



**BOARD FINANCE COMMITTEE MEETING
FRIDAY DECEMBER 8, 2023, at 9:00 AM**

AGENDA

Public comments may be submitted via email to
General Manager, Kat Wuelfing, at kwuelfing@midpeninsulawater.org

Please indicate in your email the agenda item to which your comment applies.

Comments submitted before the meeting will be provided to the Board before or during the meeting. Comments submitted after the meeting is called to order will be included in the correspondence that will be provided to the full Board.

Board members, staff, consultants, and the public may participate remotely.

The zoom meeting link is available here: <https://www.midpeninsulawater.org/zoom>

Should Zoom not be operational, please check online at: www.midpeninsulawater.org for any updates or further instruction.

1. Call to Order

A. Roll Call

2. Public Comment

If you wish to address the Committee, please follow the directions at the top of the agenda. If you have anything that you wish distributed to the Committee and included for the official record, please include it in your email. Comments that require a response may be deferred for staff reply.

3. Review Investment Structure and Plan Performance for MPWD Public Agency Retirement Services (PARS) Other Post-Employment Benefits (OPEB) Pre-Funding Trust Program and Pension Rate Stabilization Program (PRSP)

4. Discuss CIP Spending and Staff Recommendation for US Treasury Investments

5. Discuss MPWD Rate Update Timeline and Recommendation for Rate Impact Scenarios

6. Identify Schedule for 2024 Finance Committee Meetings

7. Adjournment

This agenda was posted at the Mid-Peninsula Water District's office, 1075 Old County Road, in Belmont, California, and on its website at www.midpeninsulawater.org.

ACCESSIBLE PUBLIC MEETINGS

Upon request, the Mid-Peninsula Water District will provide written agenda materials in appropriate alternative formats, or disability-related modification or accommodation (including auxiliary aids or services), to enable individuals with disabilities to participate in public meetings and provide comments at/related to public meetings. Please submit a request, including your name, phone number and/or email address, and a description of the modification, accommodation, auxiliary aid, service or alternative format requested. Requests should be sent to the General Manager at (650) 591-8941 or kwuelfing@midpennsulawater.org. Requests must be received at least two days before the meeting. Requests will be granted whenever possible and resolved in favor of accessibility.



AGENDA ITEM NO. 3

DATE: December 8, 2023
TO: Finance Committee
FROM: Kat Wuelfing, General Manager
Rene A. Ramirez, Operations Manager

SUBJECT: REVIEW INVESTMENT STRUCTURE AND PLAN PERFORMANCE FROM PUBLIC AGENCY RETIREMENT SERVICES (PARS) FOR MPWD OTHER POST-EMPLOYMENT BENEFITS (OPEB) PRE-FUNDING TRUST PROGRAM AND PENSION RATE STABILIZATION PROGRAM (PRSP)

RECOMMENDATION

Receive report from Public Agency Retirement Services (PARS) and High Mark Capital Management on District OPEB and PRSP programs prior to Board presentation on December 14.

FISCAL IMPACT

None

BACKGROUND

The District has had OPEB and PRSP programs since 2011 managed by PARS. At the end of each year, PARS provides status reports on the programs. The Board has asked questions, discussed, and provided directions via Board resolution on investment strategy for the upcoming year.

Since 2018, the Board's investment strategy has been under the PARS "Moderate" HighMark Plus strategy (Active).

DISCUSSION

Members of the PARS and High Mark Capital Management team will be present virtually to review the MPWD OPEB and PRSP programs. Andrew Brown, from HighMark Capital Management, is participating in the meeting and will provide an overview of the MPWD's portfolio investment performance and can discuss other investment strategies available for Board consideration.

Attachment:

Presentation: Mid-Peninsula Water District PARS 115 Trust – OPEB Prefunding Program & Pension Rate Stabilization Program Review December 2023

PUBLIC
AGENCY
RETIREMENT
SERVICES

PARS

TRUSTED SOLUTIONS. LASTING RESULTS.



MID-PENINSULA WATER DISTRICT

PARS 115 Trust – OPEB Prefunding Program &
Pension Rate Stabilization Program Review
December 2023

CONTACTS



Jennifer Meza, CEBS
Senior Manager, Consulting
(800) 540-6369 x141
jmeza@pars.org

Andrew Brown, CFA
Director, Senior Portfolio Manager
(415) 796-5057
andrew.brown1@usbank.com

Will Rogers, RPA
Senior Coordinator, Client Services
(800) 540-6369 x161
wrogers@pars.org

PARS 115 TRUST TEAM

Trust Administrator & Consultant



- Serves as record-keeper, consultant, and central point of contact
- Sub-trust accounting
- Coordinates all agency services
- Monitors plan compliance (IRS/GASB/State Government Code)
- Processes contributions/disbursements
- Hands-on, dedicated support teams

39

Years of Experience
(1984-2023)

2,000+

Plans under Administration

1,000+

Public Agency Clients

500+

115 Trust Clients

500K+

Plan Participants

\$7.0B

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

160

Years of Experience
(1863-2023)

\$9.5T

Assets under Trust Custody

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)

104

Years of Experience
(1919-2023)

\$8.7B

Assets under Management

SUMMARY OF AGENCY'S OPEB PLAN

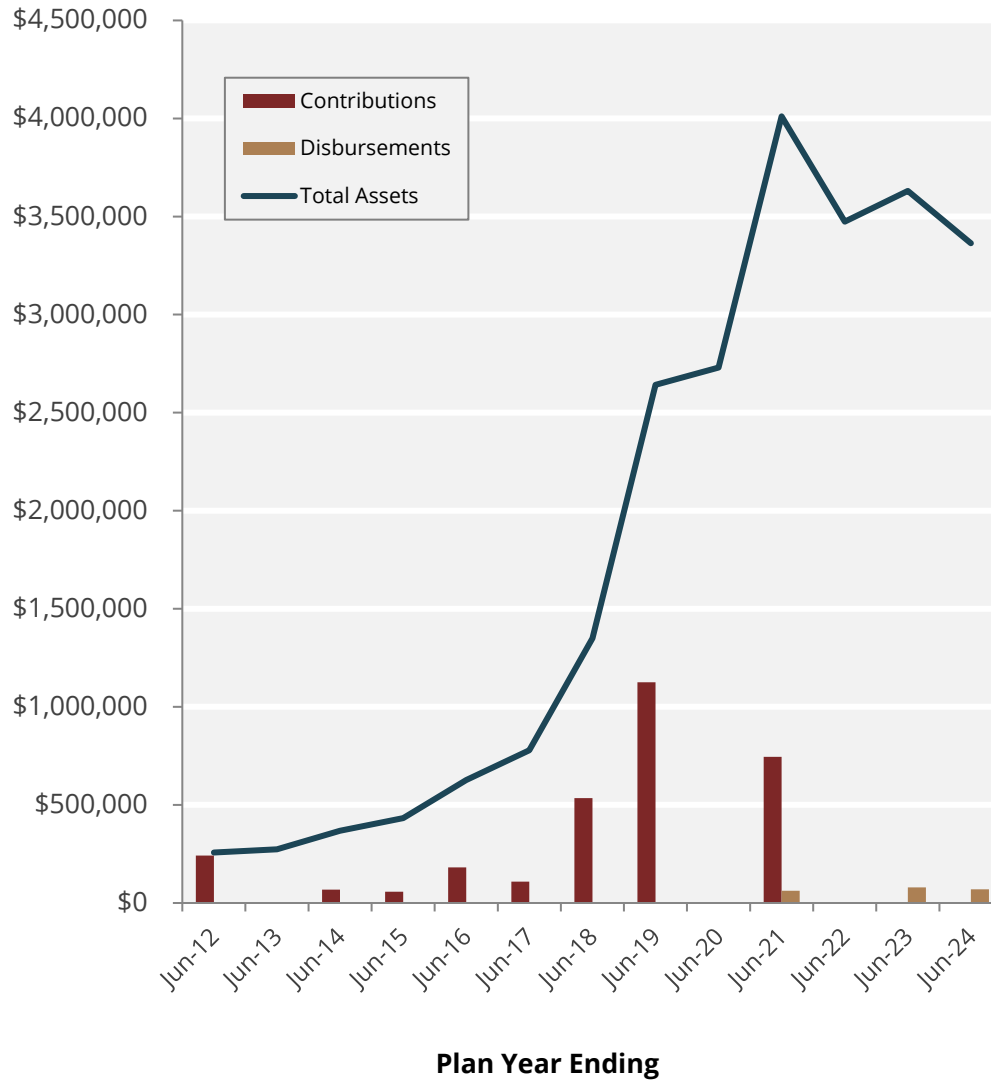
Plan Type:	IRC Section 115 Irrevocable Exclusive Benefit Trust
Trustee Approach:	Discretionary
Plan Effective Date:	April 28, 2011
Plan Administrator:	General Manager
Current Investment Strategy:	Moderate HighMark PLUS (Active) Strategy; Pooled Account <i>*Inception – December 2017: Moderately Conservative HighMark PLUS</i>

AS OF OCTOBER 31, 2023:

Initial Contribution:	August 2011: \$81,159
Additional Contributions:	\$2,979,777
Total Contributions:	\$3,060,936
Disbursements:	\$211,892
Total Investment Earnings:	\$611,228
Account Balance:	\$3,363,452

SUMMARY OF AGENCY'S OPEB PLAN

HISTORY OF CONTRIBUTIONS, DISBURSEMENTS, AND TOTAL ASSETS AS OF OCTOBER 31, 2023:



Year	Contributions	Disbursements	Total Assets
Jun-12*	\$241,627	\$0	\$257,032
Jun-13	\$0	\$0	\$273,541
Jun-14	\$68,054	\$0	\$368,264
Jun-15	\$56,925	\$0	\$432,917
Jun-16	\$181,575	\$0	\$626,357
Jun-17	\$108,702	\$0	\$778,799
Jun-18	\$534,110	\$0	\$1,349,599
Jun-19	\$1,125,000	\$0	\$2,641,487
Jun-20	\$0	\$0	\$2,729,661
Jun-21	\$744,943	\$62,530	\$4,010,677
Jun-22	\$0	\$0	\$3,473,591
Jun-23	\$0	\$79,657	\$3,630,749
Jun-24**	\$0	\$69,706	\$3,363,452

*Plan Year Ending June 2012 is based on 11 months of activity.
 **Plan Year Ending June 2024 is based on 4 months of activity.

OPEB ACTUARIAL RESULTS

- We have received the actuarial report by Actuarial Retirement Consulting dated October 18, 2023 with a measurement date as of June 30, 2023. In the table below, we have summarized the results.

Demographic Study	Measurement Date: June 30, 2021	Measurement Date: June 30, 2023
Actives	19	17
Retirees	5	7
Total	24	24

**Actuarial Valuation with Measurement Date June 30, 2022, in process*

OPEB ACTUARIAL RESULTS

	Measurement Date: June 30, 2021 Discount Rate: 5.50%	Measurement Date: June 30, 2023 Discount Rate: 5.50%
Total OPEB Liability (TOL)	\$3,687,708	\$3,495,503
Fiduciary Net Position	\$4,010,667	\$3,630,749
Net OPEB Liability (NOL)	(\$322,969)	(\$135,246)
Funded Ratio (%)	108.8%	103.9%
Service Cost	\$89,496	\$98,315
Annual Benefit Payments (Pay-as-you-Go)	\$66,803	\$91,690

Rule of thumb: For every one percent increase in the discount rate, the unfunded liability is lowered by 10-12%.

SUMMARY OF AGENCY'S PENSION PLAN

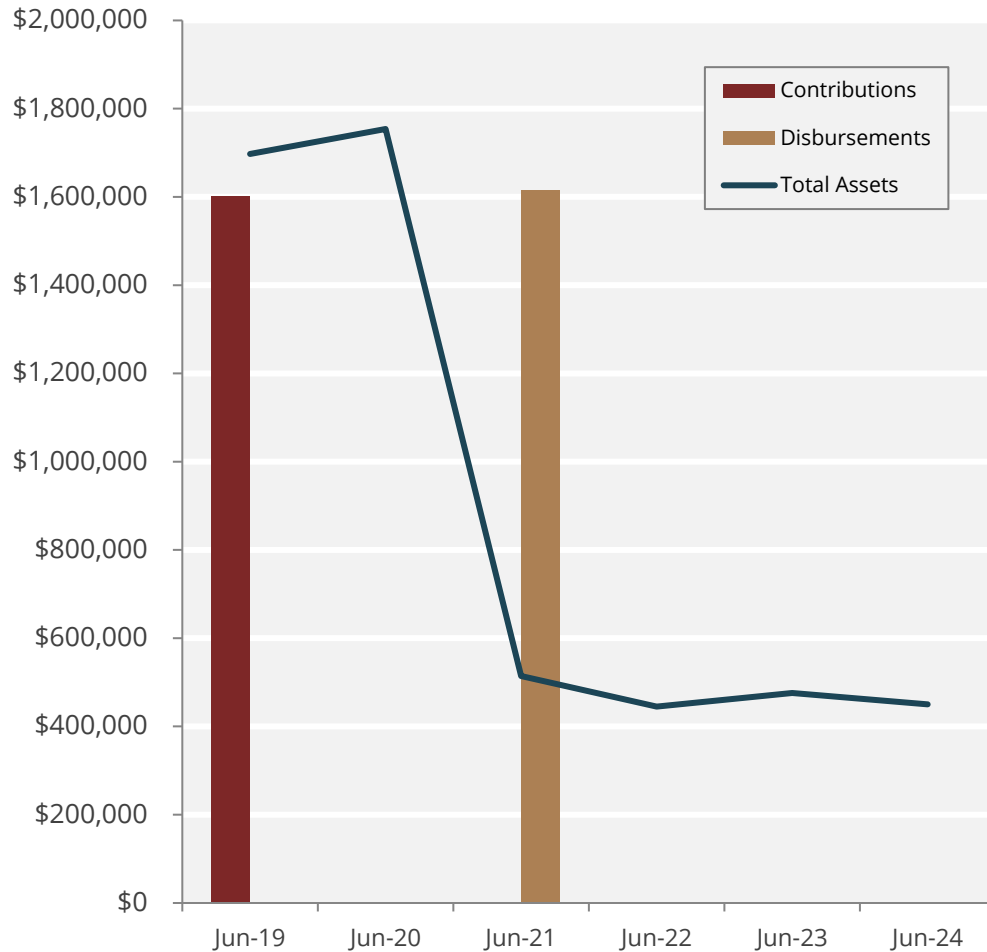
Plan Type:	IRC Section 115 Irrevocable Exclusive Benefit Trust
Trustee Approach:	Discretionary
Plan Effective Date:	February 22, 2018
Plan Administrator:	General Manager
Current Investment Strategy:	Moderate HighMark PLUS (Active) Strategy; Pooled Account

AS OF OCTOBER 31, 2023:

Initial Contribution:	August 2018: \$400,000
Additional Contributions:	\$1,200,000
Total Contributions:	\$1,600,000
Disbursements:	\$1,615,686
Total Investment Earnings:	\$495,211
Account Balance:	\$449,880

SUMMARY OF AGENCY'S PENSION PLAN

HISTORY OF CONTRIBUTIONS, DISBURSEMENTS, AND TOTAL ASSETS AS OF OCTOBER 31, 2023:



Year	Contributions	Disbursements	Total Assets
Jun-19*	\$1,600,000	\$0	\$1,697,313
Jun-20	\$0	\$0	\$1,753,971
Jun-21	\$0	\$1,615,686	\$514,373
Jun-22	\$0	\$0	\$445,100
Jun-23	\$0	\$0	\$475,779
Jun-24**	\$0	\$0	\$449,880

Plan Year Ending

*Plan Year Ending June 2019 is based on 11 months of activity.
 **Plan Year Ending June 2024 is based on 4 months of activity.



PENSION FUNDING STATUS

As of June 30, 2022, Mid-Peninsula Water District’s CalPERS pension plan is funded as follows*:

Combined Miscellaneous Groups *	Valuation as of June 30, 2021	Valuation as of June 30, 2022	Change
Actuarial Liability	\$10.2 M	\$11.1 M	8.6% ↑
Assets	\$11.3 M	\$10.4 M	7.7% ↓
Unfunded Liability	(\$1.0 M)	\$732 K	172.5% ↓
Funded Ratio	109.9%	93.4%	15.0% ↓
Employer Contribution Amount	\$197 K (FY 22-23)	\$203 K (FY 23-24)	3.2% ↑
Employer Contribution Amount – Projected *	---	\$315 K (FY 29-30)	55.3% ↑

* Data through 2028-29 from Agency’s latest CalPERS actuarial valuation.

PARS: Mid Peninsula Water District

November 30, 2023

Preliminary

**Presented by
Andrew Brown, CFA**

Economic and Market Forecast

As of September 2023

	2023 Assumptions	2024 Assumptions
GDP	1.5% - 2.0%	0.0% - 1.0%
S&P 500 Earnings	\$205 - \$215	\$215 - \$225
Unemployment	4.4% - 4.8%	4.5% - 5.0%
Core PCE Inflation	3.3% - 3.8%	2.0% - 2.8%
Fed Funds Target	5.0% - 5.5%	3.75% - 4.5%

Selected Period Performance

Mid Peninsula Water District - OPEB

Period Ending: 11/30/2023

	3 Months	Year to Date (11 Months)	1 Year	3 Years	5 Years	10 Years	Inception to Date 09/01/2011
Cash Equivalents	.87	4.06	4.40	1.84	1.63	1.07	.87
Total Fixed Income	.06	2.63	2.38	-3.44	1.01	1.46	1.85
<i>Bloomberg US Aggregate Bd Index</i>	<i>.26</i>	<i>1.64</i>	<i>1.18</i>	<i>-4.47</i>	<i>.71</i>	<i>1.37</i>	<i>1.49</i>
Total Equities	1.12	15.50	9.38	5.76	9.07	8.48	10.32
Large Cap Funds	2.35	22.81	15.20	9.03	11.96	11.18	13.11
<i>S&P 500 Composite Index</i>	<i>1.74</i>	<i>20.80</i>	<i>13.84</i>	<i>9.75</i>	<i>12.51</i>	<i>11.82</i>	<i>13.58</i>
Mid Cap Funds	-4.8	8.59	2.74	4.76	8.46	7.92	10.01
<i>Russell Midcap Index</i>	<i>-.54</i>	<i>8.82</i>	<i>2.94</i>	<i>4.91</i>	<i>8.72</i>	<i>8.93</i>	<i>11.18</i>
Small Cap Funds	-1.73	6.65	1.30	2.65	6.51	8.38	11.45
<i>Russell 2000 Index</i>	<i>-4.37</i>	<i>4.20</i>	<i>-2.56</i>	<i>1.13</i>	<i>4.78</i>	<i>6.13</i>	<i>9.22</i>
International Equities	.73	9.32	6.68	.99	5.28	3.57	4.18
<i>MSCI EAFE Index (Net)</i>	<i>1.27</i>	<i>12.27</i>	<i>12.36</i>	<i>3.80</i>	<i>5.99</i>	<i>3.89</i>	<i>5.58</i>
<i>MSCI EM Free Index</i>	<i>1.09</i>	<i>5.70</i>	<i>4.21</i>	<i>-4.04</i>	<i>2.34</i>	<i>2.12</i>	<i>2.07</i>
RR: REITS	.24	2.07	-3.05	2.71	3.36		
<i>Wilshire REIT Index</i>	<i>-1.35</i>	<i>5.43</i>	<i>-.46</i>	<i>5.05</i>	<i>3.67</i>	<i>6.74</i>	<i>7.21</i>
Total Managed Portfolio	.72	8.73	5.81	1.41	5.25	4.53	5.16

Preliminary

Account Funded Date: 8/18/2011. Performance Inception Date: 9/01/2011

Plan performance is indicative of plan being invested in account 6746019203, PARS Moderate Conservative HM Plus, from 9/01/2011 until December 31, 2017 and then subsequently being invested in account 6746019205, PARS HighMark Plus Moderate from January 1, 2018 to August 31, 2018, and then in account 6746050106 from September 1, 2018 and onwards. Returns are gross of account level investment advisory fees and net of any fees, including fees to manage mutual fund or exchange traded fund holdings. Returns for periods over one year are annualized. The information presented has been obtained from sources believed to be accurate and reliable. Past performance is not indicative of future returns. Securities are not FDIC insured, have no bank guarantee, and may lose value.



Asset Allocation – Mid Peninsula Water District

As of November 30, 2023

Current Asset Allocation		Investment Vehicle	
Equity		Range: 40%-60%	50.21%
Large Cap Core	COFYX	Columbia Contrarian Core Inst3	4.85%
	VGIAX	Vanguard Growth & Income Adm	9.55%
Large Cap Value	DODGX	Dodge & Cox Stock I	4.37%
	IVE	iShares S&P 500 Value ETF	2.01%
Large Cap Growth	HNACX	Harbor Capital Appreciation Retirement	2.96%
	IVW	iShares S&P 500 Growth ETF	2.84%
Mid Cap Core	IWR	iShares Russell Mid-Cap ETF	5.55%
Small Cap Value	UBVFX	Undiscovered Managers Behavioral Val R6	3.41%
Small Cap Growth	FGROX	Emerald Growth Institutional	3.49%
International Core	DFALX	DFA Large Cap International I	3.67%
International Value	DODFX	Dodge & Cox International Stock I	1.22%
International Growth	MGRDX	MFS International Growth R6	1.25%
Emerging Markets	HHHFX	Hartford Schrodgers Emerging Mkts Eq F	3.39%
Real Estate	VNQ	Vanguard Real Estate ETF	1.66%
Fixed Income		Range: 40%-60%	48.16%
Intermediate-Term	DBLFX	DoubleLine Core Fixed Income I	14.01%
	DODIX	Dodge & Cox Income I	13.97%
	PTRQX	PGIM Total Return Bond R6	14.11%
Government Bond Fund	GOVT	iShares US Treasury Bond ETF	3.03%
Mortgage Backed Securities	MBB	iShares MBS ETF	3.04%
Cash		Range: 0%-20%	1.63%
	FGXXX	First Am Govt Ob Fd CI X	1.63%
TOTAL			100.00%

Selected Period Performance
PARS/PRSP MODERATE HIGHMARK PLUS
Account ***0106**
Period Ending: 11/30/2023

	3 Months	Year to Date (11 Months)	1 Year	3 Years	5 Years	Since Inception (63 Months)
Cash Equivalents	.87	4.06	4.40	1.84	1.63	1.64
Total Fixed Income	.06	2.63	2.38	-3.44	1.01	.85
<i>Bloomberg US Aggregate Bd Index</i>	<i>.26</i>	<i>1.64</i>	<i>1.18</i>	<i>-4.47</i>	<i>.71</i>	<i>.52</i>
Total Equities	1.12	15.50	9.38	5.76	9.07	7.38
Large Cap Funds	2.35	22.81	15.20	9.03	11.96	10.26
<i>S&P 500 Composite Index</i>	<i>1.74</i>	<i>20.80</i>	<i>13.84</i>	<i>9.75</i>	<i>12.51</i>	<i>10.93</i>
Mid Cap Funds	-.48	8.59	2.74	4.76	8.46	6.65
<i>Russell Midcap Index</i>	<i>-.54</i>	<i>8.82</i>	<i>2.94</i>	<i>4.91</i>	<i>8.72</i>	<i>6.87</i>
Small Cap Funds	-1.73	6.65	1.30	2.65	6.51	4.51
<i>Russell 2000 Index</i>	<i>-4.37</i>	<i>4.20</i>	<i>-2.56</i>	<i>1.13</i>	<i>4.78</i>	<i>2.12</i>
International Equities	.73	9.32	6.68	.99	5.28	3.68
<i>MSCI EAFE Index</i>	<i>1.27</i>	<i>12.27</i>	<i>12.36</i>	<i>3.80</i>	<i>5.99</i>	<i>4.19</i>
<i>MSCI EMFree Index</i>	<i>1.09</i>	<i>5.70</i>	<i>4.21</i>	<i>-4.04</i>	<i>2.34</i>	<i>1.14</i>
RR: REITS	.24	2.07	-3.05	2.71	3.36	2.98
<i>Wilshire REIT Index</i>	<i>-1.35</i>	<i>5.43</i>	<i>-.46</i>	<i>5.05</i>	<i>3.67</i>	<i>3.25</i>
Total Managed Portfolio	.72	8.73	5.81	1.41	5.25	4.36

Preliminary

Performance Inception: 9/01/2018

Returns are gross of fees not including account level advisory fees unless otherwise stated. Gross returns are presented before management and custodial fees but after all trading expenses embedded and reflect the reinvestment of dividends and other income. Net returns are net of investment management fees in effect for the respective time period. Returns for periods over one year are annualized. The information presented has been obtained from sources believed to be accurate and reliable. Past performance is not indicative of future returns. Securities are not FDIC insured have no bank guarantee and may lose value.



Asset Allocation – Mid Peninsula Water District Pension

As of November 30, 2023

Current Asset Allocation		Investment Vehicle	
Equity		Range: 40%-60%	50.21%
Large Cap Core	COFYX	Columbia Contrarian Core Inst3	4.85%
	VGIAX	Vanguard Growth & Income Adm	9.55%
Large Cap Value	DODGX	Dodge & Cox Stock I	4.37%
	IVE	iShares S&P 500 Value ETF	2.01%
Large Cap Growth	HNACX	Harbor Capital Appreciation Retirement	2.96%
	IVW	iShares S&P 500 Growth ETF	2.84%
Mid Cap Core	IWR	iShares Russell Mid-Cap ETF	5.55%
Small Cap Value	UBVFX	Undiscovered Managers Behavioral Val R6	3.41%
Small Cap Growth	FGROX	Emerald Growth Institutional	3.49%
International Core	DFALX	DFA Large Cap International I	3.67%
International Value	DODFX	Dodge & Cox International Stock I	1.22%
International Growth	MGRDX	MFS International Growth R6	1.25%
Emerging Markets	HHHFX	Hartford Schrodgers Emerging Mkts Eq F	3.39%
Real Estate	VNQ	Vanguard Real Estate ETF	1.66%
Fixed Income		Range: 40%-60%	48.16%
Intermediate-Term	DBLFX	DoubleLine Core Fixed Income I	14.01%
	DODIX	Dodge & Cox Income I	13.97%
	PTRQX	PGIM Total Return Bond R6	14.11%
Government Bond Fund	GOVT	iShares US Treasury Bond ETF	3.03%
Mortgage Backed Securities	MBB	iShares MBS ETF	3.04%
Cash		Range: 0%-20%	1.63%
	FGXXX	First Am Govt Ob Fd Cl X	1.63%
TOTAL			100.00%

Mid Peninsula Water District

For Period Ending November 30, 2023

LARGE CAP EQUITY FUNDS							
Fund Name	1-Month Return	3-Month Return	Year-to- Date	1-Year Return	3-Year Return	5-Year Return	10-Year Return
Columbia Contrarian Core Inst3	9.70	2.70	26.59	18.78	10.25	13.54	11.76
Vanguard Growth & Income Adm	8.89	2.32	19.72	12.39	10.11	12.31	11.73
Dodge & Cox Stock I	7.49	1.07	10.98	5.87	12.20	10.13	10.12
iShares S&P 500 Value ETF	9.55	2.63	15.65	11.10	12.17	10.48	9.50
Harbor Capital Appreciation Retirement	12.49	4.98	46.92	34.19	3.56	15.06	13.97
iShares S&P 500 Growth ETF	8.76	0.93	25.16	15.61	6.55	13.12	13.04
S&P 500 TR USD	9.13	1.74	20.80	13.84	9.76	12.51	11.82
MID CAP EQUITY FUNDS							
iShares Russell Mid-Cap ETF	10.21	-0.59	8.67	2.79	4.75	8.57	8.76
Russell Mid Cap TR USD	10.23	-0.54	8.82	2.94	4.91	8.72	8.93
SMALL CAP EQUITY FUNDS							
Undiscovered Managers Behavioral Val R6	9.84	-0.86	3.97	-0.04	14.35	8.54	8.62
Emerald Growth Institutional	11.55	-2.60	8.12	1.31	-2.15	6.37	7.91
Russell 2000 TR USD	9.05	-4.37	4.20	-2.57	1.13	4.78	6.13
INTERNATIONAL EQUITY FUNDS							
Dodge & Cox International Stock I	7.52	-0.70	11.48	9.60	6.67	6.17	3.69
DFA Large Cap International I	8.48	1.38	12.00	9.71	4.94	6.49	4.20
MFS International Growth R6	7.88	-1.28	9.49	5.72	2.37	7.56	6.07
MSCI EAFE NR USD	9.28	1.27	12.27	12.36	3.80	5.99	3.89
Hartford Schrodgers Emerging Mkts Eq F	7.32	1.32	5.91	3.14	-5.02	2.78	2.52
MSCI EM NR USD	8.00	1.09	5.70	4.21	-4.04	2.34	2.12

Source: SEI Investments, Morningstar Investments

Returns less than one year are not annualized. Past performance is no indication of future results. The information presented has been obtained from sources believed to be accurate and reliable. Securities are not FDIC insured, have no bank guarantee and may lose value.

Mid Peninsula Water District

For Period Ending November 30, 2023

REAL ESTATE FUNDS							
Fund Name	1-Month Return	3-Month Return	Year-to- Date	1-Year Return	3-Year Return	5-Year Return	10-Year Return
Vanguard Real Estate ETF	11.99	0.06	2.16	-3.03	2.84	3.66	6.42
BOND FUNDS							
DoubleLine Core Fixed Income I	4.46	0.05	2.48	2.12	-3.58	0.51	1.73
Dodge & Cox Income I	4.88	0.58	3.47	3.13	-2.77	2.09	2.37
PGIM Total Return Bond R6	4.76	0.60	3.60	3.29	-4.28	1.23	2.22
iShares US Treasury Bond ETF	3.45	-0.06	0.96	0.20	-5.01	0.21	0.75
iShares MBS ETF	5.29	-0.19	0.77	0.18	-4.23	-0.26	0.80

Source: SEI Investments, Morningstar Investments

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PARS DIVERSIFIED PORTFOLIOS CONSERVATIVE

Q3 2023

WHY THE PARS DIVERSIFIED CONSERVATIVE PORTFOLIO?

Comprehensive Investment Solution

HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

Rigorous Manager Due Diligence

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

Flexible Investment Options

In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

Risk Management

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

PORTFOLIO FACTS

HighMark Plus (Active)

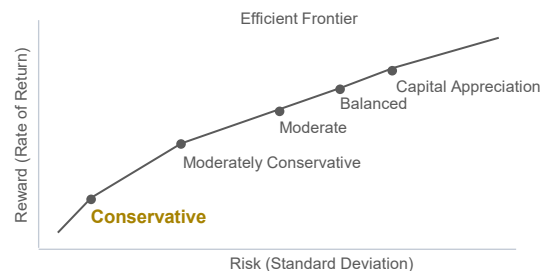
Composite Inception Date	07/2004
No of Holdings in Portfolio	20

Index Plus (Passive)

Composite Inception Date	07/2004
No of Holdings in Portfolio	13

INVESTMENT OBJECTIVE

To provide a consistent level of inflation-protected income over the long-term. The major portion of the assets will be fixed income related. Equity securities are utilized to provide inflation protection.



ASSET ALLOCATION — CONSERVATIVE PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	5 – 20%	15%	14%
Fixed Income	60 – 95%	80%	82%
Cash	0 – 20%	5%	4%

ANNUALIZED TOTAL RETURNS (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus Composite (Active)

	Gross	Net
Current Quarter*	-2.78%	-2.87%
Blended Benchmark*, **	-1.99%	
Year To Date*	1.25%	0.97%
Blended Benchmark*, **	1.48%	
1 Year	3.88%	3.50%
Blended Benchmark**	4.24%	
3 Year	-2.07%	-2.42%
Blended Benchmark**	-1.49%	
5 Year	1.53%	1.16%
Blended Benchmark**	1.73%	
10 Year	2.44%	2.07%
Blended Benchmark**	2.46%	

Index Plus Composite (Passive)

	Gross	Net
Current Quarter*	-3.09%	-3.18%
Blended Benchmark*, **	-1.99%	
Year To Date*	0.37%	0.10%
Blended Benchmark*, **	1.48%	
1 Year	2.90%	2.53%
Blended Benchmark**	4.24%	
3 Year	-2.47%	-2.82%
Blended Benchmark**	-1.49%	
5 Year	1.30%	0.94%
Blended Benchmark**	1.73%	
10 Year	2.16%	1.79%
Blended Benchmark**	2.46%	

* Returns less than one year are not annualized. **Breakdown for Blended Benchmark: From 10/1/2012 - Present: 7.5% S&P500, 1.5% Russell Mid Cap, 2.5% Russell 2000, 1% MSCI EM (net), 2% MSCI EAFE (net), 52.25% Bloomberg US Agg, 25.75% ICE BofA 1-3 Yr US Corp/Gov't, 2% ICE BofA US High Yield Master II, 0.5% Wilshire REIT, and 5% FTSE 1 Mth US T-Bill. From 4/1/2007 – 9/30/2012, the blended benchmark was 12% S&P 500, 1% Russell 2000, 2% MSCI EAFE (net), 40% ICE BofA 1-3 Year Corp./Gov't, 40% Bloomberg US Agg, 5% FTSE 1 Mth US T-Bill. Prior to April 2007, the blended benchmark was 15% S&P 500, 40% ICE BofA 1-3Yr Corp/Gov, 40% Bloomberg US Agg, and 5% FTSE 1 Mth US T-Bill.

ANNUAL RETURNS (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus Composite (Active)

2008	-9.04%
2009	15.59%
2010	8.68%
2011	2.19%
2012	8.45%
2013	3.69%
2014	3.88%
2015	0.29%
2016	4.18%
2017	6.73%
2018	-1.35%
2019	11.05%
2020	9.03%
2021	2.20%
2022	-12.63%

Index Plus Composite (Passive)

2008	-6.70%
2009	10.49%
2010	7.67%
2011	3.70%
2012	6.22%
2013	3.40%
2014	4.32%
2015	0.06%
2016	3.75%
2017	5.52%
2018	-1.09%
2019	10.37%
2020	8.56%
2021	1.97%
2022	-12.06%

HOLDINGS

HighMark Plus (Active)

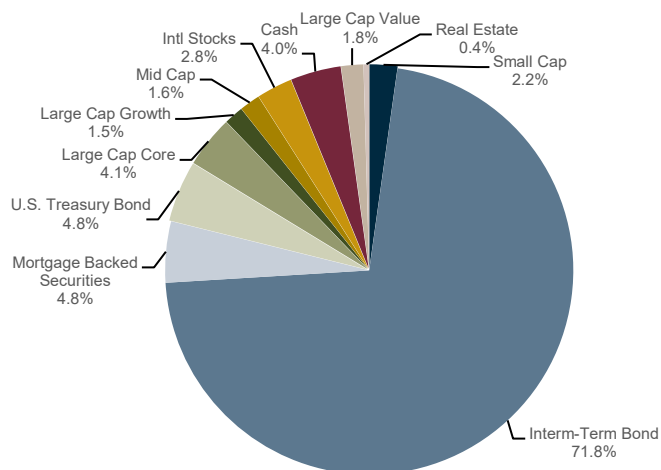
Columbia Contrarian Core I3
Vanguard Growth & Income Adm
Dodge & Cox Stock Fund
iShares S&P 500 Value ETF
Harbor Capital Appreciation - Retirement
iShares S&P 500 Growth ETF
iShares Russell Mid-Cap ETF
Vanguard Real Estate ETF
Undiscovered Managers Behavioral Value-R6
Emerald Growth Fund-I
DFA Large Cap International Portfolio
Dodge & Cox International Stock
MFS International Growth - R6
Hartford Schroders Emerging Markets Eq
iShares MBS ETF
iShares U.S. Treasury Bond ETF
Dodge & Cox Income-I
PGIM Total Return Bond - R6
DoubleLine Core Fixed Income - I
First American Government Obligations Z

Index Plus (Passive)

iShares Core S&P 500 ETF
iShares S&P 500 Value ETF
iShares S&P 500 Growth ETF
iShares Russell Mid-Cap ETF
Vanguard Real Estate ETF
iShares Russell 2000 Value ETF
iShares Russell 2000 Growth ETF
iShares Core MSCI EAFE ETF
Vanguard FTSE Emerging Markets ETF
iShares MBS ETF
iShares U.S. Treasury Bond ETF
iShares Core U.S. Aggregate
First American Government Obligations Z

Holdings are subject to change at the discretion of the investment manager.

STYLE



The performance records shown represent size-weighted composites of tax exempt accounts that meet the following criteria: Accounts are managed by HighMark with full investment authority according to the PARS Conservative active and passive objectives.

The adviser to the PARS portfolios is U.S. Bank, and HighMark serves as sub-adviser to U.S. Bank to manage these portfolios. U.S. Bank may charge clients as much as 0.60% annual management fee based on a sliding scale. U.S. Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with U.S. Bank. The 0.36% paid to HighMark, as well as other expenses that may be incurred in the management of the portfolio, will reduce the portfolio's returns. Assuming an investment for five years, a 5% annual total return, and an annual sub-advisory fee rate of 0.36% deducted from the assets at market at the end of each year, a \$10 million initial value would grow to \$12.53 million after fees (Net-of-Fees) and \$12.76 million before fees (Gross-of-Fees). Gross returns are presented before management and custodial fees but after all trading expenses and reflect the reinvestment of dividends and other income. A client's return will be reduced by the advisory fees and other expenses it may incur as a client. Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. Performance results are calculated and presented in U.S. dollars and do not reflect the deduction of investment advisory fees, custody fees, or taxes but do reflect the deduction of trading expenses. Returns are calculated based on trade-date accounting.

Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The ICE BofA U.S. High Yield Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wilshire REIT Index measures U.S. publicly traded Real Estate Investment Trusts. The unmanaged Bloomberg U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The ICE BofA 1-3 Year U.S. Corporate & Government Index tracks the bond performance of the ICE BofA U.S. Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged FTSE 1-Month U.S. Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill.

HighMark Capital Management, Inc. (HighMark) is an investment adviser registered with the U.S. Securities and Exchange Commission and a subsidiary of U.S. Bank National Association ("U.S. Bank"). U.S. Bank is a separate entity and subsidiary of U.S. Bancorp. U.S. Bank is not responsible for and does not guarantee the products, services or performance of HighMark. HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, and public and private retirement plans. Individual account management and construction will vary depending on each client's investment needs and objectives. U.S. Bank provides certain services to HighMark and is compensated for these services. Investments employing HighMark strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by the Bank or any Bank affiliate, and MAY lose value, including possible loss of principal.

HIGHMARK CAPITAL MANAGEMENT

350 California Street
Suite 1600
San Francisco, CA 94104
800-582-4734

ABOUT THE ADVISER

HighMark® Capital Management, Inc. (HighMark) has over 100 years (including predecessor organizations) of institutional money management experience with \$8.6 billion in assets under management*. HighMark has a long term disciplined approach to money management and currently manages assets for a wide array of clients.

ABOUT THE PORTFOLIO MANAGEMENT TEAM

Andrew Brown, CFA®

Senior Portfolio Manager
Investment Experience: since 1994
HighMark Tenure: since 1997
Education: MBA, University of Southern California; BA, University of Southern California

Salvatore "Tory" Milazzo III, CFA®

Senior Portfolio Manager
Investment Experience: since 2004
HighMark Tenure: since 2014
Education: BA, Colgate University

J. Keith Stribling, CFA®

Senior Portfolio Manager
Investment Experience: since 1985
HighMark Tenure: since 1995
Education: BA, Stetson University

Christiane Tsuda

Senior Portfolio Manager
Investment Experience: since 1987
HighMark Tenure: since 2010
Education: BA, International Christian University, Tokyo

Anne Wimmer, CFA®

Senior Portfolio Manager
Investment Experience: since 1987
HighMark Tenure: since 2007
Education: BA, University of California, Santa Barbara

Asset Allocation Committee

Number of Members: 11
Average Years of Experience: 30
Average Tenure (Years): 17

Manager Review Group

Number of Members: 3
Average Years of Experience: 29
Average Tenure (Years): 13

*Assets under management ("AUM") include assets for which HighMark provides continuous and regular supervisory and management services. As of 6/1/2023 HighMark previously listed Assets under Advisement ("AUA") are no longer advised by HighMark.

PARS DIVERSIFIED PORTFOLIOS
MODERATELY CONSERVATIVE

Q3 2023

WHY THE PARS DIVERSIFIED MODERATELY CONSERVATIVE PORTFOLIO?

Comprehensive Investment Solution

HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

Rigorous Manager Due Diligence

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

Flexible Investment Options

In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

Risk Management

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

PORTFOLIO FACTS

HighMark Plus (Active)

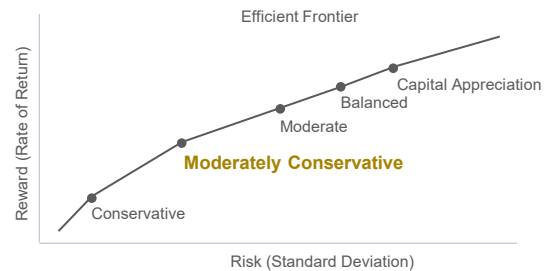
Composite Inception Date	08/2004
No of Holdings in Portfolio	20

Index Plus (Passive)

Composite Inception Date	05/2005
No of Holdings in Portfolio	13

INVESTMENT OBJECTIVE

To provide current income, with capital appreciation as a secondary objective. The major portion of the assets is committed to income-producing securities. Market fluctuations should be expected.



ASSET ALLOCATION — MODERATELY CONSERVATIVE PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	20 - 40%	30%	29%
Fixed Income	50 - 80%	65%	67%
Cash	0 - 20%	5%	4%

ANNUALIZED TOTAL RETURNS (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

	HighMark Plus Composite (Active)		Index Plus Composite (Passive)	
	Gross	Net	Gross	Net
Current Quarter*	-2.83%	-2.91%	-3.14%	-3.23%
Blended Benchmark**, **	-2.55%		-2.55%	
Year To Date*	2.60%	2.32%	1.73%	1.45%
Blended Benchmark**, **	2.58%		2.58%	
1 Year	6.24%	5.86%	5.29%	4.91%
Blended Benchmark**	6.60%		6.60%	
3 Year	-0.27%	-0.63%	-0.66%	-1.01%
Blended Benchmark**	-0.01%		-0.01%	
5 Year	2.50%	2.14%	2.35%	1.98%
Blended Benchmark**	2.72%		2.72%	
10 Year	3.56%	3.19%	3.40%	3.03%
Blended Benchmark**	3.71%		3.71%	

* Returns less than one year are not annualized. **Breakdown for Blended Benchmark: From 10/1/2012 - Present: 15.5% S&P500, 3% Russell Mid Cap, 4.5% Russell 2000, 2% MSCI EM (net), 4% MSCI EAFE (net), 49.25% Bloomberg US Agg, 14% ICE BofA 1-3 Yr US Corp/Gov't, 1.75% ICE BofA US High Yield Master II, 1% Wilshire REIT, and 5% FTSE 1 Mth US T-Bill. From 4/1/2007 - 9/30/2012: the blended benchmark was 25% S&P 500; 1.5% Russell 2000, 3.5% MSCI EAFE (net), 25% ICE BofA 1-3 Year Corp./Gov't, 40% Bloomberg US Agg, 5% FTSE 1 Mth US T-Bill. Prior to April 2007, the blended benchmark was 30% S&P 500, 25% ICE BofA 1-3Yr Corp/Gov, 40% Bloomberg US Agg, and 5% FTSE 1 Mth US T-Bill.

ANNUAL RETURNS (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

Year	HighMark Plus Composite (Active)		Index Plus Composite (Passive)	
	Gross	Net	Gross	Net
2008	-15.37%	-15.37%	-12.40%	-12.40%
2009	18.71%	18.71%	11.92%	11.92%
2010	10.46%	10.46%	9.72%	9.72%
2011	1.75%	1.75%	3.24%	3.24%
2012	10.88%	10.88%	8.24%	8.24%
2013	7.30%	7.30%	6.78%	6.78%
2014	4.41%	4.41%	5.40%	5.40%
2015	0.32%	0.32%	-0.18%	-0.18%
2016	4.94%	4.94%	5.42%	5.42%
2017	9.56%	9.56%	8.08%	8.08%
2018	-2.60%	-2.60%	-2.33%	-2.33%
2019	13.73%	13.73%	13.53%	13.53%
2020	10.76%	10.76%	9.74%	9.74%
2021	5.15%	5.15%	5.33%	5.33%
2022	-13.46%	-13.46%	-13.00%	-13.00%

HOLDINGS

HighMark Plus (Active)

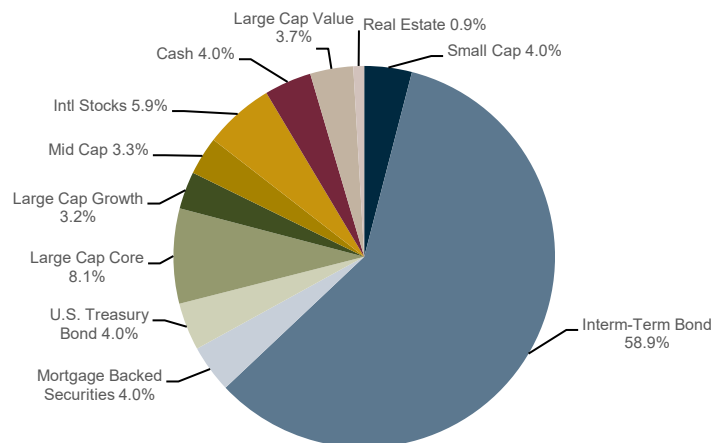
Columbia Contrarian Core I3
Vanguard Growth & Income Adm
Dodge & Cox Stock Fund
iShares S&P 500 Value ETF
Harbor Capital Appreciation - Retirement
iShares S&P 500 Growth ETF
iShares Russell Mid-Cap ETF
Vanguard Real Estate ETF
Undiscovered Managers Behavioral Value-R6
Emerald Growth Fund-I
DFA Large Cap International Portfolio
Dodge & Cox International Stock
MFS International Growth - R6
Hartford Schroders Emerging Markets Eq
iShares MBS ETF
iShares U.S. Treasury Bond ETF
Dodge & Cox Income-I
PGIM Total Return Bond - R6
DoubleLine Core Fixed Income - I
First American Government Obligations Z

Index Plus (Passive)

iShares Core S&P 500 ETF
iShares S&P 500 Value ETF
iShares S&P 500 Growth ETF
iShares Russell Mid-Cap ETF
Vanguard Real Estate ETF
iShares Russell 2000 Value ETF
iShares Russell 2000 Growth ETF
iShares Core MSCI EAFE ETF
Vanguard FTSE Emerging Markets ETF
iShares MBS ETF
iShares U.S. Treasury Bond ETF
iShares Core U.S. Aggregate
First American Government Obligations Z

Holdings are subject to change at the discretion of the investment manager.

STYLE



The performance records shown represent a size-weighted composite of tax exempt accounts that meet the following criteria: Accounts are managed by HighMark with full investment authority according to the PARS Moderately Conservative active and passive objectives.

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Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The ICE BofA U.S. High Yield Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wilshire REIT index measures U.S. publicly traded Real Estate Investment Trusts. The unmanaged Bloomberg U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The ICE BofA 1-3 Year U.S. Corporate & Government Index tracks the bond performance of the ICE BofA U.S. Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged FTSE 1-Month U.S. Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill.

HighMark Capital Management, Inc. (HighMark) is an investment adviser registered with the U.S. Securities and Exchange Commission and a subsidiary of U.S. Bank National Association ("U.S. Bank"). U.S. Bank is a separate entity and subsidiary of U.S. Bancorp. U.S. Bank is not responsible for and does not guarantee the products, services or performance of HighMark. HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, and public and private retirement plans. Individual account management and construction will vary depending on each client's investment needs and objectives. U.S. Bank provides certain services to HighMark and is compensated for these services. **Investments employing HighMark strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by the Bank or any Bank affiliate, and MAY lose value, including possible loss of principal.**

HIGHMARK CAPITAL MANAGEMENT

350 California Street
Suite 1600
San Francisco, CA 94104
800-582-4734

ABOUT THE ADVISER

HighMark® Capital Management, Inc. (HighMark) has over 100 years (including predecessor organizations) of institutional money management experience with \$8.6 billion in assets under management*. HighMark has a long term disciplined approach to money management and currently manages assets for a wide array of clients.

ABOUT THE PORTFOLIO MANAGEMENT TEAM

Andrew Brown, CFA®

Senior Portfolio Manager
Investment Experience: since 1994
HighMark Tenure: since 1997
Education: MBA, University of Southern California; BA, University of Southern California

Salvatore "Tory" Milazzo III, CFA®

Senior Portfolio Manager
Investment Experience: since 2004
HighMark Tenure: since 2014
Education: BA, Colgate University

J. Keith Stribling, CFA®

Senior Portfolio Manager
Investment Experience: since 1985
HighMark Tenure: since 1995
Education: BA, Stetson University

Christiane Tsuda

Senior Portfolio Manager
Investment Experience: since 1987
HighMark Tenure: since 2010
Education: BA, International Christian University, Tokyo

Anne Wimmer, CFA®

Senior Portfolio Manager
Investment Experience: since 1987
HighMark Tenure: since 2007
Education: BA, University of California, Santa Barbara

Asset Allocation Committee

Number of Members: 11
Average Years of Experience: 30
Average Tenure (Years): 17

Manager Review Group

Number of Members: 3
Average Years of Experience: 29
Average Tenure (Years): 13

*Assets under management ("AUM") include assets for which HighMark provides continuous and regular supervisory and management services. As of 6/1/2023 HighMark previously listed Assets under Admistration ("AUA") are no longer advised by HighMark.

WHY THE PARS DIVERSIFIED MODERATE PORTFOLIO?

Comprehensive Investment Solution

HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

Rigorous Manager Due Diligence

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

Flexible Investment Options

In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

Risk Management

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

PORTFOLIO FACTS

HighMark Plus (Active)

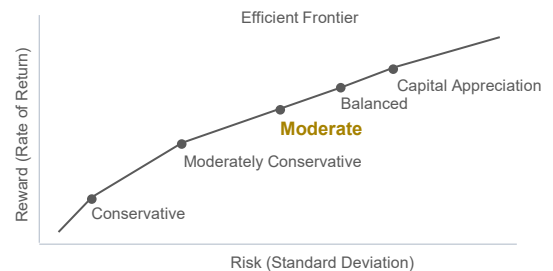
Composite Inception Date	10/2004
No of Holdings in Portfolio	20

Index Plus (Passive)

Composite Inception Date	05/2006
No of Holdings in Portfolio	13

INVESTMENT OBJECTIVE

To provide current income and moderate capital appreciation. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important.



ASSET ALLOCATION — MODERATE PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	40 - 60%	50%	48%
Fixed Income	40 - 60%	45%	48%
Cash	0 - 20%	5%	4%

ANNUALIZED TOTAL RETURNS (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

	HighMark Plus Composite (Active)		Index Plus Composite (Passive)	
	Gross	Net	Gross	Net
Current Quarter*	-3.02%	-3.11%	-3.37%	-3.46%
Blended Benchmark*, **	-2.83%		-2.83%	
Year To Date*	4.30%	4.02%	3.42%	3.14%
Blended Benchmark*, **	4.46%		4.46%	
1 Year	9.22%	8.83%	8.36%	7.97%
Blended Benchmark**	9.99%		9.99%	
3 Year	2.11%	1.75%	1.85%	1.48%
Blended Benchmark**	2.53%		2.53%	
5 Year	3.84%	3.46%	3.63%	3.26%
Blended Benchmark**	4.12%		4.12%	
10 Year	5.06%	4.69%	4.89%	4.51%
Blended Benchmark**	5.38%		5.38%	

* Returns less than one year are not annualized. ** Breakdown for Blended Benchmark: From 10/1/2012 – Present: 26.5% S&P500, 5% Russell Mid Cap, 7.5% Russell 2000, 3.25% MSCI EM (net), 6% MSCI EAFE (net), 33.50% Bloomberg US Agg, 10% ICE BofA 1-3 Yr US Corp/Gov't, 1.50% ICE BofA US High Yield Master II, 1.75% Wilshire REIT, and 5% FTSE 1 Mth US T-Bill. From 4/1/2007 – 9/30/2012: the blended benchmark was 43% S&P 500; 2% Russell 2000, 5% MSCI EAFE (net), 15% ICE BofA 1-3 Year Corp./Gov't, 30% Bloomberg US Agg, 5% FTSE 1 Mth US T-Bill. Prior to April 2007: the blended benchmark was 50% S&P 500, 15% ICE BofA 1-3Yr Corp/Gov, 30% Bloomberg US Agg, and 5% FTSE 1 Mth US T-Bill.

ANNUAL RETURNS (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

	HighMark Plus Composite (Active)	Index Plus Composite (Passive)
2008	-22.88%	-18.14%
2009	21.47%	16.05%
2010	12.42%	11.77%
2011	0.55%	2.29%
2012	12.25%	10.91%
2013	13.06%	12.79%
2014	4.84%	5.72%
2015	0.14%	-0.52%
2016	6.45%	7.23%
2017	13.19%	11.59%
2018	-4.03%	-4.03%
2019	17.71%	17.52%
2020	12.92%	11.23%
2021	9.31%	10.18%
2022	-14.63%	-14.21%

HOLDINGS

HighMark Plus (Active)

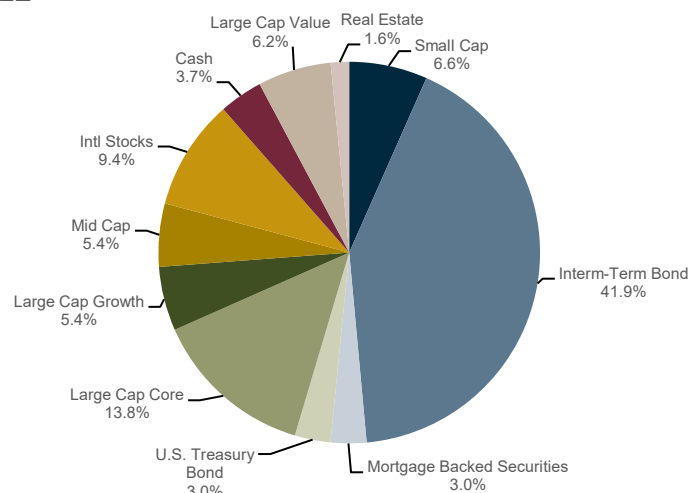
Columbia Contrarian Core I3
Vanguard Growth & Income Adm
Dodge & Cox Stock Fund
iShares S&P 500 Value ETF
Harbor Capital Appreciation - Retirement
iShares S&P 500 Growth ETF
iShares Russell Mid-Cap ETF
Vanguard Real Estate ETF
Undiscovered Managers Behavioral Value-R6
Emerald Growth Fund-I
DFA Large Cap International Portfolio
Dodge & Cox International Stock
MFS International Growth - R6
Hartford Schroders Emerging Markets Eq
iShares MBS ETF
iShares U.S. Treasury Bond ETF
Dodge & Cox Income-I
PGIM Total Return Bond - R6
DoubleLine Core Fixed Income - I
First American Government Obligations Z

Index Plus (Passive)

iShares Core S&P 500 ETF
iShares S&P 500 Value ETF
iShares S&P 500 Growth ETF
iShares Russell Mid-Cap ETF
Vanguard Real Estate ETF
iShares Russell 2000 Value ETF
iShares Russell 2000 Growth ETF
iShares Core MSCI EAFE ETF
Vanguard FTSE Emerging Markets ETF
iShares MBS ETF
iShares U.S. Treasury Bond ETF
iShares Core U.S. Aggregate
First American Government Obligations Z

Holdings are subject to change at the discretion of the investment manager.

STYLE



The performance records shown represent size-weighted composites of tax exempt accounts that meet the following criteria: Accounts are managed by HighMark with full investment authority according to the PARS Moderate active and passive objectives.

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Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The ICE BofA U.S. High Yield Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wilshire REIT index measures U.S. publicly traded Real Estate Investment Trusts. The unmanaged Bloomberg U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The ICE BofA 1-3 Year U.S. Corporate & Government Index tracks the bond performance of the ICE BofA U.S. Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged FTSE 1-Month U.S. Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill.

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Asset Allocation Committee

Number of Members: 11
Average Years of Experience: 30
Average Tenure (Years): 17

Manager Review Group

Number of Members: 3
Average Years of Experience: 29
Average Tenure (Years): 13

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PARS DIVERSIFIED PORTFOLIOS BALANCED

Q3 2023

WHY THE PARS DIVERSIFIED BALANCED PORTFOLIO?

Comprehensive Investment Solution

HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

Rigorous Manager Due Diligence

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

Flexible Investment Options

In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

Risk Management

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

PORTFOLIO FACTS

HighMark Plus (Active)

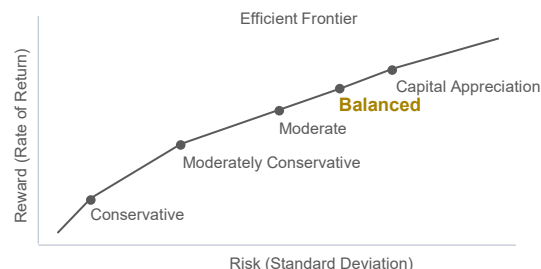
Composite Inception Date 10/2006
No of Holdings in Portfolio 20

Index Plus (Passive)

Composite Inception Date 10/2007
No of Holdings in Portfolio 13

INVESTMENT OBJECTIVE

To provide growth of principal and income. While dividend and interest income are an important component of the objective's total return, it is expected that capital appreciation will comprise a larger portion of the total return.



ASSET ALLOCATION — BALANCED PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	50 – 70%	60%	58%
Fixed Income	30 – 50%	35%	38%
Cash	0 – 20%	5%	4%

ANNUALIZED TOTAL RETURNS

(Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus Composite (Active)

	Gross	Net
Current Quarter*	-3.16%	-3.25%
Blended Benchmark*, **	-3.03%	
Year To Date*	5.05%	4.77%
Blended Benchmark*, **	5.33%	
1 Year	10.59%	10.20%
Blended Benchmark**	11.64%	
3 Year	3.28%	2.91%
Blended Benchmark**	3.71%	
5 Year	4.39%	4.02%
Blended Benchmark**	4.76%	
10 Year	5.76%	5.38%
Blended Benchmark**	6.18%	

Index Plus Composite (Passive)

	Gross	Net
Current Quarter*	-3.46%	-3.55%
Blended Benchmark*, **	-3.03%	
Year To Date*	4.30%	4.02%
Blended Benchmark*, **	5.33%	
1 Year	9.91%	9.52%
Blended Benchmark**	11.64%	
3 Year	3.04%	2.67%
Blended Benchmark**	3.71%	
5 Year	4.24%	3.87%
Blended Benchmark**	4.76%	
10 Year	5.63%	5.25%
Blended Benchmark**	6.18%	

* Returns less than one year are not annualized. **Breakdown for Blended Benchmark: From 10/1/2012 – Present: 32% S&P500, 6% Russell Mid Cap, 9% Russell 2000, 4% MSCI EM (net), 7% MSCI EAFE (net), 27% Bloomberg US Agg, 6.75% ICE BofA 1-3 Yr US Corp/Gov't, 1.25% ICE BofA US High Yield Master II, 2% Wilshire REIT, and 5% FTSE 1 Mth US T-Bill. From 4/1/2007 – 9/30/2012: the blended benchmark was 51% S&P 500, 3% Russell 2000, 6% MSCI EAFE (net), 5% ICE BofA 1-3 Year Corp./Govt, 30% Bloomberg US Agg, 5% FTSE 1 Mth US T-Bill. Prior to April 2007: the blended benchmark was 60% S&P 500, 5% ICE BofA 1-3Yr Corp/Gov, 30% Bloomberg US Agg, and 5% FTSE 1 Mth US T-Bill.

ANNUAL RETURNS

(Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus Composite (Active)

2008	-25.72%
2009	21.36%
2010	14.11%
2011	-0.46%
2012	13.25%
2013	16.61%
2014	4.70%
2015	0.04%
2016	6.81%
2017	15.46%
2018	-4.88%
2019	19.85%
2020	13.85%
2021	11.44%
2022	-15.28%

Index Plus Composite (Passive)

2008	-23.22%
2009	17.62%
2010	12.76%
2011	1.60%
2012	11.93%
2013	15.63%
2014	6.08%
2015	-0.81%
2016	8.26%
2017	13.39%
2018	-5.05%
2019	19.59%
2020	12.07%
2021	12.63%
2022	-14.97%

HOLDINGS

HighMark Plus (Active)

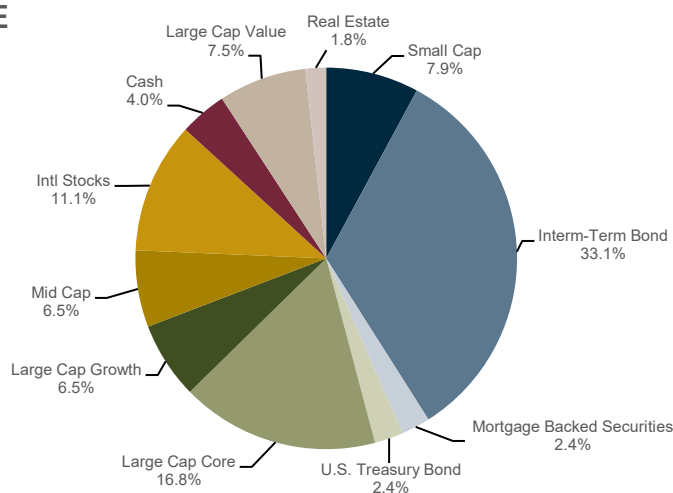
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PARS DIVERSIFIED PORTFOLIOS CAPITAL APPRECIATION

Q3 2023

WHY THE PARS DIVERSIFIED CAPITAL APPRECIATION PORTFOLIO?

Comprehensive Investment Solution

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Rigorous Manager Due Diligence

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Flexible Investment Options

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Risk Management

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

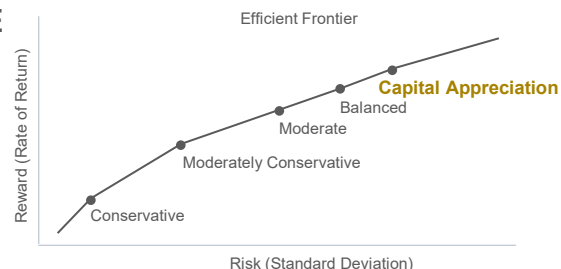
PORTFOLIO FACTS

Consolidated Composite

Composite Inception Date	01/2009
No of Holdings in Portfolio	20

INVESTMENT OBJECTIVE

To provide growth of principal. The major portion of the assets are invested in equity securities and market fluctuations are expected.



ASSET ALLOCATION — CAPITAL APPRECIATION PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	65 - 85%	75%	72%
Fixed Income	10 - 30%	20%	23%
Cash	0 - 20%	5%	5%

ANNUALIZED TOTAL RETURNS (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

Consolidated Composite

	Gross	Net
Current Quarter*	-3.33%	-3.42%
Blended Benchmark*,**	-3.26%	
Year To Date*	6.27%	5.99%
Blended Benchmark*,**	6.71%	
1 Year	12.95%	12.55%
Blended Benchmark**	14.41%	
3 Year	4.96%	4.58%
Blended Benchmark**	5.47%	
5 Year	5.24%	4.86%
Blended Benchmark**	5.62%	
10 Year	6.84%	6.46%
Blended Benchmark**	7.25%	

* Returns less than one year are not annualized. **Breakdown for Blended Benchmark: 39.5% S&P500, 7.5% Russell Mid Cap, 10.5% Russell 2000, 5.25% MSCI EM (net), 10.25% MSCI EAFE (net), 16% Bloomberg US Agg, 3% ICE BofA 1-3 Yr US Corp/Gov't, 1% ICE BofA US High Yield Master II, 2% Wilshire REIT, and 5% FTSE 1 Mth US T-Bill.

ANNUAL RETURNS (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

Consolidated Composite

2008	N/A
2009	23.77%
2010	12.95%
2011	-1.35%
2012	13.87%
2013	20.33%
2014	6.05%
2015	-0.26%
2016	8.79%
2017	16.72%
2018	-5.82%
2019	22.62%
2020	14.50%
2021	14.96%
2022	-16.08%

HOLDINGS

HighMark Plus (Active)

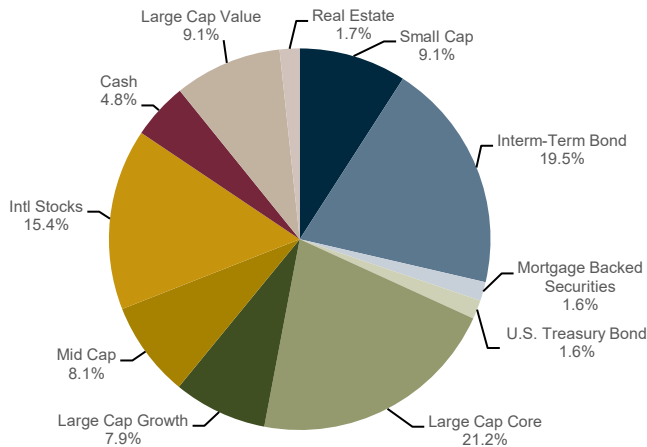
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DATE: December 8, 2023
 TO: Finance Committee
 FROM: Kat Wuelfing, General Manager
 Rene Ramirez, Operations Manager

SUBJECT: Discuss CIP Spending and Staff Recommendation for US Treasury Investments

RECOMMENDATION

Staff recommends that we work with Wulff, Hansen & Co. (Wulff Hansen) to pursue the transfer of \$2.8 million in Local Agency Investment Fund (LAIF) funds into short-term U.S. Treasury (UST) investments.

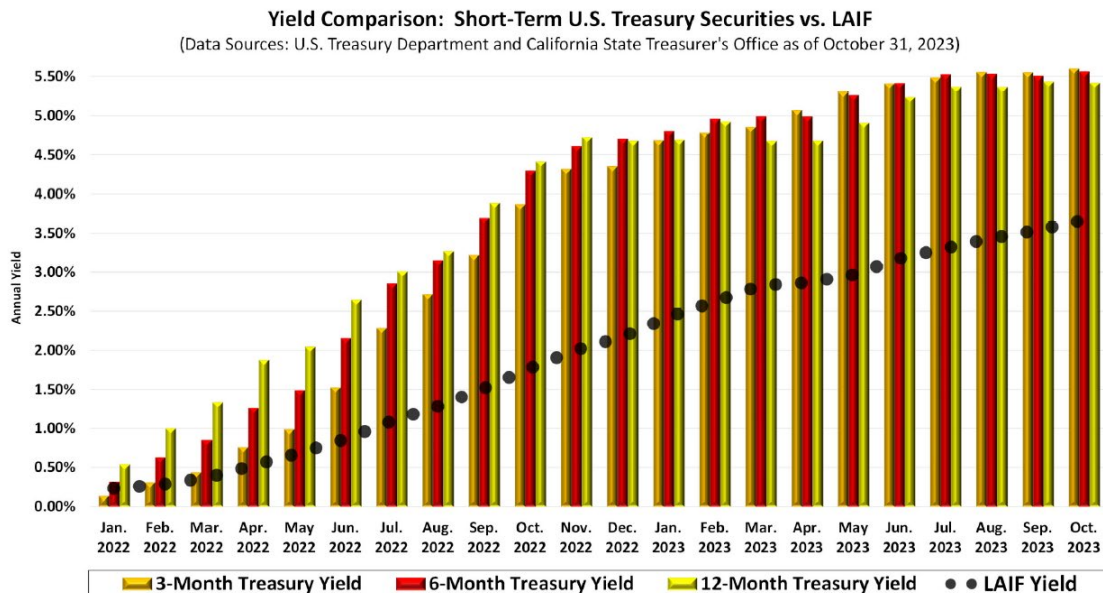
FISCAL IMPACT

Based on recent experiences with UST investments, it is expected that moving more funds from LAIF to USTs would result in an increase in interest earned by the District. This amount has not yet been estimated.

BACKGROUND

The District currently has reserve funds invested in both the LAIF and USTs. Our UST investments have been out-performing the LAIF investments (see below chart) and the Board requested that staff look at and make recommendations regarding potentially investing further funds in USTs.

These reserve funds are used to reinvest in the District, primarily through our capital improvement projects.

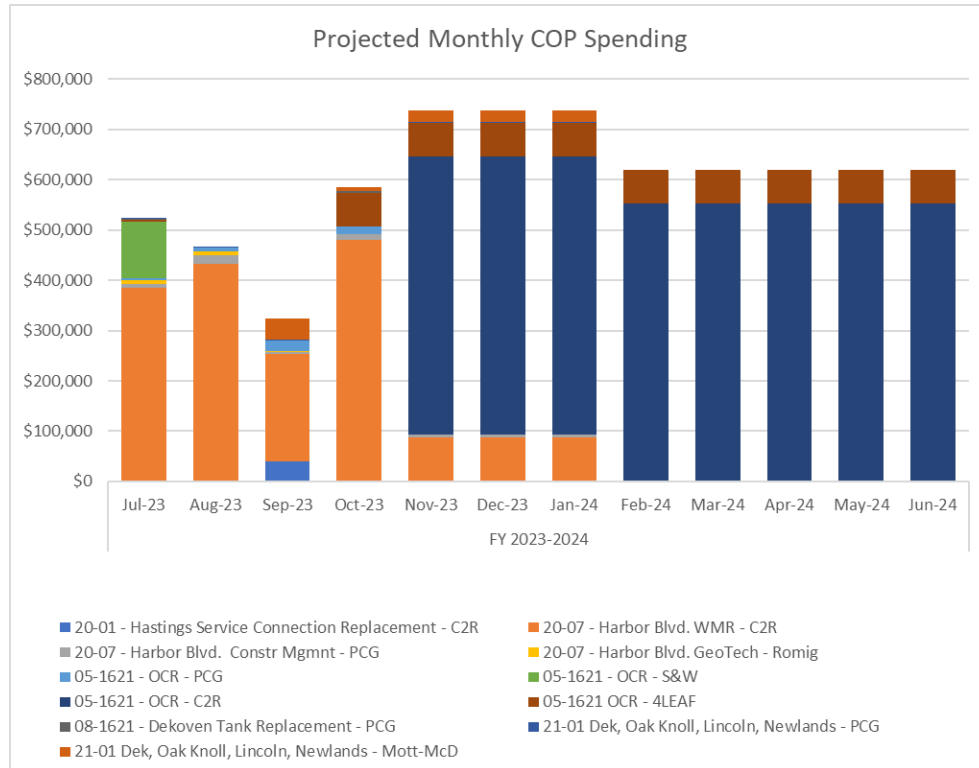


Graph per Wulff, Hansen & Co. memo dated November 3, 2023.

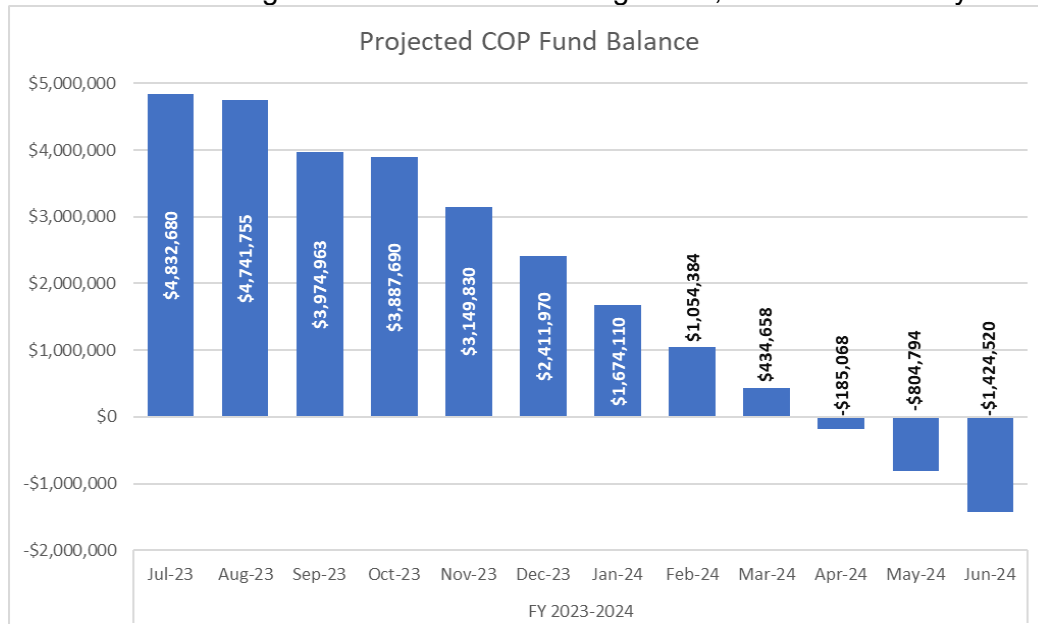
DISCUSSION

CIP Spending for Current Approved Capital Projects

The chart below shows our projected monthly spending on currently approved capital project contracts. These are rough estimates based on currently approved budgets and change orders, and assumed timing.



Based on these estimates, we expect that the 2016 Certificate of Participation Funds will be expended in roughly March/April 2024. After that, approximately \$1.4 million will need to be paid “pay-go” from District reserves for project contracts that have already been approved. This amount does not consider future change order amounts or contingencies, and therefore may be higher.



Probable Near-Term Future Capital Projects

The table above, Projected COP Fund Balance, is a summary of COP spending for contracts that have already been approved. Two other major CIP projects have been under design and are near ready to bid for construction, and therefore are not considered in this estimate. These include:

- CIP 21-01 Dekoven, Oak Knoll, Lincoln, Newlands Water Main Improvements (DLNO) – Design expected to be complete in early 2024. Construction costs are currently estimated to be \$5.2 million. This project could go out to bid as early as Spring 2024.
- CIP 15-89 Dekoven Tank Replacement – Construction and potential engineering reanalysis/redesign costs are currently estimated to be \$6.5 million. This project could go out for a re-bid as early as Fall 2024.

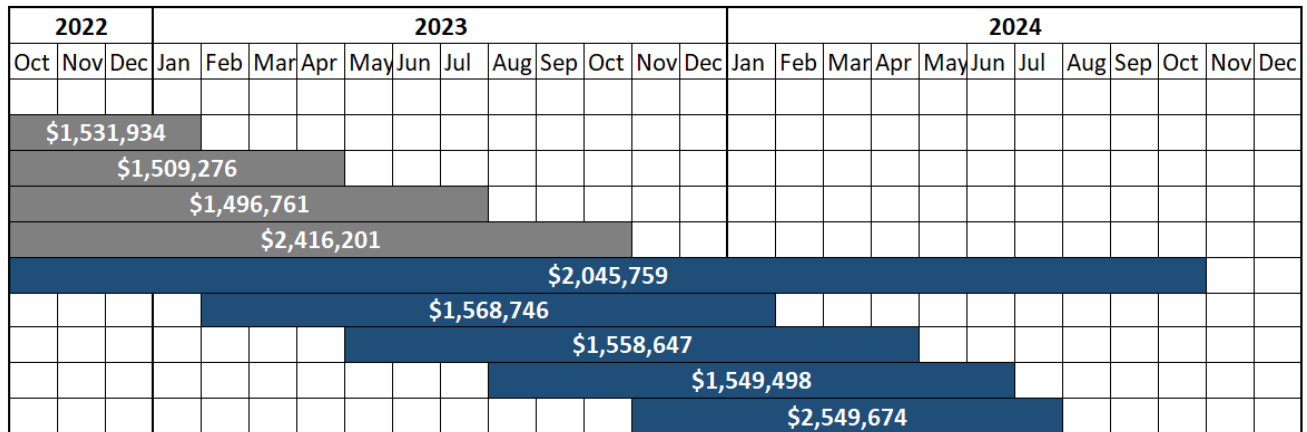
Current Reserves

The District currently has \$6.2 million of funds in LAIF and \$9.3 million in USTs. The table and chart below summarize the UST investments to date.

Summary of UST Investments To Date

CUSIP No.	Bid Date	Total Cost	Final Maturity	Yield to Maturity	Status
91282CBG5	Oct. 19, 2022	\$1,531,934	Jan. 31, 2023	3.84%	Matured
91282CBX8	Oct. 19, 2022	\$1,509,276	Apr. 30, 2023	4.06%	Matured
91282CCN9	Oct. 19, 2022	\$1,496,761	Jul. 31, 2023	4.26%	Matured
91282CDD0	Oct. 19, 2022	\$2,416,201	Oct. 31, 2023	4.29%	Matured
91282YM6	Oct. 19, 2022	\$2,045,759	Oct. 31, 2024	4.22%	Active
91282CDV0	Jan. 31, 2023	\$1,568,746	Jan. 31, 2024	4.77%	Active
91282X70	May 1, 2023	\$1,558,647	Apr. 30, 2024	4.69%	Active
91282CEX5	Jul. 31, 2023	\$1,549,498	Jun. 30, 2024	5.40%	Active
91282CFA4	Oct. 31, 2023	\$2,549,674	Jul. 31, 2024	5.49%	Active

Visual Timeline of UST Investments



Matured
 Active

Summary

We expect to spend at least \$1.4 million of our reserves for contracts that have already been approved by the Board through roughly the end of this Fiscal Year. Assuming that amount is paid from LAIF funds, that would leave roughly \$4.8 million of LAIF funds available in the near term for alternative investment. Based on our recent experiences, short-term UST investment rates are currently very favorable. Therefore, staff recommends we reach out to Wulf Hansen to pursue the investment of \$2.8 million of LAIF funds into short-term USTs. That would leave \$3.4 million available in LAIF, enough to pay for the currently approved capital projects and roughly \$2 million available for other unforeseen needs that would arise, without concern for the timing of UST maturity.

Attachments:

None



DATE: December 8, 2023
TO: Finance Committee
FROM: Kat Wuelfing, General Manager

SUBJECT: Discuss MPWD Rate Update Timeline and Recommendation for Rate Impact Scenarios

RECOMMENDATION

Review and consider information presented.

FISCAL IMPACT

None.

BACKGROUND

MPWD previously implemented 5-year rate plans for the 2010-2014 and 2015-2019 periods. We have not increased our customer rates except for pass-throughs for SFPUC increases since July 2019. Below is a summary of the rate increases to our customers over the last several years:

- July 1, 2023 – Pass-Through Rate Increase of \$0.46/HCF (7% increase relative to lowest residential tier)
- July 1, 2022 – Pass-Through Rate Increase of \$0.65/HCF (11% increase relative to lowest residential tier)
- July 1, 2021 – No Rate Increase
- July 1, 2020 – No Rate Increase
- July 1, 2019 – Part of 5-Year Rate Study, 3% Increase to Volumetric Rates

We expect that SFPUC will raise their rates again on July 1, 2024.

DISCUSSION

Rate Impact Scenarios

The District is currently ~\$20+ million into a \$50 million Capital Improvement Program, which includes water main replacements, tank replacements, and other significant investments in our system. Based on District Engineer's analysis, it is recommended that the District consider spending

approximately \$7 million on average on water main replacement projects, plus additional non-main replacement projects. The District is considering doing a full rehabilitation of the Dairy Lane Operations Center, at a cost of approximately \$20 million or more.

Assumptions regarding (1) how much the Board will invest in the District’s capital improvement projects, (2) timeframe, and (3) funding mechanisms will need to be included in the District’s rate study, and will have a significant impact on what customer rates will ultimately be. Given that the Board and the District’s goals are to minimize impacts to customer rates, while making sure that the District continues to appropriately reinvest in the system and to maintain excellent service and reliability for its customers into the future, it is important for staff and the Board to consider rates in conjunction with capital project funding plans.

To that end, staff has proposed the following scenarios for evaluation of impact on rates. These scenarios are intended to “bookend” potential funding plans, to help inform the Board’s future funding plan decisions. Staff is seeking input from the Finance Committee on these proposed scenarios.

Scenario	Annual CIP Spending from Reserves	Debt Service Scenario
A	\$10 million/ year	--
B	\$4 million/ year	\$30 million over 30 years at 5%
C	\$7 million/ year	\$25 million over 30 years at 5%
D	--	\$50 million over 30 years at 5%

It should be noted that another factor that will affect customer water rates will be our target fund balances. Currently, our policy is \$1.5 million for each the Working Capital Reserve and Capital Emergency Reserve funds. As part of a separate effort, staff is working to draft a revised Financial Management Plan that is expected to include recommendations to increase the target levels for these funds.

Preliminary Timeline for a Customer Water Rate Increase Effective January 1, 2025

Staff is seeking input from the Finance Committee on these proposed timeline, with consideration of SFPUC’s probably July 1, 2024 rate increase, the 2024 election, and customer outreach.

- **February 1, 2024** – Final draft of Water Rate Study Update by HF&H
- **March 28, 2024** – *Finance Committee*: Presentation on Water Rate Study Update and Review Draft Brochure Regarding Proposed 5-Year Water Rate Plan
- **April 25, 2024** – *Regular Board Meeting*: Board Presentation on Water Rate Study Update
- **May 1, 2024** – *Customer Outreach*: Brochure to customer on proposed Water Rate Plan & Schedule (Not legally required, unless it serves as the 45-day Public Hearing Notice)
- **May 23 2024** – *Regular Board Meeting*: Initial Presentation of Proposed 5-Year Water Rates Plan, including Water Shortage Contingency Rates; [*Adopt FY 2024/2025 Operating & Capital Budgets*]
- **July 25, 2024** – *Regular Board Meeting*: Second Presentation of Proposed 5-Year Water Rates Plan, including Water Shortage Contingency Rates

- **August 11, 2024** – *Customer Outreach*: Latest Mail Date for Prop 218 Public Protest Hearing for Water Rate Increases 5-Year Plan Brochure to Parcel Owners and Tenants (45 Days Required)
- **September 26, 2024** – *Regular Board Meeting*: Presentation and Prop 218 Public Protest Hearing for Water Rate Increases 5-Year Plan, including Water Shortage Contingency Rates, and Adoption of Water Services Ordinance No. 103 Exhibit “A” Revised Schedule of Rates and Charges by Board of Directors
- *[November 5, 2024 – Election Day]*
- **December 1, 2024** – *Customer Outreach*: Latest Mail Date for Notice to Customers of Rate Increase (30 days)
- **January 1, 2025** – Implementation of Water Rates Increase

Attachments:
None