MINUTES

Central Arizona Fire and Medical Authority
Central Arizona Fire and Medical Authority Board of Directors
CA Regular Meeting
Monday, September 28, 2020, 5:00 pm - 6:00 pm
Central Arizona Fire and Medical Authority, Administration, 8603 E. Eastridge Drive, Prescott Valley.

In-Person Attendance

Darlene Packard; Dave Tharp; Jeff Wasowicz; Kathy Goodman; Matt Zurcher; Scott A Freitag; Susanne Dixson

Remote Attendance

Dave Dobbs; Julie Pettit; Nicolas Cornelius

NOTICE OF MEETING

Pursuant to A.R.S. § 38-431.02, notice is hereby given to the members of the Central Arizona Fire and Medical Authority Board of Directors and the general public that the **Central Arizona Fire and Medical Authority** will hold a meeting open to the public on **Monday, September 28, 2020 at 5:00 p.m.** The meeting will be held at **Central Arizona Fire and Medical Authority, Administration, 8603 E. Eastridge Drive, Prescott Valley, Arizona.** The Board may vote to go into Executive Session on any agenda item, pursuant to A.R.S. §38-431.03(A)(3) for discussion and consultation for legal advice with Authority's Attorney on matters as set forth in the agenda item. The following topics and any variables thereto, will be subject to Board consideration, discussion, approval, or other action. All items are set for possible action.

1. CALL TO ORDER / ROLL CALL OF BOARD MEMBERS

   Chair Pettit called the meeting to order at 5:00 p.m.

2. PLEDGE OF ALLEGIANCE

   Clerk Packard led the Pledge of Allegiance.

3. PRESENTATIONS

   A. Prescott Valley Town Council Report

      Councilman Don Packard provided a Town of Prescott Valley status report, which included seven new commercial, one mobile home, six multi-family units, and 58 single-family homes permits. Alliance Hardware and Lumber has broken ground, and a Popeyes Chicken will be going up at the Crossroads. A bike shop may be opening in the Glassford Hill shops.

      Attorney Cornelius joined the meeting at 5:03 p.m.

   B. Dewey-Humboldt Town Council Report

      A Town of Dewey-Humboldt representative was not present to report.

   C. Certificates of Participation; 115 Trust Introduction and Overview

Chief Freitag presented an overview of Certificates of Participation, explaining that Fire Districts do not currently have access to this tool but are addressing making a change at the legislative level.

Director Wasowicz inquired as to whether there has been resistance from legislators. Chief Freitag responded with no, not as yet.

Chief Tharp presented an overview of Public Agency Retirement Services (PARS) Section 115 Pension Prefunding Trust Services. Chief Freitag stated that agencies are responsible for paying what PSPRS requests and so CAFMA Staff are always looking for reasonable ways to help.

Presentations are attached to these minutes.

D. Board Members' Reports

i. Prescott Regional Communications (PRCC)

Director Wasowicz reported that everything is on track at PRCC.

ii. Public Records Requests

Director Zurcher had nothing more to add.

iii. Legal Fees

Director Zurcher had nothing more to add.

iv. Labor/Management

Director Dobbs had nothing more to add.

E. Letters from the Public

Chief Freitag stated that these letters are always appreciated.

F. Monthly Division Reports from the Fire Chief and staff in regard to current activities of the Fire Authority and the status and progress relating thereto. Any item discussed in the Division Reports is subject to discussion and direction by the Board; no action will be taken.

Chief Freitag reported that a CAFMA test podcast has been recorded. Once everything is in place, the public will be able to find the weekly podcasts on all the usual platforms, including YouTube. He believes this will be a useful tool for the Agency.

Chief Rose reported that Engine 58 is completed and will be picked up in the next two days. The fencing at Station 59 is complete and the gate should go in next week.

4. CALL TO THE PUBLIC

In accordance with A.R.S. §38-431.01(H) and as a matter of policy, the Central Arizona Fire and Medical Authority Board has decided to allow public comments as time permits.

Therefore, those wishing to address the Board regarding an issue within the jurisdiction of this public body may do so in an orderly manner that includes completing a Call to the Public Form and submitting it to staff for the record. If a written statement is being read, please provide a copy to ensure it is entered into the record accurately. Individuals will be limited to speak for three (3) minutes and Call to the Public shall not exceed 30 minutes per meeting.

There were no public comments.

5. CONSENT AGENDA

All matters listed under consent agenda are considered to be routine by the Central Arizona Fire and Medical Authority Board and will be enacted by one motion. There will be no separate discussion on these items. Any item may be removed by a Board member and will be considered separately for motion, discussion and action.

A. Approve Regular Session Minutes - August 24, 2020

B. Approve Executive Session Minutes - August 24, 2020

C. Approve Special Meeting Minutes - September 10, 2020

D. Approve General Fund Financial Statements

E. Approve Fire Protection Agreements: Owens, Powell-Robertson, Hanna, Williams, Millan, Harris, Cunningham, Jones (2), Taylor (2), Neilson, Benson, Paulden Christian Fellowship (2), Krogen, Sebeny, Bailey-Loven, Burton, Hartmann, McGiffin, Lopas, Hanby, O'Mara, Pittman, Bailon, Hayden, and Yoshimura

F. Approve Policy Amendments: Policy 121 Policy Committee

Motion to accept the Consent Agenda as presented.

Move: Matt Zurcher Second: Darlene Packard Status: Passed

Yes: Dave Dobbs, Darlene Packard, Julie Pettit, Jeff Wasowicz, Matt Zurcher

6. VOTE TO GO INTO EXECUTIVE SESSION

A. Legal Advice Pursuant to A.R.S. §38-431.03(A)(3) Regarding Ambulance Services

B. Legal Advice Pursuant to A.R.S. §38-431.03(A)(3) Regarding Agency Participation in Administrative Hearing Related to Proposed Certificate of Necessity Amendments by Life Line Ambulance, Inc.

Attorney Cornelius suggested proceeding to New Business; that if the Board had any legal questions they could then proceed into Executive Session.

An Executive Session was not needed.

7. NEW BUSINESS

A. Discussion and Possible Action Regarding Ambulance Update

This item was set to be taken out of order, after Item B. Upon completion of Item B it was noted that this item had been combined with Item B and was no longer needed.

B. Motion, Discussion, and Action Regarding Agency Participation in Administrative Hearing Related to Proposed Certificate of Necessity Amendments by Lifeline

Ambulance, Inc.

Item B was taken out of order, before Item A.

Attorney Cornelius noted that this item is referring to an administrative hearing regarding AMR's (Lifeline Ambulance) Certificate of Necessity (CON) 62, a CON that covers about 9,000 square miles and includes CAFMA. He provided a brief history of his involvement in attempting to update ambulance response times by filing an amicus brief with the Arizona Department of Health Services (DHS) about a year ago on behalf of the Arizona Fire District Association (AFDA) and many fire districts. The DHS Director declined to follow the hearing officer's opinion in that case.

He explained that this time CAFMA sought to intervene, along with the City of Prescott and Prescott Fire, as parties in interest in the case. The Assistant Attorney General (AAG) raised two objections, the first being a timeliness issue, and the second being that CAFMA and the City of Prescott did not have standing to appear. The AAG took the position that since neither agency holds a CON, neither agency should have a say in ambulance response times. The order states that the motion to intervene in CON 62 has been rejected.

Chief Freitag stated that he and EMS Chief Niemynski appeared for the hearing. He reported that the AAG articulated that intervention rights have never been granted to non-providers, meaning if an agency does not hold a CON, then they do not have a seat at the table. The AAG specified that first responders have no standing to require or request better ambulance response times.

He continued by providing background, including that AMR response times for this CON have not changed since 1984, and that what AMR is proposing does not meet national standards. CAFMA cannot intervene to update ambulance response times, only the holder of the CON can change response times. AMR is not meeting their current response time mark of arriving on scene within 10 minutes 70% of the time within CAFMA jurisdiction, and they will not be able to meet their proposed 80% mark. The only way they are able to reach 70% is if they average it over all 9,000 square miles.

He recounted stating in the hearing that CAFMA is substantively impacted by Bureau of EMS (Bureau) decisions regarding response times because CAFMA is part of a system. Within that system, if the ambulance does not show up in a prescribed period of time, then the engine remains out of service while waiting, or the engine has to transport. The Bureau has decided, and the judge agreed, that that reasoning is not enough to include CAFMA in the process. The final motion includes verbiage that states that it was clear that Chief Freitag and Chief Light do not understand response times, which is another reason that CAFMA and the City of Prescott should not be involved. CAFMA has no voice and no means to intervene in ambulance response times within its jurisdictional boundaries.

He provided an update on the CON that Maricopa Ambulance has filed, noting that if Maricopa is successful in the CON process, it is another private company. He reiterated that private companies are not only for-profit, but can be sold. He

questioned whether or not for-profit companies are the best long-term option for the citizens CAFMA serves.

He detailed examples of Arizona agencies that have been successful or are working towards holding their own CON due to the same or similar issues CAFMA has been experiencing, including Gilbert, Mesa, Goodyear and Scottsdale Fire, and Casa Grande. Each of these agencies were denied a voice and came to the conclusion that a CON was the only option.

He requested that the Board allow the Agency to speak with consultants and explore options regarding submitting a CAFMA CON.

Clerk Packard stated that she is in favor of a CAFMA CON.

Director Dobbs stated that he is against for-profit companies in public safety because a lack of care for the public is often the result.

Director Wasowicz thanked Chief Freitag for exhausting all the options. He stated that a CON was not the direction he initially wanted to go in, but that there are no other options now.

Director Zurcher stated that what's going on in this state is also happening in California and other places. He supports moving forward with a CON.

Chair Pettit made it known that she is strongly opposed to for-profit companies in public safety. She is in agreement with Chief Freitag and would like to move forward with exploring a CON.

The Board's direction is to explore what it will take to pursue a CAFMA CON.

Chief Freitag thanked the Board for their support and directed EMS Chief Niemynski to pull the application.

C. Motion, Discussion and Possible Approval of Changes to Training Technician Wage Scale

Chief Freitag stated that this wage scale was initially constructed with the thinking that this person would eventually become a firefighter. The Training Tech does a job similar to our Warehouse and Facilities Techs, but at a much lower rate. It is in the budget this year to move the wage scale to be in line with the Warehouse and Training Techs.

Director Wasowicz inquired as to the status of the wage scale study. Chief Tharp responded that the company is compiling data and will present in October or November. Director Wasowicz expressed concern that making this change will conflict with the recommendations of the study.

Director Dobbs stated he has not had time to review the documents.

Motion for the acceptance of the proposed wage scale.

Move: Darlene Packard Second: Matt Zurcher Status: Passed

Yes: Darlene Packard, Julie Pettit, Jeff Wasowicz, Matt Zurcher

Abstain: Dave Dobbs

8. ADJOURNMENT

Motion to adjourn at 6:03 p.m.

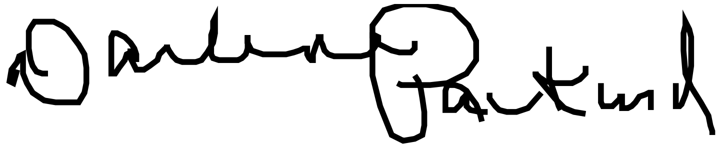
Move: Darlene Packard Second: Matt Zurcher Status: Passed

Yes: Dave Dobbs, Darlene Packard, Julie Pettit, Jeff Wasowicz, Matt Zurcher

Disabled persons needing reasonable accommodations should call 928-772-7711 prior to the scheduled meeting.

Signature indicating approval on next page.

Signature Page For: Approved - 2020 09 28 CEA Regular Minutes - Central Arizona Fire and Medical Authority Board of Directors - CA Regular Meeting - 10/26/2020



Darlene Packard , Board Clerk 10/27/2020

Central Arizona Fire & Medical Authority (CAFMA)

Pension Plan Liability Management

10 September 2020

CAFMA PSPRS Pension Debt Profile: Tier 1 and Tier 2 Legacy Costs

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Pension Plan	June 30, 2019 Unfunded Liability *(a)*	PSPRS Amortization
PSPRS – Fire & Medical	$41,290,988 (52.9% Funded) Accrual Rate: 7.3%	1. 19 years, 2039 2. Escalating annual amortization ranging from $2,995,479 (2021/22) - $9,099,443 (2037/38)

1. PSPRS liabilities are not pooled like ASRS
2. A more appropriate term for unfunded liabilities is debt, it is owed

(a) Source: PSPRS.

Status Quo: What are we currently paying? (CAFMA Fire & Medical)

Key Decision Points:
- What's the cost of doing nothing?
- What are feasible alternatives?

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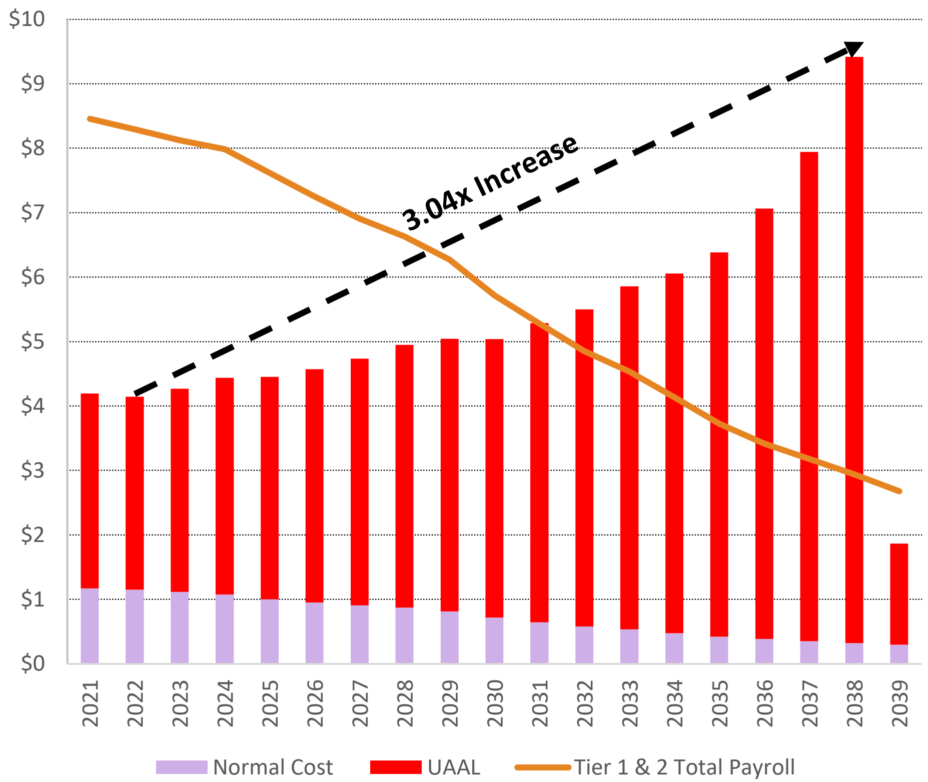
CAFMA Projected Fire & Medical Pension Payments per PSPRS (Graph in $mil)[1]



FY	Total Payroll	Normal Cost	% of Payroll	UAAL	% of Payroll
2021	$8,454,647	$1,168,432	13.82%	$3,027,599	35.81%
2022	8,294,909	1,148,015	13.84%	2,995,479	36.11%
2023	8,124,207	1,113,016	13.70%	3,156,208	38.85%
2024	7,985,853	1,073,299	13.44%	3,362,385	42.10%
2025	7,615,682	1,002,224	13.16%	3,448,928	45.29%
2026	7,249,553	951,141	13.12%	3,618,645	49.92%
2027	6,909,080	905,780	13.11%	3,830,470	55.44%
2028	6,628,839	873,681	13.18%	4,074,922	61.47%
2029	6,269,332	809,998	12.92%	4,235,222	67.55%
2030	5,718,081	719,335	12.58%	4,320,861	75.56%
2031	5,276,501	641,623	12.16%	4,643,146	88.00%
2032	4,853,872	577,125	11.89%	4,922,447	101.41%
2033	4,531,538	533,362	11.77%	5,325,140	117.51%
2034	4,138,598	473,042	11.43%	5,581,213	134.86%
2035	3,726,636	418,874	11.24%	5,963,522	160.02%
2036	3,417,667	384,146	11.24%	6,679,855	195.45%
2037	3,180,439	350,802	11.03%	7,590,751	238.67%
2038	2,938,291	319,392	10.87%	9,099,443	309.68%
2039	2,677,728	293,479	10.96%	1,573,432	58.76%
Total	**$107,991,453**	**$13,756,766**	**12.74%**	**$87,499,668**	**81.03%**

1. *Source: Arizona Public Safety Personnel Retirement System Actuarial Valuation as of June 30, 2019.*

Scenario 1:
Smooth Pension Legacy Liability[1,2]

Key Decision Points:
- **What funding level should the Authority target for a pension obligation?**

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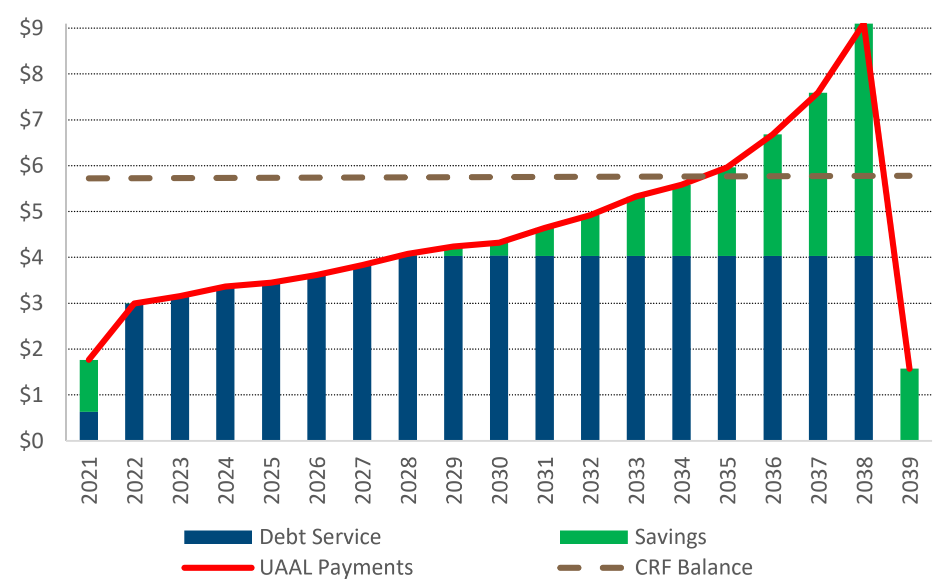
Issuing pension obligations to fully fund the Authority's unfunded pension liabilities could allow the Authority to generate significant net present value benefit totaling $19.69 million (44.88% of pension fund deposit), including establishing Contingency Reserve Funds ("CRFs") while leveling out year-over-year payments

- Replacing the Authority's upward curving pension UAAL amortizations with level debt obligations could reduce the cost and life of the Authority's pension liability, and we expect the level debt amortization in particular would be well-received by rating agencies
- Our structure is designed to produce level debt service but ***without* exceeding the current UAAL amortization in any year**
- As summarized below, ***this scenario could produce $19,693,272 of total NPV savings***, including $13,928,032 from reduced annual UAAL payments, $5,724,090 from the creation of a Contingency Reserve Fund, and $41,150 from interest on the CRF assumed at 0.05%

Summary Statistics: Funding Fire and Medical Pension Plan UAAL[1,2]	
Dated Date	12/1/2020
Final Maturity Date	12/1/2037
All-In TIC	3.10%
Arbitrage ("Arb") Yield	2.81%
Average Life	10.07 years
COP Par Amount	$50,830,000
Pension Fund Deposit	**$43,884,689**
Contingency Reserve Fund Deposit	**$5,724,090**
Total Interest on CRF @ 0.05% Return	$53,413
NPV of CRF Interest @ 2.81% (Arb Yield)	**$41,150**
Cost Savings (UAAL – Debt Service)	**$20,810,187**
NPV of Annual Savings @ 2.81% (Arb Yield)	**$13,928,032**
Total NPV Benefit (CRF Deposits + NPV of CRF Interest + NPV of Annual Savings)	***$19,693,272***
Total NPV Benefit (as % of Pension Fund Deposit)	***44.88%***
Actuarial Funding Status after Pension Obligations	***100.00%***

COP Results: Impact on Annual Pension Plan UAAL Payments ($mil)[1,2]



1. Market conditions as of September 9, 2020. Spreads based on comparable recent transactions. Stifel does not guarantee to underwrite at these levels. All NPV values are discounted to December 1, 2020 (assumed transaction closing date) at a discount rate of 2.81%, the arbitrage yield of Scenario 1. Please refer to Stifel's risk disclaimers in this presentation. UAAL and amortization computed by Stifel using assumptions from the 2019 Actuarial Report and annual UAAL payment data provided by PSPRS. UAAL payments shown are adjusted to reflect estimated payments made per Authority fiscal year based on Stifel's calculations and assumptions.

2. Due to the current market dislocation caused by COVID-19, the interest rates assumed herein are estimated and provided for discussion purposes only and should not be considered indicative of available market execution.

Scenario 1:
Smooth Pension Legacy Liability – Analysis Results[1,2]

STIFEL

Fiscal Year Ending	Budgeted UAAL Payments	Debt Service	Annual Savings	CRF Balance (No Draw)	Interest on CRF @ 0.05%	Cash Flow Benefit	PV Benefit @ 2.81%
	[A]	[B]	[C] = [A]-[B]	[D]	[E]=[D_{t-1}] *0.05%	[F]=[C]+[E]	[G]=PV[F]
Dated Date				$5,724,090		$5,724,090	$5,724,090
6/30/2021	$1,766,099	$631,765	$1,134,335	$5,725,751	$1,662	$1,135,996	$1,117,840
6/30/2022	$2,995,479	$2,991,676	$3,803	$5,728,614	$2,863	$6,666	$6,380
6/30/2023	$3,156,208	$3,155,344	$864	$5,731,479	$2,864	$3,729	$3,471
6/30/2024	$3,362,385	$3,358,346	$4,040	$5,734,344	$2,866	$6,905	$6,252
6/30/2025	$3,448,928	$3,444,140	$4,789	$5,737,211	$2,867	$7,656	$6,742
6/30/2026	$3,618,645	$3,617,979	$666	$5,740,080	$2,869	$3,535	$3,027
6/30/2027	$3,830,470	$3,827,394	$3,077	$5,742,950	$2,870	$5,947	$4,954
6/30/2028	$4,074,922	$4,030,439	$44,484	$5,745,822	$2,871	$47,355	$38,371
6/30/2029	$4,235,222	$4,033,911	$201,312	$5,748,695	$2,873	$204,184	$160,918
6/30/2030	$4,320,861	$4,034,319	$286,542	$5,751,569	$2,874	$289,416	$221,847
6/30/2031	$4,643,146	$4,033,908	$609,238	$5,754,445	$2,876	$612,114	$456,363
6/30/2032	$4,922,447	$4,033,153	$889,294	$5,757,322	$2,877	$892,171	$646,955
6/30/2033	$5,325,140	$4,031,752	$1,293,389	$5,760,201	$2,879	$1,296,267	$914,256
6/30/2034	$5,581,213	$4,029,387	$1,551,826	$5,763,081	$2,880	$1,554,706	$1,066,520
6/30/2035	$5,963,522	$4,029,304	$1,934,219	$5,765,962	$2,882	$1,937,100	$1,292,469
6/30/2036	$6,679,855	$4,032,477	$2,647,378	$5,768,845	$2,883	$2,650,261	$1,719,905
6/30/2037	$7,590,751	$4,031,476	$3,559,276	$5,771,730	$2,884	$3,562,160	$2,248,416
6/30/2038	$9,099,443	$4,031,216	$5,068,228	$5,774,615	$2,886	$5,071,113	$3,113,251
6/30/2039	$1,573,432	$0	$1,573,432	$5,777,503	$2,887	$1,576,319	$941,245
Total	**$86,188,168**	**$65,377,982**	**$20,810,187**		**$53,413**	**$26,587,690**	**$19,693,272**

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Scenario 2: Smooth Pension Legacy Liability and Shorten Amortization[1,2]

Key Decision Points:
- **How can the Authority address its escalating UAAL payments?**

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Expanding on Scenario 1, the Authority could shorten the amortization of the obligations, resulting in faster debt payoff, greater savings, a lower borrowing cost, and likely favorable rating agency views

- While Scenario 1 produces exceptional savings, Scenario 2 expands these savings by shortening the final maturity to 15 years
- In comparison to Scenario 1, this structure would result in higher annual debt service payments, but also ***a lower borrowing cost, greater projected cash flow and NPV savings, and shortened pension-related liabilities***
- We expect rating agencies will favorably consider the highly conservative nature of this structure, which both levels the annual cost of the unfunded pension liability and shortens the final maturity
- Our structure is designed to produce level debt service but ***without exceeding the current UAAL amortization in any year***
- As summarized below, ***this structure could produce $20,397,334 of total NPV savings***, including $14,632,095 from reduced annual UAAL payments, $5,724,090 from the creation of a Contingency Reserve Fund, and $41,150 from interest on the CRF assumed at 0.05%

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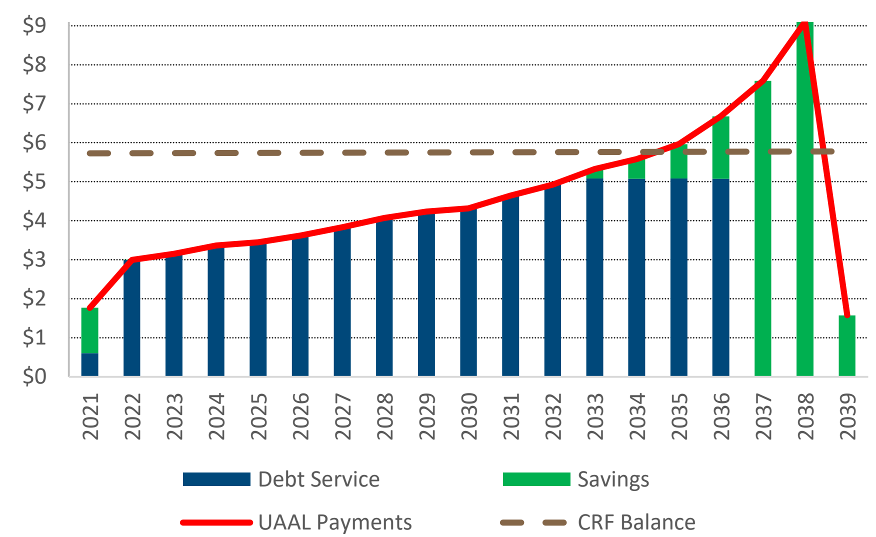
Average Life	9.36 years
Obligation Par Amount	$50,830,000
Pension Fund Deposit	**$43,884,689**
Contingency Reserve Fund Deposit	**$5,724,090**
Total Interest on CRF @ 0.05% Return	$53,413
NPV of CRF Interest @ 2.81% (Scenario 1 Arb Yield)	**$41,150**
Cost Savings (UAAL – Debt Service)	$22,686,963
NPV of Annual Savings @ 2.81% (Scenario 1 Arb Yield)	**$14,632,095**
Total NPV Benefit (CRF Deposits + NPV of CRF Interest + NPV of Annual Savings)	***$20,397,334***
Total NPV Benefit (as % of Pension Fund Deposit)	***46.48%***
Actuarial Funding Status after Pension Obligations	***100.00%***

COP Results: Impact on Annual Pension Plan UAAL Payments ($mil)[1,2]



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Scenario 2: Smooth Pension Legacy Liability and Shorten Amortization – Analysis Results[1,2]

Key Decision Points:
- What level of savings can the Authority expect from a pension obligation?

STIFEL

Fiscal Year Ending	Budgeted UAAL Payments	Debt Service	Annual Savings	CRF Balance (No Draw)	Interest on CRF @ 0.05%	Cash Flow Benefit	PV Benefit @ 2.81%
	[A]	*[B]*	*[C] = [A]-[B]*	*[D]*	*[E]=[D$_{t-1}$] *0.05%*	*[F]=[C]+[E]*	*[G]=PV[F]*
Dated Date				$5,724,090		$5,724,090	$5,724,090
6/30/2021	$1,766,099	$601,386	$1,164,714	$5,725,751	$1,662	$1,166,375	$1,147,734
6/30/2022	$2,995,479	$2,990,681	$4,798	$5,728,614	$2,863	$7,661	$7,332
6/30/2023	$3,156,208	$3,153,815	$2,393	$5,731,479	$2,864	$5,258	$4,894
6/30/2024	$3,362,385	$3,361,139	$1,246	$5,734,344	$2,866	$4,111	$3,723
6/30/2025	$3,448,928	$3,446,072	$2,856	$5,737,211	$2,867	$5,723	$5,040
6/30/2026	$3,618,645	$3,613,957	$4,689	$5,740,080	$2,869	$7,557	$6,473
6/30/2027	$3,830,470	$3,827,273	$3,197	$5,742,950	$2,870	$6,067	$5,054
6/30/2028	$4,074,922	$4,073,556	$1,367	$5,745,822	$2,871	$4,238	$3,434
6/30/2029	$4,235,222	$4,232,730	$2,492	$5,748,695	$2,873	$5,365	$4,228
6/30/2030	$4,320,861	$4,320,436	$426	$5,751,569	$2,874	$3,300	$2,529
6/30/2031	$4,643,146	$4,641,415	$1,731	$5,754,445	$2,876	$4,607	$3,434
6/30/2032	$4,922,447	$4,918,145	$4,302	$5,757,322	$2,877	$7,179	$5,206
6/30/2033	$5,325,140	$5,081,623	$243,517	$5,760,201	$2,879	$246,395	$173,782
6/30/2034	$5,581,213	$5,079,815	$501,398	$5,763,081	$2,880	$504,278	$345,932
6/30/2035	$5,963,522	$5,081,289	$882,233	$5,765,962	$2,882	$885,115	$590,565
6/30/2036	$6,679,855	$5,077,875	$1,601,980	$5,768,845	$2,883	$1,604,863	$1,041,487
6/30/2037	$7,590,751	$0	$7,590,751	$5,771,730	$2,884	$7,593,635	$4,793,062
6/30/2038	$9,099,443	$0	$9,099,443	$5,774,615	$2,886	$9,102,329	$5,588,089
6/30/2039	$1,573,432	$0	$1,573,432	$5,777,503	$2,887	$1,576,319	$941,245
Total	**$86,188,168**	**$63,501,206**	**$22,686,963**		**$53,413**	**$28,464,466**	**$20,397,334**

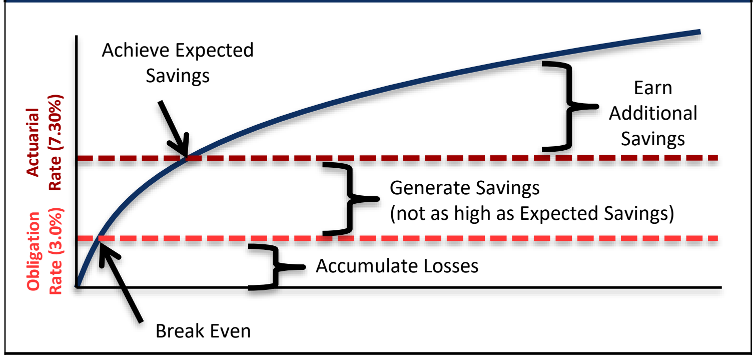
1. *Market conditions as of September 9, 2020. Spreads based on comparable recent transactions. Stifel does not guarantee to underwrite at these levels. All NPV values are discounted to December 1, 2020 (assumed transaction closing date) at a discount rate of 2.81%, the arbitrage yield of Scenario 1. Please refer to Stifel's risk disclaimers in this presentation. UAAL and amortization computed by Stifel using assumptions from the 2019 Actuarial Report and annual UAAL payment data provided by PSPRS. UAAL payments shown are adjusted to reflect estimated payments made per Authority fiscal year based on Stifel's calculations and assumptions.*
2. *Due to the current market dislocation caused by COVID-19, the interest rates assumed herein are estimated and provided for discussion purposes only and should not be considered indicative of available market execution.*

Pension Obligations: Risks

STIFEL

- Pension obligations carry three distinct types of risks: i) actuarial risk, ii) market risk, and iii) other risks
- **Actuarial Risk.** Any retirement system's independent actuaries calculate projections for plan assets and liabilities, and these projections are premised on a variety of assumptions such as investment returns, payroll increase, COLA, mortality, early retirement, and benefit payments
  - Annual employer contributions are calculated based on these assumptions
  - Any revision or variance from these assumptions will alter projections and required contributions, regardless of the issuance of pension obligations
  - Actuarial risk is inherent to all pension funds, and all projections of future contributions and payouts

Savings Impact from Varying Investment Returns



- **Market Risk.** The primary risk associated with pension obligations is long-term investment return performance
  - The obligation rate is impacted by market risk at the time the obligations are sold, but is locked in after that
- **Other Risks.** Pension funding obligations have numerous risks including, but not limited to, variance from the anticipated investment return, payroll increase, COLA, mortality, early retirement, covered payroll and other assumptions contained in the actuarial reports, CAFR and other documents
  - All references to expected savings are for potential savings and are based on achieving rates assumed in actuarial reports, CAFR and other documents
  - Issuing pension obligations could result in savings that are greater or less than stated in the analysis, or could result in a loss
  - Potential savings vary from year to year; Actual savings or losses and the success of the pension obligation transaction cannot be known until the amortization of the final pension obligation maturity
- Additional risks may also exist

Mitigating Risks: Contingency Reserve Fund

Key Decision Points:
- **How can the Authority help mitigate risks associated with COPs?**

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The Authority can apply a portion of obligation proceeds to create a Contingency Reserve Fund that helps manage market and actuarial risks associated with COPs

- **What?** Helps mitigate risks associated with year-over-year volatility in investment earnings as well as changes in actuarial assumptions, such as assumed rate of return, COLA, mortality
- **How?** Use a portion of COPs/lease proceeds to establish an initial balance in CRFs for the Fire and Medical Plan
  - Apply a defined portion of ongoing year-over-year budgetary savings from the pension obligation (difference between what UAAL payments would have been versus debt service costs) to continue funding CRF
- **Why?** In years where investment returns do not meet defined/established benchmarks, and/or changes in actuarial assumptions cause a significant change in projected annual payments, the Authority can draw on the CRF to smooth the budgetary impact of funding additional contributions for the newly created UAAL
- **Why not?** Negative carry of issuing additional debt to fund an upfront deposit

Rules for Investment of Proceeds. This is akin to permitted investment guidelines for reserve/escrow funds

- Proceeds should only be invested in liquid and/or short-term products to ensure prompt availability of funds

Rules for CRF Draws. While there may be greater flexibility to accord broader rules for draws on an CRF absent COPs/lease proceeds, in practice, permitting draws for any/every possible increase in payments could deplete the balance too soon

- The Authority may consider establishing a minimum fund balance threshold before which draws on the balance of the CRF could occur
- Draws may also be restricted to draws of investment income only, while the balance is untouched
- Establish periodic funded ratio thresholds, where CRF balance above a pre-defined level is drawn to supplement ARC

Rules for Contingency Replenishment. Could use ongoing pension obligation savings or use *sell the float* on other Authority held funds for periodic inflows

- The Authority must also consider mechanisms to build up and/or maintain the CRFs balance by securing a stream of steady cash flow beyond the initial deposit
- This entails defining the revenue and investment sources for fiscal transparency, and redirecting investment returns in excess of an established benchmark to the Contingency Reserve Fund

Mitigating Risks: Contingency Reserve Fund Sample Term Sheet

Key Decision Points:
- **How can the Authority help mitigate risks associated with COPs?**

STIFEL

The Authority can apply a portion of COPs/lease proceeds to create a Contingency Reserve Fund that helps manage market and actuarial risks associated with COPs

Sample Term Sheet for Fire and Medical	
Purpose	• To mitigate the impact of 1) investment return volatility and 2) changes in select actuarial assumptions (as defined herein) on COPs/lease proceeds deposited with PSPRS against the Authority's Fire and Medical pension liability
Initial Deposit	• Use a portion of existing cash balances to create a CRF for managing risks associated with the Fire and Medical pension liability
Rules for Investment	• Principal protected • Gross funded • Liquid within 90 days • Proceeds should only be invested in liquid and/or short-term products to ensure prompt availability of funds • Authority may have opportunity to utilize Act 151 Trusts to help PSPRS manage investment of proceeds; alternatively, could serve as a tool for supporting a local bank as trustee
Rules for Draws	• **Market.** Draw when investment return is below a defined threshold, for example 5%, or the Obligation Rate • **Actuarial.** Draw when changes to COLA, revisions to mortality assumptions, and/or revision of the investment return assumptions occur and cause an impact on AAL in excess of a defined threshold • The Authority may consider establishing a minimum fund balance threshold before which draws on the balance of the CRF could occur • Draws may also be restricted to draws of investment income only, while the balance is untouched • Establish periodic funded ratio thresholds, where CRF balance above a pre-defined level is drawn to supplement ARC
Rules for Replenishment	• Could use ongoing pension obligation savings or use sell the float on other Authority held funds for periodic inflows • The Authority must also consider mechanisms to build up and/or maintain the CRF balance by securing a stream of steady cash flow beyond the initial deposit • Amortize replenishment from General Fund over 7 years on a level basis • This entails defining the revenue and investment sources for fiscal transparency, and redirecting investment returns in excess of an established benchmark to the Contingency Reserve Fund
Sizing	• Size initial deposit to manage "worst case" scenario of all permitted draw events (market volatility and actuarial changes) occurring in one valuation • **Market.** $3,815,536; size initial deposit to manage up to 3 years of new UAAL payments that would be created if PSPRS experienced 30% investment loss in year 1 of issuing pension obligations • **Actuarial.** TBD by actuaries; size initial deposit to manage up to 3 years of new UAAL payments that would be created if the actuarial rate was revised to 7%, COLA increased by 1% and PSPRS adopted a new mortality table
Rules for Extinguishment	• Upon the repayment of the final debt service payment, the Authority could redirect the reserve to apply to fund OPEB or other retiree benefits, or General Fund

Case Studies: National Examples

Assessment Factors:
- **Where have pension obligations been successful?**

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August 2016

$600,660,000
STATE OF WISCONSIN
General Fund Annual Appropriation Refunding Bonds of 2016, Series A & B (Taxable)
Bookrunner

State of Wisconsin

Date	Par	Issuer	Security	Rating	Stifel Role
August 2016	$600.7mm	State of Wisconsin	Annual Appropriation	Aa3/AA-/AA-	Bookrunner

- Wisconsin is the only state nationally with a fully funded pension system; this has been achieved through the implementation of a pension obligation borrowing in 2003 as well as an FIL accounting method
  - Implemented a Stabilization Fund to help Wisconsin manage its pension obligation liability
  - Since 2003, Wisconsin has conducted 4 separate financings to continue addressing this liability in the most favorable way while maintaining 100% funding

State of Wisconsin Historical Ratings Changes

	General Obligation				GFAAB		
	Moody's	*S&P*	*Fitch*	*Kroll*	*Moody's*	*S&P*	*Fitch*
2003	Aa3 (Negative)	AA- (Stable)	AA (Negative)		A1 (Stable)	A+ (Stable)	AA- (negative)
2004			AA- (Stable)				A+ (stable)
2005							
2006							
2007							
2008		AA (stable)					
2009						AA- (stable)	
2010	Aa2 (Stable)		AA (Stable)		Aa3 (Stable)		AA- (stable)
2011							
2012							
2013				AA (stable)			
2014							
2015							
2016							
2017	Aa1 (stable)		AA+ (stable)	AA+ (positive)	Aa2 (stable)		AA (stable)
2018							
2019							
2020							

November 2005

$101,515,000
CITY OF BROCKTON, MA
General Obligation Bonds of 2005 (Taxable)

Overview

Date	Par	Issuer	Security	Rating
November 2005	$101.515mm	City of Brockton	General Obligation	Aaa/AAA/NR

- Very conservative structure with no savings in the first 5 years
- Brockton's pension obligations implemented a Stabilization Fund that was funded with 50% of ongoing savings generated from the pension borrowing
  - However, there was no initial deposit to the Stabilization Fund from obligation proceeds, which limited the City's ability to manage the impact of the 2008 financial crisis

Best Practices and Lessons Learned: One Size Does NOT Fit All

Assessment Factors:
- How can I tailor the structure to meet my policy needs?

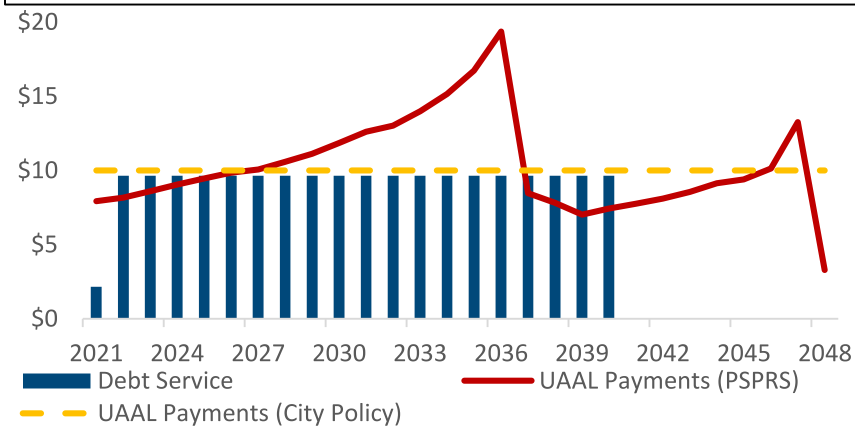
STIFEL

A pension obligation financing is a tailored tool that for helping drive a given municipality's desired policy objectives

City of Flagstaff[1,2]

- Flagstaff is issuing Certificates of Participation to fully fund its pension obligation. Certificates are secured by a leasehold interest in various city-owned assets
- The City already had a policy in place for making "supplemental" UAAL contributions every year (up to $10 million available in total annually) to accelerate the repayment of its UAAL before the PSPRS amortization period
- The City also wanted to create budgetary certainty with level year-over-year costs and provision for future contingencies
- Given the City's policy of accelerated UAAL repayment, the City can shorten this debt to 19-20 years, while still generating savings and creating CRFs

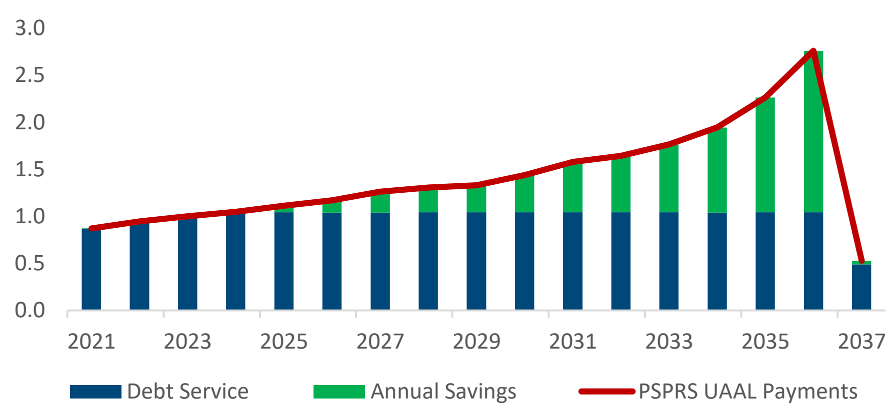
While debt service exceeds "PSPRS UAAL Payments" in some years, it remains below the City's Policy payment objective of ~$10M



Gila County[1,2]

- Gila County's policy objectives include ensuring debt service costs associated with a pension borrowing do not exceed PSPRS projections for any given year
- They are also interested in creating a more level payment profile to shave down the cliff presented by escalating PSPRS UAAL payment projections
- Finally, Gila County has existing cash reserves that they are exploring as a potential source for establishing a pension liability management reserve fund that can help insulate against market and actuarial risks associated with pension costs in general and pension obligations in particular

Debt service does not exceed "PSPRS UAAL Payments" in any years, but approximates $1 million or less year-over-year



1. *Source: Arizona Public Safety Personnel Retirement System Actuarial Valuation as of June 30, 2019.*
2. *Due to the current market dislocation caused by COVID-19, the interest rates assumed herein are estimated and provided for discussion purposes only and not indicative of available market execution.*

Best Practices and Lessons Learned

Assessment Factors:
- **What are lessons learned and best practices that can help ensure success?**

STIFEL

An issuer has to balance the advantages of achieving full funding against its capacity to incur debt

	Partial Funding	Full Funding
Benefits	• The municipal entity is able to quickly achieve a targeted increase in its funded ratio • Reduces the annual cost of pension payments • May be able to achieve annual savings that can supplement payments towards the remaining liability	• The municipality is able to quickly achieve an 100% funded pension liability • Fully funded liability is looked at favorably by rating agencies and may improve the credit rating • Provides annual savings that may be of use for other purposes • Reduces the annual cost of pension payments
Risks	• Required to make debt service payments, even in the event the costs of the pension payments increase • The funded ratio could decrease as pension costs rise • The municipality will be required to make a combination of debt service and pension payments annually	• Required to make debt service payments, even in the event the costs of the pension payments increase • The funded ratio could decrease as pension costs rise

Borrowing: Other Recommended Structural Features and Historical Best Practices	
Market and Timing	• Given equity market volatility, laddering in COPs/lease proceeds for investment over time is a prudent approach, commonly used to help mitigate equity market timing concerns
Long-Term, Fixed Rate, Current Interest Obligations	• Most common structure in the municipal market • Allows issuer to take advantage of the long-term low-rate environment • Once issued, fixed rate obligations carry no risks associated counterparty, credit or rate • Most favorably viewed by rating agencies and policymakers
Savings Structure	• Level debt service or uniform savings enforce discipline in early years of issue and benefits intergenerational equity
Flexible Authorizing Legislation	• Authorizing legislation should endorse cautious structuring parameters while retaining some flexibility with regards to the market and timing of the pension obligating
Prudent Contribution Practices	• While a pension obligation can help generate a one-time bump in a pension plan's funded ratio, issuers need to continue making normal contributions in the ensuing years to maintain the increased funded ratio

Pension Credentials

Stifel's financing team for the Authority provides over $22 billion of senior managed pension obligation experience

Stifel's Select Pension Experience

Exp. 4Q 2020 **$440,000,000** **City of Huntington Beach** Pension Obligation Bonds *Bookrunner*	*August 2020* **$131,000,000** **City of Flagstaff (AZ)** GFAABs *Bookrunner*	*February 2020* **$130,390,000** **City of Pasadena (CA)** Taxable Refunding POBs *Bookrunner*	*September 2019* **$64,420,000** **City of Glendora (CA)** Taxable POBs *Bookrunner*	*August 2018* **$15,430,000** **City of Wixom** Limited Tax GO POBs *Bookrunner*	*July 2018* **$340,000,000** **County of Riverside (CA)** Pension Funding TRANs *Bookrunner*
May 2017 **$31,960,000** **City of Riverside** Taxable POBs *Bookrunner*	*August 2016* **$400,145,000** **State of Wisconsin** GFAABs *Bookrunner*	*June 2016* **$340,000,000** **County of Riverside (CA)** Pension Funding TRANs *Bookrunner*	*May 2016* **$31,145,000** **City of Riverside** Taxable Pension BANs *Bookrunner*	*January 2016* **$334,275,000** **County of Orange (CA)** Taxable POBs *Bookrunner*	*July 2015* **$1,386,045,000** **City of Los Angeles** Pension Funding TRANs *Bookrunner*
May 2015 **$30,940,000** **City of Riverside** Taxable POBs *Bookrunner*	*August 2015* **$32,020,000** **City of Oceanside** POB Refunding *Bookrunner*	*March 2011* **$269,815,000** **Cwlth of Kentucky** Funding Notes, Gen. Fund *Bookrunner*	*September 2010* **$289,335,000** **Sonoma County, Cal.** Pension Bonds *Bookrunner*	*August 2010* **$467,555,000** **Cwlth of Kentucky** Funding Notes, Genl Fund *Bookrunner*	*January 2010* **$3,466,000,000** **State of Illinois** GO Bonds *Bookrunner*
June 2003 **$10,000,000,000** **State of Illinois** GO Bonds *Joint Bookrunner*	*November 2005* **$101,515,000** **City of Brockton, Mass.** GO Bonds *Bookrunner*	*December 2008* **$402,820,000** **City of Houston, Tex.** Pension Bonds *Bookrunner*	*April 2008* **$2,275,578,270.75** **State of Connecticut** GO Bonds *Bookrunner*	*April 2008* **$798,120,000** **State of Wisconsin** GFAAB *Bookrunner*	*April 2009* **$400,000,000** **Milwaukee Cnty, Wisc.** Pension Notes *Bookrunner*

Pension Risk Disclaimer and Engaged Underwriter Disclosure

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Certificates of Participation ("COPs") are a source of financing for unfunded actuarial liabilities of pension funds and can serve a valuable function. However, the success of a COP financing is dependent on a number of assumptions proving to be accurate, and the failure of any of these assumptions is a risk that a government issuing COPs should consider.

Among the assumptions that are important to a COP financing, and the risks associated with those assumptions providing to be inaccurate, are the following:

- <u>Assumption</u>: The investment yield on the COP proceeds once deposited in the pension fund will equal or exceed the yield on the COPs. **<u>Risk</u>: If the investment yield on the COP proceeds is less than the yield on the COPs, and the decline is not offset by positive changes in other assumptions, the issuance of the COPs may actually increase the unfunded actuarial liability.**
- <u>Assumption</u>: Payroll increases during the term of the COPs will be as anticipated when the unfunded actuarial liability was estimated at COP issuance. **<u>Risk</u>: If payroll increases during the term of the COPs exceed expectations, and the increases are not offset by positive changes in other assumptions, the COP proceeds will not suffice to cover the unfunded actuarial liability.**
- <u>Assumption</u>: Cost of living adjustments ("COLAs") will be as anticipated when the unfunded actuarial liability was estimated at COP issuance**. <u>Risk</u>: If COLAs exceed expectations during the term of the COPs, and the increases are not offset by positive changes in other assumptions, the COP proceeds will not suffice to cover the unfunded actuarial liability.**
- <u>Assumption</u>: Various assumptions used in calculating the unfunded actuarial liability -- such as mortality rates, early retirement incentives, types of payrolls covered by the pension fund -- will be as anticipated at the time of COP issuance. **<u>Risk</u>: If there are reductions in mortality rates, increases in early retirement incentives, expansions of the payrolls covered by the pension plan during the term of the COPs, and these changes are not offset by positive changes to other assumptions, the COP proceeds will not suffice to cover the unfunded actuarial liability.**

In addition to analyzing potential benefits that are based on achieving assumptions made in estimating the unfunded actuarial liability, we will also analyze potential budgetary benefits or losses based on various prospective levels of the pension systems' earnings to assist you in gauging the likelihood of success of a COP transaction. It should be noted that potential budgetary benefits vary from year to year. Actual benefits or losses and the success of the COP financing cannot be known until the COPs have been paid in full.

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PUBLIC AGENCY RETIREMENT SERVICES PARS

TRUSTED SOLUTIONS. LASTING RESULTS.

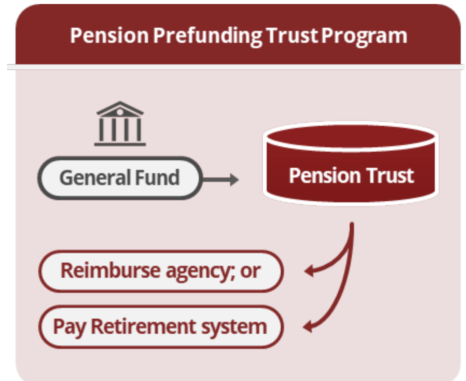
CENTRAL ARIZONA FIRE & MEDICAL AUTHORITY

PARS Section 115 Pension Prefunding Trust Services

September 2020

Introduction

Public Agency Retirement Services (PARS) proposes a comprehensive Section 115 pension prefunding trust solution for Central Arizona Fire and Medical Authority.



PARS' first-of-its-kind Section 115 trust, offered in **partnership with U.S. Bank and Vanguard**, enables the Authority to set aside and locally control funds to manage its pension costs -- while providing economies of scale for investment, administrative, and trustee services.

PARS pioneered the pension prefunding concept with an IRS Private Letter Ruling in 2015 and offers the only large-scale trust of its kind in the nation (now with 220+ public agencies).

It is currently the only pension prefunding trust available in Arizona and would serve as a critical tool for the Authority to address its long-term Public Safety Personnel Retirement System (PSPRS) costs.

Section 115 pension prefunding trusts are allowed in the state due to recently enacted legislation and the PARS trust documents and structure have been vetted by our Arizona attorneys, Snell & Wilmer, for legal use in the state.

What are Advantages of the Authority Using a Pension Prefunding Trust?

1. Help **prudently manage long term PSPRS costs** and obligations
2. **Maintain local control** of pension assets compared to entrusting them with a state system
3. **Protect funds from diversion** to other uses more than a budget reserve account
4. **Create a rainy-day fund** that can be used for PSPRS-related costs during difficult budgetary times
5. **Stabilize contribution rates** since assets can be used to mitigate rate increases or to make additional contributions to PSPRS
6. **Achieve greater long-term investment returns** than a budget reserve account due to diversification of investments
7. **Invest funds differently than PSPRS** or hedge against the system's approach to investing its assets
8. **In lieu of extra contributions**, which are amortized over many years and don't immediately impact rates
9. Actively addressing future obligations can **favorably impact an agency's credit rating**

Why are the Advantages of Using the PARS Trust?

- **Only trust currently available in Arizona -** Although recent legislation (SB 1354) allows for the development of a trust operated by PSPRS and the State Treasurer, the programs are still in the early development phase and will not be available until 2021.

- **Allows for reimbursements back to Authority** for pension costs as approved by the IRS unlike with the proposed PSPRS trust. This provides greater flexibility and local control over the use of the funds. The structure and design of the State Treasurer trust is unclear since not stipulated in SB 1354.

- **Ready-to-use, simply organized** trust and investment program that is compliant with Arizona and federal law as well as GASB rules

- **IRS-approved** trust with favorable Private Letter Ruling that provides tax-exempt status and protections for clients (no longer available for newly developed trusts)

- **Flexible, low-cost investment options** designed by Vanguard and HighMark specifically for pension prefunding trust needs

- **Regular reporting** that includes monthly/annual statements, quarterly reports, and periodic in-person reviews

- **Streamlined implementation process** with signature-ready documents and technical guidance

- **No startup costs**, minimum contributions, transaction fees, trading fees or ongoing compliance costs

- **Fees that decrease** as total assets of all program members accumulate (if Vanguard is selected as investment manager)

- **Assistance with annual audit** and GASB 67/68 reporting requirements

- **Hands-on consulting, analysis, and technical guidance** by PARS consulting team

- **No red tape or fees** to enter or leave the trust in addition to a no-cost 30-day termination option

- **Fiduciary protection** from the 5th largest bank and one of the largest Section 115 trustees in the nation, U.S. Bank

- **Experience of PARS**, the administrator of Section 115 trusts and pension prefunding trusts for over 425 local governments clients

What are the Trust's Turn-key Services?

PARS provides the Authority with economies of scale and limited burden on your staff:

- Trust administration & recordkeeping
- Trustee & custodial services
- Fiduciary investment advisory & management
- Ready-to-go compliant trust documents
- Federal & state compliance monitoring
- Flexible, low-cost investment options
- Reporting & statements
- Annual audit & GASB reporting support
- Contribution & disbursement processing
- Hands-on support & program liaison

Who are the Program Providers?

PARS – Trust Administrator

Dedicated solely to the retirement plan and trust needs of public agencies since 1984, PARS administers over 425 Section 115 trust plans (including over 220 in pension prefunding trust). PARS is the pioneer and administrator of the **largest and only national pension prefunding trust**. We will handle all recordkeeping, reporting, servicing, compliance monitoring and program coordination for the Authority's account.

U.S. Bank – Trustee/Custodian

The 5th largest bank, and **largest trustee for Section 115 trusts in the nation**, U.S. Bank will serve as trustee and custodian for the Authority's account. The Bank, which serves all of PARS' 1,000+ public agency plans, has over $5 billion in Section 115 trust assets under administration, and will act in a fiduciary role to safeguard the Authority's assets.

Vanguard or HighMark Capital Management – Investment Manager

Vanguard and HighMark provide **flexible, low cost investment options** specially designed for Section 115 trust members. With Vanguard's approach, the Authority can select from 4 portfolios of varying risk tolerance (fixed income, conservative, balanced and growth) that are some of the lowest cost in the nation. With HighMark (which serves as investment sub-advisor to U.S. Bank), the Authority can select from five actively or passively managed strategies, as well as a customized option.

What are the Authority's Investment Options?

The PARS Pension Prefunding Trust Program offers a highly flexible investment program which includes active, indexed, and customized approaches to investing its pension assets.

OPTION A: VANGUARD

PARS offers a low cost approach through Vanguard, one of the world's largest and most respected investment managers. Under this option, the Authority can select from 4 pre-established portfolios that have been developed exclusively for the PARS program. These portfolios use Vanguard's institutional class, index-based, mutual funds and have very low weighted expense ratios (0.07-0.09% of assets). The Vanguard team assigned to this trust is located in the company's Scottsdale and Philadelphia offices.

The asset allocations for each of these portfolios as of June 30, 2020 are as follows:

Portfolio	Equity (%)	Fixed Income (%)	Cash (%)	Other (%)
Fixed Income	--	95.7%	2.3%	2.0%
Conservative	42.7%	54.9%	1.4%	1.0%
Balanced	60.6%	37.8%	1.1%	0.6%
Growth	76.5%	22.2%	0.9%	0.4%

The concept of these portfolios is to build up large economies of scale for pricing whereby the investment management fees decrease as the combined assets of all participating agencies within the 4 portfolios increase. As a result of program growth over the past 5 years, the investment management fee for all entities that invest in a Vanguard portfolio has already dropped to 0.03% of assets and will continue to decrease as the total assets grow.

OPTION B: HIGHMARK

Serving as discretionary sub-advisor to U.S. Bank, HighMark offers the Authority the following choices related to the investment of its funds.

1. Five Risk Tolerance Levels

The Authority can participate in one of five risk tolerance levels that have been developed specifically for clients in PARS Section 115 Trust Program. The five portfolios include: (a) actively managed underlying mutual funds intended to outperform benchmarks or (b) low-cost Index/Exchange-Traded Funds (ETFs) which are baskets of stocks tracking the composition and performance of most leading market indices. The following table provides shows the tactical asset allocation targets for each of the five portfolios:

Strategy	Equity (%)	Fixed Income (%)	Cash (%)
Conservative	15%	81%	4%
Mod. Conservative	29%	67%	4%
Moderate	48%	48%	4%
Balanced	58%	38%	4%
Capital Appreciation	72%	24%	4%

2. Customized Approach

Using a discretionary trustee approach, the Authority can customize its own portfolio under the investment and fiduciary advice of HighMark to include: (a) any funds available under an open architecture trading platform, (b) any combination of active and index funds in the pre-established portfolios, or (c) individual securities/bonds to reduce costs. This customized option, which requires $5 million in assets or more, gives the Authority full flexibility of its investments.

What are the Fees?

Fees for the PARS Pension Prefunding Trust are broken down into trust administration (paid to PARS), trustee (paid to U.S. Bank) and investment management costs (paid to either HighMark or Vanguard depending on investment option selected). A full breakdown of these program fees are listed below.

TRUST ADMINISTRATION/CONSULTING FEES

Trust administration fees provide for all plan administration services, including compliance monitoring, consulting, recordkeeping, funding analysis, and reporting.

Company	Ongoing Fee
PARS	0.25% for assets under $10 million
	0.20% for assets $10-15 million
	0.15% for assets $15-50 million
	0.10% for assets over $50 million

TRUSTEE/INVESTMENT MANAGEMENT FEES

Option A – Vanguard

Company	Ongoing Fee
Vanguard	0.07% for assets under $50 million*
	0.04% for assets $50-$150 million*
	0.03% for assets $150-$250 million*
	0.01% for assets $250-$500 million*
	0.005% for assets over $500 million*
U.S. Bank	0.05% first $25 million**
	0.04% next $25 million**
	0.03% over $50 million**

Please note that Vanguard's fees are based on the combined assets of all agencies within the 4 Vanguard portfolio options. As a result of this, the current blended investment management fee for all members (as of 6/30/20) is* ***0.03%**.*
***U.S. Bank's trustee fees are based on the combined assets of all agencies within each selected investment portfolio.*

Option B - HighMark

Company	Ongoing Fee
U.S. Bank/HighMark	0.35% for assets under $5 million*
	0.25% for assets $5—$10 million
	0.20% for assets $10—$15 million
	0.15% for assets $15—$50 million
	0.10% for assets over $50 million

**Please note that all fees are waived on the portfolio's money market fund. The 0.35% fee represents the highest weighted investment management fee that can be charged, but as of August 31, 2020 actual fees for the 5 pre-established portfolio options were 0.34%.*

Contact

Maureen Toal
PARS Senior Vice President
Phone: (844) 540-6732
Email: mtoal@pars.org