



PUBLIC
AGENCY
RETIREMENT
SERVICES

PARS

TRUSTED SOLUTIONS. LASTING RESULTS.

ACBO TRAINING INSTITUTE

Introduction to PARS Programs
February 28, 2018



PARS PLANS AND PROGRAMS

1

Pension Rate Stabilization Program (PRSP)

A pension prefunding trust designed in partnership with Community College League of California (CCLC) to address the District's GASB 68 liabilities on its financial statements and stabilize future STRS and PERS costs.

COMBO TRUST

2

OPEB Prefunding Trust Program

An OPEB prefunding trust designed to reduce OPEB liabilities and increase investment rates of return.

3

Supplementary Retirement Plan (SRP)

A constructive and appealing tool to reduce labor costs, restructure your workforce, avoid lay-offs and retain/attract skilled employees.

4

Alternate Retirement System (ARS)

An alternative to Social Security for part-time employees and adjunct faculty offered to provide a valuable benefit for employees and permanent payroll savings to the District.

5

Supplemental Defined Contribution Plan

A locally designed retirement plan offered in addition to STRS or PERS with the goal of attracting and retaining select employees to the District.

The

PARS/CCLC PENSION RATE STABILIZATION PROGRAM

for prefunding pension obligations

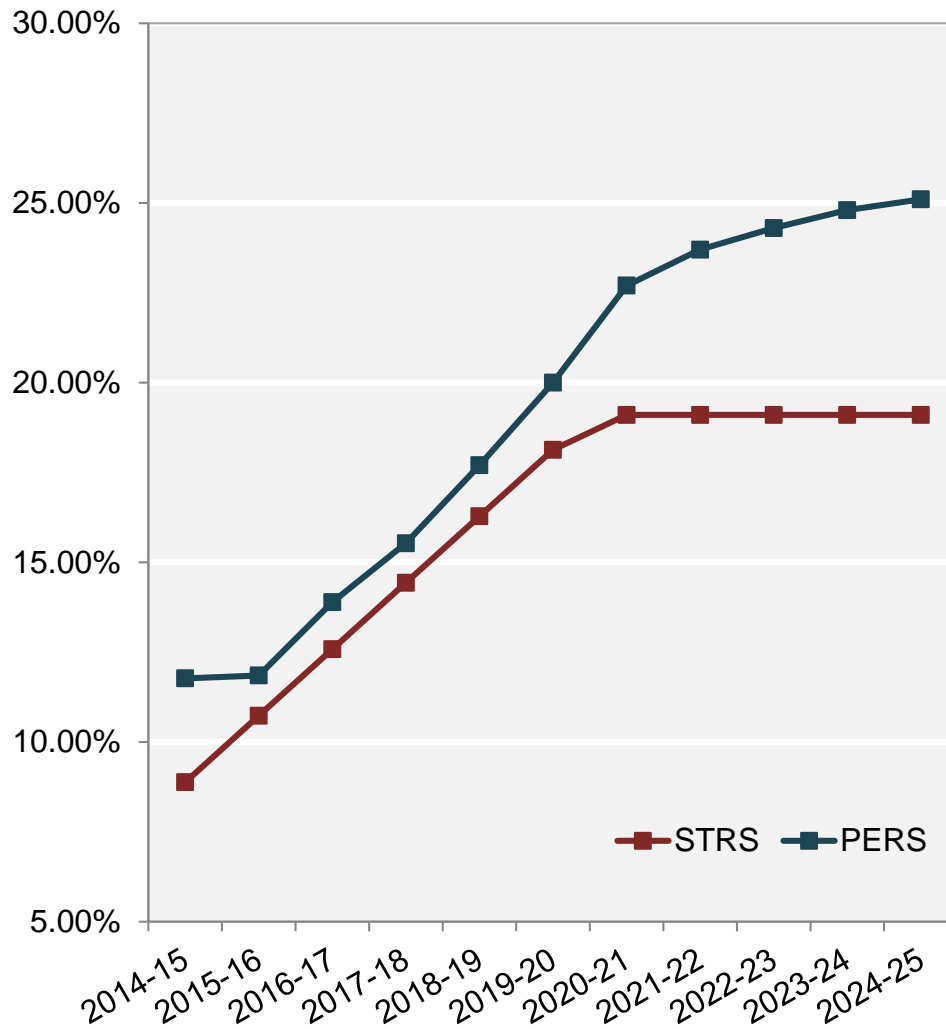


BACKGROUND

- The PARS/CCLC Pension Rate Stabilization Program (PRSP) is a first-of-its kind, IRS-approved trust program developed by PARS
- Offered to community college districts in partnership with the Community College League of California
- Turn-key approach to prefunding and managing STRS/PERS costs
- 126 California agencies (including 9 community colleges and 47 educational agencies) have adopted this program as of February 2018, with many more entities pending adoption

STRS/PERS CONTRIBUTION RATE INCREASES

STRS/PERS rate increases through 2024-25:



Fiscal Year	STRS	PERS
2014-2015	8.88%	11.77%
2015-2016	10.73%	11.85%
2016-2017	12.58%	13.89%
2017-2018	14.43%	15.53%
2018-2019	16.28%	17.70%
2019-2020	18.13%	20.00%
2020-2021	19.10%	22.70%
2021-2022	19.10%	23.70%
2022-2023	19.10%	24.30%
2023-2024	19.10%	24.80%
2024-2025	19.10%	25.10%

WHY PREFUND PENSION OBLIGATIONS?

1

Address Long-Term Liability

STRS/PERS cost are a long term burden, and prudent investment planning is critical to current and future management of obligations

2

Deal with GASB 68 Liability

GASB 68 now requires reporting of net pension liability on the District's financial statements

3

Protect from Diversion

Funds are protected from diversion to other uses and curtails stakeholder pressure to use funds in other ways

4

Rainy Day Fund

Assets can be used as an emergency source of funds for pension-related costs when District revenues are impaired based on economic or other conditions

WHY PREFUND PENSION OBLIGATIONS?

5

Stabilize Pension Costs

When contribution rates increase, assets can be transferred from the program to STRS/PERS which can help mitigate large contribution increases

6

Achieve Better Returns

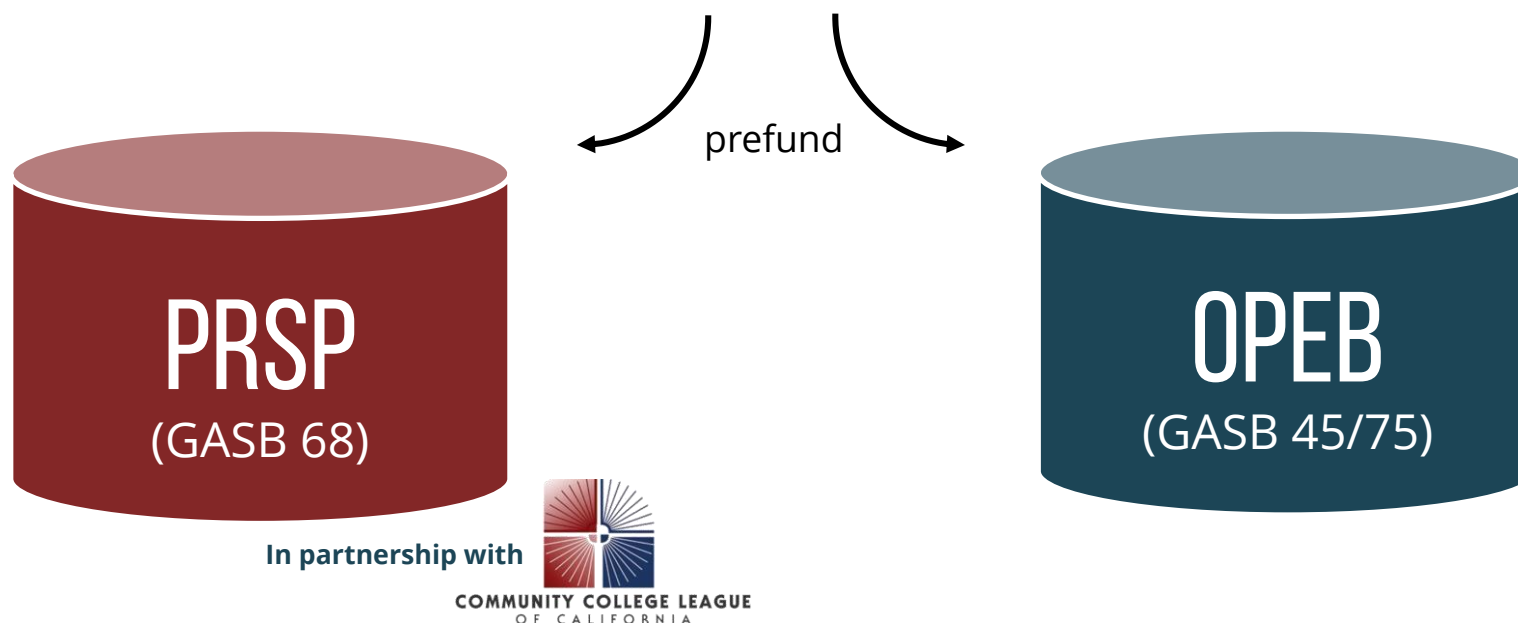
Prefunding with the program enables diversified investments that may achieve greater return

7

Beneficial in Credit Rating & Accreditation

Credit rating and accreditation agencies may look more favorably upon District's who take steps to reduce liabilities

THE PARS IRS-APPROVED COMBINATION 115 TRUST



1. Multiple employer trust structure brings investment and administration economies of scale with no risk sharing
2. Pension and OPEB assets are segregated through sub-accounting
3. Option to prefund now or later
4. Address liabilities for Pension (GASB 68) and/or OPEB (GASB 45/75)
5. Can choose different investment risk tolerance levels for each sub-account
6. Lower fees due to aggregation of assets (Pension and OPEB) on tiered fee schedule

INVESTMENT OPTION A:

VANGUARD

This non-advisory approach offers very low costs with portfolios comprised of institutional class, index-based, mutual funds and the following target asset allocations:

Portfolios

- (a) Fixed Income
- (b) Conservative
- (c) Balanced
- (d) Growth

INVESTMENT OPTION B:

HIGHMARK CAPITAL MANAGEMENT

HighMark Capital Management, when acting as a sub-advisor to the Discretionary Trustee, U.S. Bank, offers managed portfolios and provides oversight of the investment process. Portfolios have been designed exclusively for the PARS/CCLC PSRP.

Active Managed Portfolios

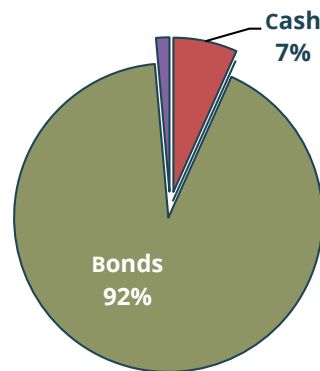
- (a) Conservative
- (b) Moderately Conservative
- (c) Moderate
- (d) Balanced
- (e) Capital Appreciation

** Available according to asset size*

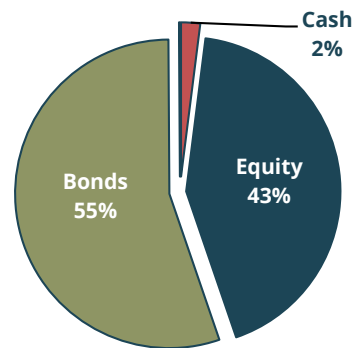
INVESTMENT OPTION A

VANGUARD APPROACH

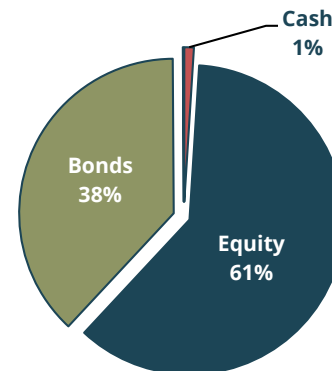
- A District can invest its assets in one of four investment pools which have been designed specifically by Vanguard



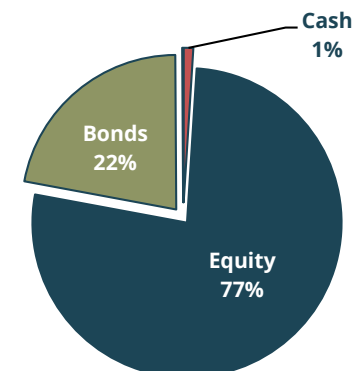
FIXED INCOME



CONSERVATIVE



BALANCED



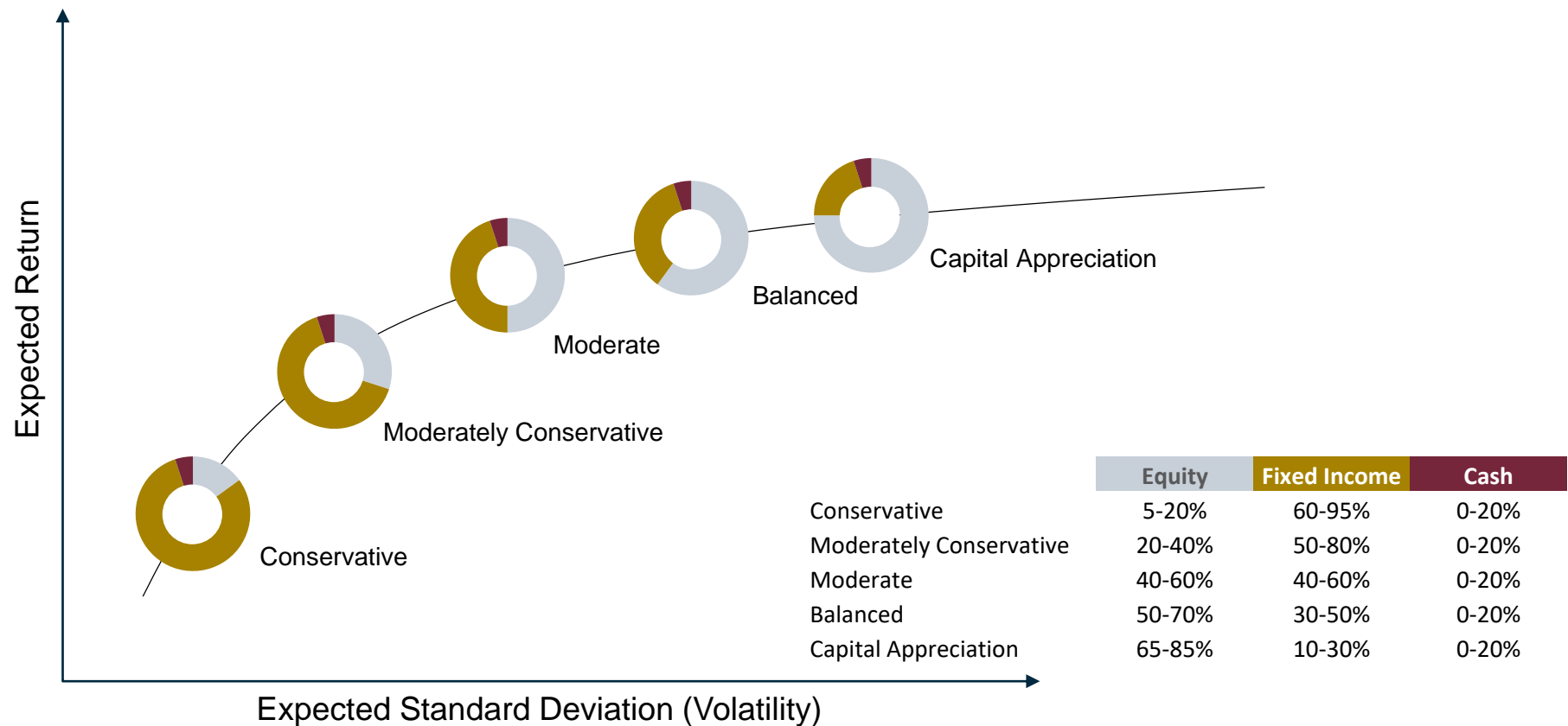
GROWTH

- Portfolios are comprised of institutional class, index-based, mutual funds selected for their low-weighted expense ratios
- Assets are pooled for economies of scale but there is no cross sharing of earnings or liabilities

INVESTMENT OPTION B

HIGHMARK CAPITAL MANAGEMENT APPROACH

Efficient frontier of portfolios with varying ranges of equities and fixed income



**Each Investment Objective reflects the associated HighMark Diversified Portfolio as of 12/31/2017. A client's portfolio construction may vary depending on the client's investment needs, objectives, and restrictions as well as the prevailing market conditions at the time of investment.*

STEPS TO IMPLEMENTATION

- 1 Board of Trustees authorizes adoption of the PARS Trust and appoints a Plan Administrator by adoption of resolution
- 2 PARS provides legal documents for review and signature by Plan Administrator upon receipt of certified resolution
- 3 After receipt of signed documents, District's account is set up generally within one week
- 4 District makes initial deposit to the PARS Trust
- 5 PARS conducts an annual review of investment performance

KEY ADVANTAGES OF PARS/CCLC PRSP

- **Ready-to-use** irrevocable multiple employer trust and investment program
- **Partnership with CCLC** to help meet the needs of member community college districts
- **IRS Private Letter Ruling** on a multiple employer basis (obtained June 2015)
- **“Turn-key” comprehensive approach** so costs and burdens are not shifted to the College
- **No start up costs** or termination costs/restrictions
- **Local control** that allows each College to determine its own funding schedules
- Fully vetted **signature-ready documents** that enable streamlined implementation process
- **Economies of scale** decrease fees as assets grow
- **Flexible investment options** that include both discretionary and College-directed approaches
- **Regular reporting** and ongoing support that includes monthly statements and in-person client reviews
- **Local support and individualized attention** from California based services team

The

PARS SUPPLEMENTARY RETIREMENT PLAN

a tool to reduce labor costs and restructure your workforce

SUPPLEMENTARY RETIREMENT PLAN

- A retirement incentive plan offered to encourage eligible employees' early retirement from a District
- Districts look to offer retirement incentives in order to:
 - **Achieve** budget savings
 - **Reduce** the number of top-of-the-salary-schedule employees
 - **Reorganize** departments or programs
 - **Reduce** the impact of potential future layoffs
 - **Enhance** retirement benefits
- PARS offers a complementary fiscal analysis
- PARS has implemented retirement incentives since 1984

SAMPLE BENEFIT ILLUSTRATION

- Benefit Illustration shows a 80% of Final Pay spend amount paid by a District in 5 equal installments
- Eligible employees would receive a personalized Benefit Illustration based on their own statistics at the beginning of an enrollment window
- Options 5-9 are eligible for IRA rollover

BENEFIT ILLUSTRATION

Prepared on: March 1, 2018

Academic Faculty

Sample Community College District

Prepared for: Sample Employee

Supplementary Retirement Plan

SRP Level of Benefit

80.00% of Final Pay

The Supplementary Retirement Plan (SRP) benefits are illustrated according to the assumptions listed below. Your SRP benefit is subject to verification of these assumptions and will ultimately be determined based on the provisions of the plan.

To participate in the SRP, you must review and correct any assumptions that are inaccurate using the enclosed Correction Form (page 1).

Assumption Table

Resignation Date: 6/30/2018
Participant Birthdate: 6/30/1958
Participant Age @ Resignation: 60.00
Final Pay*: \$95,000.00

* 2017-18 contract salary (placement on 2017-2018 salary schedule), multiplied by current FTE (full-time equivalence). For hourly employees, Final Pay shall be defined as actual salary earned during 2017-2018 school year based on actual hours worked.

Beneficiary Birthdate*: 6/30/1958
Beneficiary Age @ Resignation: 60.00

*Note: A beneficiary birthdate assumption was created based on your own date of birth. Beneficiary birthdate only affects the amount of Option 2.

SRP Level of Benefit

The SRP benefit supplements your primary retirement system allowance. If you participate in the SRP, your choice of benefit option and beneficiary for Option 2 is final upon the close of the enrollment window and cannot be changed thereafter.

The projected benefit amounts illustrated for all options are based on annuity rates at the time this illustration was printed. The final amount of your benefit will be determined prior to your first distribution based on the most current annuity rates at the time of purchasing the annuity.

Neither Sample Community College District nor PARS provides tax, accounting, or legal advice. See your tax consultant, accountant or attorney for advice.

Projected SRP Benefit Payout Amounts

Option 1 (Lifetime): **\$320.57**

A monthly cash payment for your lifetime only. Option 1 does not pay out to a beneficiary.

Option 2 (Joint & Survivor): **\$274.69**

Option 2 is a modified monthly payment for your lifetime and the lifetime of your one named beneficiary.

Option 3 (Lifetime or 10-Years): **\$316.16**

Option 3 is a modified monthly payment for the greater of your lifetime or 10 years. In the event of death within 10 years of resignation, monthly payments will continue to your beneficiary or estate until a total of 120 payments are made.

Options 5-15 (Fixed-Term Payments)*:

Options 5-15 provide a higher monthly payment guaranteed for a fixed number of years as shown below. Payments are made to the participant until the final payment is made. In the event of death, all remaining payments will be paid to your beneficiary or estate.

Option #	Years of Payment	Monthly Payment
5*	5	\$1,270.57
6*	6	\$1,073.88
7*	7	\$933.89
8*	8	\$829.31
9*	9	\$748.14
10	10	\$683.39
11	11	\$630.34
12	12	\$586.26
13	13	\$548.87
14	14	\$516.80
15	15	\$488.98

* Options 5-9 are eligible for direct rollover into an IRA or to an eligible plan that accepts the rollover. Required minimum distributions after age 70½ (or after death) are not eligible for rollover. Please consult with a qualified tax or legal advisor to determine whether your SRP monthly benefit may be eligible for rollover.

PARS ANALYSIS METHODOLOGY

	Total Compensation Differential between Retiring Employee and Replacement Employee
-	Future Loss in Natural Attrition
-	Current Natural Attrition
-	Retirement Health Care Cost
-	Retirement Incentive Cost
+	Savings due to Non-Replacements
=	Net Savings (Cost)

SAMPLE TIMELINE

Timeframe	Actions
Early December	<ul style="list-style-type: none"> • PARS finalizes Analysis and Plan Design • District's Board adopts Resolution to offer Plan
Early December	<ul style="list-style-type: none"> • PARS Enrollment Window Opens • PARS mails individual benefit illustration packets to eligible employees
Mid December	PARS holds Employee Orientation Meetings
Mid January	PARS holds Employee Enrollment Workshops
Late January	PARS Enrollment Window Closes
Mid February	PARS provides Post Analysis
Early March	District determines whether or not minimum participation numbers and/or plan objectives have been met. If so, plan is allowed to proceed.
May 31 st and/or June 30 th	Employees Resign prior to this date
August 1 st	PARS checks commence to participants

COMMUNITY COLLEGE CONSIDERATIONS

- **Faculty Obligation Number (FON)**
 - Many Districts implement the plan so that packets and resignations are submitted within the last 45 “duty days” allowing the District up to one year of adjunct faculty replacement, thereby adding fiscal savings
- **50% Rule**
 - Districts need to evaluate their status under the 50% Rule in order to determine whether a plan for faculty could cause a District to fall below the requirement
- **Mid-Year, End-of-Year or Combination Plan**
 - Depending on their FON, anticipated enrollment, staffing needs and other factors some Districts structure their plans as Mid-Year (December 31st) or End-of-Year (May 31st and/or June 30th) or a combination
 - Under a combination can be held with one or multiple enrollment windows

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