



Office of the City Manager

CONSENT CALENDAR
January 28, 2020

To: Honorable Mayor and Members of the City Council
 From: Henry Oyekanmi, Director, Finance Department
 Subject: Participation Agreement with Pension Stabilization Trust for an IRS Section 115 Trust Fund

RECOMMENDATION

Adopt a Resolution repealing and replacing Resolution 68,853-N.S. and authorizing the City Manager, as City's Plan Administrator, to enter into a Participation Agreement with Pension Stabilization Trust (PST), an IRS Section 115 Trust Fund; and authorizing the City's Plan Administrator to execute the legal and administrative documents on behalf of the City and to take whatever additional actions are necessary to enter into a Participation Agreement with PST.

FINANCIAL IMPLICATIONS

Joining PST should result in better investment returns than those available using the investment policies for the City's pooled investments.

CURRENT SITUATION AND ITS EFFECTS

PST is a Section 115 multiple employer trust established by one or more municipalities for the funding and payment of their obligations under employee pension plans. The Board of Authority, which established the trust, has also signed agreements with two service providers to the trust, as described below and attached.

1. Trust Administrative Services Agreement with BTC. BTC acts as discretionary trustee to PST, with fiduciary oversight and authority over the operations and management of the trust, and with duties as set forth in the Agreement (attached).
2. Program Services Agreement with Keenan. Keenan provides administrative services to PST as set forth in the Agreement (attached).

The Board of Authority has also executed an Investment Policy Statement, establishing a comprehensive strategy for the acceptance and accumulation of invested assets under the PST (attached).

After the City Council approves the resolution to enter into a Participation Agreement with PST, the following next steps need to be taken:

- Execute the Participation Agreement whereby the City becomes a participant in the PST.
- Execute the Member Agreement whereby the City appoints a member to the PST Board of Authority.

BACKGROUND

At the May 14, 2019 Council meeting, Council adopted Resolution No. 68,853-N.S. authorizing the City's Plan Administrator to execute the legal and administrative documents on behalf of the City and to take whatever additional actions are necessary to establish a Section 115 trust fund, establish the authority for the management of the Section 115 investments, develop investment policies for the Section 115 trust fund, and Select an initial model investment portfolio from the choices provided.

After appropriate City staff scrutiny and opportune clarifications from Keenan Financial Services, it was discovered that Resolution No. 68,853-N.S. imprecisely represented the facts as the City will not establish an IRS Section 115 Trust Fund but join PST, a pre-existing fund, through a Participation Agreement. As a consequence, City's Plan Administrator will execute the Participation Agreement whereby the City becomes a participant in the PST and will execute a Member Agreement whereby the City appoints a member to the PST Board of Authority.

ENVIRONMENTAL SUSTAINABILITY

There are no identifiable environmental effects or opportunities associated with the subject of this report.

RATIONAL FOR RECOMMENDATION

An adequately funded Section 115 Trust will help to offset the financial market volatilities and smoothen CalPERS employer retirement contributions. In addition, joining PST should result in better investment returns as opposed to those available using the investment policies for the City's pooled investments.

ALTERNATIVE ACTIONS CONSIDERED

Not to join the IRS Section 115 Trust Fund.

CONTACT PERSON

Henry Oyekanmi, Finance, (510) 981-7326

Attachments:

1. Resolution

Exhibit A: Pension Stabilization Trust for California Municipalities Program Service Agreement

Exhibit B: Pension Stabilization Trust for California Investment Policy Statement

Exhibit C: Amended and Restated Trust Administrative Service Agreement

2. Staff Report May 14, 2019

RESOLUTION NO. ##,###-N.S.

REPEAL AND REPLACE RESOLUTION 68,853-N.S. AND CONTRACT WITH KEENAN FINANCIAL SERVICES TO ENTER INTO A PARTICIPATION AGREEMENT WITH PENSION STABILIZATION TRUST

WHEREAS, on May 14, 2019 Council meeting, Council adopted Resolution No. 68,853-N.S. authorizing the City's Plan Administrator to execute the legal and administrative documents on behalf of the City and to take whatever additional actions are necessary to establish a Section 115 trust fund, establish the authority for the management of the Section 115 investments, develop investment policies for the Section 115 trust fund, and Select an initial model investment portfolio from the choices provided; and

WHEREAS, during Contract review City staff discovered that Resolution No. 68,853-N.S. imprecisely represented the facts as the City will not establish an IRS Section 115 Trust Fund but join PST, a pre-existing fund, through a Participation Agreement; and

WHEREAS, Pension Stabilization Trust is a Section 115 multiple employer trust established by one or more municipalities for the funding and payment of their obligations under employee pension plans. The Board of Authority has executed an Investment Policy Statement, establishing a comprehensive strategy for the acceptance and accumulation of invested assets under the PST. The Board of Authority, which established the trust, has also signed agreements with two service providers to the trust, Keenan (program administrator) and BTC (discretionary trustee.)

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is authorized to enter into a Participation Agreement with Pension Stabilization Trust.

BE IT FURTHER RESOLVED that as originally authorized with Resolution No. 68,853-N.S., the City Manager is authorized to execute a contract, and any amendments, with Keenan Financial Services for the purposes of entering into a Participation Agreement with Pension Stabilization Trust.

BE IT FURTHER RESOLVED that the City's Plan Administrator is hereby authorized to execute the legal and administrative documents on behalf of the City and to take whatever additional actions are necessary to enter into a Participation Agreement with Pension Stabilization Trust.

Exhibits:

Exhibit A: Pension Stabilization Trust for California Municipalities Program Service Agreement

Exhibit B: Pension Stabilization Trust for California Investment Policy Statement

Exhibit C: Amended and Restated Trust Administrative Service Agreement

**PENSION STABILIZATION TRUST FOR CALIFORNIA MUNICIPALITIES
PROGRAM SERVICES AGREEMENT**

This Program Services Agreement (the “**Agreement**”) is entered into as of **September 23, 2019** (“**Effective Date**”) between Keenan & Associates (“**Keenan**”), and the Pension Stabilization Trust for California Municipalities (“**PST**”), with reference to the following:

PST was created to assist participating public agencies (“**Adopting Entities**”) with the establishment and maintenance of a trust (the “**Trust**”) for investment of funds to be used for the payment of their obligations under employee pension plans (the “**Plan(s)**”) that provide pension benefits (referred to as “**Pension Liabilities**”) to eligible employees and their dependents, and for other purposes determined to be appropriate by the Adopting Entities.

PST is governed by a board (“**Board of Authority**”), made up of representatives of the Adopting Entities.

A Program Coordinator, a Discretionary Trustee and a Registered Investment Advisor together provide a program (the “**Program**”) to support PST.

In accordance with the terms and conditions of this Agreement, Keenan shall act as Program Coordinator and shall provide the services as described herein.

NOW, THEREFORE, the parties agree as follows:

1. **Services Provided By Keenan.** PST hereby engages Keenan, and Keenan hereby accepts the engagement, to provide the following services to PST with respect to the Program and the formation and operation of the Trust during the term of this Agreement:

a. **Assistance with Creation of Trust.** The Trust will be created and effective upon execution of the Participation Agreement at the first meeting of the Board of Authority. (“**Trust Effective Date**”) Keenan will work with the Discretionary Trustee to coordinate preparation and execution of the Participation Agreement, pursuant to which the Board of Authority will adopt the Trust Agreement, under which the Adopting Entities may designate certain funds to be irrevocably contributed for payment of Plan obligations. Keenan’s services in connection with creation of the Trust will consist of the following:

- (1) Communicating with an Adopting Entity’s governing body regarding the structure and operation of the Program, and
- (2) Communicating with the Board of Authority regarding the creation of the Trust.

b. **Referral to Service Providers.** The Program includes referrals to organizations handling:

- (1) trustee, custodial and investment management services.
- (2) financial auditing,

- (3) such additional services as the PST Board of Authority and Adopting Entities may request.

Keenan will coordinate the selection of the ancillary service providers noted above and shall work in conjunction with them in providing services to the Board of Authority and Adopting Entities.

- c. Board Member Services. Keenan will facilitate the installation of new members of the Board of Authority as new Adopting Entities join PST. Keenan will also:

- (1) consult with the PST Board of Authority as to ongoing operations and activities; and
- (2) facilitate communications and the coordination of issues that may arise between the PST Board of Authority, the Discretionary Trustee and/or the Investment Advisor;

- d. Administrative Services. If applicable, Keenan will assist the PST Board of Authority in conducting its meetings, in a manner consistent with the Brown Act. Keenan will also:

- (1) prepare meeting agendas and cover pages on behalf of PST Board of Authority,
- (2) take meeting minutes and provide to the Board of Authority upon completion,
- (3) assist with communication to all Board of Authority members as necessary and requested by the Board of Authority, and
- (4) facilitate the action items resulting from the PST Board of Authority meetings.

- e. Facilitation of Membership Process. Keenan will provide assistance in the completion of paperwork and other tasks associated with accepting new Adopting Entities into PST.

- f. Coordinate Meetings with Service Providers. Keenan will coordinate meetings between the PST Board of Authority and the Discretionary Trustee and Investment Advisor and facilitate any additional or ongoing meetings that may be required.

- g. Depository for Agreements. Keenan will act as the depository for all agreements, resolutions, meeting minutes and agendas for the Trust.

2. Other Services Provided by Trustee and Investment Adviser. Keenan will not provide trustee, custodial, investment management or securities broker services to PST or its Adopting Entities in connection with the creation, implementation or operation of the Trust. These services will be provided by the Discretionary Trustee and Registered Investment Advisor under a separate agreement between PST and the Trustee and a separate agreement between the Trustee and the Registered Investment Advisor.

3. **PST Board of Authority Responsibilities.** Throughout the term of this Agreement, the PST Board of Authority shall do the following:
 - a. **Board Authority.** The PST Board of Authority will have final and ultimate decision-making authority for all actions taken by the Trust. The Board of Authority will:
 - (1) execute all agreements on behalf of PST, including, but not limited to, service agreements with vendors and a Participation Agreement with each of Member that joins PST,
 - (2) appoint and direct the Discretionary Trustee,
 - (3) adopt an Investment Policy Statement (IPS) with a long term net objective.
 - b. **Execute Trust and Related Agreements.** Approve, execute and retain in effect a Trust and Investment Policy Statement, and such other agreements as may be required for the Trust to validly invest its assets, to meet the requirements of Section 115 of the Internal Revenue Code and any applicable California Code, and to comply with the requirements of GASB 68, as applicable, with respect to those assets of the Trust that are designated for funding Plan obligations.
 - c. **Decisions Related to Trust.** Make all decisions relating to the Trust, it being acknowledged by PST Board of Authority that Keenan shall have no authority or obligation to make any decisions regarding the Trust, contributions to be made to the Trust, obligations owed by Adopting Entities under their Plans, investments to be made by the Trust, or any other matters related to the Trust.
 - d. **Payments to Adopting Entities.** Direct the Discretionary Trustee to make payments of amounts payable to them under the terms of each Plan.
 - e. **Payments to Intermediaries.** Direct the Discretionary Trustee to make payments to intermediaries that provide coverage to participants of the Plan.
 - f. **Reimbursement of Reasonable Expenses.** Direct the Discretionary Trustee to make payments from the Trust to run the Trust such as, but not limited to, auditors, attorneys, or consultant(s).
4. **Member Responsibilities.** PST Adopting Entities shall provide accurate and timely information to the appropriate Service Providers concerning the Plan provisions, participating employees, costs, anticipated retirement dates of employees, and other relevant information necessary, in the requested format, for the Service Providers to provide services to Trust.
5. **Compensation of Keenan.** For the services provided by Keenan pursuant to this Agreement, Keenan shall receive the compensation described in Keenan's Fee Schedule which is attached to this Agreement as Attachment A. Keenan' fee schedule shall be subject to change from time to time with a 30-day written notice to the PST Board of Authority. If the Board of Authority objects to Keenan's change to the Fee Schedule in writing within 30 days, the prior Fee Schedule will remain in effect until such time as Keenan and the Board of Authority come to an agreement on a change to the Fee Schedule, or if no agreement can be

reached, until the end of that term. The Board of Authority acknowledges and agrees and hereby instructs the Discretionary Trustee to pay to Keenan out of assets held in the Trust the compensation that is due to Keenan under this Agreement.

6. **Compensation to Other Service Providers.** PST acknowledges and agrees that Investment Advisor and the Discretionary Trustee will each provide separate services on behalf of the Trust, and will each be compensated for and be responsible for their services in accordance with the terms of the written agreement between PST and the Discretionary Trustee and the written agreement between the Discretionary Trustee and the Investment Advisor. PST further acknowledges that the Actuary may provide separate services to Adopting Entities and will be compensated for and be responsible for its services in accordance with the terms of the written agreement between each member and the Actuary. Keenan shall only be responsible for providing the specific services included in this Agreement and under no circumstances shall Keenan be responsible or liable for the services provided by the other Service Providers.

7. **Term and Termination.**

- a. The "Term" of this Agreement shall commence on the Effective Date and shall continue until the date that is forty-eight (48) months from the Initial Funding Date. The "Initial Funding Date" is the first day of the month in which PST shall have funded the Trust.
- b. At the Term of this Agreement, (as indicated in this Agreement section 6.a.), shall automatically be extended for an additional twelve (12) months, unless either party has given the other party at least six (6) months prior written notice of its desire to not extend the Term, in which case the Term of this Agreement shall expire as of the date set at the Initial Funding Date or the most recent anniversary date thereof.
- c. Either party may terminate this Agreement during the Term of this Agreement upon the occurrence of any of the following events:
 - (1) The breach of this Agreement by either party if the breach is not cured within 30 days (or such longer period as may reasonably be required to cure the breach, but not to exceed 90 days) of receiving notice of the breach from the non-breaching party;
 - (2) The Initial Funding Date does not occur within twelve (12) months of the Trust Effective Date;
 - (3) The dissolution or insolvency of either party;
 - (4) The filing of a bankruptcy petition by or against either party (if the petition is not dismissed within 60 days in the case of an involuntary bankruptcy petition); or
 - (5) If either party reasonably interprets the application of any applicable law, rule, regulation, or court or administrative decision to prohibit the continuation of this Agreement or cause a penalty to either party if the Agreement is continued.

8. **Representations.** Keenan and PST make the following representations and warranties:

- a. **Keenan Representations.** Keenan represents and warrants that it has full right, authority, power and capacity to enter into, execute and deliver this Agreement and each agreement, document and instrument to be executed and delivered by Keenan pursuant to this Agreement and to carry out the transactions contemplated hereby and thereby. This Agreement and each agreement, document and instrument executed and delivered by Keenan pursuant to this Agreement constitutes a valid and binding obligation of Keenan, enforceable in accordance with their respective terms. The execution and delivery by Keenan of this Agreement and the performance of the transactions contemplated hereby have been duly and validly authorized by all necessary action under its organizational documents and under any agreement applicable to Keenan and do not require any notice to, consent from, or filing with, any third party.
- b. **PST Representations.** PST represents and warrants that it has full right, authority, power and capacity to enter into, execute and deliver this Agreement and each agreement, document and instrument to be executed and delivered by PST pursuant to the Program and to carry out the transactions contemplated hereby and thereby. This Agreement and each agreement, document and instrument executed and delivered by PST pursuant to the Program constitutes a valid and binding obligation of PST, enforceable in accordance with their respective terms. The execution and delivery by PST of this Agreement and the performance of the transactions contemplated hereby have been duly and validly authorized by all necessary action under its organizational documents and under any agreement applicable to PST and do not require any notice to, consent from, or filing with, any third party.

9. **Indemnification.**

- a. If either party breaches this Agreement, then the breaching party shall defend, indemnify and hold harmless the non-breaching party, its officers, agents and employees against all claims, demands, actions, liabilities or costs (including, without limitation, reasonable attorneys' fees and expenses) arising from such breach.
- b. If Keenan (i) becomes the subject of a subpoena or is otherwise compelled to testify or (ii) becomes the subject of a claim, demand, action or liability from a person or entity that is not a party to this Agreement (collectively, a "Third-Party Demand") relating to its obligations under this Agreement and such Third-Party Demand is not a direct result of the negligence or willful misconduct of Keenan, then the other party shall defend, indemnify and hold harmless the party receiving the Third-Party Demand, its officers, agents and employees against all claims, demands, actions, liabilities or costs (including, without limitation, reasonable attorneys' fees and expenses) incurred in resolving such Third-Party Demand.
- c. The party receiving the Third-Party Demand ("Indemnified Party") shall notify the other party ("Indemnifying Party") promptly in writing of any such Third-Party Demand and reasonably cooperate with the Indemnifying Party in connection with

responding to the Third-Party Demand. The failure to notify the Indemnifying Party of the Third-Party Demand shall not relieve the Indemnifying Party of any liability it may have to the Indemnified Party except to the extent such liability was caused by the Indemnified Party's failure to notify the Indemnifying Party of the Third-Party Demand.

- d. The Indemnifying Party shall defend or settle the Third-Party Demand on behalf of the Indemnified Party in the Indemnifying Party's sole discretion except that the Indemnifying Party shall not admit any liability of the Indemnified Party or commit the Indemnified Party to payment of any damages or other expenses.

10. **General Provisions.**

- a. **Privacy of PST information.** Keenan acknowledges that in the course of carrying out its duties under this Agreement, it may receive confidential information relating to Adopting Entities. Keenan agrees that neither it nor its agents will use such information beyond the purpose for which it was provided or disclose such confidential information to other parties, other than the other Service Providers, as required for Keenan and the other Service Providers to fulfill their respective responsibilities as stated in this Agreement, the Trust, and the agreements between PST and the Discretionary Trustee, except to the extent required by the Internal Revenue Service, by law, or with the consent of the PST Board of Authority. Additionally, Keenan, its agents or affiliates agree to take appropriate steps to secure such confidential information from misuse or unauthorized disclosure. The obligations of this Section shall survive termination of this Agreement. Keenan further agrees that such confidential information will remain the property of PST and Keenan will return the confidential information and all copies thereof (other than confidential copies that Keenan may be required to retain to demonstrate its performance under this Agreement) to PST upon request or termination of this Agreement.
- b. **Consent to Provide Keenan Access to Information.** PST hereby agrees that, for the purpose of allowing Keenan to perform its services under this Agreement, PST agrees to release to Keenan all information necessary for the actuarial study and Keenan shall have access to and receive copies of all reports, correspondence and communications sent or furnished by Trustee, Investment Advisor to or from PST in connection with the Program. Specifically, Keenan shall have access to Trust information on the website maintained by the Discretionary Trustee for the Trust.
- c. **Proprietary and Confidential Information.** PST acknowledges that it may receive certain information with respect to the business practices and records of Keenan which may be confidential in nature ("**Information**"). PST agrees that such Information is proprietary and confidential and shall not be disclosed or used for any purpose other than as necessary in connection with this Agreement, unless such disclosure is required pursuant to an order of a court of competent jurisdiction, by law, or Keenan agrees in writing to such disclosure. The confidentiality and non-disclosure obligations of this Section shall survive termination of this Agreement. PST further agrees that Information will remain the property of Keenan and to

return the Information and all copies thereof to Keenan upon request or upon termination of this Agreement.

- d. Insurance. Keenan shall procure and maintain to the extent available on reasonable terms the following minimum insurance coverages during the Term and shall provide certificates of insurance to PST upon request:

Workers' Compensation. Workers' Compensation Insurance in conformance with the laws of the State of California and applicable federal laws.

Bodily Injury, Death and Property Damage Liability Insurance. General Liability Insurance (including motor vehicle operation) with a Two Million Dollar (\$2,000,000) limit of liability for each occurrence and a Two Million Dollar (\$2,000,000) aggregate limit of liability.

Professional Liability Insurance. Professional Liability Insurance with a Two Million Dollar (\$2,000,000) limit of liability for each occurrence and a Two Million Dollar (\$2,000,000) aggregate limit of liability.

Cyber Liability/Privacy Insurance. Cyber Liability Insurance with a Two Million Dollar (\$2,000,000) limit of liability for each occurrence and a Two Million Dollar (\$2,000,000) aggregate limit of liability.

Fidelity Insurance. Fidelity Insurance with a Two Million Dollar (\$2,000,000) limit of liability for each occurrence and a Two Million Dollar (\$2,000,000) aggregate limit of liability.

- e. Invalidity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any of the other provisions of this Agreement, all of which shall remain in full force and effect.
- f. Complete Agreement; Amendments. This Agreement contains the entire understanding between the parties related to the subject matter covered by this Agreement and supersedes all prior and collateral statements, proposals, presentations, communications, reports, agreements or understandings, if any, related to such matters. No modification or amendment to any provision hereof shall be binding unless in writing and signed by authorized representatives from both parties.
- g. Waivers. No failure or delay in exercising any right, power or privilege under this Agreement shall be construed as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any right, power or privilege under this Agreement.
- h. Third-Party Beneficiaries. Notwithstanding any provision herein to the contrary, this Agreement is not intended and shall not be construed as creating or conferring any rights or remedies on any third parties that are not parties to this Agreement.

balance the need for the discovery against the parties' mutual desire to resolve disputes expeditiously and inexpensively.

- (3) The prevailing party in any action, arbitration, or proceeding arising out of or to enforce any provision of this Agreement will be awarded reasonable attorneys' fees and costs incurred in that action, arbitration, or proceeding, or in the enforcement of any judgment or award rendered.
- n. Scope of Services Rendered; Other Plans. The parties specifically agree and recognize that Keenan is a service provider to PST and is not providing tax, accounting or legal advice to PST. The parties understand that PST is responsible, together with its legal counsel, for the continued qualification of the Trust in accordance with applicable law. Keenan shall have no responsibility whatsoever with regard to any other qualified or non-qualified employee benefit plans maintained by PST other than as provided in this Agreement or as in any other written agreement entered into between Keenan and PST. Keenan shall further have no responsibility or liability for any services provided by the Actuary, Discretionary Trustee, Registered Investment Advisor or any other service provider to the Trust or PST in connection with the Program, and shall be responsible solely for the services described herein which Keenan has agreed to provide to PST.
- o. Legal Fees. In the event of any dispute relating to this Agreement, the prevailing party shall be entitled to recover attorneys' fees and costs, including but not limited to, those incurred in resolving the dispute.
- p. Construction. Any rule of construction that ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement, or any amendments or exhibits hereto.
- q. Interest on Overdue Payments. All payments and invoices are due and payable upon presentation by Keenan. In the event PST fails to pay any invoice within thirty days of presentation, Keenan shall be entitled to receive interest on such outstanding invoice from the date of presentation at the rate of (a) 1-1/2 percent per month or (b) the maximum interest rate permitted by applicable law, whichever is lower.
- r. Counterparts and Facsimile Signatures. This Agreement may be executed in counterparts and by facsimile signatures, which will be effective as if original signatures.

[Signature Page Follows This Page]

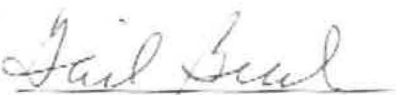
IN WITNESS WHEREOF, the parties have signed this Agreement as of the date first written above. Each person signing this Agreement on behalf of a party represents and warrants that he or she has the necessary authority to bind such party.

Pension Stabilization Trust for California Municipalities (PST)

By: 
Todd Cusimano, MuniPSI Board Chair

Its: _____

KEENAN & ASSOCIATES

By: 
Gail Beal, Senior Vice President

PENSION STABILIZATION TRUST FOR CALIFORNIA MUNICIPALITIES

INVESTMENT POLICY STATEMENT

The purpose of this Investment Policy Statement is to establish a comprehensive strategy for the acceptance and accumulation of invested assets under the Pension Stabilization Trust for California Municipalities for, among other things, to assist Adopting Entities in meeting applicable funding requirements for the funding of pension liability (generally referred to as "**Pension Liability**").

This Investment Policy Statement shall be consistent with the governing law, including the Internal Revenue Code of 1986 as amended from time to time (the "**Code**"), California laws, including applicable provisions of the California Government Code.

TRUST FUNDING STATEMENT

The purpose of the Trust is to provide a uniform method of investing contributions and earnings of all contributed amounts between funds deposited within the Trust Fund, as such term is defined within the Trust. The Trust shall be funded primarily by irrevocable contributions made on a discretionary basis by the Adopting Entities.

BOARD OF AUTHORITY

The Board of Authority (the "**Board of Authority**") is directly responsible for the implementation and oversight of this Investment Policy Statement. This responsibility includes the selection and ongoing evaluation of investments and/or investment managers in accordance with applicable laws and regulations. However, these investment responsibilities may be delegated to an authorized third-party trustee. In this case, the Board of Authority has appointed Benefit Trust Company ("**BTC**") as Discretionary Trustee and Trust Fund custodian, who may further designate and delegate any corresponding Investment Manager Advisor responsibilities as set forth below. On behalf of the Trust, and as approved by the Board of Authority, BTC shall administer the assets of the Trust in such a manner that the investments are:

- Prudent; in consideration of the stated purpose of the Trust, any underlying Plan and in accordance with Article 16, Section 17 of the California Constitution creating a Retirement System, and California Government Code Sections 53216.1, 53216.5 and 53216.6, and other applicable requirements;
- Diversified; among a broad range of investment alternatives;
- Permitted; in accordance with the terms of the Trust, any applicable Plan document and in accordance with California Government Code Sections 53216.1, 53216.5 and 53216.6 and other applicable requirements;
- Selected; for the exclusive benefit of the Plan participants as it relates to the funding of

pension benefits, or as otherwise deemed appropriate for the purposes set forth by the Trust.

The above notwithstanding, the Board of Authority retains the responsibility to oversee the management of the Trust, including BTC's, or any successor trustee's, requirement that investments and assets held within the Trust continually adhere to the requirements of California Government Code.

INVESTMENT OBJECTIVES

The Trust authorizes the use of a broad range of investment choices that have distinctly different risk and return characteristics. In general, assets held in the Trust Fund will be for the primary purpose of meeting present and future pension contribution obligations and may be invested in accordance with California Government Code Sections 53216.1, 53216.5 and 53216.6 that subject to applicable legal requirements may provide greater latitude to increase purchasing power and capital growth potential if deemed prudent to do so.

Though investment responsibilities are delegated to the Trustee, the Board of Authority determines the range of asset allocations from which Adopting Entities may select for the investment of their assets held in the Trust Fund. Appendix A of this Investment Policy details the range of asset allocations selected by the Board of Authority. The asset allocations may be modified from time to time by amending the Appendix. Related to the investments and the holding of investments themselves, the Trustee shall actively manage model portfolios representing the range of asset allocations selected by the Board of Authority, and said model portfolios shall be listed in the Participation Agreement for selection by Adopting Entities.

PERIODIC ANALYSIS AND EVALUATION

The Board of Authority and/or its designees shall periodically meet with the Trustee to review investment performance reports that analyze the performance of the managers selected in each market sector that take into consideration:

- adherence to applicable legal constraints on investment prudence;
- consistency and adherence to stated investment management style and discipline;
- risk adjusted performance relative to managers with similar style;
- long-term investment performance relative to appropriate benchmarks; and
- changes in investment personnel managing the portfolio.

ETHICS AND CONFLICT OF INTEREST

Officers, employees, and agents involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions. Officers, employees, and agents involved in the investment process shall abide by the California Government Code Section 1090 et seq. and the California Political Reform Act (California Government Code Section 81000 et seq.)

AMENDMENT

The Board of Authority shall have the right to amend this Policy, in whole or in part, at any time and from time to time.

ADOPTION

The Board of Authority hereby adopts the provisions of this Investment Policy Statement as of this 23 day of September, 2019.

BOARD OF AUTHORITY

By:



Todd Cusimano, Chairman

APPENDIX A: Asset Allocation and Model Portfolios

Subject to the ability of the Board of Authority and Trustee to deviate from these guidelines as set forth under the heading "Investment Objectives" in the Statement, the Board of Authority has determined after due consideration that the investment objectives of the Trust are to safeguard the principal of the funds held in the Trust, as well as to meet the Trust's liquidity needs and to achieve a favorable return on the funds held in the Trust, subject to the ability of an Adopting Entity as described in Section 7.1 of the Trust to affect the balance of these considerations for its own Account by selecting its own asset allocation represented by various model portfolios. The model portfolio options made available to Adopting Entities shall be as follows:

- Fixed Income (100% fixed income securities)
- Conservative (16% equity securities, 84% fixed income securities)
- Moderate (33% equity securities, 67% fixed income securities)
- Moderate Growth (45% equity securities, 55% fixed income securities)
- Growth (61% equity securities, 39% fixed income securities)
- Aggressive Growth (76% equity securities, 24% fixed income securities)

It is understood that the target asset allocation will vary from time to time based upon market fluctuations, and that model portfolio asset allocations may be adjusted +/- 5% from time to time at the discretion of the Trustee without the requirement of further action by the Board of Authority.

In order to participate in this Trust, the Adopting Entity shall state that it understands and agrees that the Trustee shall be under no duty to question the prudence of the model portfolio the Adopting Entity directs, and shall have no liability for any loss of any kind which may result by reason of the inherent volatility of the asset allocation directed. Once the Adopting Entity has directed the Account to be invested pursuant to a model portfolio as listed above the Trustee will assume discretionary authority and responsibility for its management.

The Adopting Entity may change the designation of the model portfolio to be utilized by executing an amendment to Section 9 of the Participation Agreement. Said amendment will go into effect upon the acknowledgement of receipt by the Trustee.

The Trustee shall manage the Trust investments on a discretionary basis such that the total allocation among various fixed income investment styles, capitalizations, fund managers and securities is established and re-balanced from time-to-time so as to meet the Trust's various asset allocation objectives with the least amount of risk. The Trust assets shall not be invested in any proprietary investment vehicles of the Trustee or any of its affiliates or advisors.

Equity Investments

The purpose of the aggregate equity allocation within the Trust is to provide a total return consisting primarily of appreciation, with dividend income a secondary consideration. In order to maximize return opportunity while minimizing risk, the Trustee shall, in its discretion, allocate the Trust's equity allocation among a diverse group of equity fund managers, taking into consideration

such factors as investment style (value, growth, international, etc.) as well as the capitalization (large, mid, small, etc.) of the investment.

Permitted equity investments shall include:

- Publicly traded common stocks, preferred stocks, securities convertible into common stocks, and securities which carry the right to buy common stocks, listed on a major United States stock exchange, including stocks traded through the NASDAQ Stock Market;
- American Depository Receipts (“ADRs”);
- SEC-registered open-end mutual funds and Bank, Insurance Company or Trust Company commingled funds which invest primarily in stocks and other instruments which are allowable securities under these policies and objectives;
- Closed-end SEC-registered mutual funds which invest primarily in stocks and other instruments which are allowable securities under these policies and objectives; and
- Exchange Traded Funds (“ETFs”) which invest primarily in stocks and other instruments which are allowable securities under these policies and objectives.

In managing the equity portfolio, the Trustee shall not do any of the following:

- buy equity securities on margin;
- short-sell equity securities;
- buy or sell futures contracts in any form, except that the Trustee is authorized to buy or sell such contracts specifically for purposes of, and only for purposes of, a hedge against portfolio loss;
- buy or sell put or call options on stocks, indexes or futures contracts;
- buy or sell foreign securities not registered through an SEC filing or not denominated in U.S. dollars; or
- buy or sell any securities which are not publicly traded.

However, all of the above restrictions shall be permitted in open-end or closed-end mutual funds, comingled funds, or ETFs, if in the opinion of the Trustee these activities are consistent with fund objectives and prudent management, and the investments provide for daily liquidity.

Additionally, certain securities may not be held directly, but only in open-end or closed-end mutual funds, comingled funds, or ETFs. These include common stocks, preferred stocks, and securities convertible into common stocks and securities that carry the right to purchase common stocks of non-U.S. companies traded on global exchanges, traded in any currency, as well as restricted securities of U.S. and non-U.S. companies, including securities issued through private offerings, and forward currency contracts or currency futures contracts to hedge foreign currency exposure.

Not more than 5% of the Trust assets shall be invested in any single equity security issue or issuer. The foregoing limitation is not intended to apply to the percentage of Trust assets invested in a single diversified mutual fund.

Both an investment fund manager's performance and the performance of individual securities, if purchased, will be compared to the following benchmarks based upon the particular investment style and capitalization range:

Domestic Equities:	S&P 500
International Equities:	MSCI EAFE and ACWI ex.U.S.

The Trustee shall pay particular attention to rolling 3 and 5 year time frames as well as shorter periods should the situation warrant. In addition, the Trustee shall measure and compare the exposure to risk of the Trust's equity portfolio with benchmarks appropriate for the investment style and capitalization range of each such investment.

Fixed Income Investments

The purpose of the aggregate fixed income allocation within the Trust is to provide a total return consisting of income and appreciation, while preserving capital by investing in a diversified portfolio of high quality fixed income securities. The investment objective of the fixed income portfolio is to achieve a total return commensurate with the overall bond market as measured by the Barclay's Aggregate Bond Index for domestic securities, and the Barclay's Global Bond Index for international securities, with attention given to rolling 3 and 5 year time frames as well as shorter periods should the situation warrant. In addition, the Trustee shall measure and compare the exposure to risk of the Trust's fixed income portfolio with benchmarks appropriate for the investment style and capitalization range of each such investment.

Permitted securities shall include:

- Obligations of the U.S. Government and its agencies;
- Bonds issued by U.S. Corporations or U.S. subsidiaries of foreign companies that are incorporated within the U.S. and carry a minimum BBB rating;
- Certificates of Deposit issued by banks or savings and loans of sound financial condition under FDIC management, with never more than the amount insured by FDIC (including interest) in any single institution;
- Money market funds and money market instruments of an investment grade commonly held in money market funds such as repurchase agreements, banker's acceptances, commercial paper, etc.
- SEC-registered open-end mutual funds and Bank, Insurance Company and Trust Company commingled funds which invest primarily in bonds and other instruments which are allowable securities under these policies and objectives;
- Closed-end SEC registered mutual funds which invest primarily in bonds and other instruments which are allowable securities under these policies and objectives;

- Exchange Traded Funds (“ETFs”) which invest primarily in bonds and other instruments which are allowable securities under these policies and objectives;
- Investment grade foreign government or corporate bonds carrying a minimum BBB rating, whether or not denominated in U.S currency, and whether or not hedged for foreign currency risk.
- Securities backed by pools of consumer or corporate receivables other than mortgages (“Asset-backed Securities”), provided that these securities have been registered with the SEC for public offering and that they meet the requirements of these policies and objectives and carry a minimum BBB rating; and
- U.S. Agency mortgage-backed pass-through securities.

In managing the fixed income portion of the Trust assets, the Trustee shall not do any of the following:

- buy fixed income securities on margin;
- short-sell fixed income securities;
- buy or sell futures contracts in any form, except that the Trustee is authorized to buy or sell such contracts specifically for purposes of, and only for purposes of, a hedge against portfolio loss;
- buy or sell put or call options on bonds, indexes or futures contracts;
- buy or sell foreign securities not registered through an SEC filing or not denominated in U.S. dollars; or
- buy or sell any securities which are not publicly traded except U.S. Government or agency-backed mortgages.

However, all of the above restrictions shall be permitted only in open-end or closed-end mutual funds, comingled funds, or ETFs, if in the opinion of the Trustee these activities are consistent with fund objectives, prudent management, risk mitigation, and the investments provide for daily liquidity. In addition, investment in non-investment grade bonds or loans by such funds shall be permitted so long as the average aggregate rating of the funds are investment grade, and in the opinion of the Trustee the proportion of non-investment grade bonds to investment grade bonds in the portfolio is prudent.

Not more than 5% of the Trust assets shall be invested in any single corporate debt security issue or issuer. No limit shall apply to the percentage of Trust assets invested in a single diversified mutual fund, nor does the limitation apply to obligations of the U.S. Government and its agencies, U.S. agency mortgage-backed pass-through securities or to a mutual fund that invests in such

obligations or securities.

Use of Mutual Funds

The Board of Authority envisions that the Trustee will invest predominantly in open and closed-end mutual funds. The Board recognizes that the limitations and restrictions set forth in this Statement cannot be imposed on the managers of such mutual funds and that mutual funds held by the Trust may be managed outside of the requirements of this Statement. Nonetheless, the Trustee shall seek to identify mutual funds that comply as closely as possible to these guidelines and shall diligently monitor for prompt removal and replacement of those that do not.

Performance Review

In the execution of its fiduciary responsibilities, the Trustee shall review, on a regular basis, the performance of the various investments and fund managers employed by the Trust to determine if assets are being properly managed according to the stated objectives and policies set forth in the Trust Agreement and in this Statement. The Trustee shall view performance and investment risk on the basis of a full 3 to 5-year market cycle, though the stated objectives and policies of the Trustee may result in the prompt sale of a security or dismissal of a fund manager based upon shorter term results. In addition, any deviation or change in the structure, management or investment style of any fund manager employed shall precipitate a review by the Trustee to determine whether or not that manager should be retained.

**AMENDED AND RESTATED
TRUST ADMINISTRATIVE SERVICES AGREEMENT**

This Amended and Restated Trust Administrative Services Agreement (“**Agreement**”), dated this 23rd day of September, 2019, is between **Benefit Trust Company** (“**BTC**”) and **Todd Cusimano** (“**Chairman**”) with reference to the following:

A. General Purposes. The undersigned is the Chairman of the Pension Stabilization Trust for California Municipalities Board of Authority (“**Board of Authority**”) which is authorized to assume responsibility for the assets of Adopting Entities who as Adopting Entities have executed a participation agreement (hereinafter the “**Participation Agreement**”, a sample of which is attached as “**Exhibit A**”), and having adopted and established the Pension Stabilization Trust for California Municipalities (hereinafter the “**Trust**”, attached as “**Exhibit B**”), to be used by governmental and public entity employer(s) (“**collectively “Adopting Entities” and individually, an “Adopting Entity”**”) for the funding and payment of their obligations under employee pension plans (the “**Plan(s)**”) that provide pension benefits (referred to as “**Pension Liabilities**”) to eligible employees and their dependents, and for other purposes determined to be appropriate by the Adopting Entities. The Board of Authority is also authorized to appoint BTC, as trustee, and for adequate consideration, BTC otherwise agrees to perform services specified herein.

B. Services Provided By BTC. Upon the signing of this Agreement, BTC will have been deemed to have executed the Trust as attached hereto and during the term of this Agreement, BTC further agrees to serve as a discretionary trustee, with fiduciary oversight and authority over the operations and management of the Trust as specified therein and related to the following:

1. **Compliance.** BTC shall administer the Trust document, and any applicable documents and amendments, and contributions received from the Adopting Entity in Trust in a manner intended to comply with the requirements of Section 115 of the Internal Revenue Code (the “**Code**”), as amended, and other applicable legal guidelines, including Governmental Accounting Standards Board Statement No. 68 and such other embodying regulations thereunder, as well as applicable provisions of state law that govern the investment of excess funds for approved governmental purposes.
2. **Maintenance of Separate Accounts.** BTC shall establish within the Trust a fund, or funds as applicable: One separate fund, or funds, as applicable (the “**Trust Fund**”), shall hold funds irrevocably designated for the payment of retiree health and welfare benefits or other similar Pension Liabilities, including applicable fees and expenses, as reported and impacted by applicable legal requirements. The disbursement of any monies from the Trust Fund or Funds (as defined in the Trust Agreement and referred to collectively herein as “**Accounts**”) shall only be made by BTC as provided for and in accordance with the terms of the Trust.

3. **Custodian.** BTC shall serve as the custodian, or shall have the authority to delegate the responsibility for same to a sub-custodian, as applicable, of all assets of the Trusts, to which it shall retain responsibility for the titling and ownership (including registration of assets in nominee name, if required under applicable law) of all contributions, earnings or other assets held in the Trust. In such capacity, BTC shall receive contributions from the Adopting Entity and shall further agree to allocate all contributions to one or more Accounts as designated by the Adopting Entity, including allocation into one or more Accounts within three (3) business day following the later of the date such contributions were received or the date on which the BTC is notified where such funds are to be allocated. In such capacity, BTC shall hold all Trust funds in the designated Accounts and allocate any income earned thereon in the manner set forth by the terms of the Trust. If the Trustee or any sub-custodian receives any contributions or other amounts from the Adopting Entity after any applicable trading deadline or receives such contributions without any further designation of the amount or Accounts to which such amounts should be allocated, or the allocation instructions are incorrect, the Trustee shall deposit all such amounts received to the Trust Fund in a default investment vehicle established by the Trust, until the Adopting Entity's investment direction can be properly completed. If, after a period of thirty (30) days the Trustee is unable to obtain revised instructions from the Adopting Entity, the Trustee shall return all such previously-deposited amounts to the Adopting Entity, including allocated earnings therein.

4. **Investment Management and Monitoring.** BTC shall have oversight and authority to Act as a Discretionary Trustee, exercising full authority and discretion to manage the investment of the Trust, thereby utilizing the services of its own advisors as BTC may desire. In this capacity, BTC shall have full investment authority and discretion, on behalf of the Accounts, to purchase, sell and trade in securities of all types, including cash and cash equivalents, in such amounts, at such prices, and in such manner as it may deem advisable, subject to applicable laws, including applicable provisions of any governing state laws or regulations, as well as this Agreement, the established Investment Policy Statement approved by the Board of Authority, and such other guidelines, policies and restrictions applicable to each Account. In addition, BTC shall assist in the preparation and establishment of a written Trust Investment Policy Statement for Board of Authority approval, as well as provided direct access for all Board of Authority members to applicable holdings and transaction information so that they may monitor the operations of the Trust and investment of the Accounts for compliance with Investment Policy Statement requirements. BTC may utilize the services of a non-discretionary Investment Advisor in the exercise of these duties. Morgan Stanley operates as the Trustee's non-discretionary Investment Advisor as of the date of the execution of this Agreement.

In the alternative, and only upon written approval received from the Board of Authority, BTC may, under the terms of the Trust Agreement, select a discretionary investment manager (the "Investment Manager") who shall serve at

BTC's direction to assume the responsibilities listed above and in such case will be entitled to the same protections and indemnifications enumerated herein as BTC. The Trustee has not appointed a discretionary Investment Manager as of the date of the execution of this Agreement.

5. **Accounting and Reporting Transactions.** BTC shall maintain accurate records of all financial transactions in accordance with the written terms and conditions of the Trust. Unless circumstances dictate otherwise for which the Board of Authority would be duly notified, account statements will be delivered electronically to Board of Authority no more than twenty (20) business days after the valuation period ends.
6. **Customer Service.** BTC shall provide customer service support that shall include:
 - a) **Internet Access to Accounts.** BTC shall provide the Board of Authority and Adopting Entities with secure, online, 24-hour a day, Internet access to Trust account financial information that shall include daily access to all assets held in each Account, contributions received, current asset valuation information and other transactions and expenditures allocated to each fund
 - b) **Telephone Response Team.** BTC shall be available between the hours of 8 a.m. and 5 p.m. (C.S.T.), Monday through Friday, and shall further provide and maintain adequate staff, to receive telephone inquiries and respond to questions from the Board of Authority or any authorized representative of the Adopting Entity. BTC representatives will either make every reasonable effort to respond to any questions or inquiries or shall redirect such questions or inquiries to the appropriate party for further response.
 - c) **Meetings and Teleconferences.** BTC shall make itself available, on an as needed and commercially reasonable basis, to meet with or participate in applicable teleconference communication with the Board of Authority, or other appropriate representatives for informational meetings or other necessary business requirements. Any face-to-face meetings that are deemed necessary between the parties shall be arranged for a mutually agreeable time.
7. **BTC Duty of Care.** In exercising its discretionary duties and responsibilities as Trustee as otherwise set forth herein, BTC shall act in accordance with Article XVI, Section 17 of the California Constitution and California law promulgated thereunder, each as amended, including the obligation to administer the Trust as a prudent person would, by considering the purposes, terms, distribution requirements, and other circumstances of the Trust, and through exercising reasonable care, skill and caution dictated under the then-existing circumstances.

C. **Additional Services.** In addition to the services provided as referenced above, BTC shall perform other services as agreed to in advance and in writing between the parties, with such services and applicable fees being determined separately as delineated on the Fee Schedule and any Addendum attached hereto as "Exhibit C.

D. **Responsibilities of the Board of Authority.** During the term of this Agreement, the Adopting Entity and/or the Board of Authority as applicable based on binding resolution or other similar authority as communicated to the Trustee by the applicable party, will be responsible for the following Trust administration activities:

1. Execute and adopt the terms of the Trust, through signing of the Participation Agreement, as well as adopt the Investment Policy Statement, a sample of which is attached as "Exhibit D", and provide copies of such documents to BTC.
2. Facilitate any efforts and processes necessary to ensure the Plan Administrator executes applicable written agreements providing any required consent to compliance with the terms of the Trust or any other corresponding documentation.
3. Hold periodic meetings of the Board of Authority, for the purpose of reviewing investment performance and compliance with Investment Policy Statement guidelines, as well as engage in annual review and analysis of any applicable modifications to the Investment Policy Statement through meetings and discussions with the Trustee, as applicable.
4. Provide names of individuals authorized to act on behalf of the Trust in writing, including all applicable Plan Administrators and their Authorized Representatives, as well as notify BTC in writing of any changes as soon as a successor is designated.
5. BTC shall be entitled to rely upon the accuracy and completeness of all information furnished to them by the Board of Authority or by any person designated to act on behalf of the Board of Authority.

Should BTC or any delegated Investment Manager commence work at the direction of Board of Authority prior to receipt of the signed Participation Agreement, the Board of Authority shall accept and ratify all actions taken by BTC or the Investment Manager to the extent such actions are consistent with the direction of the Board of Authority or the Adopting Entity, as applicable. Any errors or noncompliance that arises therefrom shall be corrected as otherwise set forth in this Agreement.

E. **Fees for Trust Administration Services.** The Board of Authority agrees that the Adopting Entities will pay BTC (including applicable fees to be paid to its Investment Advisor or duly appointed Investment Manager by BTC) the fees and other allowable expenses set forth in the Fee Schedule Addendum attached to this Agreement as "Exhibit C" directly from Trust assets. Subject to the mutual agreement between the parties, BTC retains the right to change fees for service from time to time upon 30 days written notice to Board of Authority. In the event the

Board of Authority rejects a fee change by sending written notice to the Trustee prior to the date such fee change is to become effective, the current fee schedule shall remain in effect through the end of the current contract term.

F. Responsibility for Errors: Indemnification

1. The Board of Authority will promptly notify BTC of any errors or omissions in information supplied by the Board of Authority, its agent or other representatives. In such event, BTC's sole obligation, to the exclusion of any other obligation or remedy for damage or loss, including special or consequential damages, shall be to use its reasonable efforts to correct any resulting errors in any information, records or in any reports it has prepared for the Board of Authority (including amending Trust statements, if required), or any other errors that have been identified by the Adopting Entity or its representatives.
2. BTC and its officers, directors, employees and other representatives (collectively referred to as a "BTC Indemnified Person") shall be fully protected and indemnified, defended and held harmless by the Board of Authority or an Adopting Entity, in relying upon information, direction or instructions received from an Authorized Representative as provided in the Trust, which instructions or directions BTC reasonably believes to be authentic and issued by an Authorized Representative. Should it become necessary to perform some act hereunder and there is neither direction in the Trust nor information or instructions from the Board of Authority, the Adopting Entity on file with BTC relating thereto, and if no such information or instructions can be obtained after reasonable inquiry, BTC shall have full power and authority to act in BTC's discretion, consistent with the purposes of the Trust and its role as trustee. This indemnification will protect a BTC Indemnified Person from all losses, claims, damages, liabilities and expenses incurred (including reasonable attorneys' fees and applicable court expenditures resulting from BTC's actions as described in this Section F(2)), with such costs being paid by the Adopting Entity. In so acting or in following any instructions from an Authorized Representative, BTC or any other BTC Indemnified Person shall not be liable except to the extent that the actions of BTC or any BTC Indemnified Person constitute fraud, bad faith, willful misconduct or gross negligence.
3. BTC, as the case may be, will indemnify defend and hold harmless an Adopting Entity, the Board of Authority and their officers, directors, employees and other representatives (anyone of which is hereafter referred to as an "Adopting Entity Indemnified Party") to the full extent lawful to protect an Adopting Entity Indemnified Party from all losses, claims, damages, liabilities and expenses incurred by an Adopting Entity Indemnified Party (including reasonable fees and disbursements of counsel including applicable court expenditures) which are the result of either BTC's fraud, bad faith, willful misconduct or gross negligence.

4. BTC will correct at its own expense any errors in the records and reports prepared and attributable to their errors, but BTC shall not otherwise be responsible for special or consequential damages, nor shall it correct any such errors for which the Board of Authority has knowledge but fails to properly and timely notify BTC in compliance with applicable law.
5. In accordance with applicable legal requirements, Board of Authority will promptly notify BTC and the Investment Manager if applicable after the settlement date of any errors made or allegedly made in any requested trade of which Board of Authority has knowledge. The trade will be assumed to have been effected in accordance with the original request if notification is not given within required timeframes. If a loss occurs as a result of a trade for which the Board of Authority has knowledge but fails to properly and timely notify BTC and the Investment Manager if applicable of the error, Board of Authority will indemnify BTC and the Investment Manager with respect to any loss resulting from such trade.
6. Neither BTC nor Investment Manager if applicable will be liable for any loss to the Board of Authority, any Plan Administrator or its Plan participants for failure or refusal of any transfer agent or investment sponsor to act upon investment instructions, or for any loss incurred due to the inaccuracy, incompleteness, or lack of timeliness of information received from the transfer agent or investment sponsor, unless such losses are caused by the instructions provided by BTC or Investment Manager as applicable.

G. Term

1. (a) This Agreement shall become effective on the date stated above, and may not be terminated for a period of forty-eight (48) months following the date the Trust is initially funded unless there has been: (i) a failure to fund the Trust within twelve (12) months of the date stated above or otherwise make an agreed upon contribution and the Trustee elects to terminate the Trust, (ii) a breach of this Agreement or a failure of either party to comply with applicable laws or regulations, and such breach or failure is not cured within a period of fifteen (15) days, (or such longer reasonable period, not to exceed sixty (60) days as may be required to effect a cure) after the date of such written notice of breach and election to terminate.
- (b) Notwithstanding the provisions of Section G-1(a) above, either party may terminate this Agreement on the occurrence of the following events, provided that the terminating party gives the other party ninety (90) days advance written notice for such termination:
 - i. The termination of the Keenan Program Services Agreement; or

- ii. The receipt by the Adopting Entity of a ruling from the IRS that the Plan and/or the Trust do not meet the requirements of the Internal Revenue Code Section 115 and/or that, as such, the earnings of the trust are not exempt from tax, and such adverse ruling is not reversed before the ninety (90) day notice period has elapsed.
2. At the end of the Agreement's initial term, the Agreement shall automatically renew for successive twelve (12) month periods unless either BTC or the Board of Authority provide the other party with at least ninety (90) calendar days' prior written notice of intent to terminate on the scheduled expiration date. The parties agree that the longer period of notice required to be provided by the terminating party is reasonable and necessary in order for the Board of Authority to transition services to a new trustee. No additional fees shall be charged by BTC with respect to the termination of its services except as provided in this Agreement. However, the non-payment of a bill does not constitute notice of termination and all fees for services performed through the date a written notice is received are due and payable to BTC. The obligation of Board of Authority to pay fees and disbursements for services performed through the date of termination and the rights and obligations of the parties under all sections will survive such termination.
3. Upon the termination of this Agreement and payment of any outstanding fees and after establishment of any necessary reserve requirements as otherwise set forth in the Trust, BTC will relinquish its trustee and custodial relationship as provided for in the Trust, as well as provide Board of Authority with copies of trust accounting records, if so requested in writing by Board of Authority, at any time within seven (7) years of the date of termination of this Agreement. Forms, procedures, software, worksheets, checklists and other processes developed by BTC to perform the services required under this Agreement are the property of BTC and are not considered the records of the Board of Authority. A fee will be charged based on time and cost to perform any work necessary for the new trustee to take over the work performed at the request of the Board of Authority, such fee to be mutually agreed upon by the parties in advance of such work being performed.
4. The above notwithstanding, if the termination of this Agreement is the result of a dispute over fees paid, or to be paid, to the Trustee as set forth under this Agreement, in addition to the duties and responsibilities for trustee and custodial transfer as set forth above, BTC shall provide copies of all reports, records or account statements otherwise to the Board of Authority, as requested, as well as shall retain a copy of such records, reports and other information pending the resolution of any ongoing dispute regarding the fees paid, or to be paid hereunder.

H. Maintenance and Confidentiality of Records

1. **Books, Records and Adopting Entity Information.** BTC agrees to the following with respect to all Trust information, books and records and information provided by the Board of Authority to BTC:
 - a) Retention and Security of Documents and Adopting Entity Data. BTC shall maintain copies of all executed Trust related documents, including the Participation Agreement, written directions of the Adopting Entity or Board of Authority with respect to Accounts, Plan Administrator designations authorized signatory information, and the Investment Policy Statement, as well as shall use commercially accepted standards in retaining, backing up, storing and recovery of any and all Adopting Entity data and other electronic documentation in a secure environment.
 - b) Safekeeping of Books and Records. BTC agrees to maintain facilities and procedures for the safekeeping of all documents, records, books, files and other materials relative to the Trust and transactions facilitated on behalf of the Adopting Entities that participate in the Trust (collectively, the “**Books and Records**”). BTC agrees to maintain such Books and Records for the duration of this Agreement and not to destroy such Books and Records without Adopting Entity’s prior written consent. Adopting Entity and any applicable regulatory body shall have reasonable access during normal business hours to such Books and Records. BTC shall provide all necessary assistance in conjunction with any inspection or audit by any applicable regulatory body for no additional fees, but the reasonable out of pocket expenses incurred in connection with such inspection or audit shall be payable at the expense of the Trust at the time such expenses are incurred in accordance with the terms of this Agreement and the Trust thereunder.
 - c) Confidentiality of Adopting Entity Data. All data and information submitted by Adopting Entity to BTC in connection with this Agreement or the Trust (“**Adopting Entity Data**”) is and shall remain the exclusive proprietary information and property of the Adopting Entity and shall be considered confidential information. Adopting Entity Data shall not be (1) used by BTC other than pursuant to this Agreement or the Trust, (2) disclosed, sold, assigned, leased or otherwise provided to third parties by BTC except in connection with the provision of services to an Adopting Entity pursuant to this Agreement, unless Adopting Entity or the Board of Authority specifically authorize the release or disclosure of such information; or (3) commercially exploited by or on behalf of BTC, its employees or agents. BTC shall take such steps as shall under the circumstances be reasonable, prudent and appropriate to protect and keep confidential the Adopting Entity Data and shall inform its employees of the confidential nature of the Adopting Entity Data. BTC agrees to cause

each person or entity directly or indirectly controlled by BTC and the officers, employees and agents of BTC and each such controlled person or entity to comply with the confidentiality provisions of this Agreement.

2. **Required Disclosure.** In the event that BTC becomes legally compelled to disclose any Adopting Entity Data, BTC will provide Adopting Entity with prompt written notice thereof in order for Adopting Entity to seek a protective order or other restriction on disclosure. If BTC is required to disclose information after Adopting Entity has sought such protective order or other restriction on disclosure, BTC will furnish only that portion of the Adopting Entity Data that it is legally compelled to disclose and no other. BTC agrees to regard and preserve as confidential all records and other information relative to the Trust and will not, without written authority from Board of Authority, disclose to others during the term of this Agreement or thereafter any such records or other information except as required by applicable law. However, should a court of law, governmental agency, participant/employee whether current or former (or attorney thereof) request information that is otherwise legally available, BTC shall be held harmless for inadvertently and without malice disclosing such information requested. Likewise, BTC shall not be responsible for and equally held harmless for any other disclosure for which it is legally compelled to provide based on the action or inaction of the Adopting Entity, the Board of Authority or any of its representatives.
3. **Records Inspection.** BTC agrees, during the term of this Agreement, all records maintained for the Trust shall be open to inspection and audit by Board of Authority at reasonable times, and that such records shall be preserved and retained for the greater of three years after the related filing date or such other period as may be required by applicable governing regulations as in effect from time to time. On a periodic basis, or if otherwise required in accordance with any legal requirement, BTC, shall engage an independent certified public accountant whose identity and fees are approved by the Board of Authority with such approval to not be unreasonably withheld, to audit records and information related to the Trust, with the reasonable cost of such audit to be paid for by the Trust. A copy of the report of such audit shall be furnished to the Adopting Entity, the Board of Authority and to any other parties authorized to receive such information.

I. Other Provisions

1. **Entire Agreement, Amendment.** This Agreement, as well as the attached Exhibits, including the Participation Agreement, Trust, Fee Schedule and any Addendum, as well as other applicable schedules and exhibits, if any, constitute the entire agreement between the parties with respect to the administration of the Trust and supersedes all prior and contemporaneous agreements, representations and understandings of the parties. This Agreement may be amended and any provision hereof waived, but only in writing signed by the party against whom such amendment or waiver is sought to be enforced. The waiver by either party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other subsequent breach. To the extent there is any conflict between the terms of this Agreement and the terms and conditions of the Trust, the Trust shall control any dispute arising therefrom.

2. **Responsibilities of Parties.** In carrying out their responsibilities under this Agreement, BTC and Board of Authority shall at all times be subject to the following requirements:
 - a) BTC and Board of Authority shall act in accordance with applicable laws and shall also act in compliance with the documents and instruments governing the Trust, insofar as such documents and instruments are consistent with the provisions of applicable state law and any regulations promulgated thereunder. The Board of Authority further agrees that it shall ensure it has all necessary authorities to contribute any applicable funds to the Trust and shall have all necessary authorizations to act on behalf of the Adopting Entity or the Plans to the extent necessary and in compliance with Section 7.5 of the Trust.

 - b) To the extent applicable as it relates to Trust Fund, BTC and the Investment Manager, as delegated, and Board of Authority shall act solely in the interest of the participants and their beneficiaries and for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the Trust.

 - c) To the extent of all Trust assets held within the Accounts, BTC and the Investment Manager, as delegated, and Board of Authority shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, but shall also strictly adhere to other applicable state law requirements related to the investment of excess fund assets.

- d) Board of Authority shall have the responsibility for selecting the investment asset allocation mixes to include in the Trust, after receiving assistance from BTC and/or Investment Manager accordingly. The Board of Authority further acknowledges that past performance is no guarantee of future performance of any investments.

- 3. **Force Majeure.** No party to this Agreement will be deemed to be in default for any performance, or delay, or failure to perform under this Agreement resulting, directly or indirectly, from: (a) any governmental action or inaction, labor disputes, mechanical or electrical breakdown, any failure of communication lines, telephone or other interconnect problems or unauthorized access, provided such failure (i) is not the fault of such party; or (ii) could not be reasonably controlled by such party; or (b) any natural disaster; or (c) other events beyond the reasonable control of the parties; provided, further, that such events shall not be excused to the extent they can be obviated by the implementation of BTC's Business Recovery Plan.

- 4. **Dispute Resolution.** The Board of Authority and BTC expressly agree to be bound by Section 15.9 of the Trust regarding the arbitration of disputes.

- 5. **Notice.** Any notice under this Agreement shall be given in writing by certified mail, return receipt requested, to the address listed below.


- 6. **Commencement Date.** This Trust Administrative Services Agreement shall commence as of the date first written above.

Chairman: Todd Cusimano
Town of Corte Madera
Address of Notice: 300 Tamalpais Drive
Corte Madera, CA 94925

By: 

Todd Cusimano, Chairman of the Board of Authority

BTC: Benefit Trust Company.
Address of Notice: 5901 College Boulevard, Suite 100
Overland Park, KS 66211

By: 

Scott W. Rankin, Senior Vice President

EXHIBIT A

=== SAMPLE ===

**PENSION STABILIZATION TRUST FOR CALIFORNIA MUNICIPALITIES
PARTICIPATION AGREEMENT**

THIS PARTICIPATION AGREEMENT is entered into by the undersigned California public entity (the "Adopting Entity") and Benefit Trust Company, a Kansas corporation, as Trustee (the "Trustee") of the Pension Stabilization Trust for California Municipalities (the "Trust"), effective as of the date specified on the signature page (the "Effective Date"), with reference to the following:

A. The Board of Authority (the "Board") of the Trust has established the Trust to help California Municipalities stabilize the funding of their pension benefit liabilities by creating a secure vehicle to hold assets pending their contribution to a pension plan in satisfaction of a public entity's funding obligation. The Trust is intended to qualify as a trust arrangement that is tax exempt under applicable guidance and procedures under Section 115 of the Internal Revenue Code.

B. The Adopting Entity has adopted a pension plan for its eligible employees (the "Plan") to which the Adopting Entity is required to make regular contributions. To the extent the Adopting Entity may from time to time have excess funds, a portion of which can be used to pre-fund contributions to the Plan, the Adopting Entity desires to have a secure trust to which it may contribute such funds and to have the trust hold such pre-funding contributions.

C. In order to participate in the Trust, the Adopting Entity must be a public entity in the State of California and must enter into this Participation Agreement (the "Agreement").

NOW, THEREFORE, the Adopting Entity and the Trustee agree as follows:

1. **Participation.** The undersigned Adopting Entity agrees to all of the provisions, terms and conditions of the Trust and agrees to participate in the Trust in accordance with the terms of this Agreement. The Adopting Entity agrees to cooperate in providing any information reasonably required by the Trustee or the Board to administer the Trust properly.

2. **Representations of Adopting Entity.** The Adopting Entity makes the following representations and warranties, and acknowledges that the Trustee is relying on these representations in entering into this Agreement:

(a) The Adopting Entity is a public entity within the State of California under the California Constitution and applicable sections of the Government Code.

(b) By executing this Agreement, the Adopting Entity acknowledges that it has determined that the Trust is appropriate for the pre-funding of a portion of its pension liabilities under the Plan.

(c) The Plan has been adopted by all necessary action of the governing body of the Adopting Entity and remains in full force and effect, in compliance with all applicable legal requirements.

(d) The adoption of this Agreement has been approved by all necessary action of the Adopting Entity's governing body and the person signing this Agreement on its behalf is authorized to do so.

(e) Neither the execution and delivery of this Agreement by the Adopting Entity, nor compliance by the Adopting Entity with any of the provisions hereof, nor the consummation of the transactions contemplated hereby, will result in a default, or give rise to any right of termination, cancellation or acceleration, under any term, condition or provision of any agreement or other instrument or obligation to which the Adopting Entity is a party or by which it or any of its properties or assets may be bound.

(f) The Adopting Entity has received a copy of the Pension Stabilization Trust Agreement (the "Trust Agreement"), is aware of the terms and conditions thereof and agrees that in the event of any conflict between the terms of the Trust and this Agreement, the terms of the Trust will control.

(g) The Adopting Entity has not received any legal, accounting or investment advice from the Trustee, the Board or their representatives. The Adopting Entity acknowledges that it has had the opportunity to consult with independent legal counsel regarding this Agreement and the Trust.

3. **Administration Fees.** The Trustee will allocate reasonable fees for administration to each Adopting Entity's account in the Trust in accordance with the fee schedule established from time to time with the Board of Authority. Such fees shall not exceed 0.30% (30 basis points) per annum on the value of the assets held in the Account. Fees will be collected monthly directly from the Account.

4. **Responsibility for Legal Compliance.** The Adopting Entity acknowledges that the Trustee will not be responsible for compliance with any obligations or to enforce any obligations the Adopting Entity may have under the Plan. All such compliance shall be the responsibility of the Adopting Entity.

5. **Indemnification.** The Adopting Entity agrees to indemnify and hold harmless the Trust, the Trustee and the Board from any and all liabilities and losses, including attorneys' fees, arising out of the claim by any person for damages caused by or resulting from the failure of the Adopting Entity to comply with the provisions of the Plan, the Trust or applicable requirements of federal or state law.

6. Amendment and Termination.

(a) This Agreement and the Declaration of Trust constitute the entire agreement of the parties concerning the Adopting Entity's participation in the Trust. This Agreement may be amended only through a written document executed by the Trustee and the Adopting Entity.

(b) The Agreement may be terminated by the Adopting Entity by providing 90 days written notification of its intent to terminate its participation in the Trust; provided that upon such a termination, none of the assets held in the Trust for contribution to the Plan shall be returned or otherwise made available to the Adopting Entity for any purpose other than for reimbursement for contributions paid to said Plan. The Adopting Entity may however direct upon termination that the balance of its Account be delivered to the trustee of a similar trust with similar withdrawal restrictions as the Trust.

(c) The Trust may be terminated in accordance with the provisions of the Trust Agreement.

(d) The Adopting Entity's rights and obligations under this Agreement cannot be assigned without the written consent of the Trustee.

7. Right to Rely.

(a) The Adopting Entity acknowledges that the Trustee will rely upon any representations that it or any of its authorized representatives make to the Board.

(b) The Adopting Entity hereby designates the persons identified on the signature page of this Agreement as the persons authorized to represent the Adopting Entity in connection with matters regarding the Adopting Entity's participation in the Trust and the disbursement of funds from the Trust (the "Authorized Representative"), and agrees that the Board and the Trustee may rely upon the representations of the Authorized Representative until and unless notified in writing that this person is no longer authorized to represent the Adopting Entity in this manner. Any such notice must identify a new person who will serve as the Adopting Entity's Authorized Representative.

8. General Provisions.

(a) Any notice required under this Agreement shall be in writing and shall be furnished to the recipient at the addresses provided separately by the parties, unless the recipient has provided the sender with notice of a change of address.

(b) This Agreement shall be governed by the laws of the State of California.

(c) The failure of the Trustee to seek redress for violation of or to insist upon the strict performance of any provision of the Agreement shall not be deemed a waiver and will not prevent a subsequent act, which would have originally constituted a violation, from having the effect of an original violation. The rights and remedies provided in this Agreement are cumulative

and the use of any right or remedy does not limit the Trustee's right to use any or all other remedies. All rights and remedies in this Agreement are in addition to any other legal or equitable rights that the Trustee may have.

(d) Every provision of the Agreement is intended to be severable. If any term or provision hereof is invalid for any reason whatsoever, its invalidity will not affect the validity of the remainder of the Agreement.

(e) This Agreement may be executed in any number of counterparts with the same effect as if all parties hereto had all signed the same document. All counterparts shall be construed together and shall constitute one agreement.

(f) Unless the context requires otherwise, the use of a feminine pronoun includes the masculine and the neuter, and vice versa, and the use of the singular includes the plural, and vice versa.

(g) The headings used in this Agreement are provided for convenience and are not intended to be a part of this Agreement or to influence the interpretation of the terms of this Agreement. This Agreement shall not be construed on the basis of which party drafted the Agreement or a particular provision thereof.

9. **Selection of Model Portfolio.** The Adopting Entity has reviewed its tolerance for risk and its requirements for the investment of the Account, and has also reviewed the model portfolios offered by the Trustee. Solely and by virtue of this review, the Adopting Entity hereby directs the Trustee to invest the assets of the Account in accordance with the following model portfolio with its commensurate approximate target asset allocation, understanding that the target asset allocation will vary from time to time based upon market fluctuations, and that model portfolio asset allocations may be adjusted +/- 5% from time to time at the discretion of the Trustee:

CHECK ONE:

- Fixed Income (100% fixed income securities)
- Conservative (16% equity securities, 84% fixed income securities)
- Moderate (33% equity securities, 67% fixed income securities)
- Moderate Growth (45% equity securities, 55% fixed income securities)
- Growth (61% equity securities, 39% fixed income securities)
- Aggressive Growth (76% equity securities, 24% fixed income securities)

The Adopting Entity understands and agrees that the Trustee shall be under no duty to question the prudence of the model portfolio the Adopting Entity directs, and shall have no liability for any loss of any kind which may result by reason of the inherent volatility of the asset allocation directed. Once the Adopting Entity has directed the Account to be invested pursuant to a model portfolio as listed above the Trustee will assume discretionary authority and responsibility for its management.

The Adopting Entity may change the designation of the model portfolio to be utilized by executing an amendment to this section 9 of the Participation Agreement. Said amendment will go into effect upon the acknowledgement of receipt by the Trustee.

10. List two Individuals appointed as Authorized Representatives:

IN WITNESS WHEREOF, the parties have executed this Agreement as of _____, 2019.

Adopting Entity:

sample – not for signature

Signature: _____

Name: _____

Title: _____

**BENEFIT TRUST COMPANY,
TRUSTEE FOR THE PENSION
STABILIZATION TRUST FOR
CALIFORNIA MUNICIPALITIES**

By:

Scott W. Rankin, Senior Vice President

EXHIBIT B

PENSION STABILIZATION TRUST
FOR
CALIFORNIA MUNICIPALITIES

THIS AGREEMENT is made by and between the Board of Authority of the Pension Stabilization Trust for California Municipalities (the "Board") and Benefit Trust Company, a Kansas corporation, as Trustee (the "Trustee"), effective as of September 23, 2019 (the "Effective Date"), with reference to the following.

A. The obligation to fund pension plans for public employees creates an annual funding obligation that may at times create a strain on the financial resources of public entities in the State of California. At other times, however, such entities may have a budget surplus that could be used to pre-fund a portion of the entity's funding obligation to be used to supplement the entity's funding obligation in years when the entity may experience a funding shortfall.

B. The Pension Stabilization Trust for California Municipalities (the "Trust") has been established to help stabilize the funding of the pension benefit liabilities of participating public entities (collectively, "Adopting Entities" and individually, an "Adopting Entity") by creating a secure vehicle to hold assets pending their contribution to a pension plan in satisfaction of an Adopting Entity's funding obligation.

C. The Board desires to establish this Trust as an essential part of the governmental purposes of the Adopting Entities, pursuant to a trust arrangement that is tax exempt under applicable guidance and procedures under Section 115 of the Code.

C. The Trust and the plans adopted by the Adopting Entities constitute a retirement system subject to the provisions of, and the restrictions and requirements contained in, Article XVI, Section 17 of the California Constitution.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, the Board and the Trustee agree as follows:

ARTICLE I
DEFINITIONS

"Account" means the account established for an Adopting Entity pursuant to Article 7.1(b).

"Adopting Entity" means the public entity in the State of California that participates in the Trust.

“Agreement” means this agreement for the Pension Stabilization Trust for California Municipalities.

“Authorized Representative” shall mean a representative appointed by each Adopting Entity to perform the functions specified in this Agreement.

“Board” means the Board of Authority of the Trust.

“Code” means the Internal Revenue Code of 1986, as amended.

“Days” means calendar days.

“Fiscal Year” means the 12-month period beginning July 1 and ending June 30.

“Investment Advisor” means the independent registered investment adviser appointed by the Trustee pursuant to the authority granted to the Trustee in Section 7.2 of the Agreement.

“Investment Manager” means the independent registered investment manager appointed by the Trustee to assume discretionary management of the Trust pursuant to the authority granted to the Trustee in Section 7.1(a) of the Agreement, subject to the approval of the Board.

“Investment Policy Statement” means the investment guidelines for the Trust Fund, as adopted by the Board, which establishes the investment guidelines and authority related to the investment of Trust assets in an Adopting Entity’s Account by the Trustee (with the advice of the Investment Advisor), subject to the terms of the Trust.

“Participant” means an employee or former employee of an Adopting Entity who is covered by a pension plan adopted by the Adopting Entity.

“Plan” means any pension plan in which the employees of an Adopting Entity participate, that is funded, in part, through the Trust.

“Trust” means the trust established by this Agreement.

“Trustee” means the person or entity appointed and acting as Trustee of the Trust in accordance with the terms of this Agreement. The initial Trustee is Benefit Trust Company.

“Trust Fund” means the assets held in trust under the Agreement.

ARTICLE II

PURPOSE AND ESTABLISHMENT OF TRUST

2.1 Establishment of Trust. This Agreement establishes the Trust. The principal of the Trust consists of all funds deposited by the Adopting Entities, to be held, administered and disposed of by the Trustee as provided in this Trust Agreement.

2.2 Purposes of the Trust. The Trust shall be for the purpose of receiving, holding, investing, reinvesting and disbursing the assets of the Adopting Entities that have been contributed to pre-fund a portion of the Adopting Entities' pension obligations.

2.3 The Trust Fund. The Trust Fund shall consist of all cash, securities, property, and assets of whatever kind and nature, owned, held or otherwise acquired by the Trustee pursuant to this Agreement, including the contributions described under Article III below, and all earnings thereon.

2.4 Appointment of Initial Trustee. Benefit Trust Company is hereby appointed to act as the initial Trustee of the Trust.

ARTICLE III CONTRIBUTIONS

3.1 Contributions. Contributions to the Trust shall be governed by the following provisions:

(a) An Adopting Entity may from time to time make contributions to the Trust, in such amounts as the Adopting Entity shall determine are appropriate. Contributions by an Adopting Entity shall be deposited into the Account established to hold the contributions of that Adopting Entity.

(b) All contributions shall be made in cash or in the form of such other property as the Trustee may from time to time deem acceptable and which shall have been delivered to the Trustee. The contributions so received, together with the income and any other increment thereon shall be held, invested, reinvested and administered by the Trustee pursuant to the terms of this Agreement.

(c) The Trustee shall not be responsible for or have any obligation related to the timing or collection of any contribution or the calculation or payment of amounts to any Plan or of any benefits to Participants; and no Adopting Entity shall be responsible for or have any obligation related to the timing or collection of any contribution by another Adopting Entity or the calculation or payment of amounts to any Plan or of any benefits to Participants who are employees or former employees of another Adopting Entity.

(d) The Trustee shall not accept any contributions received after any trading deadline or with incomplete or incorrect instructions. If any such contributions are inadvertently deposited to the Trust, the Trustee shall as soon as practicable return such previously-deposited amounts to the Adopting Entity.

3.2 Compliance with Laws. The Trust is established and maintained by the Board as an integral part of the governmental purposes of the Adopting Entities. The Trust is therefore intended to satisfy all requirements of the United States Department of Treasury pursuant to Section 115 of the Code. Except to the extent of corrections made with respect to contributions made in error as permitted in accordance with Article VI below: (a) all contributions made to the Trust and deposited into each Account and the earnings thereon, shall be retained in the designated

Account until the same shall have been contributed to the applicable Plan of an Adopting Entity; and (b) under no circumstances shall any amounts held in any Account be used for any purpose other than for such contributions.

ARTICLE IV

ESTABLISHMENT OF RETIREMENT SYSTEM

4.1 Establishment of Retirement System and Board. The Plans in which the employees of Adopting Entities participate and the Trust, together, constitute the Retirement System. It is expressly acknowledged that the Retirement System is subject to the provisions of Article XVI, Section 17 of the California Constitution and the provisions of Section 53215 et seq. of the Government Code.

ARTICLE V

ESTABLISHMENT AND DUTIES OF BOARD

5.1 Establishment of Board. The Board is hereby established as the governing body of the Trust.

5.2 Number and Selection of Board Members. Each Adopting Entity may but shall not be required to appoint a member of the Board to serve at the pleasure of the Adopting Entity that appointed such member; provided that the Board shall consist of at least one (1) member. One member shall be elected by the members of the Board to serve as chair of the Board at the pleasure of the Board. Each member of the Board shall have a term of one (1) year, which shall automatically renew for additional one (1) year periods; provided that the members may be removed and a successor appointed by the Adopting Entity that appointed such member, with or without cause. Each member of the Board may resign at any time, and his or her successor shall be appointed promptly by the applicable Adopting Entity, provided that if a new member is not so appointed, the remaining members of the Board may appoint a member if necessary to maintain a Board of sufficient members.

5.3 General Authority, Responsibilities and Duties of the Board. The Board shall have the plenary authority and fiduciary responsibility for investment of moneys in and administration of the Trust, subject to the following:

(a) The Board shall have the sole and exclusive fiduciary responsibility over the assets of the Retirement System. The Board shall also have sole and exclusive responsibility to administer the Retirement System in a manner that will assure prompt delivery of benefits and related services to the Participants.

(b) The members of the Board shall discharge their duties with respect to the Retirement System solely in the interest of, and for the exclusive purposes of funding a portion of

the pension benefits of Participants and defraying reasonable expenses of administering the Retirement System. The Board's duty to Participants shall take precedence over any other duty.

(c) The members of the Board shall discharge their duties with respect to the Retirement System with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

(d) The members of the Board shall diversify the investments of the Retirement System so as to minimize the risk of losses and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.

(e) The Board, consistent with the exclusive fiduciary responsibilities vested in it, shall have the sole and exclusive power to provide for actuarial services in order to assure the competency of the assets of the Retirement System, if deemed necessary by the Board.

(f) Consistent with its fiduciary responsibility hereunder, the Board shall periodically monitor the performance of the Trustee and the Investment Adviser with respect to the investment of Trust assets.

(g) The Board shall, as provided in Section 53219 of the Government Code, carry on the business of the Retirement System. The Board shall make all decisions on behalf of the Retirement System by resolution, in accordance with the terms of this Trust Agreement, and shall perform such other acts and execute such other documents as are specified in this Trust Agreement. Documents requiring execution by the Board may be signed by any member of the Board acting alone. Except as otherwise expressly restricted by the California Constitution and by law, the Board may invest, or delegate the authority to invest, the assets of the Trust through the purchase, holding or sale of any type of financial instrument or financial transaction, including the stock of any company, association or corporation and other securities representing an ownership or equity interest in a company, association, corporation, partnership, trust, limited liability company or other legal entity, or the assets thereof. The Trustee at the Board's direction may execute and deliver agreements with service providers to the Trust for the purpose of receiving services necessary for the administration of the Trust.

(h) The Board shall provide an annual report as required by law and as specified in this subsection, in the manner determined appropriate by the Board. The Board may delegate the preparation of such report to the Trustee or other entity, so long as the Board oversees the work in preparing such report and provided that the Board retains responsibility for the timeliness and contents of such report. The report shall include a description of securities held and a comprehensive report of transactions involving the investment of the assets. The annual report shall also include a detailed statement of the expenses of operating the Trust, including compensation paid, fees paid, net profit and loss statements, including the acquisition cost, the book value, and market value of the total assets as of the date of the report. The Trustee will provide trust account statements to the Board electronically each month, with an electronic annual statement provided at the end of the Fiscal Year.

5.4 Meetings of the Board.

(a) All meetings of the Board, including, without limitation, regular, adjourned regular and special meetings shall be called, noticed, held and conducted in accordance with the provisions of the Ralph M. Brown Act, Section 54950 et seq. of the Government Code.

(b) Regular meetings of the Board shall be held at such time as the Board may fix by resolution from time to time, and if any day so fixed shall fall upon a legal holiday then, upon the next succeeding business day at the same hour. No notice of any regular meeting of the Board need be given to the members of the Board.

(c) Special meetings of the Board shall be held whenever called by the chairperson of the Board or by a majority of the members of the Board.

(d) A majority of the members of the Board shall constitute a quorum at any meeting of the Board.

5.5 Actions of Board. Every act or decision done or made by a majority of the members of the Board present at, or otherwise participating in, any meeting duly called, noticed, held and conducted at which a quorum is present shall be the act or decision of the Board.

5.6 Compensation. Members of the Board shall receive no compensation for serving as members of the Board unless otherwise approved by the Adopting Entities.

ARTICLE VI

WITHDRAWALS

6.1 Withdrawals from Trust Fund. An Authorized Representative of each Adopting Entity is the sole party authorized to withdraw or otherwise direct the Trustee to make disbursement of amounts from the Trust Fund and such amounts shall not be withdrawn except for the purpose of contribution to a pension plan in which the employees of an Adopting Entity participate. Under no circumstances shall any Trust Fund amount be paid to or in any way revert to an Adopting Entity directly, except as provided in Sections 6.2 and 6.3. Each Authorized Representative of an Adopting Entity is authorized only to withdraw amounts designated within the Trust Fund for funding of the Plan that provides pension benefits to the employees of that Adopting Entity. An Authorized Representative shall, from time to time and subject to the liquidity requirements and restrictions set forth within the Investment Policy Statement, direct the Trustee to make payments out of the Trust Fund to the trustee or custodian of the Plan that provides pension benefits to the employees of the Adopting Entity. The Trustee shall not be responsible for determining whether withdrawals made by the Authorized Representative are permissible, and shall be entitled to rely upon the determination of the Authorized Representative that such withdrawals are in compliance with the terms of the this Agreement.

6.2 Mistake. Any mistake in any payment or in any direction, certificate, notice or other document furnished or issued by the Board, by an Authorized Representative, or by the Trustee in connection herewith may be corrected when the mistake becomes known, and the Board

may direct any adjustment or action that it deems practicable under the circumstances to remedy the mistake. The above notwithstanding, the Trustee must be properly notified of any mistakes or other correction requests within prescribed periods and time limitations as prescribed under applicable law.

6.3 Refund of Contribution Made to the Trust Fund. No contribution made to the Trust Fund may be refunded unless a contribution was made:

- (i) Because of a mistake of fact; or
- (ii) Conditioned upon a favorable Internal Revenue Service ruling and such favorable ruling is revoked or not obtained.

Any refund or other return of contributions under subsection 6.3(i) must be made within one (1) year from the date the contribution was made.

ARTICLE VII

INVESTMENT OF TRUST FUND

7.1 The Trust Fund and Trustee Option to Appoint a Discretionary Investment Manager.

(a) The Trust Fund shall be held, managed, administered, valued, invested, reinvested, distributed, accounted for and otherwise dealt with, by the Trustee, in accordance with the provisions of this Agreement. In the alternative, and only written approval received from the Board, the Trustee may select a discretionary Investment Manager who shall serve at the Trustee's direction to assume primary responsibility for the duties listed above and in the performance of said duties the Investment Manager will be entitled to the same protections and indemnifications enumerated herein as is the Trustee.

(b) There shall be established within the Trust a separate Account for each Adopting Entity. Each Account shall be separately held, managed, administered, valued, invested, reinvested, distributed, accounted for and otherwise dealt with, in accordance with the provisions in this Agreement. The Trustee shall invest the assets of the Account in accordance with the model portfolio options described in the Investment Policy Statement which the Adopting Entity exercises its authority to select in the Participation Agreement. The Adopting Entity understands and agrees that the Trustee shall be under no duty to question the prudence of the model portfolio the Adopting Entity directs, and shall have no liability for any loss of any kind which may result by reason of the inherent volatility of the asset allocation directed. Once the Adopting Entity has directed that the Account be invested pursuant to a model portfolio as listed in the Participation Agreement the Trustee will assume discretionary authority and responsibility for its management.

(c) The Adopting Entity may change their designation of the model portfolio to be utilized by executing an amendment to Section 9 of the Participation Agreement, said amendment to go into effect upon Trustee's acknowledged receipt.

The assets held in each Account shall be charged with the liabilities in respect of that Account and all expenses, costs, charges and reserves of that Account. Any general liabilities, expenses, costs, charges or reserves of the Trust which are not readily identifiable as pertaining to any particular Account shall be allocated and charged by the Trustee to and among each of the Accounts in such manner and on such basis as directed by the Board or the Authorized Representative, but if no such direction is forthcoming then as the Trustee in its discretion deems fair and equitable. Each allocation of liabilities, expenses, costs, charges and reserves by the Trustee shall be conclusive and binding for all purposes.

7.2 Appointment of Investment Advisor. The Trustee shall, in the exercise of its discretion over the investment of the Trust Funds, have the authority to appoint a nondiscretionary Investment Advisor. The Investment Advisor shall advise the Trustee in the manner to invest, reinvest, sell and hold all assets of the Trust Fund in accordance with the guidelines established herein. Specifically, the Investment Advisor shall be responsible for advising the Trustee as to the investments and/or portfolio managers to be used to implement the investment strategies authorized by the Investment Policy Statement established by each Adopting Entity as well as assisting the Trustee in selecting asset allocation models for the Trust Fund, as appropriate, and reporting on the performance of investments held in the Trust.

7.3 Review and Approval of Investment Policy Statement. The investment objectives of the Trust are primarily to safeguard the principal of the funds held in the Trust, to meet the Trust's liquidity needs and to achieve a favorable return on the funds held in the Trust, subject to the ability of an Adopting Entity to affect the balance of these considerations for its own Account by selecting its own model portfolio and asset allocation as described in Section 7.1(b) herein. An Investment Policy Statement shall be adopted by the Board prior to investment of any contributions received to fund the Trust on behalf of the Adopting Entities. The Investment Policy Statement shall remain in effect until amended or superseded in writing by the Board. The Investment Policy Statement shall provide for the investment of assets of the Trust Fund in a manner consistent with this Agreement and in compliance with the investment requirements of applicable law.

7.4 Monitoring of Discretionary Investment Manager. The Trustee, or its designated agents or other representatives, shall be responsible for monitoring the performance of any duly appointed discretionary Investment Manager such that the services provided by the Investment Manager are in compliance with the terms of the Investment Policy Statement, the investment advisory agreement between the Trustee and the Investment Manager, and applicable law. The Trustee shall further be responsible for reviewing the overall performance of the Investment Manager relative to performance goals and objectives specified in the Investment Policy Statement. In the event the Trustee determines that investment decisions of the Investment Manager are inconsistent with an Investment Policy Statement, the investment advisory agreement between the Investment Manager and the Trustee, or applicable law, the Trustee shall take such actions as are commercially reasonable and necessary to correct or recover from such investment decisions as are prudent on behalf of the Trust.

7.5 Termination and Replacement of Discretionary Investment Manager. If the Trustee determines that the Investment Manager is not performing its duties in accordance with

the Investment Policy Statements, the investment advisory agreement with the Trustee or applicable law, or that the Investment Manager is not satisfactorily meeting its performance goals and objectives, the Trustee shall have full discretion to terminate the Investment Manager. Throughout any corresponding transition period prior to or commensurate with the selection and delegation of investment management responsibilities to a successor Investment Manager, the Trustee shall ensure that the assets of the Trust continue to be invested in the manner the Trustee deems prudent and most appropriate under the circumstances then-prevailing, as long as in compliance with the general terms and conditions of the Investment Policy Statements and applicable law.

7.6 General Fiduciary Duties of Trustee. In the performance of its investment related functions under this Agreement, the Trustee acknowledges that, to the extent of its role and responsibilities set forth herein, it is a fiduciary to the Trust, the Board, and the Adopting Entities. The Trustee agrees that it shall act in accordance with the standards set by the California Constitution and applicable provisions of the Government Code, and shall act with the care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the Trust and the Plans, to the extent known by the Trustee, that a prudent person acting in a like capacity and familiar with those matters would administer the Trust and use and exercise reasonable care, skill and caution, in the administration of the Trust and performance of investment related functions with respect to funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Trust. The Board shall be entitled to rely upon the actions and decisions of the Trustee in the performance of its duties under this Agreement. Subject to the foregoing duty of the Trustee, the Trustee shall not be liable for any investment losses suffered by the Trust.

ARTICLE VIII

GENERAL POWERS OF TRUSTEE

In addition to the specific powers and duties of the Trustee set forth in in this Agreement, the Trustee shall have the following powers:

- (i) to purchase, hold and sell assets on behalf of the Trust in the nominee name of the Trustee for the benefit of the Trust;
- (ii) to sell assets of the Trust to the extent necessary to allow an Authorized Representative to make a withdrawal from the Trust Fund;
- (iii) to arbitrate, defend, enforce, release or settle any claim of or against the Trust;
- (iv) to vote, in person or by proxy, upon all securities held by the Trust;
- (v) to the extent consistent with the Investment Policy Statements, to exercise, buy or sell subscription and conversion rights and participate on behalf of securities held by the Trust in reorganizations, recapitalizations, consolidations, mergers, exchanges, foreclosures, liquidations and creditors' and bondholders' agreements;

- (vi) to do all such acts, take all such proceedings, and exercise all such rights and privileges, although not specifically mentioned herein, as the Trustee may deem necessary to administer the Trust, provided that such actions or proceedings are not inconsistent with the terms of this Trust;
- (vii) to employ and pay from the assets of the Trust reasonable compensation to agents, investment counsel and attorneys, accountants, or other similar parties, including any person, partnership, corporation or other entity with which the Trustee may be associated, for purposes that the Trustee determines to be necessary for the administration of the Trust, as well as any other parties the Board has engaged to provide related services pursuant to a written agreement;
- (viii) to withdraw from the Trust compensation and expenses payable to the Trustee in such amounts as are agreed to between the Board and the Trustee under any written administrative service agreement or other similar arrangement;
- (ix) to execute and deliver all documents and instruments necessary for the administration of the Trust on behalf of the Trust; and
- (x) to cause any or all of the assets of the Trust Fund to be commingled, to the extent such investment and the issuance thereof would be exempt under the provisions of Sections 2(a)(36), 3(b)(1) or 3(c)(11) of the Investment Company Act of 1940 or Section 3(a)(2) of the Securities Act of 1933, with the assets of trusts created by others, causing such money to be invested as part of a common and/or collective trust fund.

ARTICLE IX

GENERAL DUTIES OF TRUSTEE

In addition to the specific powers and duties of the Trustee set forth in in this Agreement, the Trustee shall have the following duties:

9.1 General. The Trustee shall, in the performance of all of its duties on behalf of the Trust, act solely in the manner directed herein and discharge its duties hereunder with the care, skill, prudence and diligence under the circumstances that a prudent person acting in a like capacity and familiar with such matters would use in such circumstances.

9.2 Records. The Trustee shall keep accurate and detailed accounts and records of all investments, receipts, disbursements, and other transactions, including all separate Accounts and assets contained within the Accounts. For purposes of accounting and administration, the records of the Trust shall be maintained on an accrual basis method on the basis of a Fiscal Year. The Board shall have the right to review and inspect all such Accounts and other records relating thereto at all reasonable times, as well as to request an audit of all Trust Fund activities. Each Adopting Entity shall have the right to review and inspect the Account maintained for such Adopting Entity.

9.3 Trustee Reports. The Trustee shall furnish to the Board monthly reports, as well as an annual statement of account, to be delivered within ten (10) days after the end of each month and within twenty (20) days after the end of each Fiscal Year, setting forth all earnings of the Trust, all contributions made to the Trust, including an accounting of the specific Trust Fund to which such contributions were made, all withdrawals from each Trust Fund, and all transfers from the Trust Fund. The Trustee shall also furnish to the Board and each Adopting Entity similar monthly reports and similar annual statements for the separate Account maintained for the Adopting Entity, within the same time. Unless the Board or an Adopting Entity shall have filed with the Trustee written exceptions or objections to any such reports or statements within ninety (90) days after receipt thereof, the reports and statements shall be deemed to be approved and the Trustee shall be released and discharged with respect to all matters and things embraced therein.

9.4 Audits. If the Board determines that an audit is desirable, the Trustee shall assist the Board with the engagement of an independent certified public accountant to audit the Trust under such time frames and parameters specified by the Board, with the cost of such audit to be paid for by the Trust Fund and allocated to the separate Accounts as determined by the Board. A copy of the report of such audit shall be furnished to the Board, the Trustee and such other persons as the Board or the Board's Authorized Representative shall designate.

9.5 Authorized Representatives. The Board may authorize Authorized Representatives to direct the Trustee with respect to withdrawals from Accounts over which they have administrative responsibilities. The Board shall inform the Trustee immediately in writing of the appointment of any Authorized Representative to whom the Board has given such authorization. Generally, the Board and Authorized Representatives shall each authorize two or more authorized signatories who may request withdrawals on their behalf. Subject to any requirement of proof required by the Trustee in verifying the identity of any Authorized Representative, the Trustee may rely on such designations and follow any instructions of such individuals, in writing, and the Trustee's business record entry of any directions by any of them shall be conclusive proof of the Board's authorization of such instructions. Any transactions initiated by the Trustee before receiving actual notice of any change with respect to (a) such Board members and/or Authorized Representative(s) or their authority, or (b) the termination of the Trust, shall be valid and binding on the Board, the Authorized Representatives, their successors and assigns, and the Trust.

9.6 Fiduciary Bonds. Upon request, the Trustee shall provide to the Board evidence of a bond, surety or security, as maintained by the Trustee, for any employee of the Trustee who works with or on behalf of the Trustee in carrying out its duties and responsibilities related to the Trust.

9.7 Compliance with Laws. The Trustee shall administer the Trust and all assets invested hereunder at all times in conformity with all applicable provisions of state and federal law.

ARTICLE X

MAINTENANCE AND CONFIDENTIALITY OF RECORDS

10.1 Books, Records and Board Information. The Trustee agrees to the following with respect to all Trust information, books and records and information provided by the Board or the Adopting Entities to the Trustee.

(a) The Trustee shall maintain copies of all executed Trust related documents, including the written directions of the Board or Adopting Entities with respect to Accounts, Authorized Representative designations, authorized signatory information, and the Investment Policy Statement, as well as shall use commercially accepted standards in retaining, backing up, storing and recovery of any and all data and other electronic documentation in a secure environment.

(b) The Trustee agrees to maintain facilities and procedures for the safekeeping of all documents, records, books, files and other materials relative to the Trust and transactions facilitated on behalf of the Plans that participate in the Trust (collectively, the "Books and Records"). The Trustee agrees to maintain such Books and Records for the duration of its service as Trustee and not to destroy such Books and Records without the Board's prior written consent. The Board and any applicable regulatory body shall have reasonable access during normal business hours to such Books and Records. The Trustee shall provide all necessary assistance in conjunction with any inspection or audit by any applicable regulatory body for no additional fees, but the reasonable out of pocket expenses incurred in connection with such inspection or audit shall be payable at the expense of the Trust at the time such expenses are incurred.

(c) All data and information submitted by the Board or the Adopting Entities to the Trustee in connection with this Agreement ("Data") is and shall remain the exclusive proprietary information and property of the Board or the Adopting Entities and shall be considered confidential information. Data shall not be (1) used by the Trustee other than pursuant to this Agreement, (2) disclosed, sold, assigned, leased or otherwise provided to third parties by the Trustee except in connection with the provision of services pursuant to this Agreement, unless the Board specifically authorizes the release or disclosure of such information; or (3) commercially exploited by or on behalf of the Trustee, its employees or agents. The Trustee shall take such steps as shall under the circumstances be reasonable, prudent and appropriate to protect and keep confidential the Data and shall inform its employees of the confidential nature of the Data. The Trustee agrees to cause each person or entity directly or indirectly controlled by the Trustee and the officers, employees and agents of the Trustee and each such controlled person or entity to comply with the confidentiality provisions of this Agreement.

10.2. Required Disclosure. If the Trustee becomes legally compelled to disclose any Data, the Trustee will provide the Board with prompt written notice thereof in order for the Board to seek a protective order or other restriction on disclosure. If the Trustee is required to disclose information after the Board has sought such protective order or other restriction on disclosure, the Trustee will furnish only that portion of the Data that it is legally compelled to disclose and no other. The Trustee agrees to regard and preserve as confidential all records and other information relative to the Trust and will not, without written authority from the Board, disclose to others during the term of this Agreement or thereafter any such records or other information except as required by applicable law. However, should a court of law or a governmental agency request information that is otherwise legally available, the Trustee shall be held harmless for inadvertently and without malice disclosing such information requested. Likewise, the Trustee shall not be

responsible for and equally held harmless for any other disclosure for which it is legally compelled to provide based on the action or inaction of the Board or any of its representatives.

10.3. Records Inspection. The Trustee agrees that, during the term of this Agreement, all records maintained for the Trust shall be open to inspection and audit by the Board at reasonable times, and such records shall be preserved and retained for the greater of three years after the related filing date or such other period as may be required by applicable governing regulations as in effect from time to time. On a periodic basis, or if otherwise required in accordance with any legal requirement, the Trustee shall engage an independent certified public accountant whose identity and fees are approved by the Board with such approval to not be unreasonably withheld, to audit records and information related to the Trust, with the reasonable cost of such audit to be paid for by the Trust. A copy of the report of such audit shall be furnished to the Board and to any other parties authorized to receive such information.

ARTICLE XI

LIABILITIES AND IMMUNITIES

11.1 Immunity of Board, Trustee or Other Fiduciaries. Except as otherwise provided by controlling law, neither the establishment of the Trust created hereunder nor any modification hereof nor the creation of any fund or Account or the payment of any benefits shall be construed as giving to any Participant any legal or equitable right against the Board or any member of the Board, or against the Trustee or any fiduciary, except as provided in this Agreement.

11.2 Responsibility for Errors

(a) The Board or an Authorized Representative will promptly notify the Trustee of any errors or omissions in information supplied by the Board, the Authorized Representative, their agent or other representatives. In such event, the Trustee's sole obligation, to the exclusion of any other obligation or remedy for damage or loss, including special or consequential damages, shall be to use its reasonable efforts to correct any resulting errors in any information, records or in any reports it has prepared (including filing amended returns, restating audited financial statements, Trustee reports, etc. if required), or any other errors that have been identified.

(b) The Trustee will fully protect, indemnify, defend and hold harmless the Board, the Adopting Entities, their officers, directors, employees and other representatives, and the Participants (any one of which is hereafter referred to as an "Indemnified Party") to the full extent lawful to protect an Indemnified Party from all losses, claims, damages, liabilities and expenses incurred by an Indemnified Party (including reasonable fees and disbursements of counsel including applicable court expenditures) which are the result of the Trustee's fraud, bad faith, willful misconduct or negligence.

(c) The Trustee will correct at its own expense any errors in the records and reports prepared and attributable to their errors, but the Trustee shall not otherwise be responsible for special or consequential damages, nor shall it correct any such errors for which the Board or an Adopting Entity has knowledge but fails to properly and timely notify the Trustee in compliance with applicable law.

(d) In accordance with applicable legal requirements, the Board will promptly notify the Trustee after the settlement date of any errors made or allegedly made in any requested trade of which the Board has knowledge. The trade will be assumed to have been effected in accordance with the original request if notification is not given within required timeframes.

(e) Neither the Trustee, its Investment Advisor nor a duly appointed Investment Manager will be liable for any loss to the Board, any Adopting Entity, any Authorized Representative or any Participant for failure or refusal of any transfer agent or investment sponsor to act upon investment instructions, or for any loss incurred due to the inaccuracy, incompleteness, or lack of timeliness of information received from the transfer agent or investment sponsor, unless such losses are caused by the instructions provided by the Trustee.

11.3 Indemnification of Trustee. The Trustee and its officers, directors, employees and other representatives shall be fully protected and indemnified from all losses, claims, damages, liabilities and expenses incurred (including reasonable attorneys fees and expenses) in reliance upon information, direction or instructions received from the Board or an Authorized Representative as provided in this Trust Agreement, which instructions or directions the Trustee or other indemnified person reasonably believes to be authentic and issued by any such party. Indemnification shall be approved by the Board and paid out of the Trust. Should it become necessary to perform some act hereunder and there is neither direction in this Trust Agreement nor information nor instructions from the relevant Authorized Representative or Board, and if no such information or instructions can be obtained after reasonable inquiry, the Trustee shall have full power and authority to act in the Trustee's discretion, consistent with the purposes of this Trust. In so acting or in following any instructions from an authorized party, the Trustee shall not be liable except to the extent that the actions of the Trustee constitute fraud, bad faith, willful misconduct or negligence.

ARTICLE XII

TRUSTEE'S COMPENSATION

The Trustee shall be entitled to reasonable compensation for its services as agreed upon with the Board. The Trustee shall also be entitled to reimbursement for all direct expenses properly incurred on behalf of the Trust. Such compensation and reimbursement shall be paid to the Trustee out of the Trust Fund.

ARTICLE XIII

RESIGNATION, REMOVAL AND SUCCESSION OF TRUSTEE

13.1 Resignation or Removal. The Trustee may resign as Trustee of the Trust, upon sixty (60) days' prior written notice to the Board, at any time with or without cause, and the Board may remove the Trustee, upon sixty (60) days' prior written notice to the Trustee, at any time with or without cause. The Trustee shall be entitled to fees and disbursements for services performed through the date of termination.

13.2 Records. Upon resignation or removal, the Trustee will provide the Board with copies of all Trust accounting records, if so requested in writing by the Board, at any time within seven (7) years of resignation or removal. Forms, procedures, software, worksheets, checklists and other processes developed by the Trustee to perform the services required under this Agreement are the property of the Trustee and are not considered the records of the Plans. If the resignation or removal is the result of a dispute over fees paid, or to be paid, to the Trustee, in addition to the duties and responsibilities for Trustee and custodial transfer as set forth above, the Trustee shall provide copies of all reports, records or Account statements otherwise to the Board, as requested, as well as shall retain a copy of such records, reports and other information pending the resolution of any ongoing dispute regarding the fees paid, or to be paid hereunder.

13.3 Succession. Upon the resignation or removal of the Trustee, the Board shall appoint a successor Trustee who shall have the same powers and duties as those conferred upon the Trustee hereunder or such other powers and duties as are agreed by the Board and the successor Trustee. Upon acceptance of such appointment by the successor Trustee, the Trustee shall assign, transfer, and pay over to such successor Trustee the funds and properties then constituting the assets of the Trust. No successor Trustee shall be subject to any liability or responsibility with respect to any act or omission of any prior Trustee.

ARTICLE XIV

AMENDMENT AND TERMINATION

14.1 Trust Amendments. This Agreement may be amended at any time, in whole or in part, by the Board. No such amendment shall have the effect of diverting any portion of the Trust Fund for purposes other than the funding of pension liabilities for which the amounts held in the Trust Fund has been irrevocably designated for the exclusive benefit of the Participants. Furthermore, no amendment shall be made or approved by the Board that adds to or increases the Trustee's duties or responsibilities without its prior written approval or consent.

14.2 Termination of Trust. This Agreement may be terminated at any time by the Board, subject to any requirements of applicable law. Upon such termination, the assets of the Trust Fund shall continue to be held in the Trust until the Authorized Representative directs the Trustee to pay such amounts in accordance with Section 6.1 of this Agreement, less any applicable reserving requirements as specified below. In making such payments, the Trustee may reserve from the assets in the Trust such amounts as it shall reasonably deem necessary to provide for any sums chargeable against the Trust for which the Trustee may be liable, or for payment of expenses in connection with the settlement of its Accounts and the termination of this Agreement as may be mutually agreed in writing by the parties.

ARTICLE XV

MISCELLANEOUS

15.1 Protection From Creditors. No amounts held in the Trust Fund shall be subject in any way to alienation, sale, transfer, assignment, pledge, attachment, garnishment, execution or encumbrance of any kind on account of creditors of the Board, an Adopting Entity, or a Participant,

and any attempt to accomplish the same shall be void. All assets held in the Trust Fund are held in trust irrevocably for the sole benefit of the Participants of each Plan to which contributions are made out of the Trust Fund, and neither the Board nor any Adopting Entity has any equitable or reversionary interest in the Trust Fund or the assets held in the Trust Fund. The Board and the Adopting Entities are not beneficiaries of the Trust or the Trust Fund. None of the benefits, payments, proceeds or claims of any Participant in a Plan shall be subject to any creditors and, in particular, the same shall not be subject to attachment or garnishment or other legal process by any creditor, nor shall any such beneficiary have the right to alienate, anticipate, commute, pledge, encumber or assign any of the benefits or payments or proceeds which such Participant may expect to receive, contingently or otherwise, from the Trust or as otherwise required under applicable law.

15.2 Employment Not Affected. The terms of employment of any employee of an Adopting Entity shall not be affected in any way by this Agreement nor shall this Agreement be construed in any way so as to guarantee or extend the employment of any employee of an Adopting Entity.

15.3 Construction of Trust. This Agreement shall be construed and enforced according to the laws of the State of California and in accordance with applicable provisions of the Internal Revenue Code. To the extent the terms of this Agreement are in conflict with the provisions of any other agreement between the parties, the terms of this Agreement shall control; provided, however, that nothing in this Agreement shall be deemed to expand, diminish or otherwise affect the terms of any Plan adopted by an Adopting Entity.

15.4 Severable Provisions. If any provision of this Agreement shall be held illegal or invalid for any reason, such determination shall not affect the remaining provisions of the Trust Agreement.

15.5 Headings. The headings of this Agreement are for convenience only and are not substantive terms of the Agreement.

15.6 Singular and Plural. Whenever the singular of any term is used in this Agreement, it shall refer to the plural of such as appropriate under the circumstances.

15.7 Force Majeure. No party having duties under this Agreement will be deemed to be in default for any performance, or delay, or failure to perform under this Agreement resulting, directly or indirectly, from: (a) any governmental action or inaction, labor disputes, mechanical or electrical breakdown, any failure of communication lines, telephone or other interconnect problems or unauthorized access, provided such failure (i) is not the fault of such party; or (ii) could not be reasonably controlled by such party; or (b) any natural disaster; or (c) other events beyond the reasonable control of the parties; provided, further, that such events shall not be excused to the extent they can be obviated by the implementation of the Trustee's Business Recovery Plan.

15.8 Notices. Any notice under this Agreement shall be given in writing by certified mail, return receipt requested, to the applicable address listed below, or such subsequent address has is provided by written notice.

Board of Authority

Benefit Trust Company
5901 College Boulevard, Suite 100
Overland Park, KS 66211
Attention: Scott Rankin

15.9 Arbitration of Disputes. This Agreement contains an arbitration clause and the parties agree as follows:

(a) All parties to this Agreement are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed.

(b) Arbitration awards are generally final and binding; a party's ability to have a court reverse or modify an arbitration award is very limited.

(c) The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings.

(d) The arbitrators do not have to explain the reason(s) for their award.

(e) The panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry.

(f) The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court.

(g) The rules of the arbitration forum in which the claim is filed, and any amendments thereto, shall be incorporated into this Agreement.

No person shall bring a putative or certified class action to arbitration, nor seek to enforce any pre-dispute arbitration agreement against any person who has initiated in court a putative class action; or who is a member of a putative class action who has not opted out of the class with respect to any claims encompassed by the putative class action until: (i) the class certification is denied; or (ii) the class is decertified; or (iii) the customer is excluded from the class by the court. Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this Agreement except to the extent stated herein.

With respect to controversies or disputes which may arise between each party (including any affiliates, as well as the Investment Manager, as a third party beneficiary of this Agreement, having the right to enforce any of the parties' obligations herein) under this Agreement concerning matters involving alleged violations of the Advisers Act or applicable state investment advisory laws, it is understood that the Securities and Exchange Commission and various state securities regulatory agencies believe that an agreement to submit disputes to arbitration does not constitute a waiver of any rights provided under the Investment Advisers Act or applicable state investment

advisory laws, including the right to choose a forum, whether by arbitration or adjudication, in which to seek the resolution of disputes.

Arbitration Provision:

Notwithstanding the preceding paragraph, all parties agree that any and all disputes that may arise between each party (including any affiliates, as well as the Investment Manager, as a third-party beneficiary of this Agreement with rights to enforce any of the parties' obligations herein) concerning any transaction or the construction, performance or breach of this Agreement or any other agreement between the parties, whether entered into prior to, on, or subsequent to the date of this Agreement, shall first be addressed by good faith negotiations between each party. In the event either party determines that they are not able to resolve the dispute through negotiation, then the dispute shall be determined by arbitration conducted before, and only before, an arbitration panel set up by the JAMS in accordance with their arbitration procedures. The parties shall attempt to agree upon one arbitrator to hear the matter. If the parties are unable to so agree, each party shall appoint one arbitrator and the two arbitrators so appointed shall in turn choose a third arbitrator. If the arbitrators chosen by the parties cannot agree on the choice of a third arbitrator within a period of 30 days after their nomination, then the third arbitrator shall be appointed by the President of the JAMS. Either party may initiate arbitration by filing a written claim with the JAMS. Any arbitration under this Agreement shall be conducted pursuant to the Federal Arbitration Act and the laws of the State of California.

15.10 Binding Effect. This Agreement shall be binding upon the Trustee, the Board and each Authorized Representative.

This Pension Stabilization Trust for California Municipalities shall commence as of the date first written above and may be signed in counterparts.

BOARD OF AUTHORITY

By: 
Todd Cusimano, Chairman

BENEFIT TRUST COMPANY

By: 
Scott W. Rankin, Senior Vice President

EXHIBIT C

**Benefit Trust Company
Fee Schedule and Service Addendum**

Trustee, Custodial and Communication Services – Benefit Trust Company shall be compensated for assumption of fiduciary responsibility, custodial services and for performing communication and other non-investment related services as specified in the Service Agreement, as follows. All fees will be collected from the Trust and allocated pro-rata to the participating Accounts.

Asset Based Trustee Fee 0.10% (10 basis points) per annum on the value of the assets held in trust. Asset based Trustee fees will be assessed monthly.

Asset Based Investment Advisory Fee 0.10% (10 basis points) per annum on the value of the assets held in trust. Asset based fees will be assessed monthly and paid to the Trustee's Investment Advisor, or in the alternative to a discretionary Investment Manager should one be appointed.

EXHIBIT D

=== **SAMPLE** ===

PENSION STABILIZATION TRUST FOR CALIFORNIA MUNICIPALITIES
INVESTMENT POLICY STATEMENT

The purpose of this Investment Policy Statement is to establish a comprehensive strategy for the acceptance and accumulation of invested assets under the Pension Stabilization Trust for California Municipalities for, among other things, to assist Adopting Entities in meeting applicable funding requirements for the funding of pension liability (generally referred to as "**Pension Liability**").

This Investment Policy Statement shall be consistent with the governing law, including the Internal Revenue Code of 1986 as amended from time to time (the "**Code**"), California laws, including applicable provisions of the California Government Code.

TRUST FUNDING STATEMENT

The purpose of the Trust is to provide a uniform method of investing contributions and earnings of all contributed amounts between funds deposited within the Trust Fund, as such term is defined within the Trust. The Trust shall be funded primarily by irrevocable contributions made on a discretionary basis by the Adopting Entities.

BOARD OF AUTHORITY

The Board of Authority (the "**Board of Authority**") is directly responsible for the implementation and oversight of this Investment Policy Statement. This responsibility includes the selection and ongoing evaluation of investments and/or investment managers in accordance with applicable laws and regulations. However, these investment responsibilities may be delegated to an authorized third-party trustee. In this case, the Board of Authority has appointed Benefit Trust Company ("**BTC**") as Discretionary Trustee and Trust Fund custodian, who may further designate and delegate any corresponding Investment Manager Advisor responsibilities as set forth below. On behalf of the Trust, and as approved by the Board of Authority, BTC shall administer the assets of the Trust in such a manner that the investments are:

- Prudent; in consideration of the stated purpose of the Trust, any underlying Plan and in accordance with Article 16, Section 17 of the California Constitution creating a Retirement System, and California Government Code Sections 53216.1, 53216.5 and 53216.6, and other applicable requirements;
- Diversified; among a broad range of investment alternatives;

- Permitted; in accordance with the terms of the Trust, any applicable Plan document and in accordance with California Government Code Sections 53216.1, 53216.5 and 53216.6 and other applicable requirements;
- Selected; for the exclusive benefit of the Plan participants as it relates to the funding of pension benefits, or as otherwise deemed appropriate for the purposes set forth by the Trust.

The above notwithstanding, the Board of Authority retains the responsibility to oversee the management of the Trust, including BTC's, or any successor trustee's, requirement that investments and assets held within the Trust continually adhere to the requirements of California Government Code.

INVESTMENT OBJECTIVES

The Trust authorizes the use of a broad range of investment choices that have distinctly different risk and return characteristics. In general, assets held in the Trust Fund will be for the primary purpose of meeting present and future pension contribution obligations and may be invested in accordance with California Government Code Sections 53216.1, 53216.5 and 53216.6 that subject to applicable legal requirements may provide greater latitude to increase purchasing power and capital growth potential if deemed prudent to do so.

Though investment responsibilities are delegated to the Trustee, the Board of Authority determines the range of asset allocations from which Adopting Entities may select for the investment of their assets held in the Trust Fund. Appendix A of this Investment Policy details the range of asset allocations selected by the Board of Authority. The asset allocations may be modified from time to time by amending the Appendix. Related to the investments and the holding of investments themselves, the Trustee shall actively manage model portfolios representing the range of asset allocations selected by the Board of Authority, and said model portfolios shall be listed in the Participation Agreement for selection by Adopting Entities.

PERIODIC ANALYSIS AND EVALUATION

The Board of Authority and/or its designees shall periodically meet with the Trustee to review investment performance reports that analyze the performance of the managers selected in each market sector that take into consideration:

- adherence to applicable legal constraints on investment prudence;
- consistency and adherence to stated investment management style and discipline;
- risk adjusted performance relative to managers with similar style;
- long-term investment performance relative to appropriate benchmarks; and

- changes in investment personnel managing the portfolio

ETHICS AND CONFLICT OF INTEREST

Officers, employees, and agents involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions. Officers, employees, and agents involved in the investment process shall abide by the California Government Code Section 1090 et seq. and the California Political Reform Act (California Government Code Section 81000 et seq.)

AMENDMENT

The Board of Authority shall have the right to amend this Policy, in whole or in part, at any time and from time to time.

ADOPTION

The Board of Authority hereby adopts the provisions of this Investment Policy Statement as of this _____ day of _____, 2017.

===SAMPLE – NOT FOR SIGNATURE===

APPENDIX A: Asset Allocation and Model Portfolios

Subject to the ability of the Board of Authority and Trustee to deviate from these guidelines as set forth under the heading "Investment Objectives" in the Statement, the Board of Authority has determined after due consideration that the investment objectives of the Trust are to safeguard the principal of the funds held in the Trust, as well as to meet the Trust's liquidity needs and to achieve a favorable return on the funds held in the Trust, subject to the ability of an Adopting Entity as described in Section 7.1 of the Trust to affect the balance of these considerations for its own Account by selecting its own asset allocation represented by various model portfolios. The model portfolio options made available to Adopting Entities shall be as follows:

- Fixed Income (100% fixed income securities)
- Conservative (16% equity securities, 84% fixed income securities)
- Moderate (33% equity securities, 67% fixed income securities)
- Moderate Growth (45% equity securities, 55% fixed income securities)
- Growth (61% equity securities, 39% fixed income securities)
- Aggressive Growth (76% equity securities, 24% fixed income securities)

It is understood that the target asset allocation will vary from time to time based upon market fluctuations, and that model portfolio asset allocations may be adjusted +/- 5% from time to time at the discretion of the Trustee without the requirement of further action by the Board of Authority.

In order to participate in this Trust, the Adopting Entity shall state that it understands and agrees that the Trustee shall be under no duty to question the prudence of the model portfolio the Adopting Entity directs, and shall have no liability for any loss of any kind which may result by reason of the inherent volatility of the asset allocation directed. Once the Adopting Entity has directed the Account to be invested pursuant to a model portfolio as listed above the Trustee will assume discretionary authority and responsibility for its management.

The Adopting Entity may change the designation of the model portfolio to be utilized by executing an amendment to Section 9 of the Participation Agreement. Said amendment will go into effect upon the acknowledgement of receipt by the Trustee.

The Trustee shall manage the Trust investments on a discretionary basis such that the total allocation among various fixed income investment styles, capitalizations, fund managers and securities is established and re-balanced from time-to-time so as to meet the Trust's various asset allocation objectives with the least amount of risk. The Trust assets shall not be invested in any proprietary investment vehicles of the Trustee or any of its affiliates or advisors.

Equity Investments

The purpose of the aggregate equity allocation within the Trust is to provide a total return consisting primarily of appreciation, with dividend income a secondary consideration. In order to maximize return opportunity while minimizing risk, the Trustee shall, in its discretion, allocate the Trust's equity allocation among a diverse group of equity fund managers, taking into consideration

such factors as investment style (value, growth, international, etc.) as well as the capitalization (large, mid, small, etc.) of the investment.

Permitted equity investments shall include:

- Publicly traded common stocks, preferred stocks, securities convertible into common stocks, and securities which carry the right to buy common stocks, listed on a major United States stock exchange, including stocks traded through the NASDAQ Stock Market;
- American Depository Receipts (“ADRs”);
- SEC-registered open-end mutual funds and Bank, Insurance Company or Trust Company commingled funds which invest primarily in stocks and other instruments which are allowable securities under these policies and objectives;
- Closed-end SEC-registered mutual funds which invest primarily in stocks and other instruments which are allowable securities under these policies and objectives; and
- Exchange Traded Funds (“ETFs”) which invest primarily in stocks and other instruments which are allowable securities under these policies and objectives.

In managing the equity portfolio, the Trustee shall not do any of the following:

- buy equity securities on margin;
- short-sell equity securities;
- buy or sell futures contracts in any form, except that the Trustee is authorized to buy or sell such contracts specifically for purposes of, and only for purposes of, a hedge against portfolio loss;
- buy or sell put or call options on stocks, indexes or futures contracts;
- buy or sell foreign securities not registered through an SEC filing or not denominated in U.S. dollars; or
- buy or sell any securities which are not publicly traded.

However, all of the above restrictions shall be permitted in open-end or closed-end mutual funds, comingled funds, or ETFs, if in the opinion of the Trustee these activities are consistent with fund objectives and prudent management, and the investments provide for daily liquidity.

Additionally, certain securities may not be held directly, but only in open-end or closed-end mutual funds, comingled funds, or ETFs. These include common stocks, preferred stocks, and securities convertible into common stocks and securities that carry the right to purchase common stocks of non-U.S. companies traded on global exchanges, traded in any currency, as well as restricted securities of U.S. and non-U.S. companies, including securities issued through private offerings, and forward currency contracts or currency futures contracts to hedge foreign currency exposure.

Not more than 5% of the Trust assets shall be invested in any single equity security issue or issuer. The foregoing limitation is not intended to apply to the percentage of Trust assets invested in a single diversified mutual fund.

Both an investment fund manager's performance and the performance of individual securities, if purchased, will be compared to the following benchmarks based upon the particular investment style and capitalization range:

Domestic Equities:	S&P 500
International Equities:	MSCI EAFE and ACWI ex.U.S.

The Trustee shall pay particular attention to rolling 3 and 5 year time frames as well as shorter periods should the situation warrant. In addition, the Trustee shall measure and compare the exposure to risk of the Trust's equity portfolio with benchmarks appropriate for the investment style and capitalization range of each such investment.

Fixed Income Investments

The purpose of the aggregate fixed income allocation within the Trust is to provide a total return consisting of income and appreciation, while preserving capital by investing in a diversified portfolio of high quality fixed income securities. The investment objective of the fixed income portfolio is to achieve a total return commensurate with the overall bond market as measured by the Barclay's Aggregate Bond Index for domestic securities, and the Barclay's Global Bond Index for international securities, with attention given to rolling 3 and 5 year time frames as well as shorter periods should the situation warrant. In addition, the Trustee shall measure and compare the exposure to risk of the Trust's fixed income portfolio with benchmarks appropriate for the investment style and capitalization range of each such investment.

Permitted securities shall include:

- Obligations of the U.S. Government and its agencies;
- Bonds issued by U.S. Corporations or U.S. subsidiaries of foreign companies that are incorporated within the U.S. and carry a minimum BBB rating;
- Certificates of Deposit issued by banks or savings and loans of sound financial condition under FDIC management, with never more than the amount insured by FDIC (including interest) in any single institution;

- Money market funds and money market instruments of an investment grade commonly held in money market funds such as repurchase agreements, banker's acceptances, commercial paper, etc.
- SEC-registered open-end mutual funds and Bank, Insurance Company and Trust Company commingled funds which invest primarily in bonds and other instruments which are allowable securities under these policies and objectives;
- Closed-end SEC registered mutual funds which invest primarily in bonds and other instruments which are allowable securities under these policies and objectives;
- Exchange Traded Funds ("ETFs") which invest primarily in bonds and other instruments which are allowable securities under these policies and objectives;
- Investment grade foreign government or corporate bonds carrying a minimum BBB rating, whether or not denominated in U.S currency, and whether or not hedged for foreign currency risk.
- Securities backed by pools of consumer or corporate receivables other than mortgages ("Asset-backed Securities"), provided that these securities have been registered with the SEC for public offering and that they meet the requirements of these policies and objectives and carry a minimum BBB rating; and
- U.S. Agency mortgage-backed pass-through securities.

In managing the fixed income portion of the Trust assets, the Trustee shall not do any of the following:

- buy fixed income securities on margin;
- short-sell fixed income securities;
- buy or sell futures contracts in any form, except that the Trustee is authorized to buy or sell such contracts specifically for purposes of, and only for purposes of, a hedge against portfolio loss;
- buy or sell put or call options on bonds, indexes or futures contracts;
- buy or sell foreign securities not registered through an SEC filing or not denominated in U.S. dollars; or
- buy or sell any securities which are not publicly traded except U.S. Government or agency-backed mortgages.

However, all of the above restrictions shall be permitted only in open-end or closed-end mutual funds, comingled funds, or ETFs, if in the opinion of the Trustee these activities are consistent

with fund objectives, prudent management, risk mitigation, and the investments provide for daily liquidity. In addition, investment in non-investment grade bonds or loans by such funds shall be permitted so long as the average aggregate rating of the funds are investment grade, and in the opinion of the Trustee the proportion of non-investment grade bonds to investment grade bonds in the portfolio is prudent.

Not more than 5% of the Trust assets shall be invested in any single corporate debt security issue or issuer. No limit shall apply to the percentage of Trust assets invested in a single diversified mutual fund, nor does the limitation apply to obligations of the U.S. Government and its agencies, U.S. agency mortgage-backed pass-through securities or to a mutual fund that invests in such obligations or securities.

Use of Mutual Funds

The Board of Authority envisions that the Trustee will invest predominantly in open and closed-end mutual funds. The Board recognizes that the limitations and restrictions set forth in this Statement cannot be imposed on the managers of such mutual funds and that mutual funds held by the Trust may be managed outside of the requirements of this Statement. Nonetheless, the Trustee shall seek to identify mutual funds that comply as closely as possible to these guidelines and shall diligently monitor for prompt removal and replacement of those that do not.

Performance Review

In the execution of its fiduciary responsibilities, the Trustee shall review, on a regular basis, the performance of the various investments and fund managers employed by the Trust to determine if assets are being properly managed according to the stated objectives and policies set forth in the Trust Agreement and in this Statement. The Trustee shall view performance and investment risk on the basis of a full 3 to 5-year market cycle, though the stated objectives and policies of the Trustee may result in the prompt sale of a security or dismissal of a fund manager based upon shorter term results. In addition, any deviation or change in the structure, management or investment style of any fund manager employed shall precipitate a review by the Trustee to determine whether or not that manager should be retained.



Office of the City Manager

CONSENT CALENDAR
May 14, 2019

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Henry Oyekanmi, Director, Finance Department

Subject: Contract: Keenan Financial Services to Establish, Maintain and Invest for an IRS Section 115 Trust Fund

RECOMMENDATION

Adopt a Resolution authorizing the City Manager to execute a contract with Keenan Financial Services to establish a pension Section 115 trust that includes Keenan Financial Services providing trust administration, trustee/custodian, and investment advisory services for the Trust; and authorizing the City's Plan Administrator to execute the legal and administrative documents on behalf of the City and to take whatever additional actions are necessary to establish a Section 115 trust fund, establish the authority for the management of the Section 115 investments, develop investment policies for the Section 115 trust fund, and Select an initial model investment portfolio, from the choices provided.

FISCAL IMPACTS OF RECOMMENDATION

Approving the vendor to establish and maintain the Trust and make investments for the Section 115 pension trust fund should result in better investment returns than those available using the investment policies for the City's pooled investments.

BACKGROUND

At the November 28, 2017 Council meeting, the City Manager was directed to bring back to Council a proposal to establish an Irrevocable Supplemental Pension Trust and other options as proposed by staff.

At the June 26, 2018 Council meeting, the City Council adopted a Resolution appointing the City Manager as the Plan Administrator and authorizing the City Manager to take the necessary steps to negotiate and execute the documents to establish a Section 115 Trust Fund to use as a pension rate stabilizing fund, and delegate authority for managing the Section 115 Trust Fund investments.

Compensation packages for the City of Berkeley employees include California Public Employees Retirement System (CalPERS) pensions, a Police Retirement Income Benefit Plan and three retiree medical plans (Miscellaneous Retiree Health Premium

Assistance Plan; Police Retiree Premium Assistance Plan; and Fire Employees Retiree Health Plan), referred to as other post-employment benefits (OPEB).

Recent changes in rate smoothing strategies by CalPERS have increased volatility in employer contribution rates in pensions. Monies set aside in a Section 115 Trust can be used to ease budgetary pressures resulting from unanticipated spikes in employer contribution rates. For example, a CalPERS employer who has extra money after making their current CalPERS contribution might set aside some or all of the surplus to use in future years when the required contribution is less affordable. The City wants to take steps to better manage and reduce its pension and other post-employment benefit liabilities. These actions will represent best practices for financial management, slowing the increases in the City's annual pension costs, and positioning the City to achieve retiree medical cost savings into the future.

Steps already taken by the City to address pension costs include implementing pension reform by establishing second-tier pension plans for all new employees. PEPRAs miscellaneous will be enrolled in a 2% at 62 plan and PEPRAs safety members (police and fire) will be enrolled in a 2.7% at 57 plan. PEPRAs members are required to pay half the normal cost of their plans.

However, changes by CalPERS, and past investment market losses by CalPERS have led to rapidly increasing pension rates and costs. The related ramp up in annual costs will continue for the next several years.

The City wants to take steps to better manage and reduce its pension and other post-employment benefit liabilities.

Until recently, the City's only option for reducing the unfunded actuarial accrued liability was to commit additional funds to CalPERS. Unfortunately, these funds would be subject to the same market volatility as the CalPERS investment policy, and the funds are not accessible to the City for other pension expenses. In the last couple of years, a private letter ruling was received from the IRS that establishes that under Section 115 of the Internal Revenue Code, public agencies or municipalities could create a separate trust to "pre-fund" its CalPERS unfunded liability. This will provide an alternative to sending the funds to CalPERS, and will provide greater local control over the assets and investment portfolio management.

A League of California Cities' Retirement System Sustainability Study and Findings (January 2018) revealed the following:

1. Rising pension costs will require cities over the next seven years to nearly double the percentage of their General Fund dollars they pay to CalPERS. Between FY 2018-19 and FY 2024-25, cities' dollar contributions will increase by more than 50 percent. For example, the impact would be the following for the City of Berkeley if CalPERS payments increased by 50 percent, as the League expects.

Estimated Employer Contribution	FY 19 Adopted Budget	FY 24-25 Based on California League of Cities Estimate
Miscellaneous	\$29.96M	\$44.54M
Police	\$14.57M	\$19.69M
Fire	\$7.33M	\$10.18M

2. For many cities, pension costs will dramatically increase to unsustainable levels;
3. Many cities face difficult choices that will be compounded in the next recession.
4. Tangible savings resulting from PEPRAs will not have a substantial effect on city budgets for decades.

According to the League, some things cities can do today are the following:

1. Develop and implement a plan to pay down the city’s Unfunded Actuarial Liability (UAL). Possible methods include shorter amortization periods and pre-payment of cities UAL.
2. Consider local ballot measures to enhance revenues
3. Create a pension rate stabilization program: Establishing and funding a local Section Trust Fund can help offset unanticipated spikes in employer contributions.
4. Change service delivery methods and levels of certain public services
5. Use procedures and transparent bargaining to increase employee pension contributions
6. Issue a pension obligation bond (POB). However, financial experts including the Government Finance Officers Association (GFOA) strongly discourage local agencies from issuing POBs. Moreover, this approach only delays and compounds the inevitable financial impacts.

On April 4, 2017, the City Manager presented to Council a report titled [Projections of Future Liabilities - Options to Address Unfunded Liabilities Tied to Employee Benefits \(https://www.cityofberkeley.info/Clerk/City_Council/2017/04_Apr/City_Council_04-04-2017_-_Special_Meeting_Agenda.aspx\)](https://www.cityofberkeley.info/Clerk/City_Council/2017/04_Apr/City_Council_04-04-2017_-_Special_Meeting_Agenda.aspx) which provided a thorough overview of the City’s long term expenditure obligations. On that same date, the City’s actuary presented to Council a presentation titled [Pension and OPEB Funding Study](#) which identified options to address the City’s unfunded liabilities tied to post-employee benefits.

One of the recommendations made by the City’s actuary is the establishment of an irrevocable supplemental (Section 115) pension trust with an initial “seed” deposit of \$3 million as a “start up” contribution. Going forward the City should set aside approximately 3% of payroll which is about \$4 million in year 1 and 4% of payroll which is approximately about \$5.5 million in year 2 and for the foreseeable future.

This Council report deals with the recommendation from both the League and the City's actuary which is to establish a local Section 115 Trust Fund to help offset future spikes in employer contributions.

CURRENT SITUATION AND ITS EFFECTS

The City identified three agencies that provide professional Trust administrative, trustee/custodial, and investment advisory or management services: Public Agency Retirement Services (PARS), PFM Asset Management LLC (PFM), and Keenan, and Requests for Proposals (RFP) were sent out. In their responses to the RFP, they identified their team of companies to provide the Trust services as follows:

PARS team:

- Trust Administrator-PARS
- Trustee/Custodian-US Bank
- Investment Manager-Highmark Capital Management

PFM team:

- Trust Administrator-PFM
- Trustee/Custodian-Wells Fargo Bank
- Investment Manager-PFM

Keenan Financial Services team:

- Trust Administrator-Keenan
- Trustee/Custodian-Benefit Trust Company
- Investment Manager-Morgan Stanley

The RFPs were evaluated by a review committee consisting of the Director of Finance, the Treasury Manager and an outside consultant for the City.

The RFPs were evaluated using the following criteria:

- | | |
|-------------------------------------|-----|
| 1. Firm's integrity and competence | 20% |
| 2. Price Proposal | 20% |
| 3. Qualifications to do the project | 50% |
| 4. Socially Responsible investing | 10% |

Following is the RFP Rating Sheet:

RFP RATING SHEET OF VENDORS

	Keenan Financial Services	PFM Asset Management LLC	Public Agency Retirement Services (PARS)
Firm's integrity and competence	20	20	20
Price proposal	20	11	10

Qualifications to do the project	50	50	50
Socially responsible investing	10	0	10
Total	100	81	90

All three firms have significant experience establishing and maintaining Section 115 trusts and providing investment options and investment advisory services. All three reviewers gave Keenan Financial Services the highest rating based on the above criteria. Staff recommends establishing a pension Section 115 trust with Keenan Financial Services.

It should be pointed out that PFM would not sign the City’s socially responsible investing forms and gave the following reason for not doing so:

“While PFM as a firm may comply with some of these criteria, we have no way to consistently research, analyze, and confirm compliance on an ongoing basis. Therefore, PFM, as a firm and investment advisor, is not able to document, disclose, or confirm compliance with the social responsibility criteria listed above adopted by the City.”

After the City Council approves the resolution to approve a contract with Keenan Financial Services establish, maintain and invest for an IRS Section 115 trust, the following next steps need to be taken:

1. Sign Board of Authority Member Agreement
2. Sign Pension Stabilization Trust for California Municipalities Participation Agreement, and appoint two individuals as authorized representatives
3. Develop investment policies for the Section 115 Trust, to be approved by the City Council
4. Select an initial model investment portfolio, from the choices provided.
Staff recommends the Moderate portfolio consisting of 33% equity securities and 67% fixed income securities. The City may change the designation of the model portfolio in the future by executing an amendment to section 9 of the Participants’ Agreement.
5. Make the deposits into the Section 115 Trust
The current plan is as follows:
 - a. Immediately deposit the nearly \$4 million that is currently in the PERS Savings fund.
 - b. Immediately deposit the \$4 million allocated by Council during the budget process
 - c. Deposit the \$1.1 million discount the City saved by prepaying the FY 2019 unfunded liability payments required by CalPERS, by June 30, 2019.

6. Keenan is to provide quarterly and annual investment reports to Council.

ENVIRONMENTAL SUSTAINABILITY

There are no identifiable environmental effects or opportunities associated with the subject of this report.

RATIONALE FOR RECOMMENDATION

An adequately funded Section 115 Trust can be used to help offset future spikes in CalPERS employer retirement contributions. In addition, establishing the trust fund should result in better investment returns than those available using the investment policies for the City's pooled investments.

CONTACT PERSON

Henry Oyekanmi, Director, Finance Department, 981-7300

Attachments:

1: Resolution

Exhibit A: Board of Authority Member Agreement

Exhibit B: Pension Stabilization Trust for California Municipalities Participation Agreement

Exhibit C: Keenan Financial Services Investment Portfolio Options

RESOLUTION NO. ##,###-N.S.

CONTRACT: KEENAN FINANCIAL SERVICES TO ESTABLISH, MAINTAIN AND INVEST FOR AN IRS SECTION 115 TRUST FUND

WHEREAS, it is determined to be in the best interest of the City to set aside funds for the pre-funding of its CalPERS pension obligation to be held in trust for the exclusive purpose of making future contributions of the City's required pension contributions and any employer contributions in excess of such required contributions at the discretion of the City; and

WHEREAS, a tax-exempt trust performing an essential governmental function within the meaning of Section 115 of the Internal Revenue Code (as amended) and the Regulations issued thereunder, and is a tax-exempt trust under the relevant statutory provisions of the State of California; and

WHEREAS, the City's establishment and operation of the Section 115 trust has no effect on any current or former employee's entitlement to post-employment benefits; and

WHEREAS, an RFP was sent to all firms with significant experience establishing and maintaining Section 115 trusts and providing investment options and investment advisory services; and

WHEREAS, the responses to the RFP were evaluated by a committee consisting of the Director of Finance, the Treasury Manager, and an outside consultant for the City; and

WHEREAS, all three reviewers gave Keenan Financial Services the highest rating based on the criteria outlined in the RFP.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is authorized to execute a contract, and any amendments, with Keenan Financial Services to establish an IRS Section 115 Trust Fund, to include trust administrative, trustee/custodian, and investment advisory services.

BE IT FURTHER RESOLVED that the City's Plan Administrator is hereby authorized to execute the legal and administrative documents on behalf of the City and to take whatever additional actions are necessary to establish a Section 115 trust fund, establish the authority for the management of the Section 115 investments, develop investment policies for the Section 115 trust fund, and Select an initial model investment portfolio, from the choices provided.

PENSION STABILIZATION TRUST FOR CALIFORNIA MUNICIPALITIES

BOARD OF AUTHORITY MEMBER AGREEMENT

WHEREAS, the Board of Authority of the Pension Stabilization Trust for California Municipalities (the "PST") adopted the Trust; and

WHEREAS, the PST allows up to one Member of the Board of Authority to be appointed by each Adopting Entity; and

WHEREAS, the Member must sign a written acceptance and agree to administer the PST; and

WHEREAS, the Member's written acceptance must be in a form satisfactory to the Board of Authority;

NOW, THEREFORE, the Adopting Entity, the Member and the Board of Authority agree as follows:

Section 1:

Appointment as Member: The Board hereby confirms the appointment by _____ of _____, as Member, pursuant and subject to the terms and conditions of the PST.

Section 2:

Acceptance as Member: _____ hereby accepts his or her appointment as Member pursuant and subject to the terms and conditions of the PST and agrees to administer the PST.

IN WITNESS WHEREOF, the duly authorized parties hereto have executed this Agreement as of _____, 2017.

Adopting Entity:

**CHAIRMAN OF THE BOARD OF THE
PENSION STABILIZATION TRUST FOR
CALIFORNIA MUNICIPALITIES**

Signature: _____

Signature: _____

Name: _____

Name: _____

Title: _____

Title: _____

ACCEPTANCE AS MEMBER

Signature: _____

Name: _____

**PENSION STABILIZATION TRUST FOR CALIFORNIA MUNICIPALITIES
PARTICIPATION AGREEMENT**

THIS PARTICIPATION AGREEMENT is entered into by the undersigned California public entity (the "Adopting Entity") and Benefit Trust Company, a Kansas corporation, as Trustee (the "Trustee") of the Pension Stabilization Trust for California Municipalities (the "Trust"), effective as of the date specified on the signature page (the "Effective Date"), with reference to the following:

A. The Board of Authority (the "Board") of the Trust has established the Trust to help California Municipalities stabilize the funding of their pension benefit liabilities by creating a secure vehicle to hold assets pending their contribution to a pension plan in satisfaction of a public entity's funding obligation. The Trust is intended to qualify as a trust arrangement that is tax exempt under applicable guidance and procedures under Section 115 of the Internal Revenue Code.

B. The Adopting Entity has adopted a pension plan for its eligible employees (the "Plan") to which the Adopting Entity is required to make regular contributions. To the extent the Adopting Entity may from time to time have excess funds, a portion of which can be used to pre-fund contributions to the Plan, the Adopting Entity desires to have a secure trust to which it may contribute such funds and to have the trust hold such pre-funding contributions.

C. In order to participate in the Trust, the Adopting Entity must be a public entity in the State of California and must enter into this Participation Agreement (the "Agreement").

NOW, THEREFORE, the Adopting Entity and the Trustee agree as follows:

1. **Participation.** The undersigned Adopting Entity agrees to all of the provisions, terms and conditions of the Trust and agrees to participate in the Trust in accordance with the terms of this Agreement. The Adopting Entity agrees to cooperate in providing any information reasonably required by the Trustee or the Board to administer the Trust properly.

2. **Representations of Adopting Entity.** The Adopting Entity makes the following representations and warranties, and acknowledges that the Trustee is relying on these representations in entering into this Agreement:

(a) The Adopting Entity is a public entity within the State of California under the California Constitution and applicable sections of the Government Code.

(b) By executing this Agreement, the Adopting Entity acknowledges that it has determined that the Trust is appropriate for the pre-funding of a portion of its pension liabilities under the Plan.

(c) The Plan has been adopted by all necessary action of the governing body of the Adopting Entity and remains in full force and effect, in compliance with all applicable legal requirements.

(d) The adoption of this Agreement has been approved by all necessary action of the Adopting Entity's governing body and the person signing this Agreement on its behalf is authorized to do so.

(e) Neither the execution and delivery of this Agreement by the Adopting Entity, nor compliance by the Adopting Entity with any of the provisions hereof, nor the consummation of the transactions contemplated hereby, will result in a default, or give rise to any right of termination, cancellation or acceleration, under any term, condition or provision of any agreement or other instrument or obligation to which the Adopting Entity is a party or by which it or any of its properties or assets may be bound.

(f) The Adopting Entity has received a copy of the Pension Stabilization Trust Agreement (the "Trust Agreement"), is aware of the terms and conditions thereof and agrees that in the event of any conflict between the terms of the Trust and this Agreement, the terms of the Trust will control.

(g) The Adopting Entity has not received any legal, accounting or investment advice from the Trustee, the Board or their representatives. The Adopting Entity acknowledges that it has had the opportunity to consult with independent legal counsel regarding this Agreement and the Trust.

3. **Administration Fees.** The Trustee will allocate reasonable fees for administration to each Adopting Entity's account in the Trust in accordance with the fee schedule established from time to time with the Board. Such fees shall not exceed 0.30% (30 basis points) per annum on the value of the assets held in the account. Fees will be collected monthly directly from the account.

4. **Responsibility for Legal Compliance.** The Adopting Entity acknowledges that the Trustee will not be responsible for compliance with any obligations or to enforce any obligations the Adopting Entity may have under the Plan. All such compliance shall be the responsibility of the Adopting Entity.

5. **Indemnification.** The Adopting Entity agrees to indemnify and hold harmless the Trust, the Trustee and the Board from any and all liabilities and losses, including attorneys' fees, arising out of the claim by any person for damages caused by or resulting from the failure of the Adopting Entity to comply with the provisions of the Plan, the Trust or applicable requirements of federal or state law.

6. **Amendment and Termination.**

(a) This Agreement and the Declaration of Trust constitute the entire agreement of the parties concerning the Adopting Entity's participation in the Trust. This Agreement may be amended only through a written document executed by the Trustee and the Adopting Entity.

(b) The Agreement may be terminated by the Adopting Entity by providing 90 days written notification of its intent to terminate its participation in the Trust; provided that

upon such a termination, none of the assets held in the Trust for contribution to the Plan shall be returned or otherwise made available to the Adopting Entity for any purpose.

(c) The Trust may be terminated in accordance with the provisions of the Trust Agreement.

(d) The Adopting Entity's rights and obligations under this Agreement cannot be assigned without the written consent of the Trustee.

7. Right to Rely.

(a) The Adopting Entity acknowledges that the Trustee will rely upon any representations that it or any of its authorized representatives make to the Board.

(b) The Adopting Entity hereby designates the persons identified on the signature page of this Agreement as the persons authorized to represent the Adopting Entity in connection with matters regarding the Adopting Entity's participation in the Trust and the disbursement of funds from the Trust (the "Authorized Representative"), and agrees that the Board and the Trustee may rely upon the representations of the Authorized Representative until and unless notified in writing that this person is no longer authorized to represent the Adopting Entity in this manner. Any such notice must identify a new person who will serve as the Adopting Entity's Authorized Representative.

8. General Provisions.

(a) Any notice required under this Agreement shall be in writing and shall be furnished to the recipient at the addresses provided separately by the parties, unless the recipient has provided the sender with notice of a change of address.

(b) This Agreement shall be governed by the laws of the State of California.

(c) The failure of the Trustee to seek redress for violation of or to insist upon the strict performance of any provision of the Agreement shall not be deemed a waiver and will not prevent a subsequent act, which would have originally constituted a violation, from having the effect of an original violation. The rights and remedies provided in this Agreement are cumulative and the use of any right or remedy does not limit the Trustee's right to use any or all other remedies. All rights and remedies in this Agreement are in addition to any other legal or equitable rights that the Trustee may have.

(d) Every provision of the Agreement is intended to be severable. If any term or provision hereof is invalid for any reason whatsoever, its invalidity will not affect the validity of the remainder of the Agreement.

(e) This Agreement may be executed in any number of counterparts with the same effect as if all parties hereto had all signed the same document. All counterparts shall be construed together and shall constitute one agreement.

(f) Unless the context requires otherwise, the use of a feminine pronoun includes the masculine and the neuter, and vice versa, and the use of the singular includes the plural, and vice versa.

(g) The headings used in this Agreement are provided for convenience and are not intended to be a part of this Agreement or to influence the interpretation of the terms of this Agreement. This Agreement shall not be construed on the basis of which party drafted the Agreement or a particular provision thereof.

9. **Selection of Model Portfolio.** The Adopting Entity has reviewed its tolerance for risk and its requirements for the investment of the Account, and has also reviewed the model portfolios offered by the Trustee. Solely and by virtue of this review, the Adopting Entity hereby directs the Trustee to invest the assets of the Account in accordance with the following model portfolio with its commensurate approximate target asset allocation, understanding that the target asset allocation will vary from time to time based upon market fluctuations, and that with the exception of Fixed Income, model portfolio asset allocations may be adjusted +/- 5% from time to time at the discretion of the Trustee:

CHECK ONE:

- Fixed Income (100% fixed income securities)
- Conservative (16% equity securities, 84% fixed income securities)
- Moderate (33% equity securities, 67% fixed income securities)
- Moderate Growth (45% equity securities, 55% fixed income securities)
- Growth (61% equity securities, 39% fixed income securities)
- Aggressive Growth (76% equity securities, 24% fixed income securities)

The Adopting Entity understands and agrees that the Trustee shall be under no duty to question the prudence of the model portfolio the Adopting Entity directs, and shall have no liability for any loss of any kind which may result by reason of the inherent volatility of the asset allocation directed. Once the Adopting Entity has directed the Account to be invested pursuant to a model portfolio as listed above the Trustee will assume discretionary authority and responsibility for its management.

The Adopting Entity may change the designation of the model portfolio to be utilized by executing an amendment to this section 9 of the Participation Agreement. Said amendment will go into effect upon the acknowledgement of receipt by the Trustee.

10. List two Individuals appointed as Authorized Representatives:

IN WITNESS WHEREOF, the parties have executed this Agreement as of _____, 2018.

Adopting Entity:

**BENEFIT TRUST COMPANY, TRUSTEE
FOR THE PENSION STABILIZATION
TRUST FOR CALIFORNIA
MUNICIPALITIES**

Signature: _____

By: _____
Scott W. Rankin, Senior Vice President

Name: _____

Title: _____

EXHIBT D

	KENNAN FINANCIAL SERVICES									
	INVESTMENT OPTIONS									
	Fixed Income	Conservative	Moderate	Moderate Growth	Growth	Aggressive Growth				
Total Equities	0.00%	16.00%	33.00%	45.00%	61.00%	75.00%				
Total Bonds	100.00%	84.00%	67.00%	55.00%	39.00%	25.00%				
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%				
Domestic equities:	Style	Ticker	Expenses							
1. Large Cap domestic equities:										
a. Alger capital appreciation focus	Large growth	ALGYX	0.65%	0%	1%	3.5%	6%	6%	8%	
b. Columbia contrarian core	Large blend	COFYX	0.66%	0%	2%	3%	4%	5%	7%	
c. Oakmark select	Large value	OANLX	0.82%	0%	2%	4%	4%	6%	7%	
2. Small/ Mid cap domestic equities:										
a. Hartford midcap	Mid growth	HMDYX	0.76%	0%	0%	1%	2%	4%	6%	
b. Alger small cap focus	Small growth	AGOZX	0.90%	0%	1%	3%	4%	5%	6%	
c. Undiscovered managers' behavioral value	Small blend	UBVFX	0.79%	0%	1%	1%	2%	4%	5%	
3. Real Estate Investment Trusts:										
a. Cohen & Steers Real Estate securities	Real Estate	CSZIX	0.88%	0%	1%	2%	2%	3%	4%	
b. PGIM Global Real Estate	Real Estate	PGRQX	0.80%	0%	0%	1%	2%	2.5%	3%	
Total Domestic Equities & REITs				0	8%	19%	26%	35.5%	46.0%	
International/ Global Equities:										
a. John Hancock International Growth	Int'l growth	JIGTX	0.93%	0%	2%	2%	3%	4%	4%	
b. Brandeis International small cap	Int'l SMID	BISRX	1.00%	0%	1%	1.5%	2%	3%	4%	
c. American Funds New Perspectives Fund	Global growth	ANWFX	0.55%	0%	1%	2%	2%	3%	4%	
d. American Funds New World Fund	Emerging markets	NFFFX	0.76%	0%	1%	1%	1.5%	2%	3%	
e. PGIM Jennison Global Opportunities	Global growth	PRJQX	0.84%	0%	0%	1%	1.5%	2%	3%	
f. Oakmark International	Int'l value	OANIX	0.81%	0%	1%	2%	3%	3%	3%	
g. Hartford International Value	Int'l value	HILYX	0.91%	0%	1%	2%	3%	4%	4%	
h. Thornburg Investment Income Builder	Global Blend	TIBOX	0.85%	0%	1%	3%	3%	5%	5%	
Total International/Global Equities				0%	8%	15%	19%	25.5%	30.0%	
Fixed Income:										
a. BlackRock Total Return	Domestic Bond	MPHQX	0.39%	16%	14%	11%	9%	6%	4%	
b. Guggenheim Investment Grade Bond	Domestic Bond	GIUSX	0.50%	16%	14%	11%	9%	6%	4%	
c. PGIM Total Return Bond	Domestic Bond	PTRQX	0.46%	16%	14%	11%	9%	6%	4%	
d. Western Asset Core Plus Bond	Domestic Bond	WAPSX	0.42%	16%	14%	11%	9%	6%	4%	
e. Guggenheim Macro Opportunities	Domestic Bond	GIOIX	0.97%	16%	12%	11%	9%	6%	4%	
f. Hartford World Bond	Global Bond	HWDYX	0.67%	8%	7%	4%	4%	3%	1%	
g. Brandywine Global Opportunities Bond	Global Bond	GOBSX	0.56%	6%	5%	4%	3%	3%	1.5%	
h. Brandywine Global Alternative Credit	Global Bond	LMAMX	1.25%	6%	4%	4%	3%	3%	1.5%	
Total Bonds				100%	84%	67%	55%	39%	24%	
Total Investments				100%	100%	100%	100%	100%	100%	
Expected Return				4.50%	5.00%	6.00%	6.99%	7.69%	8.46%	
Expected Standard Deviation				3.12%	4.26%	6.09%	7.41%	9.48%	11.89%	