) above; or
         (d) Arising out of his or her providing or failing to provide professional health care services.
      If you are not in the business of providing professional health care services, Paragraph (d) does not apply to any nurse, emergency medical technician or paramedic employed by you to provide such services.
      (2) "Property damage" to property:
         (a) Owned, occupied or used by,
(b) Rented to, in the care, custody or control of, or over which physical control is being exercised for any purpose by you, any of your "employees", "volunteer workers", any partner or member (if you are a partnership or joint venture), or any member (if you are a limited liability company).

b. Real Estate Manager
Any person (other than your "employee" or "volunteer worker"), or any organization while acting as your real estate manager.

c. Temporary Custodians Of Your Property
Any person or organization having proper temporary custody of your property if you die, but only:

1. With respect to liability arising out of the maintenance or use of that property; and
2. Until your legal representative has been appointed.

d. Legal Representative If You Die
Your legal representative if you die, but only with respect to duties as such. That representative will have all your rights and duties under this insurance.

e. Unnamed Subsidiary
Any subsidiary and subsidiary thereof, of yours which is a legally incorporated entity of which you own a financial interest of more than 50% of the voting stock on the effective date of this Coverage Part.

The insurance afforded herein for any subsidiary not shown in the Declarations as a named insured does not apply to injury or damage with respect to which an insured under this insurance is also an insured under another policy or would be an insured under such policy but for its termination or upon the exhaustion of its limits of insurance.

3. Newly Acquired Or Formed Organization
Any organization you newly acquire or form, other than a partnership, joint venture or limited liability company, and over which you maintain financial interest of more than 50% of the voting stock, will qualify as a Named Insured if there is no other similar insurance available to that organization. However:

a. Coverage under this provision is afforded only until the 180th day after you acquire or form the organization or the end of the policy period, whichever is earlier; and

b. Coverage under this provision does not apply to:

1. "Bodily injury" or "property damage" that occurred; or
2. "Personal and advertising injury" arising out of an offense committed before you acquired or formed the organization.

4. Operator Of Mobile Equipment
With respect to "mobile equipment" registered in your name under any motor vehicle registration law, any person is an insured while driving such equipment along a public highway with your permission. Any other person or organization responsible for the conduct of such person is also an insured, but only with respect to liability arising out of the operation of the equipment, and only if no other insurance of any kind is available to that person or organization for this liability. However, no person or organization is an insured with respect to:

a. "Bodily injury" to a co-"employee" of the person driving the equipment; or
b. "Property damage" to property owned by, rented to, in the charge of or occupied by you or the employer of any person who is an insured under this provision.

5. Operator of Nonowned Watercraft
With respect to watercraft you do not own that is less than 51 feet long and is not being used to carry persons for a charge, any person is an insured while operating such watercraft with your permission. Any other person or organization responsible for the conduct of such person is also an insured, but only with respect to liability arising out of the operation of the watercraft, and only if no other insurance of any kind is available to that person or organization for this liability. However, no person or organization is an insured with respect to:

a. "Bodily injury" to a co-"employee" of the person operating the watercraft; or
b. "Property damage" to property owned by, rented to, in the charge of or occupied by you or the employer of any person who is an insured under this provision.

6. Additional Insureds When Required By Written Contract, Written Agreement Or Permit
The person(s) or organization(s) identified in Paragraphs a. through f. below are additional insureds when you have agreed, in a written
contract, written agreement or because of a permit issued by a state or political subdivision, that such person or organization be added as an additional insured on your policy, provided the injury or damage occurs subsequent to the execution of the contract or agreement, or the issuance of the permit.

A person or organization is an additional insured under this provision only for that period of time required by the contract, agreement or permit.

However, no such person or organization is an additional insured under this provision if such person or organization is included as an additional insured by an endorsement issued by us and made a part of this Coverage Part, including all persons or organizations added as additional insureds under the specific additional insured coverage grants in Section F.—Optional Additional Insured Coverages.

a. Vendors

Any person(s) or organization(s) (referred to below as vendor), but only with respect to "bodily injury" or "property damage" arising out of "your products" which are distributed or sold in the regular course of the vendor's business and only if this Coverage Part provides coverage for "bodily injury" or "property damage" included within the "products-completed operations hazard".

(1) The insurance afforded to the vendor is subject to the following additional exclusions:

This insurance does not apply to:

(a) "Bodily injury" or "property damage" for which the vendor is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages that the vendor would have in the absence of the contract or agreement;

(b) Any express warranty unauthorized by you;

(c) Any physical or chemical change in the product made intentionally by the vendor;

(d) Repackaging, except when unpacked solely for the purpose of inspection, demonstration, testing, or the substitution of parts under instructions from the manufacturer, and then repackaged in the original container;

(e) Any failure to make such inspections, adjustments, tests or servicing as the vendor has agreed to make or normally undertakes to make in the usual course of business, in connection with the distribution or sale of the products;

(f) Demonstration, installation, servicing or repair operations, except such operations performed at the vendor's premises in connection with the sale of the product;

(g) Products which, after distribution or sale by you, have been labeled or relabeled or used as a container, part or ingredient of any other thing or substance by or for the vendor;

(h) "Bodily injury" or "property damage" arising out of the sole negligence of the vendor for its own acts or omissions or those of its employees or anyone else acting on its behalf. However, this exclusion does not apply to:

(i) The exceptions contained in Subparagraphs (d) or (f); or

(ii) Such inspections, adjustments, tests or servicing as the vendor has agreed to make or normally undertakes to make in the usual course of business, in connection with the distribution or sale of the products.

(2) This insurance does not apply to any insured person or organization from whom you have acquired such products, or any ingredient, part or container, entering into, accompanying or containing such products.

b. Lessees Of Equipment

(1) Any person or organization from whom you lease equipment; but only with respect to their liability for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by your maintenance, operation or use of equipment leased to you by such person or organization.
(2) With respect to the insurance afforded to these additional insureds, this insurance does not apply to any "occurrence" which takes place after you cease to lease that equipment.

c. Lessors Of Land Or Premises
(1) Any person or organization from whom you lease land or premises, but only with respect to liability arising out of the ownership, maintenance or use of that part of the land or premises leased to you.

(2) With respect to the insurance afforded to these additional insureds, this insurance does not apply to:

(a) Any "occurrence" which takes place after you cease to lease that land or be a tenant in that premises; or

(b) Structural alterations, new construction or demolition operations performed by or on behalf of such person or organization.

d. Architects, Engineers Or Surveyors
(1) Any architect, engineer, or surveyor, but only with respect to liability for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by your acts or omissions or the acts or omissions of those acting on your behalf:

(a) In connection with your premises; or

(b) In the performance of your ongoing operations performed by you or on your behalf.

(2) With respect to the insurance afforded to these additional insureds, the following additional exclusion applies:

This insurance does not apply to "bodily injury", "property damage" or "personal and advertising injury" arising out of the rendering of or the failure to render any professional services by or for you, including:

(a) The preparing, approving, or failure to prepare or approve, maps, shop drawings, opinions, reports, surveys, field orders, change orders, designs or drawings and specifications; or

(b) Supervisory, inspection, architectural or engineering activities.

e. Permits Issued By State Or Political Subdivisions
(1) Any state or political subdivision, but only with respect to operations performed by you or on your behalf for which the state or political subdivision has issued a permit.

(2) With respect to the insurance afforded to these additional insureds, this insurance does not apply to:

(a) "Bodily injury", "property damage" or "personal and advertising injury" arising out of operations performed for the state or municipality; or

(b) "Bodily injury" or "property damage" included within the "products-completed operations hazard".

f. Any Other Party
(1) Any other person or organization who is not an insured under Paragraphs a, through e, above, but only with respect to liability for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by your acts or omissions or the acts or omissions of those acting on your behalf:

(a) In the performance of your ongoing operations;

(b) In connection with your premises owned by or rented to you; or

(c) In connection with "your work" and included within the "products-completed operations hazard", but only if

(i) The written contract or written agreement requires you to provide such coverage to such additional insured; and

(ii) This Coverage Part provides coverage for "bodily injury" or "property damage" included within the "products-completed operations hazard".

(2) With respect to the insurance afforded to these additional insureds, this insurance does not apply to:

"Bodily injury", "property damage" or "personal and advertising injury" arising out of the rendering of, or the failure to render, any professional architectural, engineering or surveying services, including:
BUSINESS LIABILITY COVERAGE FORM

(a) The preparing, approving, or failure to prepare or approve, maps, shop drawings, opinions, reports, surveys, field orders, change orders, designs or drawings and specifications; or

(b) Supervisory, inspection, architectural or engineering activities.

The limits of insurance that apply to additional insureds are described in Section D. – Limits Of Insurance.

How this insurance applies when other insurance is available to an additional insured is described in the Other Insurance Condition in Section E. – Liability And Medical Expenses General Conditions.

No person or organization is an insured with respect to the conduct of any current or past partnership, joint venture or limited liability company that is not shown as a Named Insured in the Declarations.

D. LIABILITY AND MEDICAL EXPENSES LIMITS OF INSURANCE

1. The Most We Will Pay

The Limits of Insurance shown in the Declarations and the rules below fix the most we will pay regardless of the number of:

a. Insureds;
b. Claims made or "suits" brought; or
c. Persons or organizations making claims or bringing "suits".

2. Aggregate Limits

The most we will pay for:

a. Damages because of "bodily injury" and "property damage" included in the "products-completed operations hazard" is the Products-Completed Operations Aggregate Limit shown in the Declarations.

b. Damages because of all other "bodily injury", "property damage" or "personal and advertising injury", including medical expenses, is the General Aggregate Limit shown in the Declarations.

This General Aggregate Limit applies separately to each of your "locations" owned by or rented to you.

"Location" means premises involving the same or connecting lots, or premises whose connection is interrupted only by a street, roadway or right-of-way of a railroad.

This General Aggregate limit does not apply to "property damage" to premises while rented to you or temporarily occupied by you with permission of the owner, arising out of fire, lightning or explosion.

3. Each Occurrence Limit

Subject to 2.a. or 2.b above, whichever applies, the most we will pay for the sum of all damages because of all "bodily injury", "property damage" and medical expenses arising out of any one "occurrence" is the Liability and Medical Expenses Limit shown in the Declarations.

The most we will pay for all medical expenses because of "bodily injury" sustained by any one person is the Medical Expenses Limit shown in the Declarations.

4. Personal And Advertising Injury Limit

Subject to 2.b. above, the most we will pay for the sum of all damages because of all "personal and advertising injury" sustained by any one person or organization is the Personal and Advertising Injury Limit shown in the Declarations.

5. Damage To Premises Rented To You Limit

The Damage To Premises Rented To You Limit is the most we will pay under Business Liability Coverage for damages because of "property damage" to any one premises, while rented to you, or in the case of damage by fire, lightning or explosion, while rented to you or temporarily occupied by you with permission of the owner.

In the case of damage by fire, lightning or explosion, the Damage To Premises Rented To You Limit applies to all damage proximately caused by the same event, whether such damage results from fire, lightning or explosion or any combination of these.

6. How Limits Apply To Additional Insureds

The most we will pay on behalf of a person or organization who is an additional insured under this Coverage Part is the lesser of:

a. The limits of insurance specified in a written contract, written agreement or permit issued by a state or political subdivision; or

b. The Limits of Insurance shown in the Declarations.

Such amount shall be a part of and not in addition to the Limits of Insurance shown in the Declarations and described in this Section.
If more than one limit of insurance under this policy and any endorsements attached thereto applies to any claim or "suit", the most we will pay under this policy and the endorsements is the single highest limit of liability of all coverages applicable to such claim or "suit". However, this paragraph does not apply to the Medical Expenses limit set forth in Paragraph 3. above.

The Limits of Insurance of this Coverage Part apply separately to each consecutive annual period and to any remaining period of less than 12 months, starting with the beginning of the policy period shown in the Declarations, unless the policy period is extended after issuance for an additional period of less than 12 months. In that case, the additional period will be deemed part of the last preceding period for purposes of determining the Limits of Insurance.

E. LIABILITY AND MEDICAL EXPENSES

GENERAL CONDITIONS

1. Bankruptcy

Bankruptcy or insolvency of the insured or of the insured's estate will not relieve us of our obligations under this Coverage Part.

2. Duties In The Event Of Occurrence, Offense, Claim Or Suit

a. Notice Of Occurrence Or Offense

You or any additional insured must see to it that we are notified as soon as practicable of an "occurrence" or an offense which may result in a claim. To the extent possible, notice should include:

(1) How, when and where the "occurrence" or offense took place;

(2) The names and addresses of any injured persons and witnesses; and

(3) The nature and location of any injury or damage arising out of the "occurrence" or offense.

b. Notice Of Claim

If a claim is made or "suit" is brought against any insured, you or any additional insured must:

(1) Immediately record the specifics of the claim or "suit" and the date received; and

(2) Notify us as soon as practicable.

You or any additional insured must see to it that we receive a written notice of the claim or "suit" as soon as practicable.

c. Assistance And Cooperation Of The Insured

You and any other involved insured must:

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1. Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the claim or "suit";

2. Authorize us to obtain records and other information;

3. Cooperate with us in the investigation, settlement of the claim or defense against the "suit"; and

4. Assist us, upon our request, in the enforcement of any right against any person or organization that may be liable to the insured because of injury or damage to which this insurance may also apply.

d. Obligations At The Insured's Own Cost

No insured will, except at his insured's own cost, voluntarily make a payment, assume any obligation, or incur any expense, other than for first aid, without our consent.

e. Additional Insured's Other Insurance

If we cover a claim or "suit" under this Coverage Part that may also be covered by other insurance available to an additional insured, such additional insured must submit such claim or "suit" to the other insurer for defense and indemnity.

However, this provision does not apply to the extent that you have agreed in a written contract, written agreement or permit that this insurance is primary and non-contributory with the additional insured's own insurance.

f. Knowledge Of An Occurrence, Offense, Claim Or Suit

Paragraphs a. and b. apply to you or to any additional insured only when such "occurrence", offense, claim or "suit" is known to:

(1) You or any additional insured that is an individual;

(2) Any partner, if you or an additional insured is a partnership;

(3) Any manager, if you or an additional insured is a limited liability company;

(4) Any "executive officer" or insurance manager, if you or an additional insured is a corporation;

(5) Any trustee, if you or an additional insured is a trust; or

(6) Any elected or appointed official, if you or an additional insured is a political subdivision or public entity.
BUSINESS LIABILITY COVERAGE FORM

This Paragraph f. applies separately to you and any additional insured.

3. Financial Responsibility Laws
   a. When this policy is certified as proof of financial responsibility for the future under the provisions of any motor vehicle financial responsibility law, the insurance provided by the policy for "bodily injury" liability and "property damage" liability will comply with the provisions of the law to the extent of the coverage and limits of insurance required by that law.
   b. With respect to "mobile equipment" to which this insurance applies, we will provide any liability, uninsured motorists, underinsured motorists, no-fault or other coverage required by any motor vehicle law. We will provide the required limits for those coverages.

4. Legal Action Against Us
   No person or organization has a right under this Coverage Form:
   a. To join us as a party or otherwise bring us into a "suit" asking for damages from an insured; or
   b. To sue us on this Coverage Form unless all of its terms have been fully complied with.

A person or organization may sue us to recover on an agreed settlement or on a final judgment against an insured; but we will not be liable for damages that are not payable under the terms of this insurance or that are in excess of the applicable limit of Insurance. An agreed settlement means a settlement and release of liability signed by us, the insured and the claimant or the claimant's legal representative.

5. Separation Of Insureds
   Except with respect to the Limits of Insurance, and any rights or duties specifically assigned in this policy to the first Named Insured, this insurance applies:
   a. As if each Named Insured were the only Named Insured; and
   b. Separately to each insured against whom a claim is made or "suit" is brought.

6. Representations
   a. When You Accept This Policy
      By accepting this policy, you agree:
      (1) The statements in the Declarations are accurate and complete;
      (2) Those statements are based upon representations you made to us; and
      (3) We have issued this policy in reliance upon your representations.

b. Unintentional Failure To Disclose Hazards
   If unintentionally you should fail to disclose all hazards relating to the conduct of your business at the inception date of this Coverage Part, we shall not deny any coverage under this Coverage Part because of such failure.

7. Other Insurance
   If other valid and collectible insurance is available for a loss we cover under this Coverage Part, our obligations are limited as follows:
   a. Primary Insurance
      This insurance is primary except when b. below applies. If other insurance is also primary, we will share with all that other insurance by the method described in c. below.
   b. Excess Insurance
      This insurance is excess over any of the other insurance, whether primary, excess, contingent or on any other basis:
      (1) Your Work
      That is Fire, Extended Coverage, Builder's Risk, Installation Risk or similar coverage for "your work";
      (2) Premises Rented To You
      That is fire, lightning or explosion insurance for premises rented to you or temporarily occupied by you with permission of the owner;
      (3) Tenant Liability
      That is Insurance purchased by you to cover your liability as a tenant for "property damage" to premises rented to you or temporarily occupied by you with permission of the owner;
      (4) Aircraft, Auto Or Watercraft
      If the loss arises out of the maintenance or use of aircraft, "autos" or watercraft to the extent not subject to Exclusion g. of Section A. – Coverages.
      (5) Property Damage To Borrowed Equipment Or Use Of Elevators
      If the loss arises out of "property damage" to borrowed equipment or the use of elevators to the extent not subject to Exclusion k. of Section A. – Coverages.
(6) When You Are Added As An Additional Insured To Other Insurance

That is other insurance available to you covering liability for damages arising out of the premises or operations, or products and completed operations, for which you have been added as an additional insured by that insurance; or

(7) When You Add Others As An Additional Insured To This Insurance

That is other insurance available to an additional insured.

However, the following provisions apply to other insurance available to any person or organization who is an additional insured under this Coverage Part:

(a) Primary Insurance When Required By Contract

This insurance is primary if you have agreed in a written contract, written agreement or permit that this insurance be primary. If other insurance is also primary, we will share with all that other insurance by the method described in c. below.

(b) Primary And Non-Contributory To Other Insurance When Required By Contract

If you have agreed in a written contract, written agreement or permit that this insurance is primary and non-contributory with the additional insured’s own insurance, this insurance is primary and we will not seek contribution from that other insurance.

Paragraphs (a) and (b) do not apply to other insurance to which the additional insured has been added as an additional insured.

When this insurance is excess, we will have no duty under this Coverage Part to defend the insured against any “suit” if any other insurer has a duty to defend the insured against that “suit”. If no other insurer defends, we will undertake to do so, but we will be entitled to the insured’s rights against all those other insurers.

BUSINESS LIABILITY COVERAGE FORM

When this insurance is excess over other insurance, we will pay only our share of the amount of the loss, if any, that exceeds the sum of:

(1) The total amount that all such other insurance would pay for the loss in the absence of this insurance; and

(2) The total of all deductible and self-insured amounts under all that other insurance.

We will share the remaining loss, if any, with any other insurance that is not described in this Excess Insurance provision and was not bought specifically to apply in excess of the Limits of Insurance shown in the Declarations of this Coverage Part.

c. Method Of Sharing

If all the other insurance permits contribution by equal shares, we will follow this method also. Under this approach, each insurer contributes equal amounts until it has paid its applicable limit of insurance or none of the loss remains, whichever comes first.

If any of the other insurance does not permit contribution by equal shares, we will contribute by limits. Under this method, each insurer’s share is based on the ratio of its applicable limit of insurance to the total applicable limits of insurance of all insurers.

8. Transfer Of Rights Of Recovery Against Others To Us

a. Transfer Of Rights Of Recovery

If the insured has rights to recover all or part of any payment, including Supplementary Payments, we have made under this Coverage Part, those rights are transferred to us. The insured must do nothing after loss to impair them. At our request, the insured will bring “suit” or transfer those rights to us and help us enforce them. This condition does not apply to Medical Expenses Coverage.

b. Waiver Of Rights Of Recovery (Waiver Of Subrogation)

If the insured has waived any rights of recovery against any person or organization for all or part of any payment, including Supplementary Payments, we have made under this Coverage Part, we also waive that right, provided the insured waived their rights of recovery against such person or organization in a contract, agreement or permit that was executed prior to the injury or damage.
F. OPTIONAL ADDITIONAL INSURED COVERAGE

If listed or shown as applicable in the Declarations, one or more of the following Optional Additional Insured Coverages also apply. When any of these Optional Additional Insured Coverages apply, Paragraph 6. (Additional Insureds When Required by Written Contract, Written Agreement or Permit) of Section C., Who Is An Insured, does not apply to the person or organization shown in the Declarations. These coverages are subject to the terms and conditions applicable to Business Liability Coverage in this policy, except as provided below:

1. Additional Insured - Designated Person Or Organization

WHO IS AN INSURED under Section C. is amended to include as an additional insured the person(s) or organization(s) shown in the Declarations, but only with respect to liability for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by your acts or omissions or the acts or omissions of those acting on your behalf:

a. In the performance of your ongoing operations; or
b. In connection with your premises owned by or rented to you.

2. Additional Insured - Managers Or Lessors Of Premises

a. WHO IS AN INSURED under Section C. is amended to include as an additional insured the person(s) or organization(s) shown in the Declarations as an Additional Insured - Designated Person Or Organization; but only with respect to liability arising out of the ownership, maintenance or use of that part of the premises leased to you and shown in the Declarations.

b. With respect to the insurance afforded to these additional insureds, the following additional exclusions apply:

This insurance does not apply to:

(1) Any "occurrence" which takes place after you cease to be a tenant in that premises; or
(2) Structural alterations, new construction or demolition operations performed by or on behalf of such person or organization.

3. Additional Insured - Grantor Of Franchise

WHO IS AN INSURED under Section C. is amended to include as an additional insured the person(s) or organization(s) shown in the Declarations as an Additional Insured - Grantor Of Franchise, but only with respect to their liability as grantor of franchise to you.

4. Additional Insured - Lessor Of Leased Equipment

a. WHO IS AN INSURED under Section C. is amended to include as an additional insured the person(s) or organization(s) shown in the Declarations as an Additional Insured - Lessor Of Leased Equipment, but only with respect to liability for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by your maintenance, operation or use of equipment leased to you by such person(s) or organization(s).

b. With respect to the insurance afforded to these additional insureds, this insurance does not apply to any "occurrence" which takes place after you cease to lease that equipment.

5. Additional Insured - Owners Or Other Interests From Whom Land Has Been Leased

a. WHO IS AN INSURED under Section C. is amended to include as an additional insured the person(s) or organization(s) shown in the Declarations as an Additional Insured - Owners Or Other Interests From Whom Land Has Been Leased, but only with respect to liability arising out of the ownership, maintenance or use of that part of the land leased to you and shown in the Declarations.

b. With respect to the insurance afforded to these additional insureds, the following additional exclusions apply:

This insurance does not apply to:

(1) Any "occurrence" that takes place after you cease to lease that land; or
(2) Structural alterations, new construction or demolition operations performed by or on behalf of such person or organization.

6. Additional Insured - State Or Political Subdivision – Permits

a. WHO IS AN INSURED under Section C. is amended to include as an additional insured the state or political subdivision shown in the Declarations as an Additional
Insured – State Or Political Subdivision - Permits, but only with respect to operations performed by you or on your behalf for which the state or political subdivision has issued a permit.

b. With respect to the insurance afforded to these additional insureds, the following additional exclusions apply:

This insurance does not apply to:

(1) "Bodily injury", "property damage" or "personal and advertising injury" arising out of operations performed for the state or municipality; or

(2) "Bodily injury" or "property damage" included in the "product-completed operations" hazard.

7. Additional Insured – Vendors

a. WHO IS AN INSURED under Section C. is amended to include as an additional insured the person(s) or organization(s) (referred to below as vendor) shown in the Declarations as an Additional Insured - Vendor, but only with respect to "bodily injury" or "property damage" arising out of "your products" which are distributed or sold in the regular course of the vendor's business and only if this Coverage Part provides coverage for "bodily injury" or "property damage" included within the "products-completed operations hazard".

b. The insurance afforded to the vendor is subject to the following additional exclusions:

(1) This insurance does not apply to:

(a) "Bodily injury" or "property damage" for which the vendor is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages that the vendor would have in the absence of the contract or agreement;

(b) Any express warranty unauthorized by you;

(c) Any physical or chemical change in the product made intentionally by the vendor;

(d) Repackaging, unless unpacked solely for the purpose of inspection, demonstration, testing, or the substitution of parts under instructions from the manufacturer, and then repackaged in the original container;

(e) Any failure to make such inspections, adjustments, tests or servicing as the vendor has agreed to make or normally undertakes to make in the usual course of business, in connection with the distribution or sale of the products;

(f) Demonstration, installation, servicing or repair operations, except such operations performed at the vendor's premises in connection with the sale of the product;

(g) Products which, after distribution or sale by you, have been labeled or relabeled or used as a container, part or ingredient of any other thing or substance by or for the vendor; or

(h) "Bodily injury" or "property damage" arising out of the sole negligence of the vendor for its own acts or omissions or those of its employees or anyone else acting on its behalf. However, this exclusion does not apply to:

(i) The exceptions contained in Subparagraphs (d) or (f), or

(ii) Such inspections, adjustments, tests or servicing as the vendor has agreed to make or normally undertakes to make in the usual course of business, in connection with the distribution or sale of the products.

(2) This insurance does not apply to any insured person or organization from whom you have acquired such products, or any ingredient, part or container, entering into, accompanying or containing such products.

8. Additional Insured – Controlling Interest

WHO IS AN INSURED under Section C. is amended to include as an additional insured the person(s) or organization(s) shown in the Declarations as an Additional Insured – Controlling Interest, but only with respect to their liability arising out of:

a. Their financial control of you; or

b. Premises they own, maintain or control while you lease or occupy these premises.
BUSINESS LIABILITY COVERAGE FORM

This insurance does not apply to structural alterations, new construction and demolition operations performed by or for that person or organization.

9. Additional Insured – Owners, Lessees Or Contractors – Scheduled Person Or Organization

a. WHO IS AN INSURED under Section C. is amended to include as an additional insured the person(s) or organization(s) shown in the Declarations as an Additional Insured – Owner, Lessees Or Contractors, but only with respect to liability for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by your acts or omissions or the acts or omissions of those acting on your behalf:

(1) In the performance of your ongoing operations for the additional insured(s); or

(2) In connection with "your work" performed for that additional insured and included within the "products-completed operations hazard", but only if this Coverage Part provides coverage for "bodily injury" or "property damage" included within the "products-completed operations hazard".

b. With respect to the insurance afforded to these additional insureds, this insurance does not apply to "bodily injury", "property damage" or "personal and advertising injury" arising out of the rendering of, or the failure to render, any professional architectural, engineering or surveying services, including:

(1) The preparing, approving, or failure to prepare or approve, maps, shop drawings, opinions, reports, surveys, field orders, change orders, designs or drawings and specifications; or

(2) Supervisory, inspection, architectural or engineering activities.

10. Additional Insured – Co-Owner Of Insured Premises

WHO IS AN INSURED under Section C. is amended to include as an additional insured the person(s) or Organization(s) shown in the Declarations as an Additional Insured – Co-Owner Of Insured Premises, but only with respect to their liability as co-owner of the premises shown in the Declarations.

The limits of insurance that apply to additional insureds are described in Section D. – Limits Of Insurance.

How this insurance applies when other insurance is available to an additional insured is described in the Other Insurance Condition in Section E. – Liability And Medical Expenses General Conditions.

G. LIABILITY AND MEDICAL EXPENSES DEFINITIONS

1. "Advertisement" means the widespread public dissemination of information or images that has the purpose of inducing the sale of goods, products or services through:

a. (1) Radio;

(2) Television;

(3) Billboard;

(4) Magazine;

(5) Newspaper;

b. The Internet, but only that part of a web site that is about goods, products or services for the purposes of inducing the sale of goods, products or services; or

c. Any other publication that is given widespread public distribution.

However, "advertisement" does not include:

a. The design, printed material, information or images contained in, on or upon the packaging or labeling of any goods or products; or

b. An interactive conversation between or among persons through a computer network.

2. "Advertising idea" means any idea for an "advertisement".

3. "Asbestos hazard" means an exposure or threat of exposure to the actual or alleged properties of asbestos and includes the mere presence of asbestos in any form.

4. "Auto" means a land motor vehicle, trailer or semi-trailer designed for travel on public roads, including any attached machinery or equipment. But "auto" does not include "mobile equipment".

5. "Bodily injury" means physical:

a. Injury;

b. Sickness; or

c. Disease sustained by a person and, if arising out of the above, mental anguish or death at any time.

6. "Coverage territory" means:
Insured: Phase II Systems  
Policy No.: UB2J193963  
Effective Date: 6/1/2017

**WAIVER OF OUR RIGHT TO RECOVER FROM OTHERS**

ENDORSEMENT – CALIFORNIA

(PLAINET WAIVER)

We have the right to recover our payments from anyone liable for an injury covered by this policy. We will not enforce our right against the person or organization named in the Schedule.

You must maintain payroll records accurately segregating the remuneration of your employees while engaged in the work described in the Schedule.

The additional premium for this endorsement shall be 5.000% of the California workers' compensation premium otherwise due on such remuneration.

Schedule

**Person or Organization**

ANY PERSON OR ORGANIZATION WITH WHOM YOU AGREE IN WRITING TO WAIVE YOUR RIGHT TO RECOVER AGAINST THEM. YOU MUST AGREE TO THIS WAIVER PRIOR TO THE DATE OF LOSS

**Job Description:**

Projects as on file with the insured.

[Signature]

Authorized Representative
ADOPT THE "PARS PUBLIC AGENCIES POST-EMPLOYMENT BENEFITS TRUST" AND AUTHORIZE A CONTRACT WITH PUBLIC AGENCY RETIREMENT SERVICES (PARS) TO ACT AS TRUST ADMINISTRATOR AND PROVIDE ADMINISTRATION SERVICES

RECOMMENDATION

It is recommended that the City Council approve a resolution to:

1. Adopt the "PARS Public Agencies Post-Employment Benefits Trust" (Trust),

2. Authorize initial deposits into the Trust from General Fund Reserves and the Retirement Internal Service Fund, and

3. Authorize the City Manager to execute a contract with Phase II Systems, dba Public Agency Retirement Services to act as Trust Administrator and provide administrative services to Stockton as a member agency of a multi-employer post-employment benefit trust for pre-funding pension obligations.

It is further recommended that the City Manager be authorized to take appropriate and necessary actions to carry out the purpose and intent of this resolution.

Summary

The City provides pension benefits through the California Public Employees’ Retirement System (CalPERS) to employees and retirees. Public employee pensions are commonplace in California, and providing this benefit helps the City be competitive when recruiting and retaining employees to deliver services. The City has experienced considerable increases in the annual costs and liabilities for pension benefits provided to employees and retirees. The annual cost is now over $40.6 million, or approximately 52.5% of Public Safety payroll and 26.8% of Miscellaneous payroll. These increasing costs are largely driving the decrease in the City’s reserves, which will hit their lowest point in 2029 and approach the 5 percent minimum level.

In response to these circumstances, the City issued a Request for Proposals for a Section 115 irrevocable pension trust that will help the City to address future pension costs. These trusts allow public agencies to "pre-fund" future pension costs as an alternative to sending advanced payments to CalPERS. The City would deposit funds into the Trust and invest moneys in instruments that have the potential to earn more than can be achieved in the City’s investment pool. The City also will have the flexibility to use these funds when it needs them the most, which is likely to be when the City is below its Working Capital reserve levels from 2026 to 2032.

The main purpose of the Section 115 Trust is to provide a mechanism to normalize the annual budget
for pension obligations, which can fluctuate from year to year. It is a fiscal management best practice to prefund long-term financial obligations such as retirement benefits. Prefunding these obligations could reduce the City's long-term pension liabilities because funds in a trust could earn higher returns than current investments. This strategy would provide increased predictability in future years by allowing the City to use the Trust funds and increased earnings to meet the annual retirement payments. It is estimated that the Trust could provide approximately $11.1 million more in earnings than continuing to hold funds in the City's investment pool, and this would reduce the burden on the General Fund and other funds that contribute to CalPERS costs.

Staff recommends becoming a member agency of a Section 115 irrevocable trust with Public Agency Retirement Services (PARS) to provide greater local control, stabilize the City's future pension contributions, provide investment flexibility, and lower the City's net pension liability on its financial statements. The Trust will allow the City to optimize its resources and be able to utilize them when the need is the greatest.

DISCUSSION

Background

The City has two pension plans with the California Public Employees' Retirement System (CalPERS): one for public safety employees and one for miscellaneous employees. These employees participate in different tiers in both the safety and miscellaneous plan depending upon their hire date and their prior employment status with a reciprocal public agency. Funding of CalPERS pensions relies on three sources: employer contributions, employee contributions, and investment earnings on those contributions. To determine the funding levels necessary to pay retiree pensions, CalPERS uses a set of actuarial assumptions (investment earnings, life expectancy, etc.) to estimate contribution levels.

One of the most critical assumptions is the discount rate (rate of return) on investments in the plans. CalPERS's current annual discount rate assumption is 7.5 percent. Assuming this rate of return is attained, then funding of pension obligations would be derived 66 percent from investment gains, and 34 percent from contributions by employers and employees. The actual return has been volatile over the past twenty years and averaged 7 percent. CalPERS's rate of return was 2.4 percent in Fiscal Year (FY) 2014-15, 0.6 percent in FY 2015-16, and 11.2 percent in FY 2016-17.

The CalPERS Board of Trustees adopted new policies to strengthen the long-term sustainability of the pension fund. Specifically, the Board revised policies regarding the assumed investment earnings (discount rate) and life expectancy assumptions. These changes were designed to reduce the risk associated with volatile investment markets and stabilize contribution requirements. While these changes will improve the likelihood of CalPERS achieving investment earnings, it will also increase employer contributions to offset the reduced earnings targets. The CalPERS Board approved a plan in December 2016 to reduce its assumed discount rate from 7.5 percent to 7.0 percent over a three-year period, as follows:

- FY 2017-18: 7.375%
- FY 2018-19: 7.250%
- FY 2019-20: 7.000%
Fortunately, Council anticipated much of the CalPERS cost increases and accounted for them in the Long-Range Financial Plan (L-RFP). Council acted to plan and pay for the pension obligations through its budgeting and reserve actions, continuing its practice of saving for future costs and continuing its sound fiscal practices post-bankruptcy. Currently, reserve amounts for pension obligations and other known contingencies are held in the City’s investment pool. Over the last 10 years, the City’s investment pool produced an annual rate of return of approximately 2.3 percent. The option for the investment pool are statutorily limited to focus on liquidity and the availability of funds in the short-term. The statutory limits minimize risk and returns, and the historical rate of return is insufficient to keep pace with the increasing CalPERS costs.

In 2012, the Government Accounting Standards Board (GASB) issued Statement No. 68, Accounting and Financial Reporting for Pensions. GASB 68 requires that governmental employers that sponsor defined benefit plans (e.g., CalPERS) must recognize a net pension liability (also known as an unfunded actuarial accrued liability (UAL)) on their balance sheet. This is the difference between the City’s total pension liability and actual plan assets. GASB 68 became effective for fiscal years starting on June 15, 2014. The City’s audited financial statements for FY 2015-16 show an unfunded pension liability of approximately $389.7 million.

Present Situation

Section 115 Trust

Until recently, the City’s only option for reducing its UAL was to commit additional funds to CalPERS. Unfortunately, these additional funds would be subject to the same market volatility risk as the CalPERS investment rate of return. A ruling received from the Internal Revenue Service established that public agencies or municipalities could participate in an irrevocable trust to “pre-fund” pension costs. This vehicle provides the City with an alternative to sending funds to CalPERS and provides greater City control over its assets and portfolio management. While investment in a Section 115 trust is an irrevocable decision and the City would lose the option of using funds for other purposes, there are significant benefits and flexibility by making such a choice. A Section 115 trust would provide the following benefits:

- Local control-Trust assets can be accessed at any time so long as they are used to pay the employer’s pension obligation.

- Pension rate stabilization-The City can remit Trust assets to CalPERS when it chooses to do so, which could reduce or eliminate large fluctuations in employer contributions to CalPERS.

- Timing-When the City makes an extra payment toward CalPERS liabilities, those savings are amortized by CalPERS over 13 to 30 years. However, spreading the benefit over multiple years does not align with the timing of the City’s most acute need from 2026 to 2032 when General Fund reserves are anticipated to fall below the Working Capital level. A Section 115 trust provides the City the flexibility to time the CalPERS payment to achieve the greatest benefit rather than spread the benefit over many years, and if finances fair better than estimated the City has not lost the ability to make an extra payment to CalPERS.
• Investment flexibility-The statutory investment restrictions that apply to the City's investment portfolio are not applicable to assets held in a post-employment benefit trust. The City maintains oversight of the investment manager and the portfolio's risk tolerance level and the investments can be diversified and invested in a prudent fashion consistent with the long-term commitments.

• Lower Net Pension Liability-Assets placed into the Trust will directly reduce the City's net pension liability for financial reporting purposes as required by GASB 68.

• Improved credit rating-Rating agencies may look favorably upon the City's actions to reduce its liabilities.

On April 27, 2017, the City advertised a Request for Proposal (RFP) to obtain services to administer a Section 115 irrevocable pension trust. On May 18, 2017, three proposals were received from the following agencies:

• Phase II Systems, dba Public Agency Retirement Services
• PFM Asset Management LLC
• Keenan and Associates

A Selection Committee ranked all proposals based on each firm's understanding of the services to be provided, experience providing the service, qualifications of the firm members, recommended approach and interviews. PARS received the highest ranking based on the noted criteria and was determined to be the most qualified firm for this service. PARS also provides the security of a Private Letter Ruling from the Internal Revenue Service, which assures member agencies their investment returns will be tax-exempt. PARS allows the City to select its investment strategy, giving the City control on target yield and level of risk on its investments. PARS partners with HighMark Capital Management as a professional investment advisor for its Trust and US Bank as the trustee. It is recommended that Council adopt a resolution to authorize the City Manager to execute an agreement with PARS to act as Trust Administrator (Attachment A). The contract term is four years (through September 2021), and PARS' fees are based on a percentage of the amount deposited in the trust.

Long-Range Financial Plan

At the April 18, 2017, Council meeting, staff provided Council with an update of the L-RFP and an analysis of the CalPERS discount rate changes. At the time, the City's CalPERS costs were projected to exceed those projected in the L-RFP by $4.2 million in FY 2020-21, and $16.5 million in FY 2024-25 when the full annual effect of the discount rate change would be realized. The discount rate changes were also projected to increase the City's UAL by $221.9 million. The most recent L-RFP reflects the close out of the 2016-17 fiscal year and purchase of a property to relocate City Hall, and is pictured below.
Funding the Trust

Recognizing the significance of pension costs on the City’s financial stability, the Council acted to manage pension costs so City service levels are not adversely impacted. Pension costs for new employees have been reduced through negotiated second tier pension formulas and the state Public Employee Pension Reform Act (PEPRA). These formula changes will reduce future liabilities and long-term costs. During the City’s bankruptcy, the L-RFP was developed with a lower discount rate than the one used by CalPERS. The City has also made its annual CalPERS payment in an advance lump sum, which saves the City the interest compared to the monthly payment alternative.

For the past two years, Council also reserved one-time General Fund savings for extra CalPERS payments and for future payments. These reserves and other one-time funding sources are available to deposit in the Trust, if adopted. Projected contributions of $21.2 million are available from the General Fund reserve and the Retirement Internal Service fund balance. The sources of available contributions are as follows:

1. FY 2015-16 General Fund Known Contingency Reserve: $2.6 million was earmarked for pension costs at the close of FY 2015-16 as part of the Known Contingency Reserve.

2. FY 2016-17 General Fund Known Contingency Reserve: $16.0 million of the $48.2 million Known Contingency is available in the General Fund following the year-end audit of FY 2016-17.

3. Retirement ISF Fund Balance: $2.6 million is available in the retirement fund collected from all City funds for retirement costs.

The above amounts are estimates until FY 2016-17 is closed and audited. Following the close of FY 2016-17, the final balances will be known and could be deposited into the Trust.

Additional deposits could be made in FY 2017-18 from retirement expense appropriations and General Fund ending available fund balance. The FY 2017-18 Annual Budget was based on the 7.25 percent discount rate assumed in the L-RFP prior to the latest CalPERS discount rate policy. Thus,
the City’s payments to CalPERS will be less than budgeted, and these savings could be deposited in the Trust throughout the year or at year end. This would be prudent planning for the long-term financial obligations given the UAL and future discount rate changes.

As reflected in the FY 2017-18 General Fund Budget, revenues are expected to exceed expenses by approximately $4.1 million. This balance along with any unspent appropriation may be available to increase funding in the Trust at the end of FY 2017-18. Using the Trust to save for future CalPERS payments is consistent with the City’s L-RFP and will not impact the Working Capital Reserve in the General Fund.

Following the adoption of the Trust, the City will develop policies and procedures for trust contributions and disbursements.

FINANCIAL SUMMARY

Fees for becoming a member agency in the PARS multi-employer post-employment benefit trust vary based on the assets deposited in the Trust and are shown in the table below. The estimated annual City fees are based on an initial $21.2 million deposit and would be deducted from investment earnings.

<table>
<thead>
<tr>
<th>PARS Annual fees</th>
<th>Fees on $21.2 Million</th>
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</thead>
<tbody>
<tr>
<td>0.25% on the first $10m</td>
<td>$25,000</td>
</tr>
<tr>
<td>0.20% on the next $5m</td>
<td>10,000</td>
</tr>
<tr>
<td>0.15% on the next $35m</td>
<td>9,368</td>
</tr>
<tr>
<td>0.10% on &gt; $50m</td>
<td>-</td>
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<tr>
<td>Total PARS fees</td>
<td>$44,368</td>
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</table>

<table>
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<tr>
<th>US Bank Annual fees</th>
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</thead>
<tbody>
<tr>
<td>0.35% on the first $5m</td>
<td>$17,500</td>
</tr>
<tr>
<td>0.25% on the next $5m</td>
<td>12,500</td>
</tr>
<tr>
<td>0.20% on the next $5m</td>
<td>10,000</td>
</tr>
<tr>
<td>0.15% on the next $35m</td>
<td>9,368</td>
</tr>
<tr>
<td>0.10% on &gt; $50m</td>
<td>-</td>
</tr>
<tr>
<td>Total US Bank fees</td>
<td>$49,368</td>
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<tr>
<td>Total fees</td>
<td>$93,737</td>
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</table>

PARS indicates its moderate index investment portfolio averaged an annual return of 4.97 percent over the last 10 years while for the same period, the City’s consolidated investment pool (both short and long-term investments) has earned an annual average of 2.3 percent. Neither rate of return includes administrative or investment management fees. Given those assumed rates of return and an initial deposit of $21.2 million, by 2029, when the L-RFP indicates the City would be at its
minimum 5 percent reserve, the Trust would provide approximately $11.1 million more for CalPERS costs than if those funds had been in the City’s investment pool. Assuming additional deposits and the related earnings, the City will likely have enough resources in the Trust to make its annual payment ($40.6 million in FY 2017-18), or a portion of the annual payment, pay down its UAL if the City’s finances are better than projected, or have additional resources available if CalPERS decreases its discount rate assumptions. Additional flexibility in 2029 would help prevent cost cutting service reductions when the City is near the 5 percent reserve level.

It is recommended that an initial deposit of approximately $21.2 million be paid to the Trust from existing General Fund and other fund resources. Known Contingency reserve dollars of up to $18.6 million would be transferred from the General Fund to the Retirement ISF for deposit in the Trust. The Retirement ISF balance and unspent retirement appropriations in other funds of up to $2.6 million can also be deposited into the Trust.

Attachment A - Draft Agreement for Administrative Services
would be recipients of Planning Grant funds.

It is also recommended that the motion authorize the City Manager to take appropriate and necessary actions to carry out the purpose and intent of the motion.

**Moved by:** Michael Tubbs, seconded by Susan Lenz.

**Vote:** Motion carried 5-1

**Yes:** Jesús Andrade, Susan Lenz, Susan Lothhus, Michael Tubbs, and Daniel Wright.

**No:** Christina Fugazi.

**Absent:** Elbert Holman.

### 11.2 17-4087 APPOINTMENTS TO THE CLIMATE ACTION PLAN ADVISORY COMMITTEE

- Legislation Text
- Attachment A - Redacted Applications
- Proposed Resolution - Climate Action Plan Appointments
- Approved Resolution 2017-11-07-1102

Approve Resolution 2017-11-07-1102 appointing ten members to the Climate Action Plan Advisory Committee for two-year terms beginning immediately upon ratification and ending September 30, 2019.

**Moved by:** Christina Fugazi, seconded by Daniel Wright.

**Vote:** Motion carried 6-0

**Yes:** Jesús Andrade, Christina Fugazi, Susan Lenz, Susan Lothhus, Michael Tubbs, and Daniel Wright.

**Absent:** Elbert Holman.

### 12. ADMINISTRATIVE MATTERS

None

### 13. UNFINISHED BUSINESS

None

### 14. NEW BUSINESS

#### 14.1 17-3919 ADOPT THE "PARS PUBLIC AGENCIES POST-EMPLOYMENT BENEFITS TRUST" AND AUTHORIZE A CONTRACT WITH PUBLIC AGENCY RETIREMENT SERVICES (PARS) TO ACT AS TRUST ADMINISTRATOR AND PROVIDE ADMINISTRATION SERVICES

- Legislation Text
- Attachment A - Agreement for Administrative Services
- Proposed Resolution - Administrative Services Agreement
Approved Resolution 2017-11-07-1401

Matt Paulin, Chief Financial Officer - gave a report to Council with the aid of a PowerPoint presentation (filed) and answered questions from Councilmembers with additional comments from City Manager Kurt Wilson.

PowerPoint presentation - Establish a Post-Employment Benefits Trust with PARS

Approve Resolution 2017-11-07-1401:

1. Adopting the "PARS Public Agencies Post-Employment Benefits Trust" (Trust),

2. Authorizing initial deposits into the Trust from General Fund Reserves and the Retirement Internal Service Fund, and

3. Authorizing the City Manager to execute a contract with Phase II Systems, dba Public Agency Retirement Services to act as Trust Administrator and provide administrative services to Stockton as a member agency of a multi-employer post-employment benefit trust for pre-funding pension obligations.

Authorizing the City Manager to take appropriate and necessary actions to carry out the purpose and intent of this resolution.

Moved by: Daniel Wright, seconded by Susan Lenz.

Vote: Motion carried 6-0

Yes: Jesús Andrade, Christina Fugazi, Susan Lenz, Susan Lofthus, Michael Tubbs, and Daniel Wright.
Absent: Elbert Holman.
# CONTRACT ROUTING FORM

## Contract Information
- **Contract Number:** 2017-11-07-1401 NP
- **Contract Title:** Trust Administrator and Trust Administration Services
- **Vendor/Other Party:** Public Agency Retirement Services (PARS)
- **Contract Start Date:** 11/7/2017
- **Contract End Date:** September 30, 2021
- **Contract Term:**

## Council Approval Required?
- Yes ☐ No ☐
- **Council approval required for contracts over $75,000:** for FISCAL YEAR: 2017/18
- **Motion/Resolution/Ordinance No.:** Reso 2017-11-07-1401
- **Must be Attached:** ☐

## Required Documents
- Business License Required? Yes ☐ No ☐
- Business License No.: 18-128865
- Bonds Required? Yes ☐ No ☐
- Insurance Required? Yes ☐ No ☐
- Notary Required? Yes ☐ No ☐
- Recordation Required? Yes ☐ No ☐

### Mandatory Routing Order

#### 1. Department: ASD
- **Department Head Approval:**
  - **Date:**
  - **Project Mgr:** Jayden Sangha ext: 8330
  - **Staff:** Chere Newell ext: 8424
  - **Forwarded to:**
  - **By:**

#### 2. Procurement
- **Approved ( ) Name/Signature:**
  - **Date:** 9/21/17
  - **By:** Jayden

#### 3. Risk Services
- **Insurance approved on:**
  - **By:**
  - **Bonds approved on:**
  - **By:**
  - **RM #:** 18-214

#### 4. Vendor/Other Party
- **Signed ( ) originals on:**
  - **By:**
  - **Forwarded to:**
  - **By:**

#### 5. City Attorney
- **Approved as to Form and Content on:**
  - **By:**
  - **Forwarded to:**
  - **By:**

#### 6. City Manager
- **Signed by City Manager on:**
  - **Forwarded to:**
  - **Date:** 12/28/17
  - **Time:** 1:30 PM
  - **By:**

#### 7. City Clerk
- **City Clerk attested on:** 1-2-2018
- **Returned ( ) original(s) to dept. on:** 1-2-2018
- **Retained ( ) original(s) for City’s file. Hard Copy on file? Yes ☐ No ☐ OB #**

#### 8. Originating Department:
- **Requisition No.**
- **Original sent to vendor on:**
  - **By:**
- **Copy of contract to be retained by department. Original on file in the Clerk’s office.**
- **Copy of contract sent to Purchasing on:**
  - **By:**

#### 9. PROCUREMENT: Purchase Order No.
- **PUR No.**
FISCAL YEAR: 2018
ACCOUNT NUMBER SELECTION
FROM: 561-0000-107.74-01 TO: 561-0000-107.74-03
TYPE: R (O-ONLY, R-RANGE, S-SELECTIVE)

PERIOD...FROM: 00 TO: 99
PRINT SUMMARY TOTALS ONLY . . . . . . . . . . . . . . . . (Y/N): Y
SUPPRESS PRINTING OF ACCOUNTS WITHOUT ACTIVITY . . (Y/N): N
EXCLUDE REVENUE AND EXPENSE SUMMARY ACCOUNTS . . (Y/N): Y
PRINT PERIOD BALANCE . . . . . . . . . . . . . . . . . . . . (Y/N): N
PAGE BREAK ON ACCOUNT . . . . . . . . . . . . . . . . . . . . (Y/N): N
PAGE BREAK BY FUND . . . . . . . . . . . . . . . . . . . . . . (Y/N): Y
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<th>ACCOUNT NUMBER</th>
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<th>DEBITS</th>
<th>CREDITS</th>
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<td>SECTION 115 TRUST (PARS) / MUD</td>
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<td>1,365.11</td>
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TYPE: R (O-ONLY, R-RANGE, S-SELECTIVE)

PERIOD...FROM: 00 TO: 99
PRINT SUMMARY TOTALS ONLY . . . . . . . . . . . . . . (Y/N): Y
SUPPRESS PRINTING OF ACCOUNTS WITHOUT ACTIVITY . . (Y/N): N
EXCLUDE REVENUE AND EXPENSE SUMMARY ACCOUNTS . . . (Y/N): Y
PRINT PERIOD BALANCE . . . . . . . . . . . . . . . . (Y/N): N
PAGE BREAK ON ACCOUNT. . . . . . . . . . . . . . . . . . (Y/N): N
PAGE BREAK BY FUND . . . . . . . . . . . . . . . . . . . . (Y/N): Y
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<th>DEBITS</th>
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</table>
Account Number: 6746056700
PARS/CITY OF STOCKTON POST
EMPLOYMENT BENEFITS TRUST

This statement is for the period from June 1, 2018 to June 30, 2018

Questions?
If you have any questions regarding your account or this statement, please contact your Account Manager.

Account Manager:
KYRA CLARKE
3121 MICHELSON DR
3RD FL
IRVINE CA 92612
Phone: 949-224-7214
E-mail: kyra.clarke@usbank.com
<table>
<thead>
<tr>
<th>Schedule</th>
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</thead>
<tbody>
<tr>
<td>Market And Cost Reconciliation</td>
<td>3</td>
</tr>
<tr>
<td>Cash Reconciliation</td>
<td>4</td>
</tr>
<tr>
<td>Asset Summary</td>
<td>5</td>
</tr>
<tr>
<td>Asset Detail</td>
<td>6</td>
</tr>
<tr>
<td>Income Accrual Detail</td>
<td>9</td>
</tr>
<tr>
<td>Investment Activity</td>
<td>10</td>
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<tr>
<td>Plan Expenses</td>
<td>11</td>
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<tr>
<td>Other Activity</td>
<td>12</td>
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<tr>
<td>Purchases</td>
<td>13</td>
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<td>Sales And Maturities</td>
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## Market and Cost Reconciliation

<table>
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<th>06/30/2018 Book Value</th>
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<tr>
<td>Interest</td>
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<td>1,096.46</td>
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<tr>
<td>Dividends</td>
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<td>58,173.18</td>
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<tr>
<td>Realized Gain/Loss</td>
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<tr>
<td>Change In Unrealized Gain/Loss</td>
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<td>Net Accrued Income (Current-Prior)</td>
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<td>15,029.18</td>
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<td>Trust Fees</td>
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<td><strong>Other Activity</strong></td>
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<td>Transfers Out</td>
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# Cash Reconciliation

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<td>Interest</td>
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<tr>
<td>Dividends</td>
<td>56,173.18</td>
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<td>Cash Equivalent Purchases</td>
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<td>Mutual Fund Purchases</td>
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<td>Mutual Fund Sales</td>
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<td>Trust Fees</td>
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<td><strong>Total Plan Expenses</strong></td>
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<tr>
<td><strong>Other Activity</strong></td>
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<tr>
<td>Transfers Out</td>
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<td><strong>Net Change in Cash</strong></td>
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## ASSET SUMMARY

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<th>ASSETS</th>
<th>06/30/2018 MARKET</th>
<th>06/30/2018 BOOK VALUE</th>
<th>% OF MARKET</th>
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<td>Mutual Funds-Fixed Income</td>
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<td>66.01</td>
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Estimated Annual Income: 488,369.35
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<th>UNREALIZED GAIN (LOSS) SINCE INCEPTION/ CURRENT PERIOD</th>
<th>ADJ PRIOR MARKET / UNREALIZED GAIN/LOSS</th>
<th>ENDING ACCRUAL YIELD ON MARKET</th>
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<tr>
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<tr>
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<tr>
<td><strong>Total Cash And Equivalents</strong></td>
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<td><strong>Mutual Funds-Equity</strong></td>
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<td>1,264.68</td>
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# ASSET DETAIL (continued)

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<tr>
<th>Description</th>
<th>Shares/Face Amount</th>
<th>Market Price/Unit</th>
<th>Book Value</th>
<th>Unrealized Gain (Loss) Since Inception/Current Period</th>
<th>Adj Prior Market/Adj Prior Market Unrealized Gain/Loss</th>
<th>Ending Accrual Yield on Market</th>
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<tbody>
<tr>
<td>Ishares Msci Eafe Eff</td>
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## Mutual Funds-Fixed Income

<table>
<thead>
<tr>
<th>Description</th>
<th>Shares/Face Amount</th>
<th>Market Price/Unit</th>
<th>Book Value</th>
<th>Unrealized Gain (Loss) Since Inception/Current Period</th>
<th>Adj Prior Market/Adj Prior Market Unrealized Gain/Loss</th>
<th>Ending Accrual Yield on Market</th>
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<tbody>
<tr>
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## ASSET DETAIL (continued)

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<th>DESCRIPTION</th>
<th>SHARES/ FACE AMOUNT</th>
<th>MARKET PRICE/UNIT</th>
<th>BOOK VALUE</th>
<th>UNREALIZED GAIN (LOSS) SINCE INCEPTION/ CURRENT PERIOD</th>
<th>ADJ PRIOR MARKET / UNREALIZED GAIN/LOSS</th>
<th>ENDING ACCRUAL YIELD ON MARKET</th>
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<tbody>
<tr>
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<td>21,344,544.34</td>
<td>16,125.69</td>
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<td>- 199,740.58</td>
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<tr>
<td>Grand Total</td>
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<td>21,160,929.45</td>
<td>21,360,670.03</td>
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</table>

## ASSET DETAIL MESSAGES

Time of trade execution and trading party (if not disclosed) will be provided upon request.

Publicly traded assets are valued in accordance with market quotations or valuation methodologies from financial industry services believed by us to be reliable. Assets that are not publicly traded may be reflected at values from other external sources. Assets for which a current value is not available may be reflected at a previous value or as not valued, at par value, or at a nominal value. Values shown do not necessarily reflect prices at which assets could be bought or sold. Values are updated based on internal policy and may be updated less frequently than statement generation.

For further information, please contact your account manager or relationship manager.
## INCOME ACCRUAL DETAIL

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<th>PAY DATE</th>
<th>ANN RATE</th>
<th>BEGINNING ACCRUAL</th>
<th>INCOME EARNED</th>
<th>INCOME RECEIVED</th>
<th>ENDING ACCRUAL</th>
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<td>718,676.500</td>
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## PURCHASES

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**Total Shares Russell Mid Cap Etf**

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**Total Shares Russell 2000 Growth Et**

**Total Shares Russell 2000 Value Et**
## SALES AND MATURITIES (continued)

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### SALES AND MATURITIES (continued)

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<th>TRANSACTION PROCEEDS</th>
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<td>3,794.41</td>
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### SALES AND MATURITIES MESSAGES

Realized gain/loss should not be used for tax purposes.
Glossary

Accretion - The accumulation of the value of a discounted bond until maturity.

Adjusted Prior Market Realized Gain/Loss - The difference between the proceeds and the Prior Market Value of the transaction.

Adjusted Prior Market Unrealized Gain/Loss - The difference between the Market Value and the Adjusted Prior Market Value.

Adjusted Prior Market Value - A figure calculated using the beginning Market Value for the fiscal year, adjusted for all asset related transactions during the period, employing an average cost methodology.

Amortization - The decrease in value of a premium bond until maturity.

Asset - Anything owned that has commercial exchange value. Assets may consist of specific property or of claims against others, in contrast to obligations due to others (liabilities).

Bond Rating - A measurement of a bond's quality based upon the issuer's financial condition. Ratings are assigned by independent rating services, such as Moody's, or S&P, and reflect their opinion of the issuer's ability to meet the scheduled interest and principal repayments for the bond.

Cash - Cash activity that includes both income and principal cash categories.

Change in Unrealized Gain/Loss - Also reported as Gain/Loss in Period in the Asset Detail section. This figure shows the market appreciation (depreciation) for the current period.

Cost Basis (Book Value) - The original price of an asset, normally the purchase price or appraised value at the time of acquisition. Book Value method maintains an average cost for each asset.

Cost Basis (Tax Basis) - The original price of an asset, normally the purchase price or appraised value at the time of acquisition. Tax Basis uses client determined methods such as Last-In-First-Out (LIFO), First-In-First-Out (FIFO), Average, Minimum Gain, and Maximum Gain.

Ending Accrual - (Also reported as Accrued Income) Income earned but not yet received, or expenses incurred but not yet paid, as of the end of the reporting period.

Estimated Annual Income - The amount of income a particular asset is anticipated to earn over the next year. The shares multiplied by annual income rate.

Estimated Current Yield - The annual rate of return on an investment expressed as a percentage. For stocks, yield is calculated by taking the annual dividend payments divided by the stock's current share price. For bonds, yield is calculated by the coupon rate divided by the bond's market price.

Ex-Dividend Date - (Also reported as Ex-Date) For stock trades, the person who owns the security on the ex-dividend date will earn the dividend, regardless of who currently owns the stock.

Income Cash - A category of cash comprised of ordinary earnings derived from investments, usually dividends and interest.

Market Value - The price per unit multiplied by the number of units.

Maturity Date - The date on which an obligation or note matures.

Payable Date - The date on which a dividend, mutual fund distribution, or interest on a bond will be made.

Principal Cash - A category of cash comprised of cash, deposits, cash withdrawals and the cash flows generated from purchases or sales of investments.

Realized Gain/Loss Calculation - The Proceeds less the Cost Basis of a transaction.

Settlement Date - The date on which a trade settles and cash or securities are credited or debited to the account.

Trade Date - The date a trade is legally entered into.

Unrealized Gain/Loss - The difference between the Market Value and Cost Basis at the end of the current period.

Yield on Mat Market - The annual rate of return on an investment expressed as a percentage. For stocks, yield is calculated by the annual dividend payments divided by the stock's current share price. For bonds, yield is calculated by the coupon rate divided by the bond's market price.

The terms defined in this glossary are only for use when reviewing your account statement. Please contact your Relationship Manager with any questions.
### MARKET AND COST RECONCILIATION

<table>
<thead>
<tr>
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<th>04/30/2019 MARKET</th>
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**CASH RECONCILIATION**

Period from April 1, 2019 to April 30, 2019
Page 4 of 21
## ASSET SUMMARY

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<th>ASSETS</th>
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<th>04/30/2019 BOOK VALUE MARKET</th>
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Estimated Annual Income: 787,401.17

## ASSET SUMMARY MESSAGES

Estimated Annual Income is an estimate provided for informational purposes only and should not be relied on for making investment, trading, or tax decisions. The estimates may not represent the actual value earned by your investments and they provide no guarantee of what your investments may earn in the future.
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**Money Markets**

**Total Money Markets**

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**Total Cash**

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**Cash**

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**Cash and Equivalents**

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**Period from April 1, 2019 to April 30, 2019**

**Page 6 of 21**

**US Bank**
### ASSET DETAIL (continued)

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<th>SHARES/ FACE AMOUNT</th>
<th>MARKET PRICE/UNIT</th>
<th>BOOK VALUE</th>
<th>UNREALIZED GAIN (LOSS) SINCE INCEPTION CURRENT PERIOD</th>
<th>ADJ PRIOR MARKET / ADJ PRIOR MARKET UNREALIZED GAIN/LOSS</th>
<th>ENDING ACCRUAL YIELD ON MARKET</th>
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Total Mutual Funds-Equity 87,905.000 9,563,049.71 9,149,017.00 414,032.71 9,078,495.24 0.00

### Mutual Funds-Fixed Income

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<th>BOOK VALUE</th>
<th>UNREALIZED GAIN (LOSS) SINCE INCEPTION CURRENT PERIOD</th>
<th>ADJ PRIOR MARKET / ADJ PRIOR MARKET UNREALIZED GAIN/LOSS</th>
<th>ENDING ACCRUAL YIELD ON MARKET</th>
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Total Mutual Funds-Fixed Income 573,103.190 20,036,019.06 19,641,473.02 194,546.04 19,747,109.59 2.78
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### INCOME ACCRUAL DETAIL

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<th>INCOME EARNED</th>
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**Grand Total**

<p>| | | | | | 5,569.26 | 47,989.10 | 50,643.76 | 2,813.60 |</p>
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<td>Dividend from 4/1/19 to 4/30/19 on Vanguard Short Term Interm Grade #539</td>
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<td>Dividend from 4/1/19 to 4/30/19 on Vanguard Real Estate ETF</td>
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<td>Dividend from 4/1/19 to 4/30/19 on Invesco Aggregate Bond ETF</td>
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<td>Interest from 7/1/15 to 7/31/15 on First Am Corp Of Pd C1Z</td>
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**Cash Investment Activity**

**Account:** 6/489567/01

**Period:** April 1, 2019 to April 30, 2019

**Page:** 10 of 21
## PLAN EXPENSES

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Total Trust Fees | -4,839.13
Total Plan Expenses | -4,839.13
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Period from April 1, 2019 to April 30, 2019
Page 12 of 21

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<td>04/24/2019</td>
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Total iShares Russell Mid Cap Etf 838.000 29.34 -46,709.39 46,709.39

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04/26/2019 Purchased 136 Shares Of iShares Russell 2000 Growth Etf Trade Date 4/26/19 Purchased Through J.P. Morgan Securities LLC 136 Shares At 202.64 USD 464287648

04/24/2019 Purchased 63 Shares Of iShares Russell 2000 Value Etf Trade Date 4/24/19 Purchased Through Sanford C. Bernstein & Co., LI 63 Shares At 124.10 USD 464287630

Total iShares Russell 2000 Growth Etf 190.000 6.65 -38,438.59 38,438.59
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**Total Shares Acquired:** 1,639,944

**Total Value Acquired:** 7,423,444 USD
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Total Vanguard Short Term Inv G #539

Total Mutual Funds-Fixed Income

Total Purchases
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Glossary

Accretion - The accumulation of the value of a discounted bond until maturity.

Adjusted Prior Market Realized Gain/Loss - The difference between the proceeds and the Prior Market Value of the transaction.

Adjusted Prior Market Unrealized Gain/Loss - The difference between the Market Value and the Adjusted Prior Market Value.

Adjusted Prior Market Value - A figure calculated using the beginning Market Value for the fiscal year, adjusted for all asset related transactions during the period, employing an average cost methodology.

Amortization - The decrease in value of a premium bond until maturity.

Asset - Anything owned that has commercial exchange value. Assets may consist of specific property or claims against others, in contrast to obligations due to others (liabilities).

Bond Rating - A measurement of a bond's quality based upon the issuer's financial condition. Ratings are assigned by independent rating services, such as Moody's, or S&P, and reflect their opinion of the issuer's ability to meet the scheduled interest and principal repayments for the bond.

Cash - Cash activity that includes both income and principal cash categories.

Change in Unrealized Gain/Loss - Also reported as Gain/Loss in Period in the Asset Detail section. This figure shows the market appreciation (depreciation) for the current period.

Cost Basis (Book Value) - The original price of an asset, normally the purchase price or appraised value at the time of acquisition. Book Value method maintains an average cost for each asset.

Cost Basis (Tax Basis) - The original price of an asset, normally the purchase price or appraised value at the time of acquisition. Tax Basis uses client determined methods such as Last-In-First-Out (LIFO), First-In-First-Out (FIFO), Average, Minimum Gain, and Maximum Gain.

Ending Accrual - (Also reported as Accrued Income) Income earned but not yet received, or expenses incurred but not yet paid, as of the end of the reporting period.

Estimated Annual Income - The amount of income a particular asset is anticipated to earn over the next year. The shares multiplied by annual income rate.

Estimated Current Yield - The annual rate of return on an investment expressed as a percentage. For stocks, yield is calculated by taking the annual dividend payments divided by the stock's current share price. For bonds, yield is calculated by the coupon rate divided by the bond's market price.

Ex-Dividend Date - (Also reported as Ex-Date) For stock trades, the person who owns the security on the ex-dividend date will earn the dividend, regardless of who currently owns the stock.

Income Cash - A category of cash comprised of ordinary earnings derived from investments, usually dividends and interest.

Market Value - The price per unit multiplied by the number of units.

Maturity Date - The date on which an obligation or note matures.

Payable Date - The date on which a dividend, mutual fund distribution, or interest on a bond will be made.

Principal Cash - A category of cash comprised of cash, deposits, cash withdrawals and the cash flows generated from purchases or sales of investments.

Realized Gain/Loss Calculation - The Proceeds less the Cost Basis of a transaction.

Settlement Date - The date on which a trade settles and cash or securities are credited or debited to the account.

Trade Date - The date a trade is legally entered into.

Unrealized Gain/Loss - The difference between the Market Value and Cost Basis at the end of the current period.

Yield on/at Market - The annual rate of return on an Investment expressed as a percentage. For stocks, yield is calculated by the annual dividend payments divided by the stock's current share price. For bonds, yield is calculated by the coupon rate divided by the bond's market price.

The terms defined in this glossary are only for use when reviewing your account statement. Please contact your Relationship Manager with any questions.