

PUBLIC  
AGENCY  
RETIREMENT  
SERVICES

PARS

TRUSTED SOLUTIONS. LASTING RESULTS.



# CITY OF CALABASAS

Proposal for PARS Alternate Retirement System (ARS)

May 26, 2020

# PARS 115 TRUST TEAM

## Trust Administrator & Consultant



- Recordkeeping
- Sub-trust accounting
- Monitors plan compliance
- Processes contributions/disbursements
- Hands-on, dedicated support teams
- Coordinates all agency services

36

Years of Experience  
(1984-2020)

1,500+

Plans under  
Administration

1,000+

Public Agency  
Clients

500 K+

Plan Participants

\$4.0B

Assets under  
Administration

## Trustee



- 5th largest commercial bank and one of the nation's largest trustees for Section 115 trusts.
- Safeguard plan assets,
- Oversight protection as plan fiduciary
- Custodian of assets

157

Years of Experience  
(1863-2020)

\$5.0T

Assets under  
Administration

## Investment Manager



- Investment sub-advisor to trustee U.S. Bank
- Investment policy assistance
- Uses open architecture
- Active and passive platform options
- Customized portfolios (with minimum asset level)

101

Years of Experience  
(1919-2020)

\$16.1B

Assets under  
Management

# PARS ARS CLIENT AGENCIES

UPDATED: MAY 2020

## CITIES & TOWNS

City of Alameda  
City of Alhambra  
City of American Canyon  
City of Antioch  
City of Arroyo Grande  
City of Bakersfield  
City of Banning  
City of Barstow  
City of Bell Gardens  
City of Benicia  
City of Berkeley  
City of Beverly Hills  
City of Bishop  
City of Campbell  
City of Capitola  
City of Carson  
City of Chowchilla  
City of Chula Vista  
City of Costa Mesa  
City of Culver City  
City of Cupertino  
City of Davis  
City of Del Mar  
City of Dixon  
City of Downey  
City of Duarte  
City of Dublin  
City of El Cerrito  
City of Escondido  
City of Fairfield  
City of Fontana  
City of Fountain Valley  
City of Galt  
City of Gardena  
City of Gilroy  
City of Glendale  
City of Glendora  
City of Hawthorne  
City of Hayward  
City of Hercules  
City of Hermosa Beach  
City of Huntington Beach  
City of Huntington Park  
City of Imperial Beach  
City of Industry  
City of Inglewood  
City of Irvine  
City of Irwindale  
City of La Palma  
City of La Puente  
City of Laguna Beach  
City of Lake Forest  
City of Lancaster  
City of Livermore  
City of Lodi  
City of Long Beach  
City of Malibu  
City of Manhattan Beach  
City of Marysville  
City of Millbrae  
City of Milpitas  
City of Modesto  
City of Monrovia  
City of Moorpark  
City of Morgan Hill  
City of Morro Bay  
City of Murrieta  
City of Napa  
City of National City  
City of Newport Beach  
City of Norwalk  
City of Oceanside  
City of Pacific Grove  
City of Pacifica  
City of Palmdale  
City of Palo Alto  
City of Pasadena  
City of Petaluma  
City of Placentia  
City of Poway  
City of Redding  
City of Richmond  
City of Ridgecrest  
City of Riverside  
City of Rosemead  
City of Salinas  
City of San Dimas  
City of San Gabriel  
City of San Marcos, CA  
City of San Marino  
City of San Pablo  
City of San Rafael  
City of San Ramon

## COUNTIES

County of Calaveras  
County of Merced  
County of Shasta  
County of Yuba

# PARS ARS CLIENT AGENCIES

UPDATED: MAY 2020

## SCHOOL DISTRICTS

Anaheim Elementary School District  
Brea Olinda Unified School District  
Capistrano Unified School District  
Centinela Valley Union High School District  
Central School District  
Central Unified School District  
Chaffey Joint Union High School District  
Chula Vista Elementary School District  
East Side Union High School District  
Etiwanda School District  
Fountain Valley School District  
Fullerton School District  
Gilroy Unified School District  
Huntington Beach City School District  
Huntington Beach Union High School District  
Inglewood Unified School District  
Irvine Unified School District  
La Habra City School District  
Long Beach Unified School District  
Los Alamitos Unified School District  
Los Angeles Unified School District  
Milpitas Unified School District  
Moreno Valley Unified School District  
Morongo Unified School District  
Mountain View School District (Ont)  
Mt. Diablo Unified School District  
Newark Unified School District  
Newport-Mesa Unified School District  
Norwalk-La Mirada Unified School District  
Oakland Unified School District  
Ontario-Montclair School District  
Orange Unified School District

Palmdale School District  
Palos Verdes Peninsula Unified School District  
Placentia-Yorba Linda Unified School District  
Pomona Unified School District  
Poway Unified School District  
Ramona Unified School District  
Saddleback Valley Unified School District  
San Bernardino City Unified School District  
San Jose Unified School District  
Savanna School District  
Silver Valley Unified School District  
Tustin Unified School District  
Twin Ridges Elementary School District  
Upland Unified School District  
Visalia Unified School District  
Vista Unified School District  
Walnut Valley Unified School District  
Westminster School District  
Westside Union School District  
Yuba City Unified School District  
Ararat Charter School  
Birmingham Community Charter High School  
Da Vinci Schools  
El Camino Real Charter High School  
Fenton Charter Public Schools  
Granada Hills Charter  
Montague Charter Academy  
Pacoima Charter School  
Riverside Gateway to College Early College HS  
Vista Charter Middle School

# PARS ARS CLIENT AGENCIES

UPDATED: MAY 2020

## SPECIAL DISTRICTS

Antelope Valley Transit Authority	Hesperia Recreation and Park District	Sacramento Metropolitan Fire District
Baker Community Services District	Housing Authority of the City of Alameda	San Diego Association of Governments
Central Marin Sanitation Agency	MESA (Management of Emeryville Services Authority)	San Mateo County Vector Control Dist
Coalinga-Huron Rec & Park District	Mission Oaks Recreation & Park District	San Ramon Valley Fire Protection District
Desert Recreation District	Murphys Fire Protection District	SEAACA (Southeast Area Animal Control Authority)
East Side Mosquito Abatement District	Orange County Vector Control District	Tahoe Resource Conservation District
Eastern Sierra Transit Authority	Oro Loma Sanitary District	Truckee Fire Protection District
Ebbetts Pass Fire District	Pleasant Hill Recreation & Park District	Truckee-Donner Recreation and Park District
Fulton-El Camino Recreation & Park District	Rio Linda Elverta Recreation and Park District	Valley of the Moon Fire Protection District
Hayward Area Recreation & Park District		

## COMMUNITY COLLEGE DISTRICTS

Allan Hancock Joint Community College District	Foothill-De Anza Community College District	MiraCosta Community College District
Cerritos Community College District	Glendale Community College District	Rancho Santiago Community College District
Chabot-Las Positas Community College District	Los Angeles Community College District	Riverside Community College District
Coast Community College District	Los Rios Community College District	State Center Community College District

## SPECIAL EDUCATION DISTRICTS

Orange County Department of Education	Central Region School Insurance Group	Shasta-Trinity Schools Insurance Group
California Advancing Pathways for Students	Greater Anaheim SELPA	

# PARS ALTERNATE RETIREMENT SYSTEM (ARS)

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- The PARS Alternate Retirement System (ARS) is an Alternative to Social Security plan for Part-Time, Seasonal, and Temporary (PST) Employees
- Complies with OBRA '90 (adopting federal legislation) and Internal Revenue Code Section 3121(b)(7)(F) requirements
- 457 tax-qualified defined contribution plan
- Contribution may be split between the Employee and the City as designated by Employer, so long as contribution amount is 7.5% or greater.

*(I.E. 6.2/1.3, 7.5/0.0; most popular option is 7.5% Employee, 0.0% Employer)*

- Reduces cost to City due to lower total contribution rate (7.5% minimum versus 12.4% with Social Security)
- Employee's benefit is the accumulated account balance at distribution
- Participants would no longer contribute to Social Security (would keep Credits already accrued), but would continue with Medicare

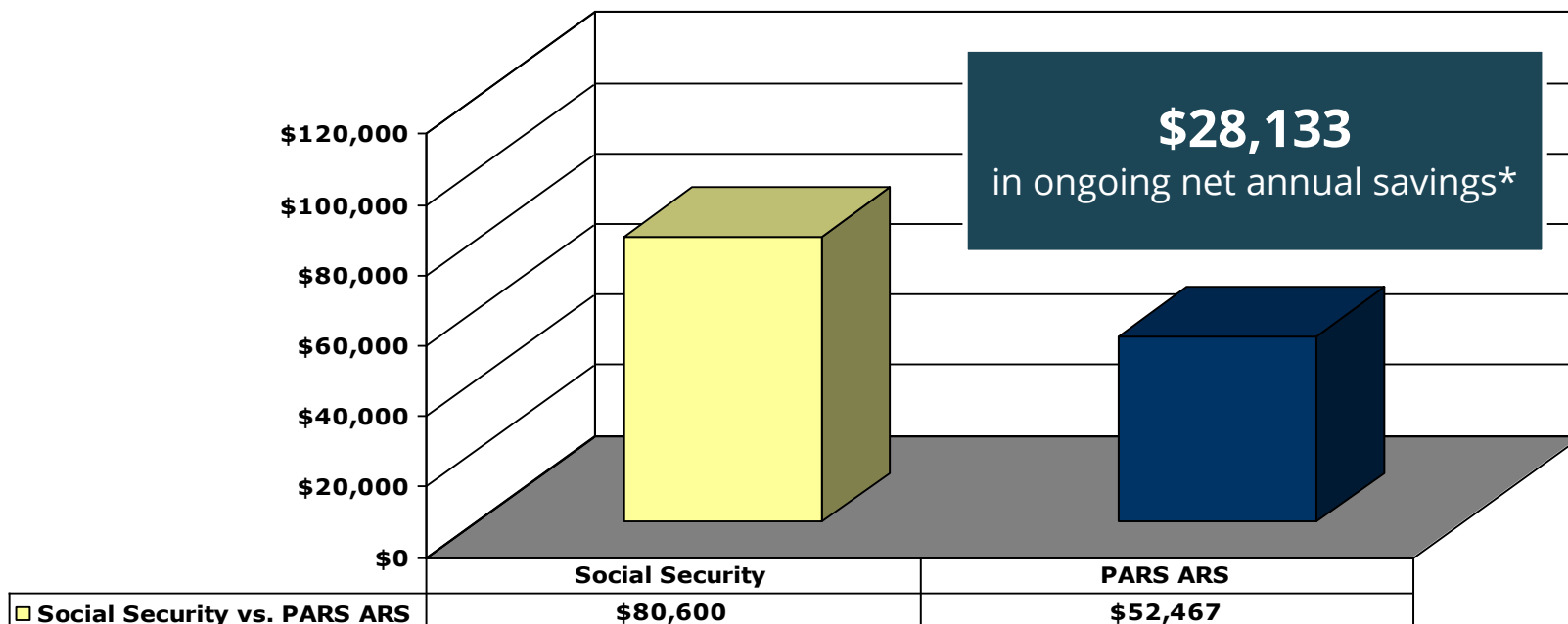
SCENARIO **A**

# CONTRIBUTION SPLIT

Employee: **3.75%**

Employer: **3.75%**

## First Year PARS ARS Savings over Social Security

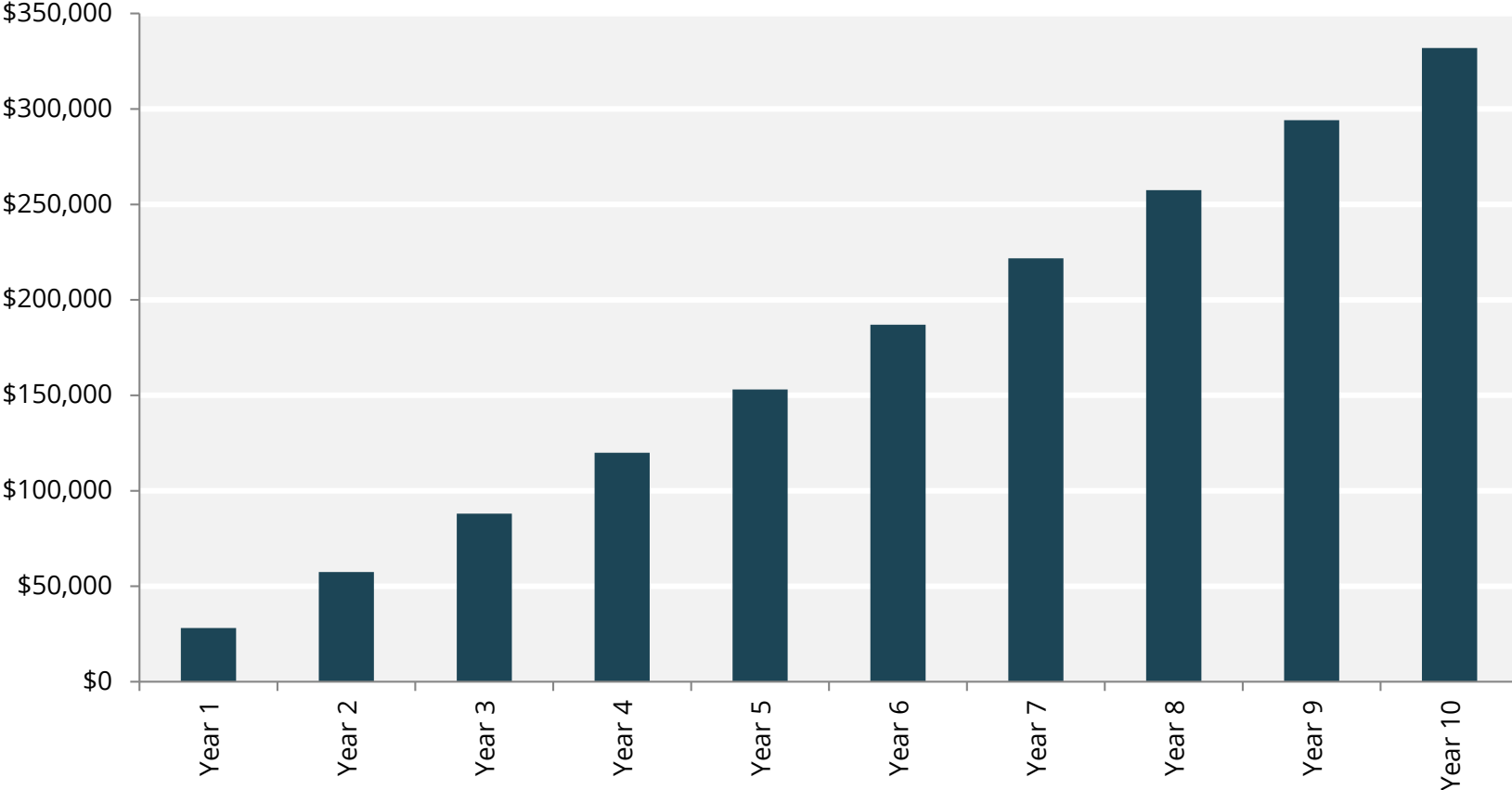


Assumptions (2018)	Contribution Split
188 PST Employees \$1,300,000 annual payroll 3.80% COLA	Employee Contribution: 3.75% Employer Contribution: 3.75%

\*Savings are net of fees. Expenses paid by Agency



# CUMULATIVE SAVINGS OVER SOCIAL SECURITY



1-Year Net Savings	5-Year Net Savings	10-Year Net Savings
\$28,133	\$153,086	\$331,901

# BENEFITS TO EMPLOYEES



Assumptions (2018)	Contribution Split
188 PST Employees \$1,300,000 annual payroll 3.80% COLA	Employee Contribution: 3.75% Employer Contribution: 3.75%

	PARS-ARS	SOCIAL SECURITY
<b>GROSS INCOME</b>	\$6,915	\$6,915
<b>LESS PARS @ 3.75%</b>	\$259	
<b>TAXABLE INCOME</b>	\$6,486	\$6,915
<b>LESS TAXES @ 20%</b>	\$1,331,	\$1,383
<b>LESS SOCIAL SECURITY @ 6.20%</b>		\$429
<b>NET INCOME</b>	\$5,325	\$5,103
<b>ADDITIONAL TAKE-HOME PAY</b>	<b>\$222</b>	

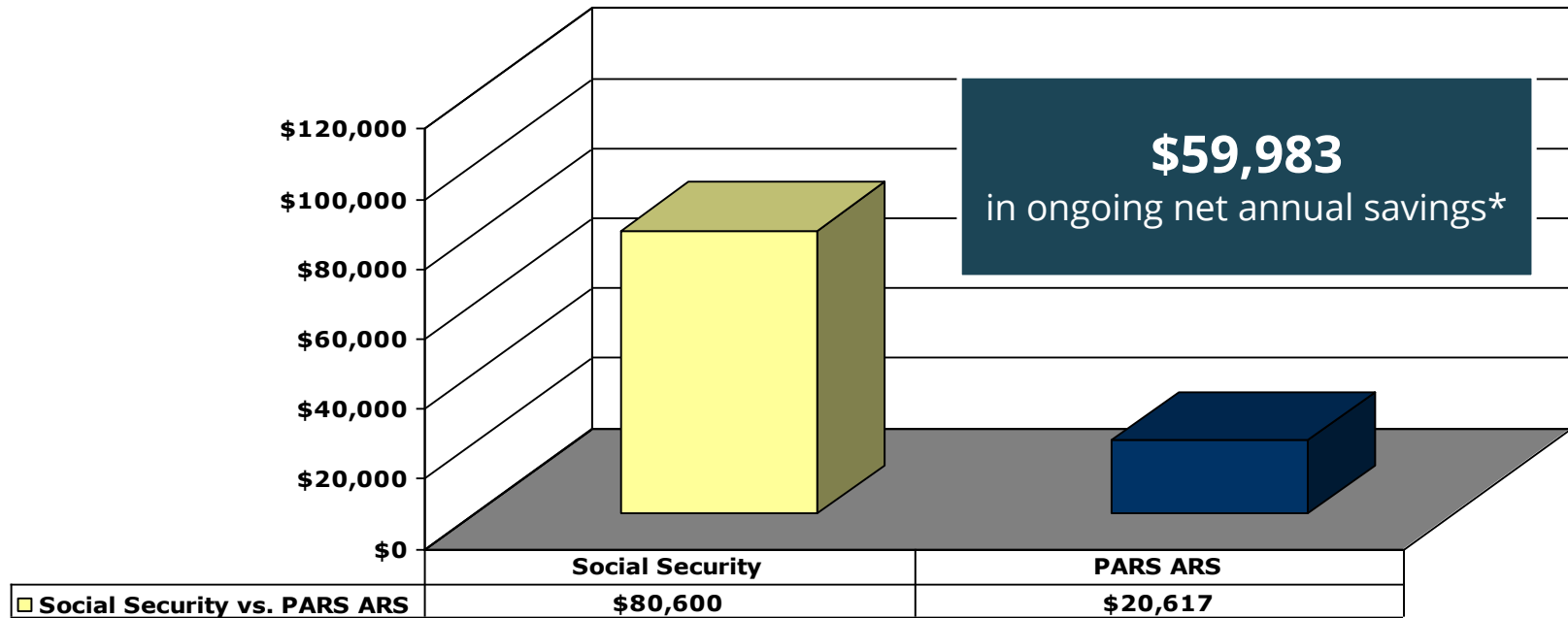
SCENARIO **B**

# CONTRIBUTION SPLIT

Employee: **6.20%**

Employer: **1.30%**

## First Year PARS ARS Savings over Social Security

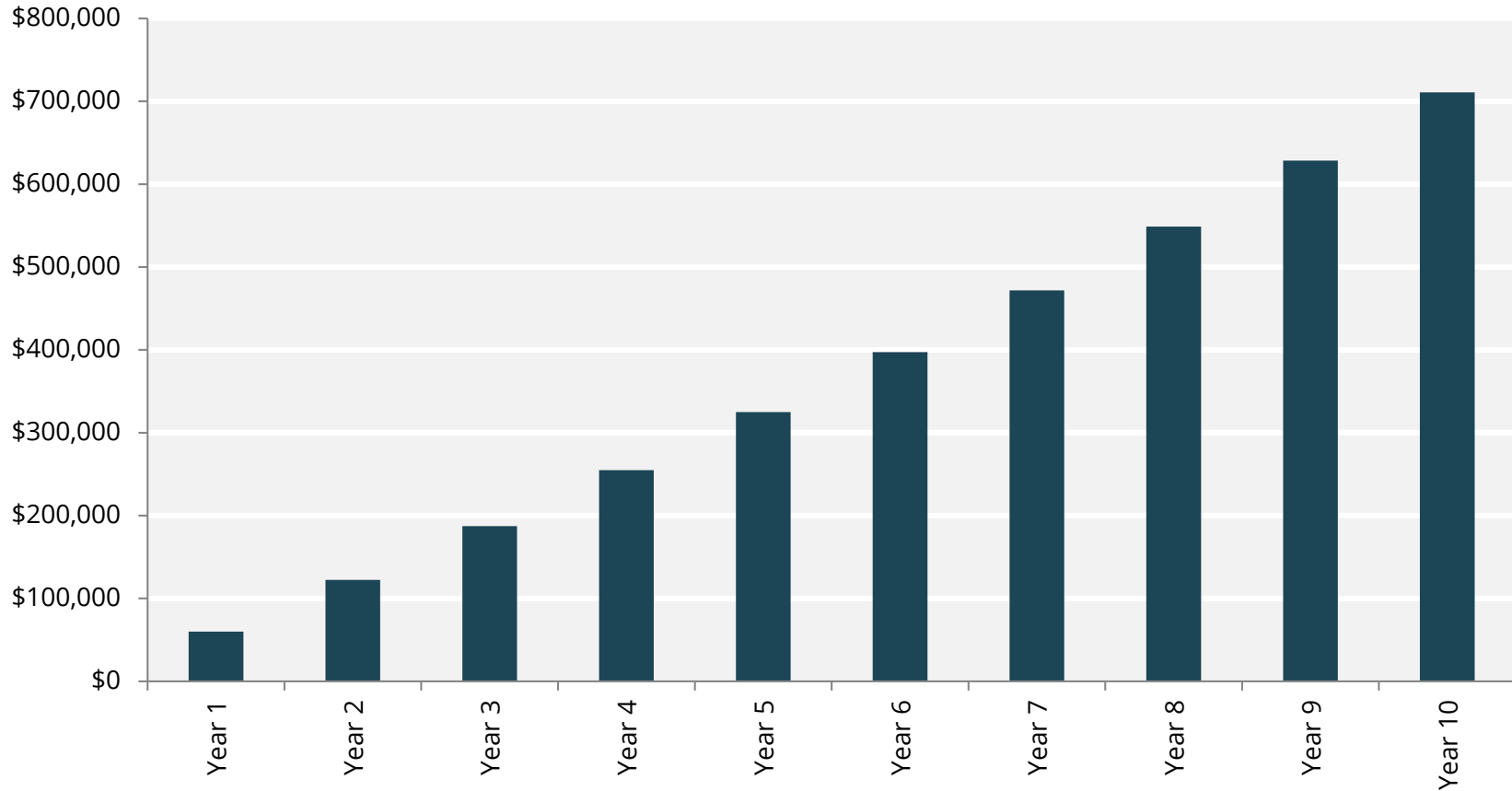


Assumptions (2018)
188 PST Employees \$1,300,000 annual payroll 3.80% COLA

Contribution Split
Employee Contribution: 6.20% Employer Contribution: 1.30%

\*Savings are net of fees. Expenses paid by Agency

# CUMULATIVE SAVINGS OVER SOCIAL SECURITY



1-Year Net Savings	5-Year Net Savings	10-Year Net Savings
\$59,983	\$324,907	\$710,768

# BENEFITS TO EMPLOYEES



Assumptions (2018)	Contribution Split
188 PST Employees \$1,300,000 annual payroll 3.80% COLA	Employee Contribution: 6.20% Employer Contribution: 1.30%

	<b>PARS-ARS</b>	<b>SOCIAL SECURITY</b>
<b>GROSS INCOME</b>	\$6,915	\$6,915
<b>LESS PARS @ 6.20%</b>	\$429	
<b>TAXABLE INCOME</b>	\$6,486	\$6,915
<b>LESS TAXES @ 20%</b>	\$1,297	\$1,383
<b>LESS SOCIAL SECURITY @ 6.20%</b>		\$429
<b>NET INCOME</b>	\$5,189	\$5,103
 <b>ADDITIONAL TAKE-HOME PAY</b>	 <b>\$86</b>	

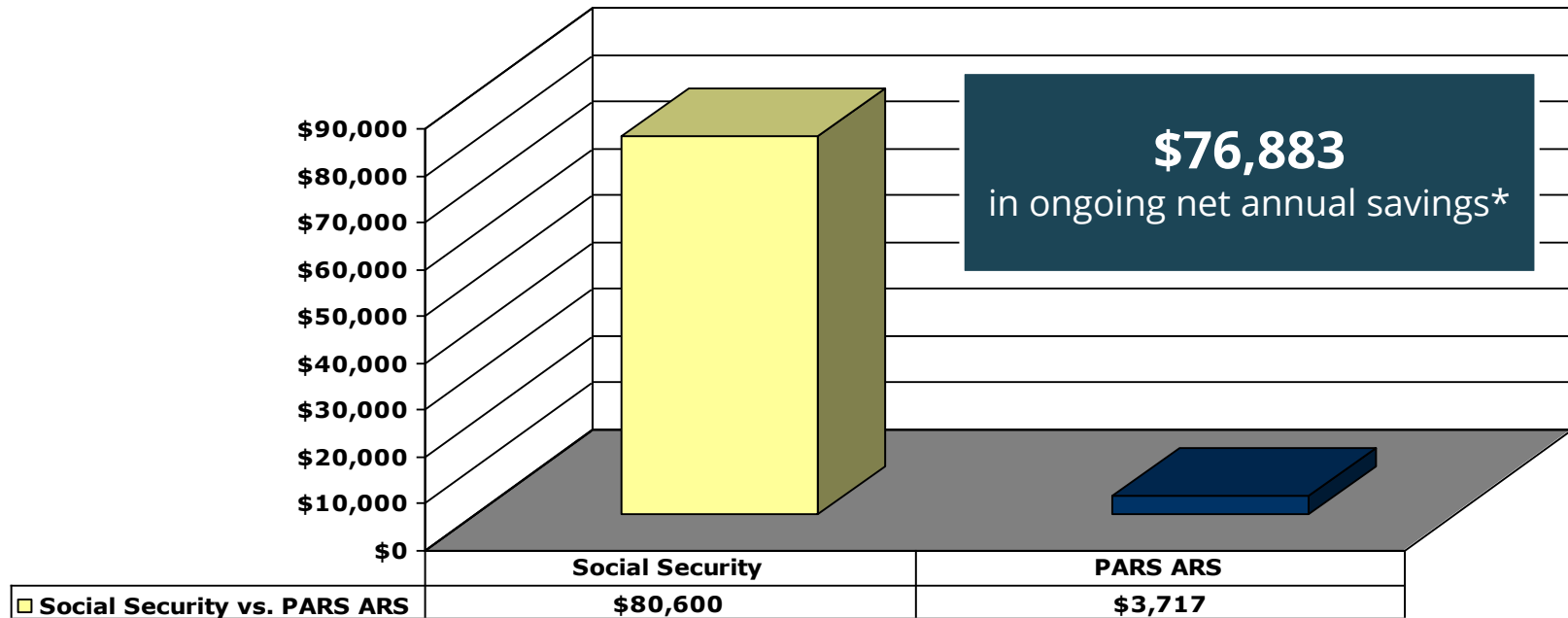
SCENARIO **C**

# CONTRIBUTION SPLIT

Employee: **7.50%**

Employer: **0.00%**

## First Year PARS ARS Savings over Social Security



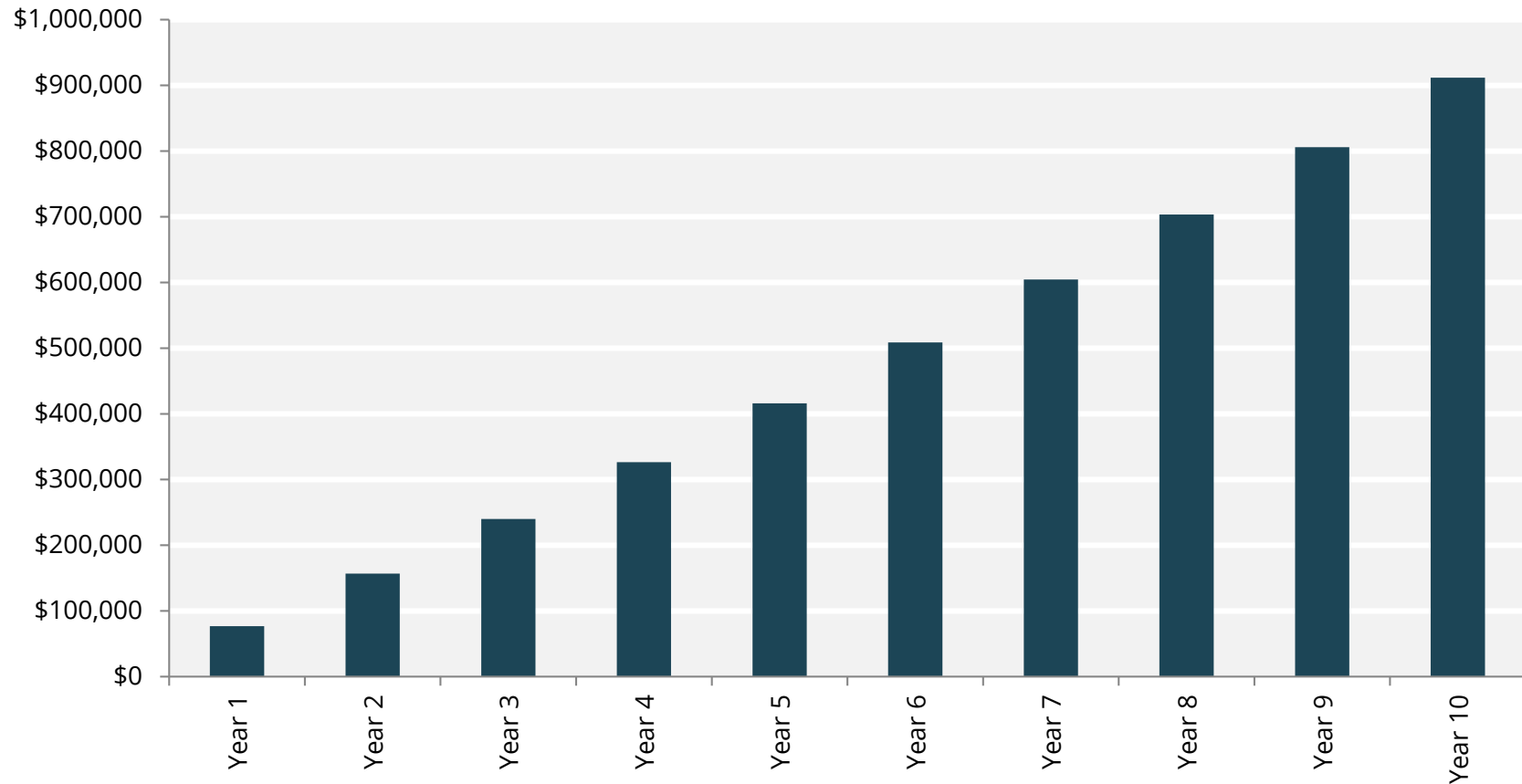
Assumptions (2018)
188 PST Employees \$1,300,000 annual payroll 3.80% COLA

Contribution Split
Employee Contribution: 7.50% Employer Contribution: 0.00%

\*Savings are net of fees. Expenses paid by Agency



# CUMULATIVE SAVINGS OVER SOCIAL SECURITY



1-Year Net Savings	5-Year Net Savings	10-Year Net Savings
\$76,883	\$416,078	\$911,799

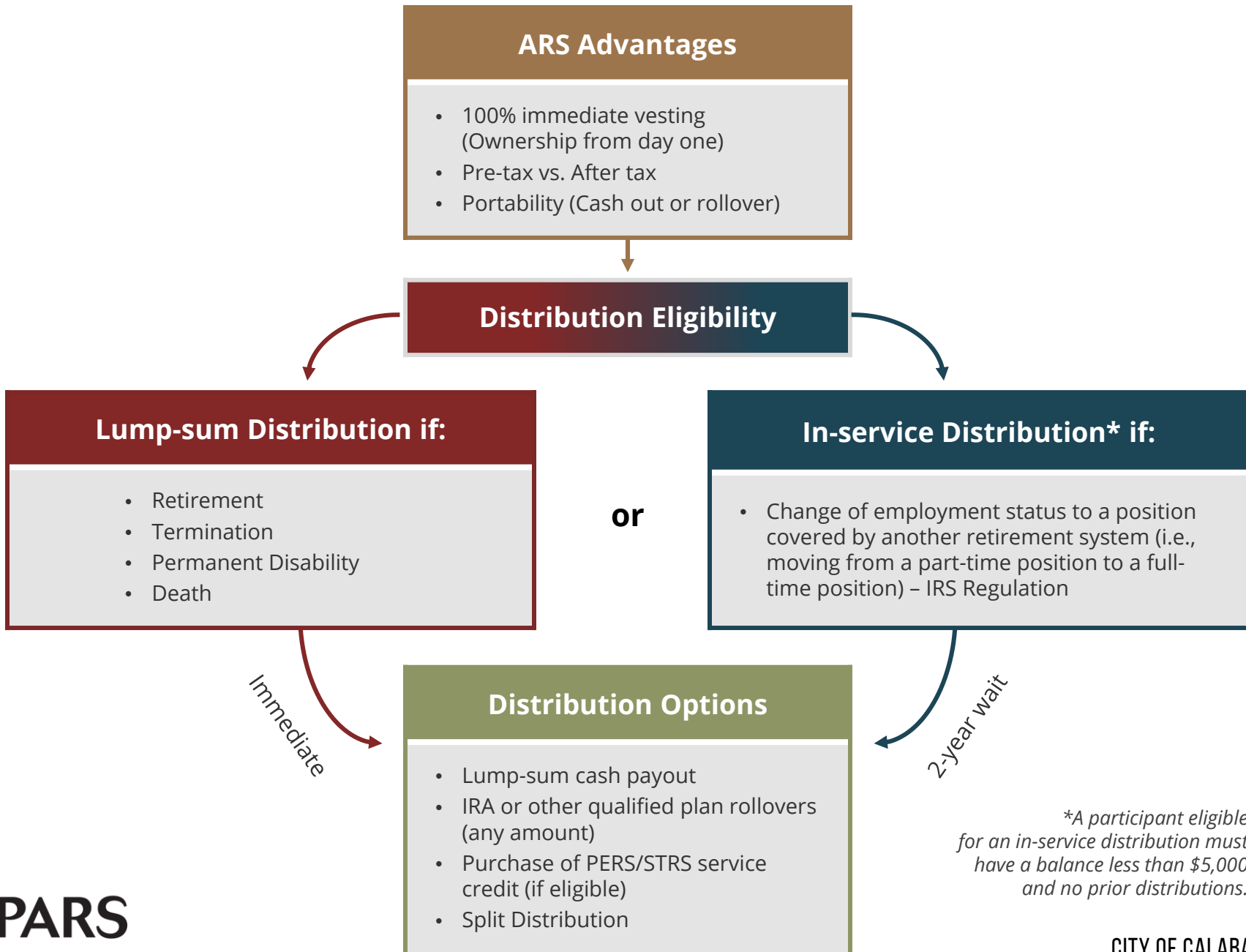
# BENEFITS TO EMPLOYEES



Assumptions (2018)	Contribution Split
188 PST Employees \$1,300,000 annual payroll 3.80% COLA	Employee Contribution: 7.50% Employer Contribution: 0.00%

	PARS-ARS	SOCIAL SECURITY
<b>GROSS INCOME</b>	\$6,915	\$6,915
<b>LESS PARS @ 7.50%</b>	\$519	
<b>TAXABLE INCOME</b>	\$6,396	\$6,915
<b>LESS TAXES @ 20%</b>	\$1,279	\$1,383
<b>LESS SOCIAL SECURITY @ 6.20%</b>		\$429
<b>NET INCOME</b>	\$5,119	\$5,103
<b>ADDITIONAL TAKE-HOME PAY</b>	<b>\$14</b>	

# BENEFITS TO EMPLOYEES



# BENEFITS TO EMPLOYEES

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1

## Prompt Monthly Distributions

Processed within 60 days of PARS' receipt of completed request form; completed requests are currently processed on an average of 23 days

2

## Toll-free Number For Participants And Agency Personnel

- Serviced by specialists knowledgeable of the Agency's specific plan
- 24-hour voicemail

3

## Online Orientation Video

- Online orientation video prepared for Plan Participants and Agency Personnel as necessary

4

## Participant Account Statements

- Annual statements sent directly to the Participant
- Available anytime upon request by the Participant
- Online secure portal for Participant to access account information

# EASE OF AGENCY ADMINISTRATION

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## “TURN-KEY” ADMINISTRATION

PARS provides ongoing “Turn-Key” administration to minimize burden to Agency staff:

- Handles all Agency/Participant inquiries
- Performs account valuations and produces statements and reports
- Conducts all required state and federal reporting

## SIMPLE ONGOING ADMINISTRATIVE ROLE

- Send contributions to the Trustee
- Send payroll contribution report to PARS
- Notify PARS of employees eligible for a distribution

### COVID-19 Notice:

At PARS, we are deeply committed to and concerned about the District’s employees’ and our employees’ health and well-being. It is essential that we take ownership of preparing ourselves, our families, and our workplace to reduce the spread of coronavirus (COVID-19), especially to those vulnerable in our community. In alignment with the best practices laid out by the California Department of Public Health, Centers for Disease Control, and World Health Organization, PARS has suspended all in-person gatherings until further notice.

# FLEXIBLE INVESTMENT OPTIONS

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- Portfolios managed by HighMark Capital Management, subadvisor to Trustee, U.S. Bank.
- PARS can coordinate a meeting with a HighMark Portfolio Manager at any time.
- The Agency has total Investment Flexibility and can utilize any investment deemed prudent by the Trustee for retirement plan purposes, including:

## Money Market Fund

- U.S. Treasury Fund
- U.S. Government Fund

## Fixed Income

- Morley Stable Value Fund
- Short-to-Intermediate Term Fixed Income Portfolio

## Diversified Portfolios

- Conservative Strategy  
(Currently 15% equity, 80% fixed and 5% cash)
- Moderately Conservative Strategy  
(Currently 30% equity, 65% fixed and 5% cash)
- Moderate Strategy  
(Currently 50% equity, 45% fixed and 5% cash)
- Balanced Strategy  
(Currently 60% equity, 35% fixed and 5% cash)
- Capital Appreciation Strategy  
(Currently 75% equity, 20% fixed and 5% cash)

# HIGHMARK CAPITAL MANAGEMENT

As of March 31, 2020

## ACTIVE PORTFOLIO RETURNS

Strategy	Equity (%)	1 Year	3 Years	5 Years	10 Years
Capital Appreciation	65-85%	-8.52%	2.19%	3.38%	6.55%
Balanced	50-70%	-6.53%	2.49%	3.18%	6.10%
Moderate	40-60%	-4.81%	2.57%	3.11%	5.63%
Moderately Conservative	20-40%	-1.42%	2.81%	2.85%	4.78%
Conservative	5-20%	1.61%	3.18%	2.80%	3.98%
Short Term Fixed	0%	2.15%	2.05%	1.64%	1.31%
Morley Stable Value	0%	2.47%	2.21%	1.99%	1.89%

\* Past performance does not guarantee future results

# PROGRAM FEES

Fees can be paid by agency or from plan assets (when assets exceed \$250,000)

## Trust Administration Fees\*



Ongoing Fees:	
1.00%	for assets \$0-2.5 million
0.75%	for assets over \$2.5 million

Distribution Fee:
\$20.00
(paid by participant at distribution)

## Discretionary Trustee Fees



- 0.12% of contributions for “Discretionary Trustee” arrangement
- Asset Management Fee may apply depending on the type of investment selected

*\*Monthly Trust Administrator Fee is subject to a monthly minimum of \$300.00.  
Rates are prorated and paid monthly as follows: Annual rate divided by 12 and multiplied by end of the month balance*



# PARS ADVANTAGES

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- **Experience:**

PARS is one of the largest provider of Alternative to Social Security Plans with more than 250 plans. No other provider can match our list of clients and consequently our expertise in administering these plans in California.

- **Focus:**

PARS specializes solely on administration and consulting services on governmental retirement plans. A large portion of the PARS operation is focused on Alternative to Social Security Plans in California.

- **Administrative Stability:**

PARS has performed in-house administration of our plans since 1991, instead of the ever changing administrative subcontracting configurations that are so common with Alternative to Social Security Plan providers.

# PARS ADVANTAGES (CONT.)

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- **Security with a Respected Trustee:**

PARS utilizes a highly respected corporate trustee, U.S. Bank, who is currently the fifth largest bank in the United States and highly rated. As the Discretionary Trustee, they oversee and safeguard plan assets in accordance with Federal law. Investments with insurance companies may not utilize a trustee.

- **Investment Choice with Low Cost:**

PARS, as one of very few non-insurance-based providers, offers choice in investment options. PARS plans maintain options that have very low expense ratios that are in contrast with typical high commission-laden products offered by other providers.

- **Prompt Distributions:**

PARS participants are eligible for immediate distributions when they terminate, retire, die or become permanently disabled. PARS pays distributions on average in about 23 days.



## PARS ADVANTAGES (CONT.)

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- **Fully Disclosed Fees:**

PARS fully discloses all fees under the plan. PARS does not hide fees inside insurance or mutual fund products like most providers. Many providers never tell you how much they make, but PARS does.

- **Compliance Support:**

PARS monitors federal and state legislation to ensure that all PARS plans stay compliant with changing laws, including ongoing legal support by O'Melveny & Myers and Pillsbury Winthrop Shaw Pittman. No other provider has spent more time and resources to protect agencies with Alternative to Social Security plans in Sacramento.

# STEPS TO IMPLEMENTATION

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- 1 City Council passes Resolution adopting the plan
- 2 Plan Documents are executed
- 3 City develops investment policy and guidelines for Investment Manager
- 4 Online orientation video available for new plan participants
- 5 Payroll system adjusted, personnel procedures set up
- 6 First payroll contribution and data submitted
- 7 PARS conducts an annual client services review

# CONTACTS

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