



Council Agenda Report

From: Tom Frutchey, City Manager
Mike Compton, City Treasurer

Subject: Unfunded Pension Obligation Section 115 Trust

Date: March 21, 2017

Facts

1. The City Council has directed staff to investigate and return with a plan to make a contribution from General Fund reserves to offset the City's unfunded pension obligation.
2. The City's unfunded pension liability at June 30, 2016 was nearly \$25 million. . UAL based on most recent valuation is \$37MM. With the incorporation of the new discount rate change, + the 0% returns from last FY (2015/16), we expect this to grow to between \$50 and \$55MM.
3. Staff investigated the options for addressing the unfunded pension obligation and determined that the best option is to establish an Unfunded Pension Obligation Section 115 Trust (115 Trust). Staff investigated options to utilize \$5MM of reserves to set aside for reducing pension costs. It was recommended that half (\$2.5MM) would be used to directly pay down the UAL with PERS, and the other half (\$2.5MM) be used to fund a Section 115 Trust.
4. Two firms were identified that provide 115 Trust services; Public Agency Retirement System (PARS) and PFM Asset Management LLC (PFM). After a thorough comparison, it recommended that the Section 115 Trust be set up through PFM for three primary reasons: (1) Based on a comparison of investment performance over the last 3, 5 and 7 years (across all types of portfolios), PFM consistently outperformed PARS. (2) NHA was successful in negotiating a lower management fee with PFM that is commensurate with PARS fees, and (3) The City currently has a strong relationship with PFM for investment advisory services.
5. Based on the City's fiscal forecast, and projected CalPERS requirements, it is proposed that \$2.5 be used to pay down the unfunded pension obligation directly with the Public Employees Retirement System (PERS) and another \$2.5 million be deposited into the 115 Trust with PFM.
6. Additional deposits into the 115 Trust may be made so long as the City Council is comfortable with the level of General Fund reserves on hand in the future. Moneys can be withdrawn from the trust to pay ongoing CalPERS obligations, giving the City substantial flexibility and risk management options.
7. The City will adopt a 'multiple-employer' trust sponsored by Wells Fargo Bank, which allows other public agencies to adopt the same trust. This benefits the City because it will receive economies of scale and keep administrative costs as low as possible.
8. Copies of all relative documents in draft form are attached.

Options

1. Take no action;
2. Adopt the attached Resolution authoring staff to execute any and all documents necessary to establish 115 Trust with PFM;
3. Amend the foregoing option;
4. Refer back to staff for further analysis.

Analysis and Conclusions

Contributions from the 115 Trust may be transferred to PERS at the City's discretion at any time to offset PERS' required annual contributions. This flexibility is an attractive feature.

The City would maintain oversight of investments in the 115 Trust in order manage its' risk tolerance and asset allocations. City has no such oversight with PERS.

Establishing a 115 Trust provides greater investment flexibility than keeping the funds in the City's investment portfolio. The City's ability to invest idle City funds is severely limited by state restrictions. The funds in the 115 Trust would be expected to earn a much higher return than the City's investment portfolio.

Assets in the 115 Trust help maintain bond ratings as this is viewed as a practical measure to reduce the City's unfunded pension obligation.

Assets in the 115 Trust will offset reduce the unfunded pension obligation liabilities and will be reported as such on the City's Comprehensive Annual Financial Report (CAFR).

The City may also pre-fund its' retiree medical costs (OPEB) through the same program. This program currently resides with the International City Managers Association (ICMA).

Fiscal Impact

Should the City Council choose to move forward with establishing the unfunded pension obligation as proposed (\$2.5 million to PERS and \$2.5 million to the 115 Trust), the City's unfunded pension obligation would be paid down 10 years faster and would result in \$25 million in savings over 25 years according to the analysis prepared by NHA.

Recommendation

1. Adopt Resolution 17-XXX directing staff to implement a 115 Trust to assist the City in addressing its pension obligations.
2. Authorize the City Treasurer and City Manager to finalize and execute the documents required to establish the 115 Trust, making any minor changes necessary and consistent with Council direction.

Attachments

1. Resolution No. 17-XXX
2. Post-Employment Benefits Trust Agreement
3. Adoption Agreement for Post-Employment Benefits Trust
4. Wells Fargo Due Diligence Questionnaire
5. Wells Fargo Account Documentation
6. Wells Fargo Account Set Up Documentation
7. City of Paso Robles Portfolio Planning Survey
8. Bylaws of the Section 115 Trust Investment Committee
9. Charter of the Section 115 Trust Investment Committee
10. Authorized Signers Certificate
11. Sweep Investment Direction for Cash Balances
12. W-9
13. Pension Savings Plan – December 20, 2016

RESOLUTION NO. 17-XXX

A RESOLUTION OF THE CITY OF EL PASO DE ROBLES
AUTHORIZING THE EXECUTION OF SECTION 115
TRUST DOCUMENTS

WHEREAS, the City Council of the City of El Paso de Robles desires to establish a Section 115 Post-Employment Trust to 'buy down' the City's unfunded pension obligation; and

WHEREAS, establishment of a Section 115 Post-Employment Trust requires the City Council of the City of El Paso de Robles to authorize appropriate City officials to execute the necessary documents and agreements to establish the Section 115 Post-Employment Trust; and

WHEREAS, at a duly authorized meeting of the City Council of the City of El Paso de Robles at which time a quorum was present did authorize the City Manager and/or City Treasurer to execute any and all documents and agreements including, but not limited to, Adoption Agreement and Trust Administrative Services Agreement and appointment of Wells Fargo as Trustee and PFM as the Trust Administrator; and

THEREFORE BE IT HEREBY RESOLVED by the City Council of the City of El Paso de Robles that at the time of adoption of this resolution had full power and lawful authority to confer the authority to the City Manager and/or City Treasurer to exercise the same power and authority.

BE IT FURTHER RESOLVED by the City Council of the Council of the City of El Paso de Robles that the persons whose names appear on the Authorized Signers Certification now hold positions and/or offices noted below their respective names; that the signatures appearing below their names are the authentic official signatures of the said respective positions and/or offices; and that the authority of such persons may be relied upon until further notice is received from the City of El Paso de Robles.

APPROVED by the City Council of the City of Paso Robles this 21st day of March 2017 by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

Steven W. Martin, Mayor

ATTEST:

Kristen L. Buxkemper, Deputy City Clerk

Post-Employment Benefits Trust Agreement

By and between



as Trust Administrator

and



as Trustee

Effective July 1, 2015

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POST-EMPLOYMENT BENEFITS TRUST AGREEMENT

This Post-Employment Benefits Trust Agreement ("Agreement") is made effective July 1, 2015, between WELLS FARGO BANK, N.A. (together with any successor trustee hereunder, the "Trustee") and PFM ASSET MANAGEMENT LLC (together with any successor trust administrator hereunder, the "Trust Administrator");

WHEREAS, the Trust Administrator wishes to establish a means by which public-agency employers may set aside moneys to fund the employers' obligations to provide eligible persons ("Beneficiaries") with (i) pension benefits and (ii) retiree-health benefits and other post-employment benefits other than pension benefits ("OPEB");

WHEREAS, to accomplish these objectives, the Trustee wishes to establish a multiple-employer trust ("Trust") for the exclusive purpose of providing amounts to fund participating employers' obligations to provide OPEB or pension benefits, or both, with the intent that (i) the Trust's income will be exempt from federal and state income tax (under Internal Revenue Code Section 115 with respect to federal income tax), (ii) contributions and transfers to the Trust will not be taxable to Beneficiaries, (iii) Trust assets are intended to qualify as "plan assets" to the maximum extent permitted under Governmental Accounting Standards Board statements applicable to OPEB and pension benefits, and (iv) all assets of the Trust are and will be irrevocably dedicated to, and will be used for the exclusive purposes of, providing for payments of OPEB and pension obligations as described in this Agreement, and paying the reasonable expenses of administering the Trust, and will not be available to any participating employer's creditors;

WHEREAS, the Trust Administrator and Trustee are unaffiliated entities;

WHEREAS, the Trustee is willing to accept the Trust;

WHEREAS, the Trust is an entity separate from the participating employers for the exclusive benefit of the Beneficiaries and not of the employers;

WHEREAS, the indicia of ownership of Trust assets will be held by the Trustee at all times and the Trust assets will not be considered participating employers' funds or assets for any purpose;

WHEREAS, PFM Asset Management LLC is willing to serve as the Trust Administrator of the Trust with the rights and duties of the Trust Administrator provided in this Agreement;

WHEREAS, the Trust Administrator will have exclusive authority and responsibility for the management, administration, and investment of Trust assets in its sole judgment in accordance with this Agreement, without any requirement of consent by any participating employer or, except as expressly provided herein, of notice to any participating employer;

WHEREAS, every Employer is a state, political subdivision of a state, or other entity whose income is excludible from gross income under Section 115 of the Code; and

WHEREAS, the Trustee is a national banking association and a corporate trustee, with all requisite powers and capabilities to act as the Trustee and administer the Trust as set forth in this Agreement.



NOW, THEREFORE, the Trust Administrator and the Trustee agree as follows:

ARTICLE 1

DEFINITIONS

- 1.1 "Account" is defined in Section 4.6.
- 1.2 "Adoption Agreement" means the written instrument by which the Employer adopts and participates in the Trust in accordance with this Agreement, and by which the Employer makes certain elections relating to its participation in the Trust.
- 1.3 "Agreement" means this Post-Employment Benefits Trust Agreement between the Trustee and the Trust Administrator.
- 1.4 "Beneficiary" means a person who is entitled to post-employment benefits under the Employer's OPEB Plan or Pension Plan.
- 1.5 "Code" means the Internal Revenue Code of 1986, as amended.
- 1.6 "Employer" means each public agency that executes the Adoption Agreement, thereby becoming a participating agency in the Trust. Such agency must be a state, a political subdivision of a state, or an entity whose income is excludible from gross income under Section 115 of the Code.
- 1.7 "Investment Policy Statement" means the separate statement of policy for investing the assets of each Employer's Account, a copy of which is attached to the Employer's Adoption Agreement and which is satisfactory to the Employer.
- 1.8 "Omnibus Account" is defined in Section 4.6.
- 1.9 "OPEB" means post-employment health and welfare benefits (other than pensions) provided by the Employer under the OPEB Plan to Beneficiaries, including medical, dental, vision, life insurance, long-term care and other similar benefits.
- 1.10 "OPEB Account" is defined in Section 4.6.
- 1.11 "OPEB Obligation" means the Employer's obligation to provide OPEB under the Employer's OPEB Plan, including the direct costs of the OPEB and the expenses associated with providing the OPEB.
- 1.12 "OPEB Plan" means the policies, collective bargaining agreement, or other arrangements under which a Beneficiary is entitled to receive OPEB, but only if the policy, agreement, or other arrangement is specified by the Employer in the Adoption Agreement.
- 1.13 "Pension Account" is defined in Section 4.6.
- 1.14 "Pension Obligation" means the Employer's obligation to contribute to the qualified trust of the Employer's Pension Plan and to pay the expenses associated with providing



PFM Asset Management LLC

benefits under the Pension Plan. For this purpose, "qualified trust" means a trust that is qualified under Section 401(a) of the Code and that funds retirement benefits provided under the Pension Plan. A qualified trust is separate from this Trust and will not be considered part of this Trust for any purpose.

- 1.15 "Pension Plan" means one or more defined-benefit plans, each of which is (i) qualified under Section 401(a) of the Code, (ii) sponsored by the Employer in order to provide retirement benefits to Beneficiaries, including but not limited to a stand-alone plan maintained solely by the Employer or a multiple-employer or multiemployer plan in which the Employer participates along with one or more other employers, (iii) partly or wholly funded by the Employer's contributions, and (iv) specified by the Employer in the Adoption Agreement.
- 1.16 "Plan Administrator" means the person(s) or entity appointed by the Employer with the plenary authority over the Account. The Plan Administrator may delegate all or any part of its authority to any person(s) or entity. The Employer must, at the time and in the manner specified by the Trustee and the Trust Administrator, certify in writing to the Trustee and the Trust Administrator the names and specimen signatures of the Plan Administrator and its delegates; no appointment or delegation under this Section 1.16 will be effective without that certification. If no person or entity is appointed as Plan Administrator, the Employer will be the Plan Administrator.
- 1.17 "Trust" means the Post-Employment Benefits Trust established by this Agreement.
- 1.18 "Trust Administrative Services Agreement" means the agreement in the form attached to each Adoption Agreement and executed between the Employer and the Trust Administrator which authorizes the Trust Administrator to administer the Employer's Account.
- 1.19 "Trust Administrator" means PFM Asset Management LLC or any successor thereof designated by the Employers under Article 12.
- 1.20 "Trustee" means Wells Fargo Bank, N.A., or any successor trustee designated by the Trust Administrator in accordance with Article 13.

ARTICLE 2

ESTABLISHMENT AND PURPOSE

The Trust is a multiple-employer trust arrangement established and maintained for the sole purposes of holding the assets used to fund Employers' OPEB Obligations and Pension Obligations, and for paying each Employer's reasonable, allocable expenses of administering the Trust. As such, the Trust is divided into separate Accounts to hold the assets of each participating Employer. Consistent with its purpose, the Trust is intended to qualify as a tax-exempt trust performing an essential governmental function within the meaning of Section 115 of the Code. Each participating Employer retains an interest only in the assets held in that Employer's Account as set forth in Section 4.6.



ARTICLE 3

PARTICIPATION

- 3.1 Eligibility. Only public agencies may become participating Employers in the Trust. For this purpose, a public agency means a state, political subdivision of a state, or an entity whose income is excludible from gross income under Section 115 of the Code.
- 3.2 Commencement of Participation. A public agency may become a participating Employer in the Trust by furnishing the Trust Administrator with the following: (i) an executed Adoption Agreement, (ii) an executed Trust Administrative Services Agreement, (iii) a certified copy of a resolution, minutes, or other documentary evidence of the Employer's governing body approving the adoption of the Agreement, and (iv) any other documentation as the Trust Administrator may require. The public agency will become a participating Employer upon the Trust Administrator's written acceptance of the documents described in the preceding sentence.
- 3.3 Termination of Participation.
- (a) An Employer may elect in writing to withdraw from the Trust by filing such election with the Trust Administrator and the Trustee at least 30 days before the effective date of the withdrawal. As soon as administratively practicable after the effective date, the Trustee will segregate the withdrawing Employer's Account and transfer the assets in such Account to a trust established by agreement between the Employer and a successor trustee, but only if the Employer certifies in writing to the Trust Administrator that the trust satisfies the requirements of Section 115 of the Code.
 - (b) In the event the Trust Administrator contemplates an assignment of this Agreement in connection with a change of control or otherwise (collectively, an "assignment"), the Trust Administrator will provide each Employer with written notice at least 60 days before the effective date of such assignment. Upon receipt of such notice, each Employer may elect to terminate participation and withdraw from the Trust at any point prior to the effective date of the assignment as set forth in the notice. If an Employer does not provide notice of its desire to terminate within the 60-day notice period, the Employer's consent to the contemplated assignment will be implied.
 - (c) If the Employer has an Omnibus Account and both its Pension Obligation and OPEB Obligation have terminated, Section 14.3(b) will apply. If the Employer has an OPEB Account and its OPEB Obligation has terminated, Section 14.3(c) will apply. If the Employer has a Pension Account and its Pension Obligation has terminated, Section 14.3(d) will apply. An Employer's Pension Obligation or OPEB Obligation will be deemed terminated for these purposes upon the Trust Administrator's receipt of a certified copy of a resolution, minutes, or other documentary evidence of the Employer's governing body approving of the respective termination.
 - (d) Each Employer agrees to immediately notify the Trust Administrator upon receipt of a determination from the Internal Revenue Service that has the effect of rendering the Employer's Account ineligible for the tax exemption under Section



115 of the Code, such as any determination that the Employer is not a public agency. In such a case, as soon as administratively practicable after the Trust Administrator notifies the Trustee of the Internal Revenue Service's determination, the Trustee will segregate and place the Employer's Omnibus Account, OPEB Account, and Pension Account (as applicable) in a separate trust established for the exclusive purpose of funding the Employer's OPEB and Pension Obligation, OPEB Obligation only, or Pension Obligation only, respectively.

ARTICLE 4

GENERAL TRUST PROVISIONS

- 4.1 Irrevocable Trust. The Trust is irrevocable.
- 4.2 No Diversion. The principal of the Trust, together with any earnings thereon, will be held in trust by the Trustee separate and apart from any assets of the Employer. Except as provided in Sections 14.3 and 14.4, all assets in each Account and all income thereon are irrevocably dedicated to, and will be used for the exclusive purpose of, making payments of OPEB Obligations or Pension Obligations, as applicable, under the OPEB Plan or Pension Plan for which the Account was established and for paying the reasonable expenses of the Employer's participation in the Trust. At no time will the assets in any Employer's Account be used for, or diverted to, any other purposes, including but not limited to payment of any other Employer's OPEB Obligations or Pension Obligations.
- 4.3 Title to Trust Assets. The Trustee has exclusive right, title, and interest in and to the assets of the Trust.
- 4.4 Spendthrift Provision. Assets held in the Trust may not be used to satisfy claims of creditors of any Employer. No Beneficiary will be deemed a third-party beneficiary of this Agreement, nor will any Beneficiary have the right to compel any payment of any amount from the assets of the Trust or to enforce any duties of any party to or other entity referred to in this Agreement. Beneficiaries will not have any preferred claim, lien on, or security interest in, or any beneficial interest in any particular assets of the Trust. Beneficiaries will be entitled to receive payments of assets of the Trust only when, as, and if determined by the Employer in accordance with this Agreement. Except to the extent allowed by law, the Trust is not subject to attachment or garnishment or other legal process by any creditor of any such Beneficiary, nor will any Beneficiary have the right to alienate, anticipate, commute, pledge, encumber, or assign any Trust assets.
- 4.5 Account Assets. Each Employer may at any time make (or cause to be made) contributions or transfers of cash or other assets acceptable to the Trustee to the Trust from any source. Neither the Trustee nor any Beneficiary or any party to or any other entity referred to in this Agreement will have any right to compel such contributions or transfers or any duty to determine whether any such contributions or transfers comply with the Employer's OPEB Plan or Pension Plan, as applicable. In addition, neither the Trustee nor the Trust Administrator is responsible for separately accounting of any contributions or transfers to the Trust or for determining the source of these amounts.



4.6 Separate Accounts.

- (a) Upon the effective date of an Employer's participation in the Trust under Article 3, the Trustee will establish a separate Account to which the Trustee will (i) credit all contributions or transfers from the Employer to the Trust and any income and gains attributable to those amounts, and (ii) debit all distributions, transfers from the Trust, and any losses and expenses attributable to those amounts. The Employer will have an interest only in the assets in the Employer's Account, and those assets will be available only to pay the Employer's OPEB Obligations and Pension Obligations and will not be available to pay any other Employer's obligations.
- (b) At the direction of the Trust Administrator, the Trustee may pool or commingle for investment purposes assets in the Employer's Account with other assets of the Trust and may invest all or a portion of those assets in any separate fund or account (including common investment pools or trusts) established under this Agreement or other investments permitted under this Agreement as set forth in Article 7. If any of the Employer's Account assets are pooled or commingled for investment purposes with other assets of the Trust or invested with other assets of the Trust in a separate fund or account, the Employer's Account will have an undivided beneficial interest in the Trust itself or in the particular investment funds, as the case may be, and these ownership interests will be represented by units or shares that the Trustee will hold in the Employer's Account.
- (c) Each Employer's Account contains up to three types of subaccounts (each of which may contain one or more subaccounts): an "Omnibus Account," "Pension Account," and "OPEB Account". Assets under the Omnibus Account are available to fund the Employer's Pension Obligations or OPEB Obligations and allocable expenses of participating in the Trust. Assets under the Employer's Pension Account are available only to fund the Employer's Pension Obligation and allocable expenses of participating in the Trust. Assets under the Employer's OPEB Account are available only to fund the Employer's OPEB Obligation and allocable expenses of participating in the Trust. Contributions or transfers to an Employer's Account will be allocated to the subaccounts as follows:
 - (1) Contributions and transfers received by the Trust on the Employer's behalf will be allocated to the Omnibus Account, Pension Account or OPEB Account, or any combination of these subaccounts, as directed by the Plan Administrator.
 - (2) Any contributions or transfers for which the Plan Administrator does not provide allocation directions will be held in the Omnibus Account. The Plan Administrator may at any time direct the allocation of amounts in the Omnibus Account to either the Pension Account or the OPEB Account.
 - (3) Once allocated to the Pension Account or the OPEB Account, amounts under the Trust may not subsequently be transferred to any other subaccount. Notwithstanding the preceding sentence, at the Plan Administrator's direction, the Trustee will reverse any allocation to the Pension Account or OPEB Account and deposit the funds (together with allocable earnings and losses) in one or both of the other two



subaccounts, but only if the Plan Administrator notifies the Trustee in writing within 30 days after the allocation that the allocation was due to mistake of fact and provides any other documentation required by the Trustee in its sole discretion.

ARTICLE 5

TRUST ADMINISTRATOR

- 5.1 Powers and Duties of the Trust Administrator. The Trust Administrator has sole discretion and authority to do any of the following:
- (a) At the direction of the Plan Administrator, instruct the Trustee to make distributions from the Employer's Account, including from any subaccount under the Account;
 - (b) Direct the Trustee to pay the fees of the Trust Administrator;
 - (c) Direct the Trustee as to the investment and management of Trust assets; and
 - (d) Such other acts as may be agreed to by the Employer and the Trust Administrator in the Trust Administrative Services Agreement or are necessary or appropriate to effect the intent of this Agreement.
- 5.2 Reliance. In the performance of its duties hereunder, the Trust Administrator is entitled to rely on, and is under no obligation to investigate instructions or data received from the Plan Administrator, including whether the amount of contributions or transfers made to the Trust by the Employer comply with the Employer's OPEB Plan or Pension Plan. Accordingly, the Trust Administrator will not be liable for action or inaction that is caused directly or indirectly by erroneous or late instructions or data furnished by the Plan Administrator.
- 5.3 Annual Audit. The Trust Administrator shall appoint a responsible accounting firm to conduct an annual audit of the Trust at the sole expense of the Employers. The results of such audit will be provided to the Trust Administrator, the Trustee, and each of the Employers. The Employer will be solely responsible for any expenses associated with any separate audit of the Employer's Account or the Employer's participation in the Trust, and no Trust assets outside the Employer's Account may be used to pay any part of those expenses.
- 5.4 Trust Administrator not Custodian of Trust Assets. The Trustee shall have sole custody of cash, securities and other assets of the Trust. The Trust Administrator is authorized to give instructions to the Trustee as to deliveries of securities and payments of cash for the account of the Trust. The Trust Administrator shall not take possession of or act as custodian for the cash, securities or other assets of the Trust and shall have no responsibility in connection therewith.
- 5.5 Furnishing of Administrative Services, Office Space, Equipment and Personnel. The Trust Administrator shall furnish at its own expense all necessary administrative services, office space, equipment, clerical personnel, telephone and other



communication facilities, and executive and supervisory personnel required to perform its duties under this Agreement.

- 5.6 Registered Investment Advisor. The Trust Administrator hereby represents that it is a registered investment advisor under the Investment Advisers Act of 1940. The Trust Administrator shall immediately notify every Employer and the Trustee if at any time during the term of this Agreement it is not so registered or if its registration is suspended. The Trust Administrator agrees to perform its duties and responsibilities under this Agreement with reasonable care as provided by law. The federal securities laws impose liabilities under certain circumstances on persons who are required to act in good faith. Nothing in this Agreement shall in any way constitute a waiver or limitation of any rights which the Employers, the Trust Administrator, or the Trustee may have under any federal securities laws.
- 5.7 Investment Advice to Other Clients. The Employers and the Trustee understand that the Trust Administrator performs investment advisory services for various other clients which may include investment companies, commingled trust funds and individual portfolios. The Employers and the Trustee agree that the Trust Administrator may give advice or take action with respect to any of its other clients which may differ from advice given or the timing or nature of action taken with respect to the Trust, so long as it is the policy and practice of the Trust Administrator, to the extent practical, to allocate investment opportunities to the Trust over a period of time on a fair and equitable basis relative to other clients. The Trust Administrator will not have any obligation to purchase, sell or exchange any security for the Trust solely by reason of the fact that the Trust Administrator, its principals, affiliates, or employees may purchase, sell or exchange such security for the account of any other client or for themselves.
- 5.8 Notice of Regulatory Action. The Trust Administrator shall promptly give notice to each Employer and the Trustee if the Trust Administrator has received written notice of the filing against it or any professional of the Trust Administrator who has performed any service with respect to the Trust in the 24 preceding months, of any complaints or disciplinary actions by the Securities and Exchange Commission or any other regulatory agency or department of the United States, any registered securities exchange, the FINRA, any Attorney General, or any regulatory agency or authority of any State.
- 5.9 Trust Administrator Separate from Employer and Trustee. The Trust Administrator, its employees, officers and representatives, shall not be deemed to be employees, agents, partners, servants, and/or joint ventures of any of the Employers or the Trustee by virtue of this Agreement or any actions or services rendered under this Agreement.
- 5.10 Recordkeeping. The Trust Administrator shall maintain appropriate records of all its activities hereunder.
- 5.11 Disclosure Statement. The Trust Administrator warrants that at least five business days before the execution of this Agreement, it has delivered to the Trustee the Trust Administrator's current Securities and Exchange Commission Form ADV, Part II. The Trustee hereby acknowledges receipt of the disclosure statement at least five business days before the execution of this Agreement.



5.12 Survival of Agreement and Assignment. The provisions of this Agreement will be binding on the Trust Administrator and its successors and assigns. The Trust Administrator may not, however, assign this Agreement without the consent of the Employers, which consent will be obtained through the process described in Section 3.3(b).

ARTICLE 6

TRUSTEE

6.1 Powers and Duties of the Trustee. To the extent directed by the Trust Administrator, the Trustee is authorized and empowered to do the following:

- (a) Invest and reinvest Trust assets, together with the income therefrom.
- (b) Establish and maintain Accounts to which the Trustee will (i) credit all contributions or transfers from the Employer to the Trust and any income and gains attributable to those amounts, and (ii) debit all distributions, transfers from the Trust, and any losses and expenses attributable to those amounts.
- (c) Maintain accounts with, execute transactions through, and lend stocks, bonds or other securities on an adequately secured basis to, any brokerage firm.
- (d) Perform accounting and maintain records of each Employer's Account and reconciling such Account with the Trust.
- (e) Vote upon or tender any stocks, bonds or other securities and to give general or special proxies or powers of attorney with or without power of substitution; to exercise any conversion privileges, subscription rights or other options of which the Trustee receives actual notice, and to make any payments incidental thereto; to consent to or otherwise participate in corporate reorganizations or other changes affecting corporate securities and to delegate discretionary powers and to pay any assessments or charges in connection therewith; and generally to exercise any of the powers of an owner with respect to stocks, bonds, securities or other property held in Trust.
- (f) Deposit or invest all or any part of the assets of the Trust in savings accounts or certificates of deposit or other deposits in a bank or savings and loan association or other depository institution, including the Trustee or any of its affiliates; provided that, with respect to such deposits with the Trustee or an affiliate, the deposits bear a reasonable rate of interest.
- (g) Invest and reinvest any Trust assets in one or more collective investment funds.
- (h) Hold, manage, improve, repair and control all investment property, real or personal, forming part of the Trust; to sell, convey, transfer, exchange, partition, pledge, encumber, lease for any term, even extending beyond the duration of this Trust, and otherwise dispose of the same from time to time.
- (i) Take such actions as may be necessary or desirable to protect the Trust from loss due to the default on mortgages held in the Trust including the appointment



PFM Asset Management LLC

of agents or trustees in such other jurisdictions as may seem desirable, to transfer property to such agents or trustees, to grant to such agents such powers as are necessary or desirable to protect the Trust, to direct such agent or trustee, or to delegate such power to direct, and to remove such agent or trustee.

- (j) Settle, compromise or abandon all claims and demands in favor of or against the Trust.
- (k) Borrow money from any source and to execute promissory notes, mortgages, or other obligations and to pledge or mortgage any Trust assets as security.
- (l) Designate and engage the services of such agents, representatives, advisers, counsel and accountants, any of whom may be an affiliate of the Trustee or a person who renders services to such an affiliate and, as part of its expenses under this Agreement, to pay their reasonable expenses and compensation.
- (m) Hold in cash, without liability for interest, such portion of the Trust assets as is pending investment, or payment of expenses, or distribution.
- (n) Make, execute and deliver, as the Trustee, any and all deeds, leases, mortgages, conveyances, waivers, releases or other instruments in writing necessary or appropriate for the accomplishment of any powers listed in this Agreement.
- (o) Register securities, or any other property, in its name or in the name of any nominee, including the name of any affiliate or the nominee name designated by any affiliate, with or without indication of the capacity in which property shall be held, or to hold securities in bearer form and to deposit any securities or other property in a depository or clearing corporation.
- (p) Pay or cause to be paid from the Trust any and all real or personal property taxes, income taxes or other taxes with respect to the Trust.
- (q) Enter into interest rate, currency, cash-flow, indexed (including indexed to equities) and other types of swaps and hedges designed to hedge payment, interest rate, currency, duration, spread or similar exposure related to any investment or program of investments of Trust assets or to manage asset/liability matching between investments and OPEB Obligations or Pension Obligations, or both, to be paid therefrom.
- (r) Exercise all of the further rights, powers, options and privileges granted, provided for, or vested in trustees generally under applicable state law so that the powers conferred upon the Trustee herein shall not be in limitation of any authority conferred by law or under this Agreement, but shall be in addition thereto; provided that such powers satisfy applicable state law requirements (if any).
- (s) Any other acts which the Trustee deems necessary or appropriate for the protection of the Trust.



ARTICLE 7

INVESTMENTS

- 7.1 Trustee. The Trustee shall hold and administer Trust assets without distinction between principal and income.
- 7.2 Trust Administrator. The Trust Administrator has exclusive authority and responsibility for the management and investment of Trust assets, and the Trustee is authorized and directed to comply with the written directions of the Trust Administrator concerning Trust assets. The Trust Administrator may, from time to time and in its sole discretion, allocate some or all of the cash in an Account at the end of each business day into a sweep investment fund managed by the Trust Administrator. Any amounts held in a sweep investment fund would typically be reallocated on the next business day. The Trust Administrator may not issue any such direction in violation of the terms of the Trust. The Trustee has no duty or authority to (i) review, question, approve or make inquiries as to any investment directions given pursuant to this Agreement, or (ii) determine whether investments directed by the Trust Administrator are in compliance with any applicable State laws.
- 7.3 Combining of Assets for Investment. As instructed by the Trust Administrator, the Trustee may commingle, for investment or administration purposes, the assets (or a portion of the assets) of the Trust in any group trust within the meaning of Section 401(a)(24) of the Code, but only if the commingled trust qualifies as tax exempt under Revenue Ruling 2011-1 and any subsequent relevant guidance from the Internal Revenue Service. In addition, at the Trust Administrator's direction, the Trustee may aggregate the balances of one or more Accounts within the Trust for investment or administrative purposes, in which case the Trustee will credit and debit each Account in accordance with Section 4.6.
- 7.4 Investment Direction. The Trust Administrator will direct the Trustee to invest the assets of each Employer's Account in accordance with the principles set forth in the Investment Policy Statement in any investments permitted under this Agreement.
- 7.5 Broker Executed Investments. Transactions in investments that require execution through a broker will be executed through such broker or brokers as the Trust Administrator will select. The indicia of ownership of Trust assets will be held by the Trustee at all times, and the Trustee shall serve as sole custodian of Trust assets.
- 7.6 Affiliated Broker/Dealers. Neither the Trustee nor any affiliate of the Trustee will act as broker dealer to execute transactions, including the purchase of securities directly distributed, underwritten or issued by an affiliate of the Trustee, or otherwise provide investment services with respect to the Trust; provided, however, that the Trustee (or its affiliate) may provide ancillary non-advisory investment services with respect to the Trust, including investment of Trust assets in money market or stable value funds distributed, underwritten or issued by the Trustee (or its affiliate) to the extent these investments are permitted under this Agreement. The Trustee and the Trust Administrator will disclose any services or relationships to each Employer before the Employer's commencement of participation in the Trust and at least annually thereafter, and any such services will be provided at standard commission rates, mark-ups or concessions.



- 7.7 Quarterly Reports. The Trust Administrator will provide to each Employer a quarterly analysis of the performance of the investments of each Account and statement of any changes in investments made in such quarter. The asset information for such analysis will be supplied to Trust Administrator by the Trustee. The report required by this Section 7.7 is separate from the reports required by Section 10.3.

ARTICLE 8

PAYMENTS FROM TRUST

8.1 Plan Administrator.

- (a) Each Employer's Plan Administrator has the exclusive authority and responsibility to determine the extent to which amounts will be paid from the Employer's Account. Neither the Trust Administrator nor the Trustee will make or authorize disbursements or transfers from any Employer's Account without the explicit written direction from the Employer's Plan Administrator.
- (b) From time to time, the Plan Administrator will direct the Trustee in writing to disburse amounts from the Employer's Omnibus Account for any purpose permitted under Section 8.1(c) or (d).
- (c) From time to time, the Plan Administrator will direct the Trustee in writing to disburse amounts from the Employer's OPEB Account for OPEB Obligations to (i) the Plan Administrator for subsequent distribution to or for the benefit of the Employer's Beneficiaries, (ii) any party providing services for the Employer's OPEB Plan, including but not limited to any insurer, third-party administrator, or other service provider, (iii) the Employer's Beneficiaries themselves directly, or (iii) the Employer as reimbursement for any OPEB Obligation amount paid or incurred by the Employer.
- (d) From time to time, the Plan Administrator will direct the Trustee in writing to disburse amounts from the Employer's Pension Account to (i) the Pension Plan as contributions to the plan's qualified trust, (ii) the Plan Administrator, for subsequent payment of the Employer's Pension Obligation, (iii) any party providing services for the Employer's Pension Plan, including but not limited to any insurer, third-party administrator, or other service provider, or (iv) the Employer as reimbursement for any Pension Obligation amount paid or incurred by the Employer.

- 8.2 Trustee Reliance. Except as otherwise provided by law, the Trustee will be fully protected in making payments out of any Employer's Account at the direction of the Employer's Plan Administrator. The Trustee's sole obligation as to those disbursements shall be to observe the instructions of the Plan Administrator to the extent that the Account has assets to make disbursements as instructed by the Plan Administrator. Nothing in the Trust or any Plan shall constitute a guarantee that Trust assets will be sufficient to pay the Employer's OPEB Obligations or Pension Obligations.

- 8.3 Payments. The Trustee is authorized to disburse amounts from the Trust to pay the fees and expenses of administering the Trust as expressly authorized by this Agreement, or as instructed in writing by the Trust Administrator.

ARTICLE 9

TAXES, EXPENSES AND COMPENSATION OF THE TRUSTEE AND TRUST

ADMINISTRATOR

- 9.1 Payment of Fees. Subject to Section 4.2, each Employer's Account will be charged for allocable Trustee Fees, Trust Administration Fees, and any other fees specified in the Trust Administrative Service Agreement. To the extent permitted in the Trust Administrative Service Agreement and Adoption Agreement, the Employer may elect in the Adoption Agreement to instead pay such fees from the Employer's assets.
- 9.2 Trust Administration Fees. "Trust Administration Fees" means the fees of the applicable investment funds and the fees for all services of the Trust Administrator specified in the Trust Administrative Services Agreement. The Trust Administrator is authorized to instruct the Trustee to disburse funds from the Account for the payment of the Trust Administration Fees to the Trust Administrator to the extent not paid by the Employer or deducted from the gross earnings of the investment funds. If and to the extent that the Trustee requests that the Trust Administrator render services to the Trust other than those to be rendered by the Trust Administrator hereunder, such additional services will be compensated separately on terms to be agreed upon between the Trust Administrator and the Trustee.
- 9.3 Trustee Fees. "Trustee Fees" means the Trustee's fees for services provided by it under this Agreement. These fees will be separately disclosed to the Employer prior to the commencement of the Employer's participation in the Trust. The Trustee is authorized to disburse funds from the Trust to itself for the payment of these fees to the extent not paid by the Employers. The Trustee will notify the Trust Administrator in writing of any change in the Trustee Fees at least 90 days before the effective date of the change.
- 9.4 Reimbursement of Expenses. Except as expressly provided otherwise herein, the Trustee is authorized to disburse funds from the Trust to pay all reasonable expenses of administering the Trust, including, without limitation, any taxes payable by the Trust, fees and expenses of legal counsel to the Trust, insurance premiums, and expenses associated with performing the annual audit provided for in Section 5.3.

ARTICLE 10

RECORDKEEPING AND VALUATION

- 10.1 Trust Records. The Trustee will keep accurate and detailed records of all investments, receipts, disbursements, and all other transactions, including such specific records as may be agreed upon in writing between the Trust Administrator and the Trustee with respect to the Trust.
- 10.2 Separate Account Records. The Trustee will keep accurate and detailed records of all investments, receipts, disbursement, and all other transactions with respect to each separate Employer Account.
- 10.3 Quarterly Reports. Within 45 days after the last day of each calendar quarter (and within 60 days after removal or resignation of the Trustee), the Trustee will deliver to the Trust



Administrator and each Employer a written account of the Employer's Account during such calendar quarter (or during the period from the close of the last preceding calendar quarter to the date of such removal or resignation), setting forth all deposits, investments, receipts, disbursements and other transactions effected by it with respect to the Account, including a description of transfers made and income received by the Account, all securities and investments purchased and sold with the cost or net proceeds of such purchases or sales (accrued interest paid or receivable being shown separately), all disbursements for the payment of OPEB Obligations and Pension Obligations, administrative expenses (any amounts paid to the Trustee shown separately) of the Trust paid from the Account, and showing all cash, securities and other property held in the Account at the end of such calendar quarter or as of the date of such removal or resignation, as the case may be.

- 10.4 Valuation. All securities will be valued at fair market value as of the date of valuation, as determined by the Trustee on the basis of all available information that the Trustee deems reasonable.

ARTICLE 11

STANDARD OF CARE AND INDEMNIFICATION

- 11.1 Exclusive Purpose. Except as provided in Sections 14.3 and 14.4, all Trust assets and all income thereon will be used for the exclusive purpose of providing for the payments of OPEB Obligations and Pension Obligations and for paying the reasonable expenses of administering the Trust.
- 11.2 Standard of Care. The Trustee and the Trust Administrator, when making, selling or otherwise managing investments of the funds, will discharge their duties with respect to the investment of the funds (i) solely in the interest of, and for the exclusive purposes of funding OPEB Obligations and Pension Obligations, maximizing the amount available for such funding, and paying reasonable expenses of administering the Trust, and (ii) 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. The Trust Administrator will invest assets in each Employer's Account accordance with the applicable Investment Policy Statement, but only to the extent that doing so does not conflict with the duties described in the preceding sentence.
- 11.3 Trustee Indemnification of Trust Administrator. The Trustee, solely from its assets and not from the Trust assets, will indemnify the Trust Administrator and each of its affiliates against, and will hold them harmless from, any and all damages imposed upon or incurred by any of them by reason of, or in connection with the Trustee's or affiliate's performance (or non-performance) of its duties under this Agreement in a manner that constitutes willful misconduct or willful breach of the standard of care articulated in Section 11.2, except to the extent that such damages resulted from the Trust Administrator's or affiliate's performance (or non-performance) of its duties under this Agreement in a manner that constitutes willful misconduct or willful breach of the standard of care articulated in Section 11.2.
- 11.4 Trust Administrator Indemnification of Trustee. The Trust Administrator, solely from its assets and not from the Trust assets, will indemnify the Trustee and each of its affiliates



against, and will hold them harmless from, any and all damages imposed upon or incurred by any of them by reason of, or in connection with the Trustee's and each of its affiliates' services under this Agreement, except to the extent that such damages resulted from the Trustee's or affiliate's performance (or non-performance) of its duties under this Agreement in a manner that constitutes willful misconduct or willful breach of the standard of care articulated in Section 11.2. The foregoing shall in no way limit or otherwise restrict any rights to indemnification which the Trust Administrator may have under any Adoption Agreement executed and delivered by the Trust Administrator and an Employer.

- 11.5 Survival of Indemnifications. The indemnification obligations provided for in this Agreement will survive the termination of this Agreement.

ARTICLE 12

RESIGNATION AND REMOVAL OF TRUST ADMINISTRATOR

- 12.1 Resignation or Removal of Trust Administrator. The Trust Administrator may resign at any time upon 90 days' prior written notice to each of the Employers, which notice may be waived in writing by the Employers. With the approval of at least two-thirds of the participating Employers, the Employers may remove the Trust Administrator upon 90 days' prior written notice to the Trust Administrator and the Trustee, which notice may be waived by the Trust Administrator.
- 12.2 Designation of Successor Trust Administrator. Upon notice of the Trust Administrator's resignation, the Employers will promptly designate a successor Trust Administrator qualified to act as the Trust Administrator of the Trust under applicable state law, such resignation to be effective upon acceptance of appointment by such successor Trust Administrator. The Employers will not remove the Trust Administrator unless Employers have designated such a successor Trust Administrator who shall have agreed with Employers and the Trustee to act as the Trust Administrator under an agreement substantially similar to this Agreement.
- 12.3 Compensation Pending Appointment of Successor. Until a successor Trust Administrator is appointed and assumes its duties as the Trust Administrator under this Agreement, the Trust Administrator shall be entitled to compensation for its services in accordance with Article 9.
- 12.4 Merger, Conversion, Consolidation or Sale of Trust Administrator. Any company into which the Trust Administrator may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trust Administrator may sell or transfer all or substantially all of its investment advisory business, shall be, with the prior consent of Employers in the manner set forth in Section 3.3(b), the successor to such Trust Administrator.
- 12.5 Successor Trust Administrator - No Duty to Investigate. A successor Trust Administrator shall have no duty to audit or otherwise inquire into the acts or transactions of its predecessor.

ARTICLE 13

RESIGNATION AND REMOVAL OF TRUSTEE

- 13.1 Resignation of Trustee. The Trustee may resign at any time upon 90 days prior written notice to the Trust Administrator, which notice may be waived by the Trust Administrator.
- 13.2 Removal of Trustee. With approval of at least two-thirds of the participating Employers, the Employers may instruct the Trust Administrator in writing to remove the Trustee (or any successor trustee) upon 90 days prior written notice to the Trustee, which notice may be waived in writing by the Trustee, and to replace the Trustee with a corporate Trustee satisfactory to the Trust Administrator in its sole judgment.
- 13.3 Designation of Successor Trustee. Upon notice of the Trustee's resignation or removal, the Trust Administrator shall promptly designate a successor corporate Trustee qualified to act as the Trustee of the Trust under applicable state law, such resignation or removal to be effective upon acceptance of appointment by such successor corporate Trustee.
- 13.4 Application to Court to Designate Successor. If the Trust Administrator does not designate a successor corporate Trustee, or if a successor corporate Trustee designated by the Trust Administrator has not accepted its appointment within 90 days after the Trustee gives notice of its resignation or receives notice of removal, the Trustee may, at the expense of the Trust, apply to a court of competent jurisdiction to appoint a successor corporate Trustee.
- 13.5 Trustee Compensation Pending Appointment of Successor. Until a successor corporate Trustee is appointed and assumes its duties, the Trustee shall be entitled to compensation for its services according to its fee schedule then in effect for acting as the Trustee in accordance with the Trust.
- 13.6 Merger, Conversion, Consolidation or Sale of Trustee. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, shall be, with the prior written consent of the Trust Administrator, the successor to such Trustee.
- 13.7 Transfer of Assets and Records. A resigning Trustee shall transfer the Trust assets and shall deliver the books, accounts and records of the Trust to the successor corporate Trustee as soon as practicable.
- 13.8 Payment of Expenses. A resigning Trustee is authorized to reserve such amount as may be necessary for the payment of its fees and expenses incurred prior to its resignation or removal, and the Trust assets shall remain liable to reimburse the resigning or removed Trustee for any costs or fees payable to the Trustee under the terms of this Agreement.
- 13.9 Successor Trust Administrator - No Duty to Investigate. A successor corporate Trustee shall have no duty to audit or otherwise inquire into the acts or transactions of its predecessor.

ARTICLE 14

AMENDMENT, TERMINATION, MERGER, TRANSFER

- 14.1 Amendment. With the approval of at least two-thirds of the Employers then participating in the Trust, the Trust Administrator and the Trustee may amend the Trust; provided, however, that no amendment may:
- (a) cause any assets held in any Employer's Account to be used for or diverted to any purpose other than for the exclusive purposes of funding the Employer's OPEB Obligations or Pension Obligations, as applicable, or defraying the reasonable expenses of administering the Account; or
 - (b) eliminate the requirement that none of the assets held in any Employer's Account revert to the Employer prior to the satisfaction of all OPEB Obligations or Pension Obligations (as applicable) under the OPEB Plan or Pension Plan for which the Account was established.
- 14.2 Termination of Trust.
- (a) The Trust may be terminated by the unanimous agreement of all Employers, which action must be in writing and delivered to the Trustee and Trust Administrator. Upon termination of the Trust, the Trust will continue to exist and the Trust Administrator and the Trustee will continue to have all powers provided in this Agreement as are necessary or desirable for the orderly liquidation and distribution of Trust assets in accordance with the provisions hereof until all Trust assets have been distributed. The Trustee will distribute assets remaining in each Employer's Account at the direction of the Trust Administrator in the following order of priority: (1) payment of reasonable administrative expenses (including taxes and termination costs) of the Trust, (2) payment of the OPEB Obligations and Pension Obligations currently payable under the Employer's OPEB Plan and Pension Plan, as applicable, and (3) payment to a trust that satisfies the requirements of Section 115 of the Code and any other applicable law.
 - (b) Contributions and transfers to the Trust are conditioned on initial qualification of the Trust under Section 115 of the Code. If the Trust receives an adverse determination with respect to its initial qualification, then the Trust and this Trust Agreement will automatically terminate without any action by any Employer or other parties. After such termination, the assets of each Employer's Omnibus Account, Pension Account, or OPEB Account, as applicable, will be returned by the Trustee to the Employer as directed by the Plan Administrator in accordance with this Section 14.2(b) to the extent permitted by law and consistent with the requirements of Section 115 of the Code. This Section 14.2(b) will cease to apply upon the Trust's receipt of a favorable determination with respect to its initial qualification.



14.3 Termination of Employer's Account.

- (a) An Employer's Account will automatically terminate upon the termination of the Employer's participation in the Trust and the transfer of the assets in the Employer's Account under Section 3.3.
- (b) If an Employer has an Omnibus Account and maintains an OPEB Plan or Pension Plan, but not both, Section 14.3(b) or (c) (as applicable) will apply to the assets in the Omnibus Account. If the Employer maintains both an OPEB Plan and Pension Plan, the Trustee will continue to maintain, and will have all of the powers and duties under this Agreement with respect to, the Employer's Omnibus Account until the Employer's OPEB Obligation under its OPEB Plan and Pension Obligation under its Pension Plan are fully satisfied. Any assets remaining in the Employer's Omnibus Account after both such obligations are fully satisfied will be paid to the Employer to the extent permitted by law and consistent with the requirements of Section 115 of the Code.
- (c) If an Employer's OPEB Plan terminates, the Trustee will continue to maintain, and will have all of the powers and duties under this Agreement with respect to, the Employer's OPEB Account until the Employer's OPEB Obligation under its OPEB Plan is fully satisfied. Any assets remaining in the Employer's OPEB Account after its OPEB Obligation is fully satisfied will be paid to the Employer to the extent permitted by law and consistent with the requirements of Section 115 of the Code.
- (d) If an Employer's Pension Plan terminates, the Trustee will continue to maintain, and will have all of the powers and duties under this Agreement with respect to, the Employer's Pension Account until the Employer's Pension Obligation under its Pension Plan is fully satisfied. Any assets remaining in the Employer's Pension Account after its Pension Obligation is fully satisfied will be paid to the Employer to the extent permitted by law and consistent with the requirements of Section 115 of the Code.

14.4 Mistake of Fact. At the written direction of an Employer and after receipt of any indemnification that the Trustee may require from the Employer, the Trustee will return any contribution or transfer made to the Trust by the Employer due a mistake of fact, excluding any earnings but reduced by any losses, to the Employer within one year after the Employer discovers the mistake.

14.5 Merger or Transfer. At any time that there is in existence any trust created by Employer which satisfies the requirements in Articles 2 and 4, at the direction of Employer, the Trust may be merged with such trust, or all or part of its assets (net of any amount as may be reasonably necessary to pay the fees and expenses of the Trust Administrator, the Trustee and other expenses of the Trust) transferred to such trust; provided, however, that no such merger or transfer may increase the Trustee's obligations under this Agreement without the Trustee's written approval, no such merger or transfer may render the Trust "revocable" or otherwise adversely affect the status of the Trust as described in Articles 2 and 4.

14.6 Reversion. Neither the Trust Administrator nor the Employers nor any entity related to any of them will have any beneficial interest in the Trust or receive any amounts upon



termination of the Trust or at any other time, except as provided in Sections 14.3 and 14.4.

ARTICLE 15

MISCELLANEOUS

- 15.1 Choice of Law. The Trust is governed by, and will be interpreted in a manner consistent with, the laws of the Commonwealth of Pennsylvania and, to the extent applicable, the Internal Revenue Code.
- 15.2 No Joint Powers Agreement. This Agreement is not a joint exercise of powers agreement, does not create a joint powers or joint action authority, and the obligations of Employer, the Trustee, and the Trust Administrator are several and not joint. Neither the Trustee nor the Trust Administrator is responsible for any contributions, costs, benefits, distributions, acts or omissions of the Employers or the Plan Administrators.
- 15.3 Authorized Signatories. Each party to this Agreement represents and warrants that the person or persons signing this Agreement on behalf of such party are authorized and empowered to sign and deliver this Agreement for such party.
- 15.4 List of Persons Authorize to Act for Employer. Each of the Employers will certify to the Trust Administrator and the Trustee in writing of the person or persons, by office or other position of employment, who are authorized to act on behalf of the Employer in all matters relating to the Trust.
- 15.5 List of Persons Authorized to Act for Trust Administrator. The Trust Administrator shall notify the Trustee and each of the Employers in a separate writing of all those who are authorized to act on behalf of the Trust Administrator in all matters relating to the Trust.
- 15.6 Agreement Controls. If there is any conflict between any Pension Plan or OPEB Plan and this Agreement, this Agreement will control.
- 15.7 Severability. In the event any provision of this Agreement is held to be invalid for any reason, such invalidity will not affect any other provisions of this Agreement and this Agreement will be construed and enforced as if the invalid provision had never been included.
- 15.8 Counterparts. This Agreement may be executed in any number of counterparts, each of which will be considered as an original.
- 15.9 Delivery of Communications. All communications under this Agreement must be in writing and will be deemed to have been duly given (1) on the date of receipt if served personally or by confirmed facsimile or other similar communication; (2) on the first business day after sending if sent for guaranteed next day delivery by a next-day courier service; or (3) on the fourth business day after mailing if mailed to the party or parties to whom notice is to be given by registered or certified mail, return receipt requested, postage prepaid, and properly addressed as follows:


If to an Employer: At the address listed for such purpose on the Employer's Adoption Agreement

If to Trust Administrator: PFM Asset Management LLC
Two Logan Square, Suite 1600
18th and Arch Streets
Philadelphia, PA 19103
Attention: Leo Karwejna


If to Trustee: Wells Fargo Bank, N.A.
1751 Pinnacle Drive, 3rd Floor
McLean, VA 22102
Attention: Timothy S. Rueling

IN WITNESS WHEREOF, and as evidence of establishment of the Trust created hereunder, the parties have caused this Agreement to be executed as of the date set forth below:

**PFM ASSET MANAGEMENT LLC,
As Trust Administrator**

By: 
Name: Michael W. Harris
Title: Managing Director
Date: 7/8/2015

**WELLS FARGO BANK, N.A.
As Trustee**

By: 
Name: Timothy Rueling
Title: Vice President
Date: 7/13/15

**Adoption Agreement
For The
Post-Employment Benefits Trust**



Revision Date: November 2015

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INTRODUCTION

By executing this Adoption Agreement, the Employer named in Article 2 of this Adoption Agreement hereby adopts and agrees to be bound by the terms of the Post-Employment Benefits Trust Agreement (the "Trust Agreement"), a copy of which is attached as Exhibit A. To the extent there is a conflict between this Adoption Agreement and the Trust Agreement, the Trust Agreement will control. Unless otherwise specified below, initially capitalized terms used in this Adoption Agreement are defined in the Trust Agreement.

ARTICLE 1

EMPLOYER INFORMATION

1.1 Employer's Name, Address, and Telephone Number

- (a) Name: City of El Paso de Robles
- (b) Address: 821 Pine Street, Suite A, Paso Robles CA 93446
- (c) Telephone: (805) 237-7505 ext. 6660

1.2 Employer's Taxpayer Identification Number: 95-6000760

ARTICLE 2

PLAN INFORMATION

2.1 Plan Names:

- OPEB Plan(s): _____
- Pension Plan(s): Paso Robles Section 115 Trust

(Each a "Plan" and collectively, the "Plans")

2.2 Employer-designated: Plan Administrator's Name, Title, Address, and Telephone Number:

- (a) Name: Michael Compton
- (b) Title: City Treasurer
- (c) Address: 821 Pine Street, Suite A, Paso Robles, CA 93446
- (d) Telephone: 805-237-7505

ARTICLE 3

TRUST ADMINISTRATIVE SERVICES

As a condition of the Employer's participation in the Trust, the Employer and the Trust Administrator have executed the Trust Administrative Services Agreement attached as Exhibit B.



ARTICLE 4

INVESTMENTS

The Employer hereby directs the Trust Administrator to direct the Trustee to invest the assets in the Employer's Account in accordance with the investment strategy mutually agreed to by the Employer and the Trust Administrator as set forth in the Investment Policy Statement attached as Exhibit C.

ARTICLE 5

TRUST FEES AND EXPENSES

5.1 Method of Payment. Unless the Employer otherwise elects below, the Trust Administration Fees (as defined in Section 9.2 of the Trust Agreement), Trustee Fees (as defined in Section 9.3 of the Trust Agreement), and any other reasonable fees and expenses of administering the Employer's Account will be paid from the Employer's Account. In lieu of payments from its Account, the Employer hereby elects to pay the following amounts:

- Trust Administration Fees
- Trustee Fees
- All expenses of the Employer's Account other than fees
- Other (please insert description):

Please refer to Section 4 of the Trust Administrative Services Agreement for further information about payment of fees and expenses.

ARTICLE 6

REPRESENTATIONS AND WARRANTIES

6.1 The Employer hereby represents and warrants that each of the following statements is true and correct to the best of its knowledge:

- (a) The Employer is a state, a political subdivision of a state or another public agency whose income is excludable from gross income under section 115 of the Code that is established and maintained under the laws of the State _____ of California .
- (b) The Employer has established and maintains one or more Plans the exclusive purpose of each is to provide OPEB or retirement benefits to its former employees.
- (c) The exclusive purpose of the Employer's participation in the Trust is to fund the Pension Obligation or OPEB Obligation, or both, under the Employer's Plans.



- (d) The Employer's participation in the Trust for the purpose of funding, as applicable, the Pension Obligation or OPEB Obligation, or both, under the Employer's Plans is authorized under the laws of the State of California
- (e) The Employer's Plans do not permit participants to direct or otherwise exercise in any manner, whether direct or indirect, control over the investment of their accounts or benefits accrued under the Plans.
- (f) The Employer has received copies, and has read and understands the terms, of the Trust Agreement.

ARTICLE 7

STANDARD OF CARE AND INDEMNIFICATION

- 7.1 Standard of Care. The Trustee and the Trust Administrator must discharge their duties with respect to the investment and management of Trust assets in accordance with the standard of care set forth in Section 11.2 of the Trust Agreement.
- 7.2 Employer Indemnification of Trustee. The Employer, from its own funds and not from any assets of the Trust, agrees to indemnify the Trustee and each of its affiliates against, and will hold them harmless from, any and all loss, claims, liability, and expense, including cost of defense and reasonable attorneys' fees, imposed upon or incurred at any time by any of them by reason of or in connection with the performance of the Trustee's services under this Agreement, except to the extent such damages resulted from the Trustee's or affiliate's performance (or non-performance) of its duties under the Trust Agreement in a manner that constitutes willful misconduct or willful breach of the standard of care articulated in Section 11.2 of the Trust Agreement.
- 7.3 Employer Indemnification of Trust Administrator. Employer, from its own funds and not from any assets of the Trust, agrees to indemnify the Trust Administrator and each of its affiliates against, and will hold them harmless from, any and all damages imposed upon or incurred by any of them by reason of, or in connection with its services under the Trust Agreement or the Trust Administrative Services Agreement, except to the extent that such damages resulted from the Trust Administrator's or affiliate's performance (or non-performance) of its duties under the Trust Agreement or the Trust Administrative Services Agreement in a manner that constitutes willful misconduct or willful breach of the standard of care articulated in Section 11.2 of the Trust Agreement.

ARTICLE 8

AMENDMENT

The Employer understands and agrees that the Trust Agreement may be amended from time to time by the Trustee and the Trust Administrator with the approval of two-thirds of the Employers then participating in the Trust.



ARTICLE 9

NO GUARANTEE OF INVESTMENT RESULTS

The Employer understands and acknowledges that investments in the Trust involve risk and that there is no guarantee of investment performance or other performance of the Trust, including but not limited to custodians, depositories, or counterparties to investment strategies of the Trust.

ADOPTION OF TRUST AGREEMENT

By executing this Adoption Agreement, the Employer hereby adopts and agrees to be bound by the terms of the Trust Agreement and hereby approves, ratifies and confirms the appointment of Wells Fargo Bank, N.A. as the Trustee and PFM Asset Management LLC as the Trust Administrator as of the effective date of this Adoption Agreement. This Adoption Agreement and the Trust Agreement are effective on the ___ day of _____, 20__.

EMPLOYER

City of El Paso de Robles

Agency Name _____

By: _____

Its: City Treasurer

Date: _____

ACCEPTED:

TRUST ADMINISTRATOR

PFM ASSET MANAGEMENT LLC

By: _____

Its: _____

Date: _____

TRUSTEE

WELLS FARGO BANK, N.A.

By: _____

Its: _____

Date: _____



PFM Asset Management LLC

**EXHIBIT A
TRUST AGREEMENT**

Revision Date: November 2015

A-1



PFM Asset Management LLC

EXHIBIT B

TRUST ADMINISTRATIVE SERVICES AGREEMENT

Revision Date: November 2015

B-1



EXHIBIT C

INVESTMENT POLICY STATEMENT

Revision Date: November 2015

C-1

TRUST ADMINISTRATIVE SERVICES AGREEMENT

This agreement ("Agreement") is made this 1st day of April, 2016, by and between City of El Paso de Robles (the "Employer") and PFM ASSET MANAGEMENT LLC, a Delaware limited liability company (the "Trust Administrator").

WHEREAS, the Employer has adopted one or more plans, policies, or collective bargaining agreements ("Plans") the exclusive purpose of each is to provide other post-employment health and welfare benefits (other than pensions) ("OPEB") or retirement benefits; and

WHEREAS, the Trust Administrator, Wells Fargo Bank, N.A. (the "Trustee"), and various public agencies have entered into an agreement (the "Trust Agreement") establishing the Post-Employment Benefits Trust (the "Trust"); and

WHEREAS, the Employer has adopted the Trust by executing the adoption agreement to which this Agreement is attached (the "Adoption Agreement") in order to fund the OPEB and retirement benefits payable under the Plans; and

WHEREAS, the Employer wishes to retain the services of the Trust Administrator to administer the Employer's account under the Trust ("Account").

NOW THEREFORE, the Employer and the Trust Administrator hereby agree as follows:

Capitalized words not defined this document are defined in the Trust Agreement.

1. Trust Administrator Services

The Trust Administrator will provide the following services for the Employer's Account:

1.1 Administrative Services

- A. Instruct the Trustee to make disbursements from the Employer's Account at the direction of the Plan Administrator for the payment of OPEB or retirement benefits under the Employer's Plans funded by the Account;
- B. Coordinate the annual audit of the Trust, the results of which will be provided to the Employer; and
- C. Coordinate such other actions with the Trustee as directed by the Plan Administrator that are within the scope of the Trust Administrator's duties under the Trust Agreement.

1.2 Investment Management Services

- A. Determine the asset allocation of investments in the Employer's Account ("Investment Strategy") based on information provided by the Employer or the Plan Administrator, including the anticipated amounts of cash required by the Plans for distributions and other expenses, and the appropriate risk tolerance for the Plans based on the Plans' asset-liability characteristics and the Employer's resources;



- B. Prepare a recommended policy statement of the Account's Investment Strategy acceptable to the Employer to the extent necessary to accomplish the Account's Investment Strategy ("Investment Policy Statement");
- C. Execute the Account's Investment Strategy by instructing the Trustee to buy and sell shares of investments permitted under the Trust in accordance with the Investment Policy Statement;
- D. In consultation with the Employer, reassess and alter the Investment Strategy and Investment Policy Statement at least annually to the extent necessary to "rebalance" the Account investments;
- E. Perform reviews at least annually of the performance of the investments held in the Account, add or reduce allocations to each investment or add or delete investments in its judgment (to the extent permitted under the Investment Policy Statement and the Trust), and promptly advise the Employer of any additions or deletions of Account investments; and
- F. Provide the Employer after the end of each calendar quarter with an analysis of the performance of the investments of the Account and a statement of the changes in the investments made during such calendar quarter.

2. Compensation

- 2.1 **Fees.** For all services provided by the Trust Administrator under this Agreement and the Trustee under the Trust Agreement, the following fees will apply:

Fees will be determined on an employer-by-employer basis. See Exhibit A.

The Trust Administrator will notify the Employer in writing of any change in the fee amounts at least 60 days before the effective date of the change.

- 2.2 **Fees for Additional Services.** If and to the extent that the Employer requests the Trust Administrator to render services other than those described under this Agreement, such additional services will be compensated separately on terms to be agreed upon between the Trust Administrator and the Employer.

- 2.3 **Pooled Investments.** Assets invested by the Trust Administrator under the terms of this Agreement may from time to time be invested in individual securities, or in a proprietary money market mutual fund or local government investment pool (either, a "Pool"). Each Pool is a commingled fund managed by the Trust Administrator. Average daily net assets subject to the fees described in this section shall not take into account any funds invested in the Pool. Expenses of the Pool, including compensation for the Trust Administrator and the Pool custodian, are described in the relevant prospectus or information statement and are paid from the Pool.



3. Expenses

3.1 Furnishing of Administrative Services, Office Space, Equipment and Personnel. The Trust Administrator will furnish at its own expense all necessary administrative services, office space, equipment, clerical personnel, telephone and other communication facilities, investment advisory facilities, and executive and supervisory personnel required to perform the services under this Agreement, inclusive of reasonable costs required to attend meetings with the Employer.

3.2 Expenses of Employer's Account. Except as otherwise provided in this Agreement, Employer agrees to pay all expenses under the Trust incurred by (or allocable to) the Employer's Account including, without limitation, taxes, expenses (including front- or back-end charges) of an investment fund, fees and expenses of the Account's independent auditors and legal counsel, insurance premiums, expenses of the Trustee, the keeping of books and accounts, and the allocable costs of the annual Trust audit described in Section 5.3 of the Trust Agreement. The Trust Administrator will calculate expenses allocable to the Account on a pro-rata basis, or in any other reasonable and equitable manner determined by the Trust Administrator.

4. Payment Terms. At the end of each calendar month, the Trust Administrator will prepare and submit to the Employer for approval a monthly invoice for fees and expenses under this Agreement as described in Sections 2.1 and 3.2. The invoice will include a statement of the basis upon which the fees and expenses were calculated. Except to the extent that the Employer has elected in the Adoption Agreement to pay such invoices, the Employer authorizes the Trust Administrator to charge such invoices to the Employer's Account and authorizes and instructs the Trustee to disburse funds from the Account for the payment of the fees and expenses. If the Employer has elected in the Adoption Agreement to pay such invoices, but does not fully pay any invoice within 15 calendar days after the invoice's postmark, then the Employer hereby authorizes the Trust Administrator to charge the unpaid amount to the Account and instructs the Trustee to disburse such amount from the Account for the payment of the fees and expenses. If sufficient funds are not available or cannot for any reason otherwise be disbursed from the Account, the Trust Administrator will notify the Employer, and the Employer will pay the unpaid amount to the Trust Administrator from other sources within 10 calendar days after receiving the notice.

5. Registered Advisor; Duty of Care. The Trust Administrator hereby represents it is a registered investment advisor under the Investment Advisers Act of 1940. The Trust Administrator will immediately notify the Employer if at any time during the term of this Agreement it is not so registered or if its registration is suspended. The Trust Administrator agrees to perform its duties and responsibilities under this Agreement with reasonable care. The federal securities laws impose liabilities under certain circumstances on persons who are required to act in good faith. Nothing herein in any way constitutes a waiver or limitation of any rights which the Employer, the Trust, or the Trust Administrator may have under any federal securities laws. The Employer hereby authorizes the Trust Administrator to sign an Internal Revenue Service Form W-9 on behalf of the Employer and to deliver such form to broker-dealers or others from time to time as required in connection with securities transactions pursuant to this Agreement.



- 6. Trust Administrator's Other Clients.** The Employer understands that the Trust Administrator performs investment advisory services for various other clients which may include investment companies, commingled trust funds and/or individual portfolios. The Employer agrees that the Trust Administrator, in the exercise of its professional judgment, may give advice or take action with respect to any of its other clients which may differ from advice given or the timing or nature of action taken with respect to the Account. The Trust Administrator has no obligation to purchase, sell or exchange any security for the Employer solely by reason of the fact that the Trust Administrator, its principals, affiliates, or employees may purchase, sell or exchange such security for the account of any other client or for itself or its own accounts.
- 7. Term of Agreement.** This Agreement will remain in effect until terminated by either party at any time by giving 90 days' written notice to the other party of its intent to terminate.
- 8. Force Majeure.** The Trust Administrator has no liability for any losses arising out of the delays in performing or inability to perform the services which it renders under this Agreement which result from events beyond its control, including interruption of the business activities of the Trust Administrator or other financial institutions due to acts of God, acts of governmental authority, acts of war, terrorism, civil insurrection, riots, labor difficulties, or any action or inaction of any carrier or utility, or mechanical or other malfunction.
- 9. Disciplinary Actions.** The Trust Administrator will promptly notify the Employer if the Trust Administrator is found to have violated any state or federal securities law or regulation in any criminal action or civil suit in any state or federal court or in any disciplinary proceeding before the Securities and Exchange Commission or any other regulatory agency or department of the United States, any registered securities exchange, the Financial Industry Regulatory Authority, or any regulatory authority of any State based upon the performance of services as an investment advisor.
- 10. Confidentiality.** The Trust Administrator will not disclose any information relating to the Plans or the Account except to authorized officers of the Employer, the Plan Administrator the Trustee and third parties retained by the Trust Administrator to perform specific services within this Agreement without the Employer's consent. The Employer will not disclose any information relating the Trust to individuals other than authorized officers of the Employer and the Plan Administrator, or their respective designees, without the Trust Administrator's consent.
- 11. Independent Contractor.** The Trust Administrator, its employees, officers and representatives, will not be deemed to be employees, agents (except as to the purchase or sale of securities described in Section 1), partners, servants, and/or joint ventures of the Employer or the Account by virtue of this Agreement or any actions or services rendered under this Agreement.
- 12. Records.** The Trust Administrator will maintain appropriate records of all its activities hereunder. The Trust Administrator will use its best efforts to provide the Employer with a statement within 60 days following the end of each calendar quarter showing deposits, withdrawals, purchases and sales (or maturities) of investments, earnings received during the quarter, and the value of assets held on the last business day of the calendar

quarter, all as provided for in the Trust Agreement, based on the information requested from and furnished to it by the Trustee.

13. **Ownership of Reports and Documents.** The Trust Administrator acknowledges that the originals of all correspondence, documents, reports and records produced in the course of providing the services pursuant to this Agreement are the property of the Employer. In the event this Agreement is terminated, the Trust Administrator agrees to provide such originals to the Employer. The Trust Administrator will not furnish copies of any such correspondence, documents reports and records to any party other than the Employer or the Plan Administrator, or their respective designees, or third parties retained by the Trust Administrator to perform services under this Agreement without the Employer's consent.
14. **Trust Administrator's Disclosure Statement.** The Trust Administrator warrants that it has delivered to the Employer, at least 48 hours prior to the execution of this Agreement, the Trust Administrator's current Securities and Exchange Commission Form ADV, Part II, including, without limitation, Schedule H thereto (disclosure statement). The Employer acknowledges receipt of such disclosure statement at least 48 hours prior to the execution of this Agreement.
15. **Amendment.** This Agreement shall not be changed, modified, terminated or discharged in whole or in part, except by an instrument in writing signed by both parties hereto, or their respective successors or assigns.
16. **Successors and Assigns.** The provisions of this Agreement are binding on the Trust Administrator and its respective successors and assigns, provided, however, that the rights and obligations of the Trust Administrator may not be assigned without the Employer's consent.
17. **Designees.** In accordance with Section 1.8 of the Trust Agreement, the Employer will certify to the Trust Administrator in writing the persons or entity with the plenary authority pursuant to applicable state law over the investment and management of the Employer's Plans or its designee ("Plan Administrator"). The Plan Administrator has the authority to act on behalf of, and to exercise any of the rights of, the Employer under this Agreement. In accordance with Section 6.1(l) of the Trust Agreement, the Trust Administrator may designate and engage the services of such agents, representatives, advisors, counsel, accountants and other third parties, including affiliates of the Trust Administrator, and delegate its authority to perform specified services under this Agreement to such third parties. Any such designee shall have the authority to perform the services delegated to it by the Trust Administrator. Any officer of the Trust Administrator has the authority to exercise any of the rights of the Trust Administrator under this Agreement.
18. **Notice.** Written notices required under this Agreement will be sent by regular mail, certified mail, overnight delivery or courier, and will be deemed given when received at the parties' respective addresses shown below. Either party must notify the other party in writing of a change in address.



PFM Asset Management LLC

Employer's Address:

City of El Paso de Robles
821 Pine Street, Suite
Paso Robles, CA 93446

Attn: Michael Compton

Trust Administrator's Address:

PFM Asset Management LLC
Attn:

With a Copy to:

PFM Asset Management LLC
1735 Market Street, 42nd Floor
Philadelphia, PA 19103
Attn: Controller

- 19. **Applicable Law.** This Agreement will be construed, enforced and administered according to the laws of the State _____ of California _____, without regard to its conflicts of law principles. In the event that either party institutes legal proceedings against the other, venue will lie in any court of competent jurisdiction in the State _____ of California _____.
- 20. **Entire Agreement.** This Agreement, including exhibits and any other documents referenced herein, constitutes the entire agreement of the parties with respect to the subject matter of this Agreement, and supersedes all prior negotiations, agreements, and understandings, whether written or oral, with respect thereto.
- 21. **Severability.** If any provision of this Agreement is held by any court of competent jurisdiction to be invalid or unenforceable, the remaining provisions of the Agreement will continue in full force and effect.
- 22. **Counterparts.** This Agreement may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed will be deemed to be a complete original and all of which together will constitute one and the same Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their authorized officers on the date set forth in the first paragraph of this Agreement.

**TRUST ADMINISTRATOR
PFM ASSET MANAGEMENT LLC**

By: _____
Its: _____

AGENCY
City of El Paso de Robles

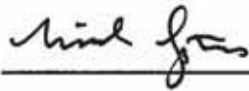
By: 
Its: City Treasurer

Exhibit A
Fees
Trust Administration Fees

Assets Under Management	Annual Fee
First \$10 million	0.45%
Next \$10 million	0.35%
Next \$30 million	0.25%
Next \$50 million	0.20%
Assets in excess of \$100 million	0.15%

Trustee/Custody Fees

Trustee/Custody Per Annum Fees		Unit Price
Domestic Administration		
Total Portfolio Assets	Base Fee	Per Additional Account
\$0 - \$20 million	\$6,000	\$500
\$20 million - \$100 million	\$10,000	\$500
Over \$100 million	Individually priced on a deal by deal basis	
Benefit Payments		
Web-Based Online Reporting & Administration – RPP	Included	
Periodic ACH without Advice	\$1.50	
Periodic Check/ACH with Advice	\$2.00	
Lump Sum Payments	\$20.00	
Form 1099 Reports	\$0.00	
Stop Payments	\$0.00	
Domestic Transactions		
Mutual Fund Settlements	\$8.00 per transaction	
Outgoing/Incoming Wires	\$8.00 per transaction	

Institutional Retirement and Trust Financial Crimes Due Diligence Questionnaire for Retirement Customers

Important Information about Identifying our Customers

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, record, and maintain information that identifies each "person" (individual, corporation, partnership, trust, or other organization recognized as a legal person) for whom we open or hold an account.

What this means for you: In order to open a new account, or maintain an existing account, we are asking you to provide the legal entity name, address, taxpayer identification number (TIN), and other information that will allow us to identify the legal entity. For a corporation, partnership, or other organization recognized as a legal person, we may also ask for identifying documents, such as a Certificate of Formation from the issuing state agency; or for a trust, a Trust Agreement or Certification of Trustee.

To expedite this process, please ensure this form is completed in its entirety.

Section I: Sponsor/Employer Information

Today's Date	Legal Name City of Paso Robles		
DBA, if any			
Address (No PO Box) 1000 Spring Street			
City Paso Robles		State CA	ZIP Code 93446
Country United States of America		Taxpayer Identification Number	State/Country of Registration or Incorporation
Phone Number 805-227-7276	Website www.prcity.com		
Business Type Government Unit or Agency			
Please submit a certified copy of a government-issued document (e.g., Certificate of Formation, Business License); or a certified copy of formation documents (e.g., Articles of Incorporation).			
What is the nature of the business? City Government			
In what country/countries does the entity do business? (include U.S. if appropriate) United States of America			

Is entity publicly traded? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If Yes, list ticker symbol, exchange, and country
Is entity a financial institution? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If Yes, list regulator
Is entity a government agency or instrumentality? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	

NAICS Code

Add NAICS	Remove NAICS
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Section II: Associated Address Information, if any (e.g., affiliate address, tax address, statement mailing address)

Address Description			
Address			
City	State	ZIP Code	Country
Address Description			
Address			
City	State	ZIP Code	Country
Address Description			
Address			
City	State	ZIP Code	Country

Add Address	Remove Address
-------------	----------------

Section III: Legal Ownership

Legal Name			Taxpayer Identification Number
Not applicable - government entity			
Address			
State/Country of Registration or Incorporation (entities only)	Date of Birth (MM/DD/YYYY) (Individuals only)	Country of Citizenship (Individuals only)	Percentage of Ownership
Legal Name			Taxpayer Identification Number
Address			
State/Country of Registration or Incorporation (entities only)	Date of Birth (MM/DD/YYYY) (Individuals only)	Country of Citizenship (Individuals only)	Percentage of Ownership
Legal Name			Taxpayer Identification Number

Address			
State/Country of Registration or Incorporation (entities only)	Date of Birth (MM/DD/YYYY) (Individuals only)	Country of Citizenship (Individuals only)	Percentage of Ownership

Section IV: Additional Party Information (e.g., Authorized Signers, Authorized Agents, Plan Trustee(s), if not Wells Fargo)

Legal Name	Taxpayer Identification Number
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Address	
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State/Country of Registration or Incorporation (entities only)	Date of Birth (MM/DD/YYYY) (Individuals only)	Country of Citizenship (Individuals only)
		USA

Title

Legal Name PFM Asset Management LLC	Taxpayer Identification Number 23-3087064
--	--

Address 1735 Market Street, 43rd Floor, Philadelphia, PA 19103	
---	--

State/Country of Registration or Incorporation (entities only)	Date of Birth (MM/DD/YYYY) (Individuals only)	Country of Citizenship (Individuals only)
Pennsylvania/USA	N/A	N/A

Title Investment Manager / Trust Administrator

Legal Name Marty Margolis	Taxpayer Identification Number
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Address	
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State/Country of Registration or Incorporation (entities only)	Date of Birth (MM/DD/YYYY) (Individuals only)	Country of Citizenship (Individuals only)
		USA

Title Managing Director

Legal Name John Spagnola	Taxpayer Identification Number
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Address	
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State/Country of Registration or Incorporation (entities only)	Date of Birth (MM/DD/YYYY) (Individuals only)	Country of Citizenship (Individuals only)
		USA

Title Managing Director

Legal Name Marc Ammaturo	Taxpayer Identification Number
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Address	
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State/Country of Registration or Incorporation (entities only)	Date of Birth (MM/DD/YYYY) (individuals only)	Country of Citizenship (individuals only) USA
Title Managing Director		
Legal Name V. James Link	Taxpayer Identification Number	
Address		
State/Country of Registration or Incorporation (entities only)	Date of Birth (MM/DD/YYYY) (individuals only)	Country of Citizenship (individuals only) USA
Title Managing Director		
Legal Name Michael Varano	Taxpayer Identification Number	
Address		
State/Country of Registration or Incorporation (entities only)	Date of Birth (MM/DD/YYYY) (individuals only)	Country of Citizenship (individuals only) USA
Title Managing Director		
Legal Name Tyler Braun	Taxpayer Identification Number	
Address		
State/Country of Registration or Incorporation (entities only)	Date of Birth (MM/DD/YYYY) (individuals only)	Country of Citizenship (individuals only) USA
Title Trader		
Legal Name Teshome Gebremedhin	Taxpayer Identification Number	
Address		
State/Country of Registration or Incorporation (entities only)	Date of Birth (MM/DD/YYYY) (individuals only)	Country of Citizenship (individuals only) USA
Title Trader		
Legal Name Giancarlo Morales-Belletti	Taxpayer Identification Number	
Address		
State/Country of Registration or Incorporation (entities only)	Date of Birth (MM/DD/YYYY) (individuals only)	Country of Citizenship (individuals only) USA
Title Trader		

Section V: Other Information

Are any of the Legal Owners or Additional Parties a non-U.S. person? <input type="checkbox"/> Yes <input type="checkbox"/> No	
If yes, indicate parties who are non-U.S.	
Are any of the Legal Owners or Additional Parties classified as a Senior Foreign Political Figure (SFPF)? <input type="checkbox"/> Yes <input type="checkbox"/> No	
If yes, indicate parties who are classified as a SFPF	
Does the sponsor/employer or trust have an existing Wells Fargo relationship? <input type="checkbox"/> Yes <input type="checkbox"/> No	If Yes, list name and phone number of Wells Fargo contact

Section VI: Trust Information

Trust Legal Name Post-Employment Benefits Trust Agreement		
Address (No PO Box) 1751 Pinnacle Drive, 3rd Floor		
City McLean	State VA	ZIP Code 22102
Trust Taxpayer Identification Number 94-1347393	Trust/Plan Type (e.g., 401(k) Plan, Defined Benefit Plan, Money Purchase Pension Plan, VEBA, Rabbi Trust) Section 115 Governmental Trust	
Is Trust a U.S. Entity? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Is this a Multiemployer or Multiple Employer Plan? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	



Institutional Retirement and Trust

WELLS FARGO

ACCOUNT DOCUMENTATION

- **Definition and Disclosure Statement** (1 page)
- **Commercial Electronic Office (CEO) Online Access Agreement** (3 pages)
- **Service Agreement - Trust Portfolio Reporting Service (TPR)** (4 pages)
- **Service Agreement – Retirement Plan Payment Service (RPP)** (3 pages)

DEFINITIONS AND DISCLOSURE STATEMENT

Definitions

“Asset Based Fees Paid by Fund” are fees that are paid by the fund company for mutual funds or the bank trust company for collective investment funds. These fees are taken out of the fund prior to the calculation of the net asset value (“NAV”) for the fund. For assets invested in mutual funds, these are a part of those fees already paid by the shareholders of the applicable fund to the fund/affiliated party as disclosed in the prospectus. The portion being disclosed by Wells Fargo are only those fees received by Wells Fargo from the fund companies parties for certain shareholder services performed by Wells Fargo. Changes to such fees will be disclosed on the trust statements. Any such fees are part of the fund’s expense ratio and do not result in an increased payment by the Trust. Ongoing asset based fees are stated as annual rates and are calculated by the fund’s manager pursuant to its established practice and procedure. Certain funds may also pay one-time asset based fees to Wells Fargo which are calculated based on the value of funds invested by an individual who was not previously an investor in the fund and are calculated in accordance with the manager’s procedures. Asset based fees may be paid by the fund family from one or more sources and under one or more programs provided for in the prospectuses of the funds, such as sub-transfer agency fees, 12b-1 fees, shareholder and administrative services fees, and distribution related fees.

Wells Fargo Advantage Mutual Funds

A current prospectus for any Wells Fargo Advantage Funds included in the Account is available at www.wellsfargoadvantagefunds.com or by calling Wells Fargo Funds Investor Services at 1-800-222-8222.

The prospectus contains important information about fees payable to Wells Fargo Bank or its affiliates. The Funds fees and expenses are stated in the *Organization and Management of the Funds* and *Summary of Expenses* sections of the Prospectus and in the *MANAGEMENT* section of the *Statement of Additional Information*.

Alternative Notification of Securities Transactions under 12 CFR §12.5

Whenever you, as Owner initiate trades, and Wells Fargo Bank, N. A. (“Wells Fargo”) places those trades in your Account at Wells Fargo, federal regulations (12 CFR §12.4) require that Wells Fargo inform you of your right to receive a separate notification containing details of those security transactions.

Wells Fargo can comply by forwarding you, at no charge, copies of each trade confirmation or, in the absence thereof, written notification of the details that would have been contained therein. Alternatively, you may determine that in lieu of receiving separate trade confirmations, the periodic Account statements provided to you by Wells Fargo are adequate to inform you of the Account trade activity. This alternative reporting is allowed pursuant to 12 CFR §12.5.

By signing the Adoption Agreement, you agree that the periodic statements provided by Wells Fargo are adequate notification and that you do not wish to receive separate trade confirmations. If you wish to receive separate trade confirmations, please provide your request in writing to Wells Fargo.

Shareholder Communications Act Disclosure

The Securities and Exchange Commission adopted the Beneficial Owner Information Disclosure Rule #14b-2 (Rule) in 1986 as part of its effort to improve communications between publicly held companies and beneficial owners of the securities registered in the name of certain nominees.

Under these rules, Wells Fargo Bank, N.A. (Wells Fargo) is required to contact each customer for whom we hold securities and determine whether you authorize us to provide your name, address and share position to the issuer of the securities you own. For your protection, the rules prohibit the requesting company from using your name and address for any purpose other than corporate communications.

Please complete the authorization below by checking one of the alternatives.

- Wells Fargo is authorized to release my name, address and share position (Consents to disclosure).
 Wells Fargo is NOT authorized to release my name, address and share position (Objects to disclosure).

Note: Under the Rule, Wells Fargo is required to treat a non-response as a “Consents to disclosure” response.

Company Name: City of El Paso de Robles

COMMERCIAL ELECTRONIC OFFICE (CEO) ONLINE ACCESS AGREEMENT

You have requested access to the Commercial Electronic Office website (the "CEO") of Wells Fargo Bank, N. A. ("Bank") so that you can obtain information and use certain financial services (the "Services") through the online channel. In this Agreement, the words "you" and "your" refer to the company or business entity using the CEO. The term "Affiliate" means the parent company of Wells Fargo, Wells Fargo & Company, and any present or future company that controls, is controlled by, or is under common control with Wells Fargo Bank N.A. The general terms and conditions applicable to your use of the CEO are contained in this Online Access Agreement (the "Agreement") which you must sign and return to Bank before you are allowed access to the CEO. Persons that you authorize to enter the CEO for you (the "Users") must also accept the Terms of Use for the CEO. Finally, before you are able to use a Service through the CEO you must sign or accept the applications, agreements, instruments, rules, standards, policies, instructions, and other documents and forms required to use the Service (the "Service Forms"). In the event of an inconsistency between the Service Forms and this Agreement, the Service Forms will control, but only to the extent of such inconsistency. Except, however, this Agreement will control with respect to terms that address the Online Access Process. As used in this paragraph, the phrase "Online Access Process" means the terms under which you are allowed to access and use the Services via the CEO, the process or procedures you use in order to obtain access to the Service (including required security procedures) via the CEO, and our right to change, suspend or terminate this Agreement or your access to the Service via the CEO.

1. **USING THE CEO.** You agree to use the CEO and the Services only as provided in (a) this Agreement, (b) the rules, procedures, standards, requirements, and policies made applicable to the CEO and the Services from time to time by Bank and the Affiliates, (c) any communications, instructions, terms, or conditions appearing at the CEO or in the Service Forms, and (d) any state or federal laws or regulations applicable to the CEO or the Services.

2. **ID CODES, PASSWORDS, SECURE DEVICES, AND PINs.**
 - (a) You will be able to manage and control who in your company has access to the CEO and the Services by ID codes, passwords, PINs, and other secure devices or protocols required to use the CEO (collectively referred to as "Security Credentials"). It is your responsibility to ensure that the Security Credentials are known to, and used only by, persons who have been properly authorized by you to access the CEO and use the Services through the CEO.

 - (b) Unless you request self-administration of your access to the CEO, Bank will give each User an ID code and a password to be used when the User first enters the CEO. Bank will also assign a company ID code to you for use each time a User enters the CEO. Although your company ID code and the ID codes for each User will remain the same for each entry into the CEO, the password Bank assigns to each User must be changed to a new password the User selects when the User first enters the CEO. Bank will not know the new passwords or any subsequent passwords selected by the Users, or company administrators (if applicable).

 - (c) If you request self-administration of your access to the CEO, Bank will assign you a company ID code and will provide Security Credentials to company administrators, whom you have designated to access the Services for you through the CEO. The company administrators will have access to any Services you receive through the CEO. Your company administrator will be able to directly issue Security Credentials to other Users and allow other Users to access the CEO on your behalf. Company administrators may also remove a User's access and disable a User's Security Credentials.

(d) **FAILURE TO PROTECT THE SECURITY CREDENTIALS MAY ALLOW AN UNAUTHORIZED PARTY TO (1) USE THE SERVICES, (2) CHANGE, VERIFY, OR SEND DATA, (3) SEND INFORMATION TO, OR RECEIVE INFORMATION FROM, BANK AND THE AFFILIATES, OR (4) ACCESS YOUR ELECTRONIC COMMUNICATIONS AND FINANCIAL DATA. ALL ENTRIES INTO THE CEO, ALL COMMUNICATIONS SENT, AND ALL USES OF THE SERVICES, THROUGH YOUR SECURITY CREDENTIALS WILL BE DEEMED TO BE ENTRIES, COMMUNICATIONS, AND USES AUTHORIZED BY YOU AND BE BINDING UPON YOU. YOU ASSUME THE ENTIRE RISK FOR THE FRAUDULENT OR UNAUTHORIZED USE OF YOUR SECURITY CREDENTIALS, UNLESS SUCH UNAUTHORIZED USE IS DUE TO THE ESTABLISHED NEGLIGENCE OR WILLFUL MISCONDUCT OF WELLS FARGO, ITS AFFILIATES OR ITS EMPLOYEES.** You acknowledge the importance of developing internal procedures to limit such risk, which procedures will include, at a minimum, (i) if you are not using self-administration, notifying Bank immediately when any new person becomes a User or when any existing User stops being a User, (ii) if you are using self-administration, disabling access to the CEO immediately for each person that is no longer authorized by you to access the CEO and (iii) keeping secure and protecting the confidentiality of your Security Credentials.

(e) You agree to notify Bank immediately when you become aware of any loss or theft of, or any unauthorized use of, any Security Credentials.

3. **FINANCIAL INFORMATION.** Financial market data, quotes, news, research, and other financial information developed by third parties and transmitted to Bank (collectively, "Financial Information") will be available at the CEO. The posting of any Financial Information or any other information or data at the CEO will not be a recommendation by Bank or any Affiliate that any particular Service or transaction is suitable or appropriate for you or that you should receive or in any way use any Service. Neither Bank nor any Affiliate guarantees the accuracy, completeness, timeliness or correct sequencing of any Financial Information, nor are they in any way responsible for the actions or omissions of the third parties developing or transmitting Financial Information, or for any decision made or action taken by you in reliance upon any Financial Information.

4. **USE OF CERTAIN SOFTWARE TO ACCESS THE CEO.** In using the CEO you will be sending or receiving financial and other information directly to or from Bank and the Affiliates through the Internet. You acknowledge that when the Internet, or any other electronic communications facilities, is used to transmit or receive information the information may be accessed by unauthorized third parties. To reduce the likelihood of such third party access, you agree to transmit and receive information through the CEO using only software, including, but not limited to, browser software, or other access devices that support the Secure Socket Layer (SSL) protocol (or other protocols required by or acceptable to Bank), and to follow the Bank procedures that support such protocols.

5. **DISCLAIMERS.** Neither Bank nor any Affiliate will be your advisor or fiduciary with respect to this Agreement. **NEITHER BANK NOR ANY AFFILIATE MAKES ANY EXPRESS OR IMPLIED WARRANTY AS TO THE AVAILABILITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF THE CEO, THE FINANCIAL INFORMATION, OR THE SERVICES, AND NEITHER BANK NOR ANY OF THE AFFILIATES MAKES ANY OTHER WARRANTY, PROMISE, COMMITMENT, GUARANTEE, OR REPRESENTATION WITH RESPECT TO THE CEO, THE FINANCIAL INFORMATION, OR THE SERVICES, EXCEPT THOSE WARRANTIES, PROMISES, COMMITMENTS, GUARANTEES, OR REPRESENTATIONS SPECIFICALLY STATED IN THE SERVICE FORMS.** If a Service cannot be used through the CEO, Bank will make reasonable efforts for such Service to be used by other means.

6. **LIMITATION OF LIABILITY.** Neither Bank nor any Affiliate will be liable to you for any direct damages or losses suffered or incurred by you in connection with the CEO, any of the Services, any Financial Information, any other information you receive through the CEO, or any failure to provide, or delay in providing, access to the CEO, any Service, or any Financial Information, except to the extent such damages or losses arise directly from the established negligence or willful misconduct of Bank or an

Affiliate. Notwithstanding any provision of this Agreement or any Service Form to the contrary, **IN NO EVENT WILL BANK OR ANY AFFILIATE HAVE LIABILITY FOR ANY CONSEQUENTIAL, SPECIAL, PUNITIVE, OR INDIRECT DAMAGES OR LOSSES WHETHER ANY CLAIM FOR SUCH DAMAGES OR LOSSES IS BASED ON TORT OR CONTRACT OR WHETHER BANK OR ANY AFFILIATE KNEW OR SHOULD HAVE KNOWN THE LIKELIHOOD OF SUCH DAMAGES IN ANY CIRCUMSTANCE.**

7. **RESTRICTING OR TERMINATING ACCESS TO THE CEO.** Bank may terminate this Agreement or your (including your Users) access to the CEO by providing you with thirty days prior written notice. However, Services may be terminated earlier, in accordance with the Service Forms. In the event you or your User(s) have violated any provision of this Agreement or a Service Form, Bank may terminate your, or a User's, access to the CEO, or an applicable Service, upon immediate notice. Neither Bank nor any Affiliate shall have liability to you or any User for any losses or damages you may suffer or incur as a result of (i) any termination of this Agreement or (ii) inability to access the CEO or applicable Service.
8. **WAIVERS.** Neither Bank nor any Affiliate shall be deemed to have waived any of its rights under this Agreement unless such waiver is in writing and such writing is signed by an authorized representative of Bank or such Affiliate. No delay, extension of time, compromise, or other indulgence which may occur or be granted from time to time by Bank or any Affiliate under this Agreement shall impair the rights of Bank or any Affiliate under this Agreement.
9. **AMENDMENTS.** Bank may amend this Agreement at any time upon written notice to you. You will be deemed to have accepted such amendment if any of your Users access the CEO or use any Service through the CEO more than 30 calendar days after you receive notice of such amendment.
10. **ASSIGNMENT.** You may not assign or transfer your rights or obligations under this Agreement, whether by operation of law, asset purchase, merger or other corporate reorganization, or any other method, without Bank's prior written consent.
11. **GOVERNING LAW.** Your rights and obligations and the rights and obligations of Bank and the Affiliates under this Agreement will be governed by and subject to the laws of the State of California, excluding any applicable conflict of laws provisions.
12. **SEVERABILITY.** The provisions of this Agreement are severable. If any provision of this Agreement is held to be invalid, or unenforceable, the validity or enforceability of the remaining provisions will in no way be affected or impaired thereby.
13. **ENTIRE AGREEMENT.** This Agreement and the Terms of Use for the CEO set forth the exclusive and entire agreement between Bank, the Affiliates and you with respect to your use of the CEO. Any prior agreements, representations, statements, negotiations, undertakings, promises or conditions, whether oral or written, with respect to your use of the CEO, which conflict with the provisions in this Agreement are superseded by this Agreement.

This Agreement is signed below by your duly authorized officer or officers on the date stated below.

Date: April 1, 2017

City of El Paso de Robles

[Company Name]

By: _____

Print Name: Michael Compton

Title: City Treasurer

Service Agreement Trust Portfolio Reporting Service

City of El Paso de Robles ("Customer") wishes to use the Trust Portfolio Reporting Service (the "Service") through the Commercial Electronic Office® (the "CEO®") provided by Wells Fargo Bank, N.A. ("Wells Fargo") on the Wells Fargo website. The specific terms and conditions applicable to use of the Service are set forth in this Agreement. All persons entering the CEO on behalf of Customer (the "Users") are required to also accept the terms of use for the Service and the CEO.

1. **Using the Service.** Customer agrees to use the Service and the CEO only as provided in (a) this Agreement, including any applicable addenda, (b) the rules and procedures made applicable to the CEO from time to time by Wells Fargo, (c) any communications, instructions. Terms or conditions appearing at the CEO website itself, and (d) any state or federal laws or regulations applicable to the CEO.

2. **Trust Portfolio Reporting Service Description.**

General Reporting. If Customer elects the General Reporting feature of the Service, it may access through the Internet its Trust cash, asset, and transaction information as follows:

(a) Trust account information as of the close of the previous business day.

(b) Settlement date cash and asset position information for the prior eighteen months. (Customer's information begins to accumulate from the date of first use of the Service.)

(c) Transaction history for up to eighteen prior months. (Customer's history begins to accumulate from the date of first use of the Service.)

(d) Pending transaction information as of the current business day for up to 45 subsequent calendar days.

(e) Customer information may be sorted and selected in several combinations to view online, print, or export in a variety of output formats.

Verified Reporting. If Customer elects the Verified Reporting feature of the Service, it may access through the Internet Customer's financial and/or investment performance/and or portfolio analytics information for certain designated trust accounts as follows:

(a) Account information as of the close of the previous accounting period as determined by pre-selected accounting cycle.

(b) Historic cash and asset positions and transaction data for prior accounting periods beginning with the date an account is established on this platform.

(c) Cash and asset positions and transaction information as of trade date.

(d) For any foreign assets, cash and asset positions and transaction history information in both base and local currency.

(e) Customer information may be sorted and selected in several combinations to view online, print, or export in a variety of output formats

Cash Movement. If Customer is qualified, it may elect the Cash Movement feature of the Service described more fully in the Cash Movement Addendum (the "Cash Movement Addendum").

Trade Entry. If Customer is qualified, it may elect the Trade Entry feature of the Service described more fully in the Trade Entry Addendum (the "Trade Entry Addendum").

3. **Access.** Access to the Service for all purposes is controlled by means of one or more authorization codes that Wells Fargo shall issue to Customer.

(a) In the event Customer elects General Reporting or Verified Reporting or both, Customer will be provided with a specific authorization code.

(b) In the event Customer elects Cash Movement, Customer will be furnished with a specific authorization code and will be required to comply with an additional level of authorization to invoke strong security authentication.

(c) In the event Customer elects Trade Entry, Customer will be furnished with a specific authorization code and will be required to comply with an additional level of authorization.

(d) Customer is responsible for controlling the security and confidentiality of the authorization codes provided to its employees and shall promptly notify Wells Fargo if it becomes aware of the unauthorized use of the authorization code(s) or suspects that an unauthorized use may occur.

4. **Fees.** Customer agrees to pay Wells Fargo for the Service in accordance with the schedule of charges attached hereto. Wells Fargo may change the schedule of charges at any time upon thirty (30) days' prior written notice to Customer.

5. **Sublicense.**

(a) Wells Fargo has separately licensed from third parties (the "Licensors") various securities pricing and characteristic databases (referred to as the "Securities Pricing and Characteristic Databases") for its use in delivering the Service. Wells Fargo grants to Customer a nonexclusive, nontransferable sublicense to access the Securities Pricing and Characteristic Databases solely and exclusively for Customer's own use and only in connection with its use of the Service. Customer agrees that the security pricing information contained in the Securities Pricing and Characteristic Databases is provided solely for Customer's use in connection with the Service and is not provided for any other use or manipulation by Customer, including the sale of such security pricing information to third parties. The Securities Pricing and Characteristic Databases shall at all times be the property of the Licensors and nothing in this Service Agreement shall be deemed a transfer of or create an ownership interest in the Securities Pricing and Characteristic Databases.

(b) Wells Fargo will have the right to terminate this sublicense if Customer:

(i) ceases to be a customer for the Service;

(ii) attempts to further sublicense or transfer the rights granted in this Service Agreement or the Cash Movement Addendum;

(iii) assigns, or attempts to assign, this Service Agreement or any of its rights hereunder (the word "assign" to include, without limiting the generality thereof, a transfer of a majority interest in Customer);

- (iv) neglects or fails to perform or observe any of its existing or future obligations to Wells Fargo, whether under this Service Agreement, the Cash Movement Addendum, the Trade Entry Addendum or otherwise;
- (v) makes an assignment for the benefit of creditors, or a receiver, trustee in bankruptcy or similar officer is appointed to take charge of all or part of its property; or
- (vi) is adjudged bankrupt, and such condition(s) is not remedied within ten (10) days after written notice thereof has been given to Customer.

(c) Upon termination of this sublicense or of any license granted for the use of the Securities Pricing and Characteristic Databases, all rights of Customer to use the Securities Pricing and Characteristic Databases and related documentation under this Service Agreement will cease. Customer shall promptly discontinue its use of the Service and its access to the Securities Pricing and Characteristic Databases and any other software products provided under this Service Agreement and shall return the related documentation and software products and all copies thereof to Wells Fargo.

6. **Reliance on Third Parties.** Wells Fargo relies on information provided by third parties to establish market valuations and perform the portfolio analytics for Customer. Wells Fargo exercises reasonable care in selecting the third parties and believes the information provided (e.g., pricing and market indices) is accurate and reliable. Wells Fargo does not guarantee that accuracy, however, and is liable to Customer hereunder only to the extent of its own negligence or willful misconduct in delivering the Service.
7. **Entire Agreement.** This Agreement and any related addendum expressly executed by Customer (collectively, the "Agreement") shall constitute the sole agreement among Customer and Wells Fargo regarding use of the Service. Any prior agreements, representations, statements, negotiations, undertakings, promises or conditions, whether oral or written, with respect to the Service which conflict with the provisions in this Agreement are superseded by this Agreement.
8. **Waivers.** Wells Fargo shall not be deemed to have waived any of its rights or powers under this Agreement unless such waiver is in writing and signed by an authorized representative of Wells Fargo. No delay, extension of time, compromise, or other indulgence which may occur or be granted from time to time by Wells Fargo shall impair the rights or powers of Wells Fargo under this Agreement.
9. **Amendments.** Wells Fargo may amend this Agreement at any time upon prior written notice to Customer. Customer will be deemed to have accepted an amendment of this Agreement if any of its Users use the Service through the CEO more than 30 calendar days after Customer receives notice of such amendment.
10. **Assignment.** Customer's rights, duties and obligations under this Agreement may not be assigned by Customer without the prior written consent of Wells Fargo. Nor may Wells Fargo assign its rights, duties and obligations hereunder without Customer's prior written consent.
11. **Termination.** Either party may terminate this Agreement for any reason upon 30 days' prior written notice to the other.
12. **Governing Law.** Customer's rights and obligations and the rights and obligations of Wells Fargo under this Agreement will be governed by and be subject to the laws of the State of California.
13. **Severability.** If any provision of either this Agreement, the Cash Movement addendum, or the Trade Entry Addendum (if selected by Customer) shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of such provision in other jurisdictions, and of the remaining provisions of this Agreement in all jurisdictions, shall not in any way be affected or impaired.

Customer acknowledges and agrees to the terms of this Service Agreement for the Trust Portfolio Reporting Service.

This Agreement is effective upon acknowledgement by Customer by its duly authorized officer or officers on the date stated below.

Acknowledged and Accepted By:

Customer

By: _____

Name: Michael Compton

Title: City Treasurer

Date: April 1, 2017

Customer elects the General Reporting feature of the Service.

Customer elects the Verified Reporting feature of the Service.

Customer elects the Cash Movement feature of the Service.
Must execute TRUST PORTFOLIO REPORTING CASH MOVEMENT ADDENDUM.

Customer elects the Trade Entry feature of the Service.
Must execute TRUST PORTFOLIO REPORTING TRADE ENTRY ADDENDUM.

Trust Portfolio Reporting Fees

Pursuant to section 4 of the Service Agreement for Trust Portfolio Reporting, Customer agrees to pay Wells Fargo the following fees:

Fee	Amount
Set-up Fee:	<u>\$Waived</u>
Basic Service Fee:	<u>\$Waived</u>

As set forth in section 4 of the Service Agreement, Wells Fargo may change this schedule of charges at any time upon 30 (thirty) days prior written notice to Customer.

Service Agreement Retirement Plan Payment Services

City of El Paso de Robles ("Customer") has asked to be allowed to enter the *Commercial Electronic Office*[®] (the "*CEO*[®]") of Wells Fargo Bank, N. A. ("Wells Fargo") at Wells Fargo's website so it may use the Retirement Plan Payments Service (the "Service") of Wells Fargo or its affiliates (the "Affiliates") online. The specific terms and conditions applicable to the use of the Service are set forth in this Agreement.

1. **Using the Service.** Customer agrees to use the Service and the *CEO* only as provided in (a) this Agreement, (b) the rules, procedures, standards, requirements, and policies made applicable to the *CEO* from time to time by Wells Fargo and the Affiliates, (c) any communications, instructions, terms, or conditions appearing at the *CEO*, and (d) any state or federal laws or regulations applicable to the *CEO*.
2. **Retirement Plan Payments Service Description.** The Service will enable Customer to access Wells Fargo's benefit payment processing system permitting Customer, in turn, to review through the Internet the payment history of benefit recipients and, if Customer so elects, to create payments and modify existing payments.
 - a. Customer will have access to participant payment records for the past three years. All historical payment records include information regarding prior payments. All participant records are real time and include information regarding current payments to participants, withholdings, deductions by type, and profiles on individual participants.
 - b. Customer may select payment records to view online or print.
 - c. If Customer elects, Customer may use the Service to initiate periodic and lump sum payments, edit participant information, create new participant records, initiate regular and/or special payments, and insert plan wide messages on periodic payment checks and advices. Customer's use of the Service includes the ability to edit participant information with respect to the following:
 - i. Set up of new payment recipients
 - ii. Changing or revising addresses
 - iii. Modifying tax withholding information
 - iv. Adjusting benefit and deduction amounts
 - v. Revising direct deposit information
 - vi. Stopping payment on checks and re-issuing previously stopped checks
 - vii. Recovering or otherwise modifying ACH transactions
 - d. If Customer selects the secondary authorization function, changes to beneficiary data will be implemented by Wells Fargo only after review and approval by a representative of Customer other than the representative who initially requested the change.
 - e. Customer may generate a detailed change report, lump sum summary report, stop and reissue report, or outstanding checks report to view online, print, or export in a variety of output formats.

- f. Customer may create and generate ad hoc reports to view online, print, or export in a variety of output formats. Ad hoc reporting data is as of the previous business day.
3. **Access.** Access to the Service shall be controlled by means of one or more authorization codes that Wells Fargo shall issue to Customer. All customers using the Service are furnished with strong security authorization to access participant data.
 - a. Customer may elect only the ability to read and inquire into the data maintained on the Service for Customer's retirement plans.
 - b. Customer may elect the ability to both inquire and to enter and modify information.
 - c. Customer shall be solely responsible for controlling the security and confidentiality of authorization codes and shall promptly notify Wells Fargo if it becomes aware of the unauthorized use of the authorization code(s) or suspects that an unauthorized use may occur.
4. **Fees.** Fees for the Service are included in the cost of payments processed by Wells Fargo, and therefore no additional fees are required to use it.
5. **Entire Agreement.** This Agreement sets forth the entire and only agreement among Customer, Wells Fargo and the Affiliates regarding use of the Service. Any prior agreements, representations, statements, negotiations, undertakings, promises or conditions, whether oral or written, with respect to the Service which conflict with the provisions in this Agreement are superseded by this Agreement.
6. **Waivers.** Neither Wells Fargo nor any Affiliate shall be deemed to have waived any of its rights or powers under this Service Agreement unless such waiver is in writing and such writing is signed by an authorized representative of Wells Fargo or such Affiliate. No delay, extension of time, compromise, or other indulgence which may occur or be granted from time to time by Wells Fargo or any Affiliate under this Service Agreement shall impair the rights or powers of Wells Fargo or any Affiliate under this Service Agreement.
7. **Amendments.** Wells Fargo may amend this Service Agreement at any time upon written notice to Customer. Customer will be deemed to have accepted an amendment of, or an addition to, this Service Agreement if any of its Users use the Service through the *CEO* more than 30 calendar days after Customer receives notice of such amendment or addition.
8. **Assignment.** Customer's rights, duties and obligations under this Service Agreement may not be assigned by Customer without the prior written consent of Wells Fargo and the appropriate Affiliate. Nor may Wells Fargo assign its rights, duties and obligations hereunder without Customer's prior written consent.
9. **Governing Law.** Customer's rights and obligations and the rights and obligations of Wells Fargo and the Affiliates under or in connection with this Service Agreement will be governed by and be subject to the laws of the State of California.
10. **Severability.** If any provision of this Service Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of such provision in other jurisdictions, and of the remaining provisions of this Service Agreement in all jurisdictions, shall not in any way be affected or impaired.

This Agreement is effective upon acknowledgement by Customer by its duly authorized officer or officers on the date stated below.

Customer acknowledges and agrees to the terms of this Service Agreement for Retirement Plan Payments Service.

Acknowledged and accepted by:

Name of Government Entity editable

Name: Michael Compton
(please print)

Title: City Treasurer
(please print)

Signature: _____

Date: April 1, 2017

**WELLS FARGO
INSTITUTIONAL RETIREMENT & TRUST
OPERATIONAL ACCOUNT SET UP DOCUMENTATION**

City of Paso Robles

ENCROACHMENT (COMBINATION OF PRINCIPAL AND INCOME CASH REPORTING)

- NO (Principal and Income activity will remain separate)
- YES (Principal and Income reporting will be combined)

ACCOUNT DIRECTION FOR SECURITY DISPOSITION

Does the Account(s) require that tax lots be maintained?

- NO** – Average cost will be used for the Account.
- NOT SURE** – preserve method in use with current provider (option applies only to business converting from a single trustee/custodian)
- YES** – If yes, check one box to select method for which tax lots will be sold:
- | | |
|--|--|
| <input checked="" type="checkbox"/> FI – First in, first out | <input type="checkbox"/> MA – Maximize gain (lowest federal tax cost – short term) |
| <input type="checkbox"/> HI – Highest federal tax cost | <input type="checkbox"/> MI – Minimize gain (highest federal tax cost – long term) |
| <input type="checkbox"/> LI – Last in, first out | <input type="checkbox"/> SP – Specify the tax lots to be sold |
| <input type="checkbox"/> LO – Lowest federal tax cost | |

OUTSTANDING CHECK PROVISION

How will the Account(s) handle aged outstanding checks that are no longer negotiable on an ongoing basis?

- Redeposit to issuing account/forfeit (default) Escheat

ACCOUNT DIRECTION FOR AMORTIZATION/ACCRETION

Does the Account(s) require amortization/accretion?

- NO**
- YES**; If yes, check one of the boxes below:
- | | |
|---|---|
| <input type="checkbox"/> Straight-Line for All Holdings | <input type="checkbox"/> Straight-Line Premium Only |
| <input type="checkbox"/> Scientific (constant yield) for All Holdings | <input type="checkbox"/> Scientific (constant yield) Premium Only |
| <input type="checkbox"/> Constant Interest for All Holdings | <input type="checkbox"/> Constant Interest Premium Only |

**WELLS FARGO
INSTITUTIONAL RETIREMENT & TRUST
OPERATIONAL ACCOUNT SET UP DOCUMENTATION**

PROXY VOTING DESIGNATION

Bank is hereby instructed that proxy statements received regarding the securities held should be forwarded as designated below for voting or filing:

Name: **Michael Compton**
Address: **821 Pine Street, Suite A, Paso Robles, CA 93446**
E-mail: **mcompton@prcity.com**

**Note: For accounts that utilize an Investment Manager, the Investment Manager will automatically be set up to receive proxies unless instructed otherwise by the client.*

CORPORATION ACTION DESIGNATION (INCLUDING TENDER OFFERS AND CLASS ACTIONS)

Bank is hereby instructed that corporate action notices received regarding the securities held should be forwarded as designated below:

Name:
Address:
E-mail:

**Note: For accounts that utilize an Investment Manager, the Investment Manager will automatically be set up to receive proxies unless instructed otherwise by the client.*

MUTUAL FUND REINVESTMENT OPTIONS

The Principal hereby instructs the Bank to treat mutual fund dividends and capital gains in the following manner:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Mutual Fund Dividends are to be reinvested | <input type="checkbox"/> Capital gains are to be reinvested |
| <input type="checkbox"/> Mutual Fund Dividends are to be paid in cash | <input type="checkbox"/> Capital gains are to be paid in cash. |

Note: If you make no election the Bank will reinvest dividends and capital gains.

FISCAL YEAR END

Signed

By:

Printed Name: **Michael Compton**

Title: **City Treasurer**

Date:



City of Paso Robles Portfolio Planning Survey

March 9, 2017

Prepared By:

PFM Asset Management LLC
50 California Street
Suite 2300
San Francisco, CA 94901
415.982.5400
www.pfm.com

Introduction

The critical first phase of our investment service involves a portfolio planning process that leads to the development of a written policy. This Investment Policy Statement (IPS) details your investment goals and objectives and your long-range plan for achieving them. In essence, it becomes the linkage between your needs and the realities of the investment markets. In addition, it serves as a directive for implementing your portfolio strategy and establishes a rationale for making subsequent investment decisions, judgments and evaluation. We believe that the creation and execution of a reasonable and logical investment policy is absolutely critical to the long-term success of your investment program. Therefore, it must be crafted with skill, a common perspective of the realities of the financial world and a clear understanding of the financial and psychological factors that influence the needs of the portfolio. This questionnaire is designed to assist us in assessing your goals, analyzing your present investment allocation and designing an appropriate investment policy for your portfolio. With your help, we trust that you will find its completion to be an enlightening first step in the development of your long-term investment program.

Contents of the Portfolio Planning Survey are found on the following pages:

I.	Fund Background Information.....	1
II.	Allowable Asset Classes.....	1
III.	Investment Objectives, Time Horizon and Risk.....	1

I. Fund Background Information

<i>Official Name of Funds:</i>	City of Paso Robles Section 115 Trust
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<i>Names of Finance Committee Members:</i>
Tom Frutchey, City Manager
Mike Compton, City Treasurer
Deanne Purcell, Interim Director of Administrative Services
Marlaine Sanders, Human Resources Manager

II. Permissible asset classes

Asset Classes	Allowable in New IPS
Large Cap Domestic Equity	
Mid/Small Cap Domestic Equity	
International Equity – Developed & Emerging	
Real Estate (REITS, LP's, Open Ended Funds)	
Domestic Government & High Quality Corporate	
Domestic Below Investment Grade Fixed Income	
International Fixed Income – Developed & Emerging	
Commodities	
Hedge Funds	
Private Equity	
Other : Specify	

III. Investment Objectives / Risk

1. The investment rate of return assumption for this portfolio is ___%.
2. What is the primary objective for this pool of assets?
 - a. *Preservation of capital*
 - b. *Maximize current income*
 - c. *Growth of principal, moderate current income*
 - d. *Maximum growth of principal, income not a consideration*
3. What is the portfolio's investment time horizon? (*Investment time horizon refers to the minimum length of time the portfolio is reasonably expected to be invested before being liquidated or alternatively, the period of time during which the investment objective for this portfolio will continue without substantial modification.*)

- a. *Five years*
 - b. *Ten years*
 - c. *Twenty years*
 - d. *Other* _____
4. Assuming long-term return goals are being met, how often are you prepared to accept the probability of a negative portfolio return? Once every?
- a. *Three years*
 - b. *Five years*
 - c. *Ten years*
 - d. *Other*
5. Given the longer-term nature of the fund and the expectation for short-term volatility in the markets, what is the maximum loss that would be acceptable in any given year?
- a. *0 – 5%*
 - b. *5 – 10%*
 - c. *10 – 20%*
 - d. *Greater than 20%*
6. How concerned are you with variability in the market value of the fund?
- a. *Very concerned with variability in the fund value*
 - b. *Somewhat concerned with year-to-year variability, but more concerned with long-term growth*
 - c. *Focused on the long-term growth of the fund, unconcerned with short-term variability*
7. Please circle any of the following which most closely define your view of risk.
- a. *The possibility of not achieving a targeted rate of return.*
 - b. *Wide swings in the market value of your portfolio over short (1 year) periods of time.*
 - c. *Wide swings in the market value of your portfolio over long (3 years) periods of time.*
 - d. *Loss of principal*

Approved by: _____

Name: Michael Compton

Title: City Treasurer

Date: _____

Bylaws of the City of Paso Robles

Section 115 Trust Investment Committee

I. MEMBERSHIP

1. VOTING MEMBERS

Membership of the City of El Paso de Robles Section 115 Trust Investment Committee (the "Committee") will be comprised of 3 members; the City Manager, City Treasurer, and Interim Director of Administrative Services. Members will be appointed by the City Manager for 3 year terms.

2. COMPENSATION

Members of the Committee serve without compensation. Expenses are reimbursable in accordance with City policy and state law.

II. ADMINISTRATION

1. CHAIR

City Treasurer shall serve as Chair of the Committee.

2. FILLING OF VACANCY IN OFFICE

In the event of a vacancy in the office of Chair, the City Manager shall assume the office of Chair until the vacancy is filled.

III. MEETINGS

1. REGULAR MEETINGS

Regular meetings of the Committee shall be held quarterly.

2. SPECIAL MEETINGS

Special meetings of the Committee may be called with at least 48 hours notice.

3. QUORUM

A simple majority of the appointed members of the Committee constitute a quorum. A vote of a majority of those voting members present shall be required for action. Action may be taken by motion or resolution.

4. AGENDA

Agendas shall be made available to Committee members at least 5 business days in advance of a Regular Meeting and at the time a Special Meeting is called. Members of the Committee may request an item to be included on the agenda by contacting the Chair of the Committee.

5. MINUTES

The Committee shall cause to be recorded in the minutes the time and place of each meeting of the Committee, the names of members present, all official acts of the Committee, the votes given by members except when the action is unanimous, and when requested by a member's dissent or approval with his or her reasons, and shall cause the minutes to be written forthwith and presented for approval at the next regular meeting. The approved minutes shall form part of the permanent records of the Committee.

IV. ACCOUNTABILITY

1. ANNUAL REPORT

The Committee shall submit an annual report (fiscal year) of performance to the City Council within ninety days after the end of the fiscal year. An audit of the financial statements of the Trust will be conducted by an independent certified public accountant.

2. REVIEW OF FINANCIAL INFORMATION

The Committee shall periodically receive reports from the Trust Administrator, and shall review all key financial information to ensure that resources are used and actions taken in compliance with the Trust Agreement, and the approved Investment Policy Statement. The Committee shall review all audits and similar information to ensure compliance with financial control practices and accounting rules.

3. EDUCATION

Members are encouraged to take at least one up to date educational course annually on investment strategies or other education programs that are relevant to their duties as fiduciaries for the Section 115 Trust.

IV. CONFLICT OF INTEREST REGULATIONS

A Committee member shall not engage in any employment, activity, or enterprise for compensation which is inconsistent, incompatible, in conflict with, or inimical to his or her duties, functions or responsibilities on the Committee. Such member shall not perform any work, service, or counsel for compensation outside of his or her Committee responsibilities where any part of his or her efforts will be subject to approval by the Committee.

V. AMENDMENTS

The Bylaws of the Section 115 Trust Investment Committee may be amended at any time by a majority vote of the total voting membership of the Committee.

Approved: _____

Date: _____

EXHIBIT 1

CHARTER OF THE SECTION 115 TRUST INVESTMENT COMMITTEE

OF THE

CITY OF EL PASO DE ROBLES SECTION 115 TRUST

I. Purpose

The City of El Paso de Robles (the "City") has established the City of El Paso de Robles Section 115 Trust (the "Trust"), in order to provide for funding of pension, retiree health and other post-employment benefits for the City's eligible retirees. The City has established the Section 115 Investment Committee (the "Committee") to serve as the oversight committee of the Trust. The Committee will have the duties and responsibilities set forth in this Charter.

II. Composition

The membership of the Committee will be composed of three (3) members; the City Manager, City Treasurer, and (Interim Director of Administrative). Representatives will be appointed by the City Manager. The Committee will establish Bylaws setting out the roles and functions of individual members of the Committee, as well as governance procedures of the Committee.

III. Duties and Responsibilities

The Committee will have the following duties and responsibilities:

A. Investments

1. The Committee has exclusive control of the investments of the Trust. The Committee will manage the funds under the Trust:
 - a. solely in the interest of, and for the exclusive purposes of providing for funding of benefits for participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the Trust;
 - b. 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; and
 - c. by diversifying the investments of the Trust so as to minimize the risk of loss and to maximize the rate of return,

unless under the circumstances it is clearly prudent not to do so.

2. The Committee will establish a written statement of investment policy. At least once every three years, the Committee will evaluate the appropriateness of the policy and, based on such evaluation, either confirm the terms of the policy as then in effect, or amend the investment policy as appropriate. The investment policy will achieve the following:
 - a. document investment objectives, performance expectations and investment guidelines for assets under the Trust;
 - b. establish an appropriate investment strategy for managing all assets under the Trust, including an investment time horizon, risk tolerance ranges and asset allocation to provide sufficient diversification and overall return over the long-term time horizon of the Trust;
 - c. establish investment guidelines to control overall risk and liquidity;
 - d. establish periodic performance reporting requirements that will effectively monitor investment results and ensure that the investment policy is being followed; and
 - e. comply with all fiduciary, prudence, due diligence and legal requirements for the investment of assets under the Trust.

B. Monitoring and Reporting

At least semi-annually, the Committee will do the following:

1. monitor compliance with the investment policy for the Trust;
2. review and assess the performance of any service providers appointed by the Committee to perform services related to the Trust;
3. deliver a report to the City Council setting out the results of the Committee's evaluation of the two preceding items; and
4. review and reassess the adequacy of this Charter and recommend proposed changes, if any, to the City Council for its approval.

C. Other Duties and Responsibilities

The Committee will take all other actions requested or directed by the City Council in the furtherance of the duties and responsibilities delegated under this Charter. In addition, the Committee may perform any other activities consistent with this Charter and governing law, as the Committee deems necessary or appropriate.

D. Resources

To the extent reasonable and appropriate:

1. the Committee will have access to the City resources, including but not limited to internal advisors within the City, to assist the Committee in carrying out its duties and responsibilities;
2. the Committee may engage any service providers to assist in the performance of its duties and responsibilities, including but not limited to consultants, legal counsel or other providers; and
3. the Committee may utilize funds under the Trust to pay reasonable expenses of the Trust, including but not limited to compensation of any service provider appointed by Committee, unless such expenses are paid directly by the City.

Authorized Signers Certification

Effective Date: April 1, 2017

Owner Name ("Owner"): City of El Paso de Robles

Account Name ("Account"): Post-Employment Benefits Trust Agreement

Wells Fargo Account Number(s): 26074000 and all related sub accounts

Certification of Authorized Signers:

As a duly appointed individual of the Owner, I hereby certify that:

1. The individual(s) listed below have been authorized by resolution and has/have the authority to act on behalf of the Owner. The authorized individual(s) (Authorized Signers) may act on behalf of the Owner, wherever the Owner has responsibility with respect to the Account, including responsibility under the governing Trust/Custody Agreement, executed between Wells Fargo Bank, N.A. (Wells Fargo) and the Owner;
2. The following are true and correct signatures of all Authorized Signers authorized to act on behalf of the Owner with respect to Account activity as indicated below.

Name: <u>Michael Compton</u> <p style="text-align: center;"><i>(please print)</i></p>	Title: <u>City Treasurer</u> <p style="text-align: center;"><i>(please print)</i></p>
Signature: _____	Date: _____

Authorized Signer Information	Authorized Activity
Michael Compton <hr/> Name (please print) Chair, Member, Paso Robles Section 115 Trust <hr/> Committee Membership (indicate as applicable) City Treasurer <hr/> Title (please print) <hr/> Signature	<input checked="" type="checkbox"/> Benefit Payment Processing Direction <input checked="" type="checkbox"/> Fee and Expense Processing Direction This authorized signer may act: <input checked="" type="checkbox"/> Individually <input type="checkbox"/> Jointly, _____ <i>(If left blank, two signatures will be required)</i> signatures required with respect to the authorized activity indicated above. <i>(If no election is made, Individually will be assumed)</i>

Authorized Signer Information	Authorized Activity
Tom Frutchey	
Name (please print) Member, Paso Robles Section 115 Trust	<input checked="" type="checkbox"/> Benefit Payment Processing Direction <input checked="" type="checkbox"/> Fee and Expense Processing Direction
Committee Membership (indicate as applicable)	This authorized signer may act: <input checked="" type="checkbox"/> Individually <input type="checkbox"/> Jointly, _____ (If left blank, two signatures will be required) signatures required with respect to the authorized activity indicated above. <i>(If no election is made, Individually will be assumed)</i>
City Manager	
Title (please print)	
Signature	

Authorized Signer Information	Authorized Activity
Deanne Purcell	
Name (please print) Member, Paso Robles Section 115 Trust	<input checked="" type="checkbox"/> Benefit Payment Processing Direction <input checked="" type="checkbox"/> Fee and Expense Processing Direction
Committee Membership (indicate as applicable)	This authorized signer may act: <input checked="" type="checkbox"/> Individually <input type="checkbox"/> Jointly, _____ (If left blank, two signatures will be required) signatures required with respect to the authorized activity indicated above. <i>(If no election is made, Individually will be assumed)</i>
Interim Director of Administrative Services	
Title (please print)	
Signature	

Transaction requests

Wells Fargo will accept transaction requests which are delivered to Wells Fargo in accordance with its pre-established wire operating and security procedures.

Wells Fargo's security procedures include a callback from Wells Fargo to verify any outgoing wire transfer that is not processed according to pre-established instructions from Owner ("non-repetitive"). Callbacks will be made to an individual that Wells Fargo reasonably believes to be one of the Authorized Signers established by Owner on the Account, using the contact information on file. No transaction request will be accepted if the person requesting and/or verifying the transaction does not present proper authentication and/or the transaction details cannot be verified to Wells Fargo's satisfaction.

Wells Fargo will accept transaction requests that it reasonably believes to be from Authorized Signers by telephone, letter, facsimile, or E-mail. However, in order to prevent fraud related activity, Wells Fargo

prohibits the use of public, non-firewall protected E-mail domain names (e.g. aol, hotmail, gmail, yahoo, etc.) as a method for submitting transaction requests.

Owner agrees that the procedures described in this section are commercially reasonable and that it will be bound by any transaction request that Wells Fargo accepts in good faith while following these procedures. If the Owner declines to follow these procedures or Wells Fargo's other standard operating and security procedures, Owner agrees to be bound by any payment order issued in its name and accepted by Wells Fargo, whether or not authorized.

Additional Owner Contacts

The Owner may also direct Wells Fargo in writing to communicate for Account purposes with (but not accept direction from), and to provide Account reports and other Account information to, designated employees of the Owner.

Amendment and Revocation

Until this authorization is revoked or amended by means of a revised **Authorized Signers Certification Exhibit** for the Account, which is provided to Wells Fargo by the Owner, Wells Fargo may accept the authority and rely upon the instructions provided by, documents signed by, or requests for information made by such Authorized Signer.

**Sweep Investment Direction for Cash Balances
(Proprietary Money Market Mutual Fund)**



Effective Date: April 1, 2017

Owner Name: City of El Paso de Robles

Account Name: Post-Employment Benefits Trust Agreement

Wells Fargo Account Number(s): 26074000 and all related sub accounts

As an authorized representative of the Account indicated above, I hereby make the following direction and acknowledgement:

I direct Wells Fargo Bank N.A. (Wells Fargo) to systematically invest cash received by or held in the account (including all related accounts) in the following short-term investment vehicle.

Sweep Investment Vehicle Name	Sweep CUSIP	CUSIP	Ticker
Wells Fargo Government Money Market	VP4560000	94975P405- GVIXX	GVIXX

Money Market Mutual Fund Acknowledgement/Disclosure:

I acknowledge that I have received and reviewed the fund prospectus for the mutual fund selected and have determined that such fund is an appropriate investment vehicle for the Account.

I understand from reading the prospectus for the Wells Fargo Advantage Funds that Wells Fargo Funds Management, LLC serves as investment advisor and Wells Fargo Bank, N.A., and other affiliates may provide services to the funds. I also understand that Wells Fargo Bank, N.A. and other affiliates may be paid, fees for services to the Wells Fargo Advantage Funds and that those fees are described in the prospectus.

The fees payable to Wells Fargo or an affiliate are stated in the Organization and Management of the Funds and the Summary of Expenses sections of the Prospectus and in the MANAGEMENT section of the Statement of Additional Information. The Statement of Additional Information, which the Prospectus incorporates by reference, is available upon request by calling Wells Fargo Advantage Funds Investor Services at 1-800-222-8222 or by going online at www.wellsfargoadvantagefunds.com.

I understand that investments in money market mutual funds are not obligations of, or endorsed or guaranteed by, Wells Fargo Bank, N.A., or its affiliates and are not insured by the Federal Deposit Insurance Corporation.

I acknowledge that I have full power to direct investments of the Account.

I understand that I may change this direction at any time and that it shall continue in effect until revoked or modified by an authorized representative of the Account by written notice to Wells Fargo.

Authorized Signatures

Client Name	<u>City of El Paso de Robles</u>	Entity Name:	<u>Wells Fargo Bank N.A.</u>
Name of Signer:	<u></u>	Name of Signer:	<u></u>
Title:	<u></u>	Title:	<u></u>
Signature:	<u></u>	Signature:	<u></u>
Date:	<u></u>	Date:	<u></u>

Request for Taxpayer Identification Number and Certification

**Give Form to the
 requester. Do not
 send to the IRS.**

1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank.
City of El Paso de Robles

2 Business name/disregarded entity name, if different from above

3 Check appropriate box for federal tax classification; check only one of the following seven boxes:
 Individual/sole proprietor or single-member LLC
 Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=partnership) ▶ _____
 Note: For a single-member LLC that is disregarded, do not check LLC; check the appropriate box in the line above for the tax classification of the single-member owner.
 Other (see instructions) ▶ _____
 C Corporation
 S Corporation
 Partnership
 Trust/estate

4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):
 Exempt payee code (if any) **3**
 Exemption from FATCA reporting code (if any) **Municipal Gov't.**
(Applies to accounts maintained outside the U.S.)

5 Address (number, street, and apt. or suite no.)
821 Pine Street, Suite A

6 City, state, and ZIP code
Paso Robles, CA 93446

7 List account number(s) here (optional)

Requester's name and address (optional)

Print or type
See Specific Instructions on page 2.

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

Notes: If the account is in more than one name, see the instructions for line 1 and the chart on page 4 for guidelines on whose number to enter.

Social security number										
or										
Employer identification number										
9	5		-	6	0	0	0	7	6	0

Part II Certification

Under penalties of perjury, I certify that:

- The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
- I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
- I am a U.S. citizen or other U.S. person (defined below); and
- The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions on page 3.

Sign Here Signature of U.S. person ▶ *Mind Lopez* Date ▶ *3/14/17*

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. Information about developments affecting Form W-9 (such as legislation enacted after we release it) is at www.irs.gov/ir9.

Purpose of Form

An individual or entity (Form W-9 requester) who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) which may be your social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN), to report on an information return the amount paid to you, or other amount reportable on an information return. Examples of information returns include, but are not limited to, the following:

- Form 1099-INT (interest earned or paid)
- Form 1099-DIV (dividends, including those from stocks or mutual funds)
- Form 1099-MISC (various types of income, prizes, awards, or gross proceeds)
- Form 1099-B (stock or mutual fund sales and certain other transactions by brokers)
- Form 1099-S (proceeds from real estate transactions)
- Form 1099-K (merchant card and third party network transactions)
- Form 1098 (home mortgage interest), 1098-E (student loan interest), 1098-T (tuition)
- Form 1099-C (canceled debt)
- Form 1099-A (acquisition or abandonment of secured property)

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN.

If you do not return Form W-9 to the requester with a TIN, you might be subject to backup withholding. See *What is backup withholding?* on page 2.

By signing the filled-out form, you:

- Certify that the TIN you are giving is correct (or you are waiting for a number to be issued).
- Certify that you are not subject to backup withholding, or
- Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income, and
- Certify that FATCA code(s) entered on this form (if any) indicating that you are exempt from the FATCA reporting, is correct. See *What is FATCA reporting?* on page 2 for further information.



Addressing Unfunded CalPERS Liability

Pension Savings Plan

December 20, 2016





Overview

- Executive Summary
- Part 1 – Recap of 9/28 Study Session
- Part 2 – Direct Pay Down of PERS UAL
- Part 3 – Separate Retirement Vehicle (Section 115 Trust)
- Part 4 – Options/Recommendation and Next Steps



Executive Summary

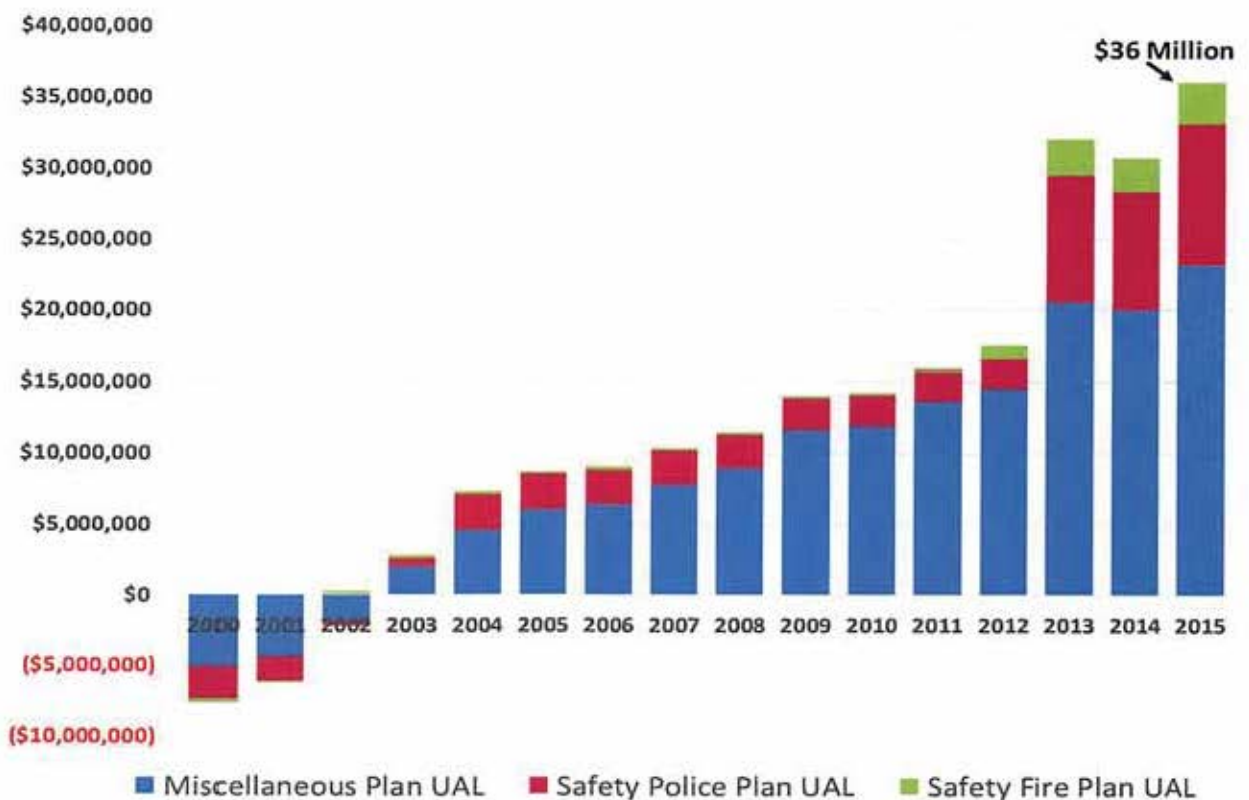
- Current \$36M UAL
 - CalPERS charging 7.50% interest
- Current \$10.5M unassigned GF reserves
 - Earnings rate of ~1.0%
- Use \$5M of reserves to reduce long-term costs
 - **“5, 10, 25 Plan”** pays down UAL 10 years earlier and saves \$25M



PART I -

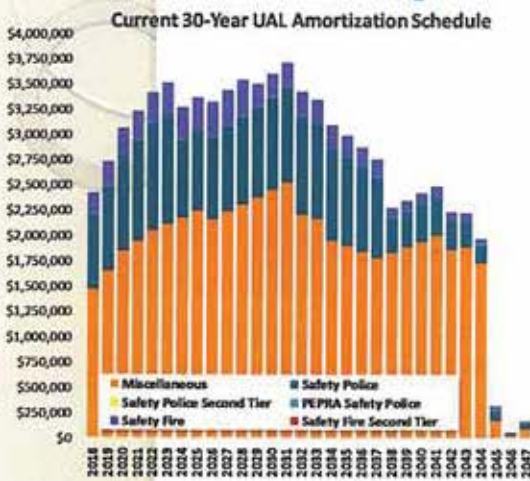
Recap of 9/28 Study Session

Recap of 9/28 Study Session



- \$36 million UAL; more than doubled last 4 years
- City's pro-active steps to contain Normal Cost (NC)

Recap of 9/28 Study Session



- Even with stabilized NC, UAL will continue to rise

Pay-Down Options

1. Pay-down directly with CalPERS
2. Fund a separate retirement vehicle
- ~~3. Issue Bond/Loan to borrow money, and use proceeds to pay down UAL~~



PART 2 -

Direct Pay Down of CalPERS UAL



UAL Pay-Down Defined

- Send money directly to CalPERS
- Money is credited towards specific “Amortization Base”
 - As each Base paid down, annual payment stream reduced and then eliminated

Miscellaneous Plan Amortization Bases (Snapshot of PERS Report)

13 Different Bases

Amount of the UAL Base

Reason for Base	Date Established	Amortization Period	Balance 6/30/15	Expected Payment 2015-16	Balance 6/30/16	Expected Payment 2016-17	Balance 6/30/17	Scheduled Payment for 2017-18
BENEFIT CHANGE	06/30/04	8	\$888,711	\$110,857	\$940,425	\$114,183	\$785,070	\$117,609
METHOD CHANGE	06/30/04	9	\$(99,022)	\$(11,453)	\$(94,573)	\$(11,797)	\$(89,435)	\$(12,151)
ASSUMPTION CHANGE	06/30/09	14	\$2,818,315	\$246,861	\$2,773,737	\$254,267	\$2,718,137	\$261,895
SPECIAL (GAIN)/LOSS	06/30/09	24	\$(2,331)	\$(151)	\$(2,349)	\$(155)	\$(2,365)	\$(160)
SPECIAL (GAIN)/LOSS	06/30/10	25	\$(134,255)	\$(8,509)	\$(135,502)	\$(8,764)	\$(136,578)	\$(9,027)
ASSUMPTION CHANGE	06/30/11	16	\$1,201,982	\$97,174	\$1,191,378	\$100,089	\$1,176,957	\$103,092
SPECIAL (GAIN)/LOSS	06/30/11	26	\$473,645	\$29,451	\$478,633	\$30,335	\$483,078	\$31,245
PAYMENT (GAIN)/LOSS	06/30/12	27	\$184,879	\$11,291	\$187,037	\$11,630	\$189,007	\$11,979
(GAIN)/LOSS	06/30/12	27	\$9,887,459	\$603,867	\$10,002,915	\$621,983	\$10,106,248	\$640,643
(GAIN)/LOSS	06/30/13	28	\$6,420,740	\$90,308	\$6,808,662	\$186,034	\$7,126,427	\$287,423
ASSUMPTION CHANGE	06/30/14	19	\$3,183,737	\$(29,744)	\$3,453,356	\$65,778	\$3,644,157	\$135,504
(GAIN)/LOSS	06/30/14	29	\$(4,444,398)	\$16,509	\$(4,794,845)	\$(67,440)	\$(5,084,535)	\$(138,926)
(GAIN)/LOSS	06/30/15	30	\$2,792,677	\$115,547	\$2,882,326	\$125,757	\$2,968,113	\$41,747
TOTAL			\$23,172,139	\$1,272,008	\$23,591,200	\$1,421,900	\$23,886,281	\$1,470,873

Varying Amortization Periods

Next Year's Payment on Amortization Base

- \$ can be applied to any Base the City chooses (Miscellaneous Plan)

Police and Fire Plans Amortization Bases (Snapshot of PERS Report)

Reason for Base	Date Established	Amortization Period	Balance 6/30/15	Payment 2015-16	Balance 6/30/16	Payment 2016-17	Amounts for Fiscal 2017-18	
							Balance 6/30/17	Scheduled Payment for 2017-18
SIDE FUND	2013 or Prior	6	\$1,839,025	\$275,498	\$1,691,309	\$283,763	\$1,523,945	\$292,276
SHARE OF PRE-2013 POOL UAL	06/30/13	20	\$3,481,523	\$247,847	\$3,485,664	\$255,282	\$3,482,407	\$262,941
ASSET (GAIN)/LOSS	06/30/13	28	\$3,638,055	\$51,169	\$3,857,856	\$105,409	\$4,037,905	\$162,857
NON-ASSET (GAIN)/LOSS	06/30/13	28	\$(44,264)	\$(623)	\$(46,938)	\$(1,282)	\$(49,129)	\$(1,981)
ASSET (GAIN)/LOSS	06/30/14	29	\$(2,486,482)	\$0	\$(2,672,968)	\$(37,595)	\$(2,834,461)	\$(77,447)
ASSUMPTION CHANGE	06/30/14	19	\$1,770,900	\$(25,023)	\$1,929,662	\$36,756	\$2,036,277	\$75,717
NON-ASSET (GAIN)/LOSS	06/30/14	29	\$32,743	\$0	\$35,199	\$495	\$37,326	\$1,020
ASSET (GAIN)/LOSS	06/30/15	30	\$1,441,765	\$0	\$1,549,898	\$0	\$1,666,140	\$23,434
NON-ASSET (GAIN)/LOSS	06/30/15	30	\$(5,591)	\$0	\$(6,010)	\$0	\$(6,461)	\$(91)
TOTAL			\$9,667,674	\$548,868	\$9,823,672	\$642,828	\$9,893,949	\$738,726

Reason for Base	Date Established	Amortization Period	Balance 6/30/15	Payment 2015-16	Balance 6/30/16	Payment 2016-17	Amounts for Fiscal 2017-18	
							Balance 6/30/17	Scheduled Payment for 2017-18
SIDE FUND	2013 or Prior	11	\$982,287	\$100,024	\$952,789	\$103,024	\$917,431	\$106,115
SHARE OF PRE-2013 POOL UAL	06/30/13	20	\$643,464	\$45,808	\$644,229	\$47,182	\$643,627	\$48,597
ASSET (GAIN)/LOSS	06/30/13	28	\$1,031,805	\$14,512	\$1,094,141	\$29,895	\$1,145,209	\$46,189
NON-ASSET (GAIN)/LOSS	06/30/13	28	\$(70,399)	\$(990)	\$(74,652)	\$(2,040)	\$(78,136)	\$(3,151)
ASSET (GAIN)/LOSS	06/30/14	29	\$(804,710)	\$0	\$(865,063)	\$(12,167)	\$(917,328)	\$(25,064)
ASSUMPTION CHANGE	06/30/14	19	\$577,314	\$(22,923)	\$644,380	\$12,274	\$679,983	\$25,284
NON-ASSET (GAIN)/LOSS	06/30/14	29	\$10,395	\$0	\$11,175	\$157	\$11,850	\$324
ASSET (GAIN)/LOSS	06/30/15	30	\$514,189	\$0	\$552,753	\$0	\$594,209	\$8,358
NON-ASSET (GAIN)/LOSS	06/30/15	30	\$(1,906)	\$0	\$(2,049)	\$0	\$(2,203)	\$(31)
TOTAL			\$2,882,939	\$136,431	\$2,957,706	\$178,325	\$2,994,642	\$206,621

If \$ allocated, must first get credited to the "side-fund" base

Key Concept: UAL Base Amortization Period Affects Savings

- Shorter amortization period =
 - ↑ Annual savings
 - ↓ Cumulative savings
- Longer amortization period =
 - ↓ Annual savings
 - ↑ Cumulative savings
- Chart depicts hypothetical \$5M Base
 - Varying maturities

Years	30-Year Base	20-Year Base	10-Year Base
1	300,253	377,527	623,698
2	309,260	388,853	642,408
3	318,538	400,519	661,681
4	328,094	412,534	681,531
5	337,937	424,910	701,977
6	348,075	437,657	723,036
7	358,517	450,787	744,727
8	369,273	464,311	767,069
9	380,351	478,240	790,081
10	391,762	492,587	813,784
11	403,514	507,365	
12	415,620	522,586	
13	428,088	538,263	
14	440,931	554,411	
15	454,159	571,044	
16	467,784	588,175	
17	481,817	605,820	
18	496,272	623,995	
19	511,160	642,715	
20	526,495	661,996	
21	542,290		
22	558,558		
23	575,315		
24	592,575		
25	610,352		
26	628,662		
27	647,522		
28	666,948		
29	686,956		
30	707,565		
Total Payments Eliminated			
(Gross Savings)	14,284,644	10,144,296	7,149,993
(Less): Initial Deposit	(5,000,000)	(5,000,000)	(5,000,000)
Total Net Savings	9,284,644	5,144,296	2,149,993
Gross Savings in First 5 Years	1,594,082	2,004,343	3,311,295
Gross Savings in First 10 Years	3,442,060	4,327,926	7,149,993



Benefits of Pay-Down

- Reduced UAL with PERS and overall liability on City's balance sheet
- Payments eliminated creating immediate cash flow savings
- Flexibility to choose amortization base
- Likely higher returns over time than City portfolio



Pay-Down Drawbacks

- Market-timing risk: “lump sum” being put into market at one time
- Reduced G F unassigned reserves
- No control of investment strategies
- Less flexibility than Section 115 Trust



PART 3 -

Section 115 Trust



Section 115 Trust

- Irrevocable trust to pre-fund benefit plan obligations
- Assets can be used to pay for any Pension or OPEB expenses



Section 115 Benefits

- **Greater potential investment return** for excess reserves (same as CalPERS)
- **Control** over management of investments and risk tolerance (unlike with CalPERS)
- **Diversification** of pension assets (not all \$ is with CalPERS)
- **Flexibility** to use \$ in variety of ways (unlike CalPERS)



Section 115 Drawbacks

- Market-timing risk: “lump sum” put into market at one time
- Reduced unassigned G F reserves
- Doesn't directly reduce UAL
 - May off-set pension liability on City's balance sheet



PART 4 -

Next Steps

Step I – Determine Set-Aside

- Current fund balance -- \$22.3M
 - Restricted + 20% Operating Reserve = \$11.8M
 - Unassigned Balance -- **\$10.5M**

ANALYSIS OF GENERAL FUND (GF) RESERVES						
	FY 2015-16 ACTUAL	FY 2016-17 REVISED	FY 2017-18 ADOPTED	FY 2018-19 FORECAST	FY 2019-20 FORECAST	FY 2020-21 FORECAST
Beginning GF Balance	\$ 22,141,639	\$ 26,257,838	\$ 22,315,175	\$ 22,766,727	\$ 23,316,854	\$ 23,950,612
Operating Balance/(Deficit)	4,116,199	(3,942,663)	451,552	550,128	633,758	585,067
Ending GF Balance	26,257,838	22,315,175	22,766,727	23,316,854	23,950,612	24,535,680
LESS:						
Restricted Fund Balance		6,055,187	6,100,000	6,100,000	6,100,000	6,100,000
GF Reserve (20% of operating)		5,758,296	5,772,880	5,938,002	6,114,866	6,299,525
Total GF Reserves		11,813,483	11,872,880	12,038,002	12,214,866	12,399,525
% of Expense		29%	31%	30%	30%	30%
Unassigned GF Balance		\$ 10,501,691	\$10,893,847	\$11,278,852	\$11,735,746	\$12,136,154

Reserves after \$5M PSP

ANALYSIS OF GENERAL FUND (GF) RESERVES						
	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
	ACTUAL	REVISED	ADOPTED	FORECAST	FORECAST	FORECAST
Beginning GF Balance	\$ 22,141,639	\$ 26,257,838	\$ 17,315,175	\$ 17,755,490	\$ 18,300,044	\$ 18,934,062
Operating Balance/(Deficit)	4,116,199	(3,942,663)	451,552	550,128	633,758	585,067
Savings from PERS Pay Down	-	-	188,764	194,426	200,259	206,267
Extra Deposit to 115 Trust	-	-	(200,000)	(200,000)	(200,000)	(200,000)
Ending GF Balance	26,257,838	22,315,175	17,755,490	18,300,044	18,934,062	19,525,396
LESS:						
Restricted Fund Balance		6,055,187	6,100,000	6,100,000	6,100,000	6,100,000
GF Reserve		5,758,296	5,772,880	5,938,002	6,114,866	6,299,525
Total GF Reserves		11,813,483	11,872,880	12,038,002	12,214,866	12,399,525
LESS: \$5MM PSP Set-Aside		(5,000,000)				
Unassigned GF Balance		\$ 5,501,691	\$ 5,882,611	\$ 6,262,042	\$ 6,719,195	\$ 7,125,871
Section 115 Balance*		\$ 2,500,000	\$ 2,637,500	\$ 2,993,563	\$ 3,369,208	\$ 3,765,515

* Assumes annual deposits of \$200K and 5.50% investment earnings

- Healthy reserve balances even after \$5M set-aside



\$5M PSP Contribution

- Significant -- 14% of UAL
- Prudent, based on examination of:
 - Revenues
 - Expenses
 - Future capital projects
 - Reserves and required liquidity

Step 2: PERS vs. PARS/PFM?

OPTION	Direct UAL Pay Down with PERS	Section 115 (PARS/PFM)
Reduced UAL with PERS	Yes	No
Reduced Pension Liability in CAFR	Yes	Maybe (TBD)
Control of Investment Strategy	No	Yes
Flexibility in Uses	No	Yes (annual expenses, direct UAL pay down, OPEB, etc)
Savings	First 20 Years	Last 10 Years
Enhanced Budgetary Flexibility	No	Yes



Hybrid: PERS + §115 Trust

- Recommend 50/50 split
 - \$2.5M direct pay down with PERS
 - ≈ 20 year amortization base (Misc Plan)
 - \$2.5M to fund Section 115 Trust
- Maximizes benefits + greater flexibility
 - PERS pay down reduces costs
 - Section 115 adds flexibility and ability to extinguish UAL earlier

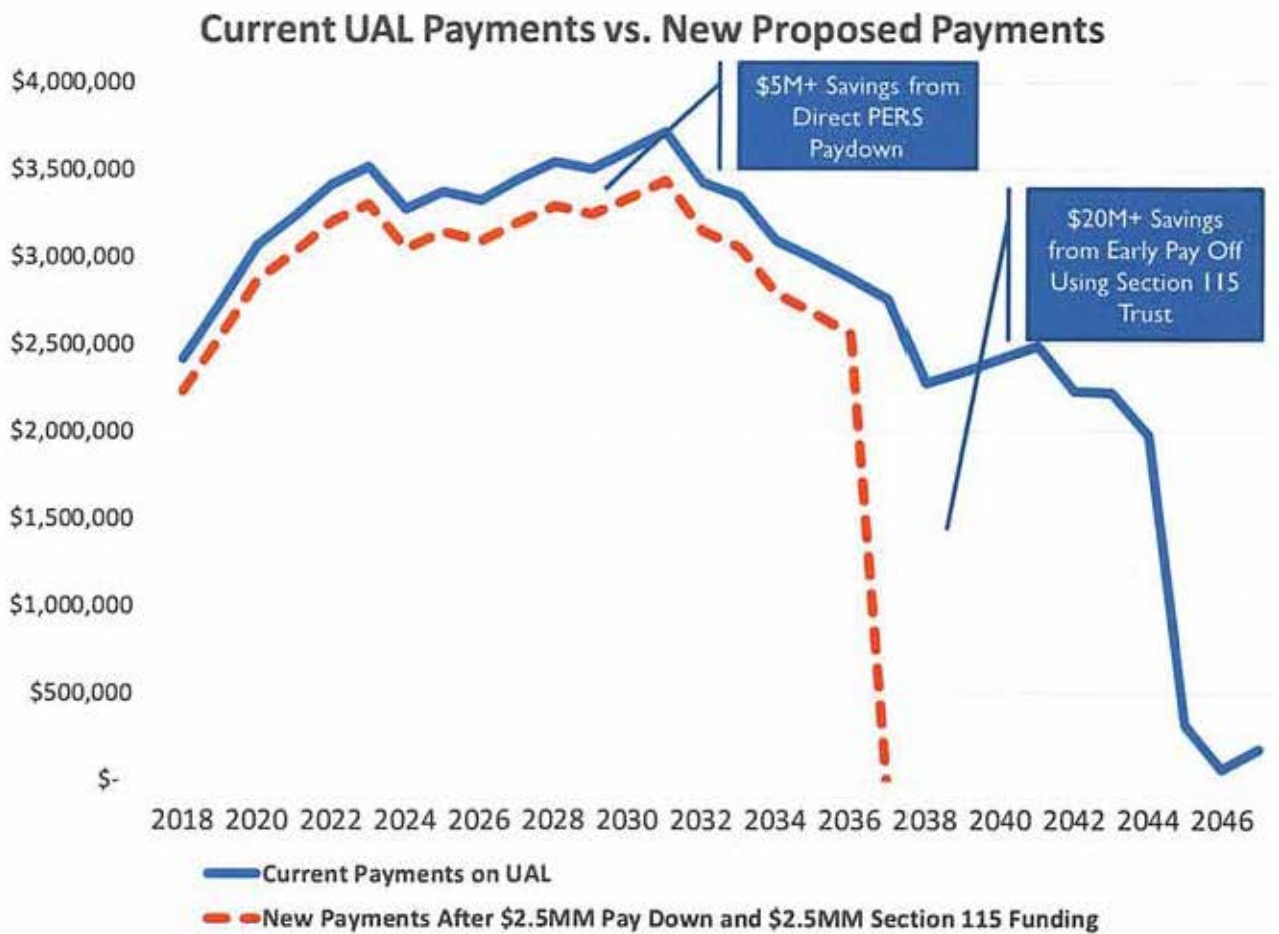
The “5, 10, 25” PSP

- 5** → • \$5M Set Aside from GF Reserves
1. \$2.5M Direct PERS Pay-Down
 2. \$2.5M New Section 115 Trust
+ Annual \$200K Contribution (voluntary increase to annual contribution %)

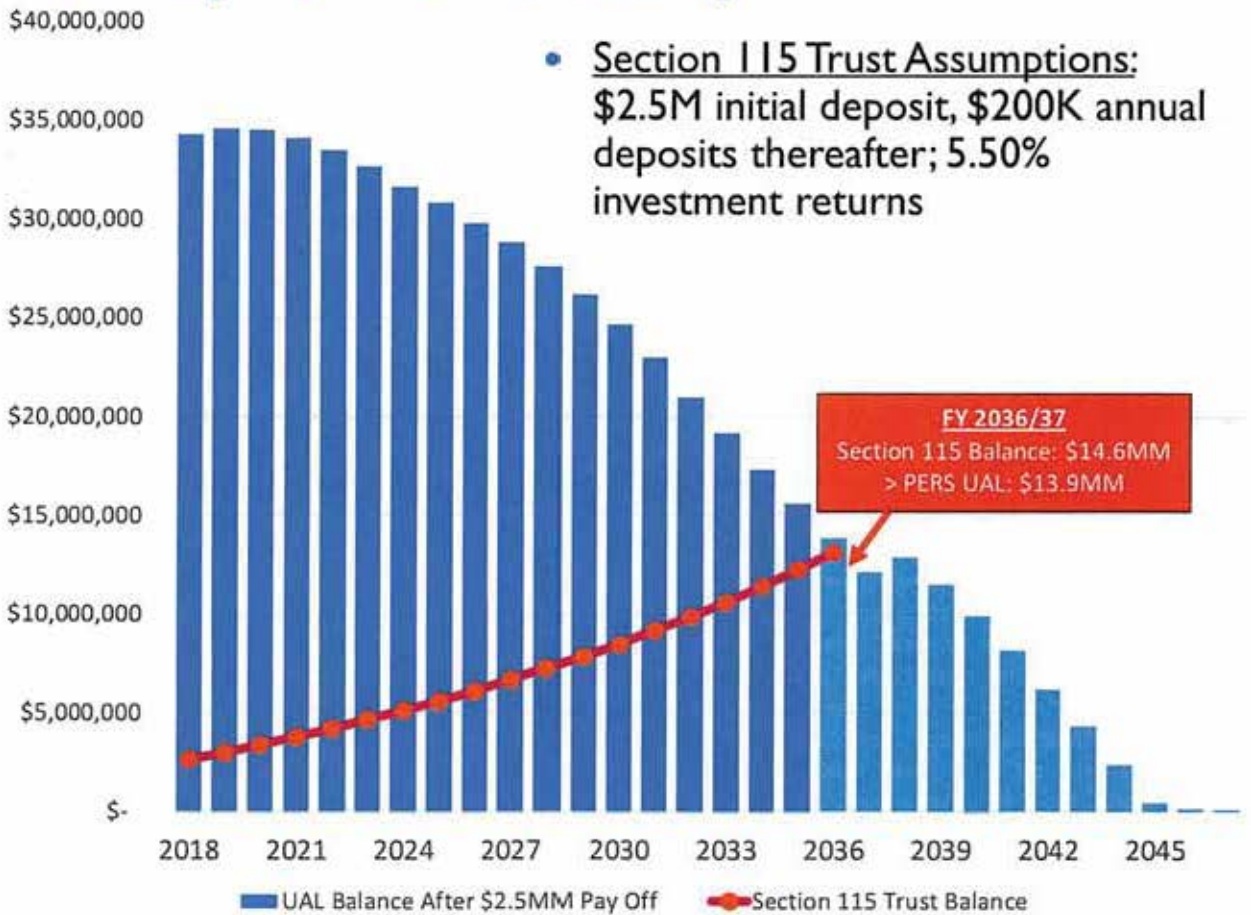
10 → • UAL Paid off 10 Years Sooner

25 → • Over \$25M in Gross Savings to City

Current vs. New Proposed Payments



Section 115 Balance Can Be Used to Pay Off UAL Early





Options Summary

- Option 1 – Do Nothing
- Option 2 – Hybrid “5, 10, 25 Plan” and diversify funds between PERS and Section 115 Trust (**Recommended**)
- Option 3 – All \$5MM to Section 115 Trust (**Strong Alternative**)
- Option 4 – Smaller set-aside

Option 2 vs. Option 3

	OPTION 2	OPTION 3
	Hybrid "5, 10, 25"	All in Section 115 (PARS/PFM)
Reduced UAL with PERS	Yes	No
Reduced Pension Liability in CAFR	Yes	Maybe (TBD)
Control of Investment Strategy	Yes (Partially)	Yes (fully)
Flexibility in Uses	Yes (Partially)	Yes (annual expenses, direct UAL pay down, OPEB, etc)
Savings	Near-Term & Long Term	Last 10 Years (assuming assets not used for annual costs)
Estimated Savings	\$25MM	\$25MM
Enhanced Budgetary Flexibility	Yes (Partially)	Yes



Summary

- Strong reserve levels
- Options 2 and 3 will save City and taxpayers significantly
- No impact of CalPERS assumption changes
- No investment tonight; come back with details and recommended approach



Recommended Next Steps

- **December 2016:** Council direction
- **January 2017:** Staff evaluates PARS and PFM proposals
- **February 2017:** Council approves Trust and appoints Administrator
- **March 2017:** Council approves initial Section 115 Trust deposit
- **April 2017:** Execute direct PERS pay down, if applicable



Comments & Questions