

To: Administration and Finance Committee

Date: May 31, 2017

From: Erick Cheung, Director of Finance

Reviewed by:

SUBJECT: PUBLIC AGENCY RETIREMENT SERVICES (PARS) OPEB Trust

Summary of Issues:

Andrew Brown, Vice President of Highmark Capital Management, will join us to discuss the investment performance of the trust and share some insights about the future of the markets.

The A&F Committee selected the Moderately Conservative Index PLUS investment option. The allocation for this option is 20-40% equity, 50-80% fixed income and 0-20% cash.

The balance in the trust as of December 31, 2016 was \$2,554,277.

The investment rate of return for FY 2016 was 3.12% but has averaged 4.53% over the last 5 years. These figures are net of all investment management expenses.

County Connection has contracted with Bickmore Risk Services for our OPEB valuation. The previous valuation was done last year for June 30, 2016 with a 5.1% discount rate. Bickmore will update the actuarial valuation next year and will incorporate the new Governmental Accounting Standards Board Statement 75 – Accounting and Financial Reporting for Postemployment Benefits other than Pensions.

OPEB Prefunding Trust Program Client Review

Central Contra Costa Transit Authority

May 15, 2017

PUBLIC
AGENCY
RETIREMENT
SERVICES

PARS

TRUSTED SOLUTIONS. LASTING RESULTS.



Contacts

PARS




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OPEB Trust Team

			
Role	Trust Administrator and Consultant <ul style="list-style-type: none"> • Recordkeeping/Sub-trust Accounting • Actuarial Coordination • Monitor Contributions/ Process Disbursements • Monitor Plan Compliance <ul style="list-style-type: none"> • Ongoing Client Liaison • Pre-fund Pension Option 	Trustee <ul style="list-style-type: none"> • Safeguard Plan Assets • Oversight Protection <ul style="list-style-type: none"> • Plan Fiduciary • Custodian of Assets 	Investment Manager <ul style="list-style-type: none"> • Investment Sub-advisor to U.S. Bank <ul style="list-style-type: none"> • Open Architecture • Investment Policy Assistance
Corporate Experience	33 years <i>(1984 – 2017)</i>	154 years <i>(1863 – 2017)</i>	98 years <i>(1919 – 2017)</i>
OPEB Experience	21 years	12 years	21 years
Number of Plans under Administration	1,400+ plans for 700+ public agencies		
Dollars under Administration	More than \$2.1 billion	More than \$4 trillion	More than \$15.4 billion under management

Plan Overview

Type of Plan: IRC Section 115 Irrevocable Exclusive Benefit Trust

Trustee Approach: Discretionary

Plan Effective Date: March 18, 2010

Plan Administrator: Rick Ramacier, General Manager

Current Investment Strategy: Moderately Conservative: Index Plus (Individual Account)

- Selected 6/17/2010

As of 03/31/2017:

Initial Contribution: June, 2010- \$450,000

Additional Contributions: \$1,820,052

Total Contributions: \$2,270,052

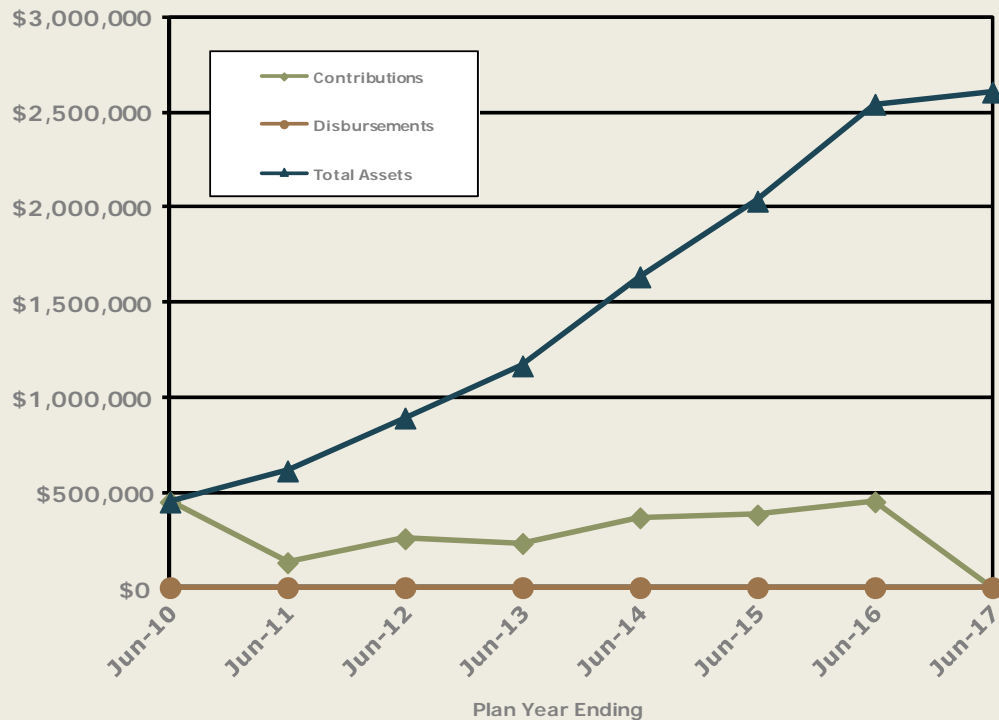
Disbursements: \$0

Total Investment Earnings: \$397,399

Account Balance: \$2,606,001

Summary of the Plan Activity

Central Contra Costa Transit Authority
Total Assets, Contributions & Disbursements



Plan Y/E	Contributions	Disbursements	Total Assets
Jun -10	\$450,000	\$0	\$450,004
Jun -11	\$131,000	\$0	\$613,708
Jun -12	\$257,000	\$0	\$891,590
Jun -13	\$232,000	\$0	\$1,165,830
Jun -14	\$367,000	\$0	\$1,634,255
Jun -15	\$382,000	\$0	\$2,032,180
Jun -16	\$451,052	\$0	\$2,541,492
Jun -17†	\$0	\$0	\$2,606,001

†Plan Year Ending June 2017 is based on 9 months of activity through 3/31/2016.

Actuarial Results

We have received the actuarial reports prepared by Bickmore on June 10, 2016 with a valuation date of July 1, 2015. In the tables below, we have summarized the results.

Demographic Study

	July 1, 2015 Valuation
Active Employees	227
Retirees	48
Total	275
Average Active Employee Age	51.6
Average Active Employee City Service	12.9

Actuarial Results (continued)

	July 1, 2015 5.10% Discount Rate Assumption
Actuarial Present Value of Projected Benefits (APVPB)	\$11,196,251
Actuarial Accrued Liability (AAL)	\$8,785,647
Actuarial Value of Assets	\$2,032,180
Unfunded Actuarial Accrued Liability (UAAL)	\$6,753,467
Normal Cost	\$339,806
Amortization of UAAL	\$362,014
Annual Required Contribution (ARC)	\$749,220

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



Investment Strategy Selection and Disclosure Form PARS OPEB (GASB45)

Date: _____

Agency or District: Central Contra Costa Transit Authority

Plan Name: Central Contra Costa Transit Authority PARS Post-Retirement Health Care Plan


To: HighMark Capital Management, Inc. and Union Bank, N.A.

Union Bank, N.A. has been or is hereby appointed Investment Manager of the above-referenced Plan. Please invest the assets of the above-referenced Plan and Trust for which you have been appointed Investment Manager in the (select one of the strategies listed below):

Diversified Portfolios

STRATEGY	INVESTMENT OBJECTIVE	ALLOCATION
<input type="checkbox"/> Liquidity Management	Provide current income with liquidity and stability of principal through investments in short-term U.S. Treasury obligations	Money Market Fund
<input type="checkbox"/> Liquidity Management	Generate current income with liquidity and stability of principal.	Money Market Fund
<input type="checkbox"/> Conservative HighMark PLUS	Provide a consistent level of inflation-protected income over the long-term.	Equity: 5-20%
<input type="checkbox"/> Conservative Index PLUS		Fixed Income: 60-95%
<input type="checkbox"/> Moderately Conservative HighMark PLUS	Provide current income with capital appreciation as a secondary objective.	Cash: 0-20%
<input checked="" type="checkbox"/> Moderately Conservative Index PLUS		Equity: 20-40%
<input type="checkbox"/> Moderate HighMark PLUS		Fixed Income: 50-80%
<input type="checkbox"/> Moderate Index PLUS	Provide current income and moderate capital appreciation.	Cash: 0-20%
<input type="checkbox"/> Balanced / Moderately Aggressive HighMark PLUS	Provide growth of principal and income.	Equity: 40-60%
<input type="checkbox"/> Balanced / Moderately Aggressive Index PLUS		Fixed Income: 40-60%
<input type="checkbox"/> Custom	Specify:	Cash: 0-20%
		Equity:
		Fixed Income:
		Cash:

Note: HighMark PLUS portfolios are diversified portfolios of actively managed mutual funds. Index PLUS portfolios are diversified portfolios of index-based mutual funds or exchange-traded funds.

 _____ Authorized Signer	General Manager _____ Title
Rick Ramacier _____ Print Name	<u>6/17/2010</u> _____ Date
_____ Authorized Signer	_____ Authorized Signer

PARS: CCCTA

First Quarter 2017

**Presented by
Andrew Brown, CFA**

DISCUSSION HIGHLIGHTS – CCCTA

Asset Allocation: PARS/PRHCP Moderately Conservative Index

- Allocation Target – 30% stocks (20-40% range), 66.5% bonds (50-80% range), 3.5% cash (0-20% range)
- Large cap 14.5%, mid-cap 2%, small cap 4.5%, international 7.5%, Real estate 1.5%

Performance: PARS/CCCTA PRHCP

(as of 3-31-2017) Gross of Investment management fees

- 3-months: 2.17%
- 1 year: 5.30%
- 3 year: 3.60%
- 5 year: 4.58%
- Since Inception (7/2010) 5.32%
- Bonds – rate volatility has increased post Fed rate hike(s)
 - 2 rate hikes in the last 4 meetings. 0.30% 12-month return, 2.69% return for 81-month period
- Stocks
 - Story of the last 12 months
 - International markets vs. US divergence closing
 - Active vs. Passive challenges continue – not our problem
 - REITs lag
 - Value vs. growth

12-Month Changes

- Purchased- PowerShares Senior Loan ETF

Outlook

- GDP 2 – 2.5%, Inflation 2.4%, unemployment 4.7%, 10 year Tsy 2.75%, Fed 2-3 rate hikes 2017 - forecast
- Geopolitically North Korea, Syria
- Europe: Brexit. Elections in 2017: France, Germany
- Trump: Positives – Deregulation, business mindset, tax policy, infrastructure spending.
- Trump: Negatives – immigration, trade, border tax, judgment, Twitter.

Selected Period Performance

PARS/CCCTA PRHCP

Account 6746035400

Period Ending: 03/31/2017

Sector	Year to Date (3 Months)	1 Year	3 Years	5 Years	Inception to Date (81 Months)
Cash Equivalents	.12	.32	.15	.10	.08
<i>iMoneyNet, Inc. Taxable</i>	<i>.37</i>	<i>.48</i>	<i>.18</i>	<i>.11</i>	<i>.09</i>
Total Fixed Income	.79	.30	2.14	2.11	2.69
<i>BC US Aggregate Bd Index</i>	<i>.82</i>	<i>.44</i>	<i>2.68</i>	<i>2.34</i>	<i>3.09</i>
Total Equities	5.53	18.16	7.12	10.75	13.21
Large Cap Funds	5.73	17.88	10.15	13.26	15.54
<i>S&P 500 Composite Index</i>	<i>6.07</i>	<i>17.17</i>	<i>10.37</i>	<i>13.30</i>	<i>15.51</i>
Mid Cap Funds	4.71	17.69	8.61	13.11	15.48
<i>Russell Midcap Index</i>	<i>5.15</i>	<i>17.03</i>	<i>8.48</i>	<i>13.09</i>	<i>15.43</i>
Small Cap Funds	2.08	27.29	7.97	13.37	16.03
<i>Russell 2000 Index</i>	<i>2.47</i>	<i>26.22</i>	<i>7.22</i>	<i>12.35</i>	<i>14.51</i>
International Equities	8.58	13.89	.50	2.98	5.00
<i>MSCI EAFE Index</i>	<i>7.25</i>	<i>11.67</i>	<i>.50</i>	<i>5.83</i>	<i>7.27</i>
<i>MSCI EM Free Index</i>	<i>11.44</i>	<i>17.21</i>	<i>1.18</i>	<i>.81</i>	<i>3.08</i>
REIT Funds	.80	2.65			
<i>Wilshire REIT Index</i>	<i>.03</i>	<i>1.98</i>	<i>10.19</i>	<i>9.76</i>	<i>13.55</i>
Total Managed Portfolio	2.17	5.30	3.60	4.58	5.32

Account Inception: 07/01/2010

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

As of March 31, 2017

Current Asset Allocation		Investment Vehicle		
Equity	29.74%		Range: 20%-40%	774,802
Large Cap Core	9.62%	IVV	iShares S&P 500 Index Fund	250,557
Large Cap Value	2.42%	IVE	iShares S&P 500 Value Fund	62,944
Large Cap Growth	2.45%	IVW	iShares S&P 500 Growth Fund	63,919
Mid Cap Core	2.18%	IWR	iShares Russell MidCap Index Fund	56,903
Small Cap Value	2.23%	IWN	iShares Russell 2000 Value Fund	58,135
Small Cap Growth	2.25%	IWO	iShares Russell 2000 Growth Fund	58,521
International Core	5.31%	EFA	iShares MSCI EAFE Index Fund	138,284
Emerging Markets	1.90%	VWO	Vanguard FTSE Emerging Markets ETF	49,531
Real Estate	1.38%	VNQ	Vanguard REIT ETF	36,009
Fixed Income	66.75%		Range: 50%-80%	1,739,094
Short-Term	10.20%	VFSUX	Vanguard Short-Term Corp Adm Fund	265,716
Intermediate-Term	53.81%	AGG	iShares Barclays Aggregate Bond Fund	1,402,016
Bank Loan	2.74%	BKLN	PowerShares Senior Loan ETF	71,362
Cash	3.51%		Range: 0%-20%	91,537
	3.51%	FGZXX	First American Government Oblig Z	91,537
TOTAL	100.00%			\$2,605,433

CCCTA

For Period Ending March 31, 2017

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
iShares S&P 500 Growth	1.24	8.48	8.48	15.21	11.33	13.57	9.01
iShares Core S&P 500	0.11	6.06	6.06	17.11	10.31	13.24	7.46
iShares S&P 500 Value	-1.21	3.26	3.26	18.45	8.71	12.46	5.55
MID CAP EQUITY FUNDS							
iShares Russell Mid-Cap	-0.18	5.10	5.10	16.79	8.30	12.90	7.79
SMALL CAP EQUITY FUNDS							
iShares Russell 2000 Value	-0.84	-0.14	-0.14	29.25	7.55	12.44	6.01
iShares Russell 2000 Growth	1.20	5.37	5.37	23.15	6.89	12.26	8.14
INTERNATIONAL EQUITY FUNDS							
iShares MSCI EAFE	2.78	7.23	7.23	11.60	0.42	5.74	0.97
Vanguard FTSE Emerging Markets ETF	2.27	10.87	10.87	17.60	1.92	0.89	2.70
REAL ESTATE FUNDS							
Vanguard REIT ETF	-2.38	0.96	0.96	3.10	9.94	9.73	4.97
BOND FUNDS							
iShares Core US Aggregate Bond	-0.06	0.82	0.82	0.37	2.64	2.27	4.14
Vanguard Short-Term Investment-Grade Adm	0.13	0.83	0.83	1.88	1.94	2.14	3.26
BarCap US Aggregate Bond	-0.05	0.82	0.82	0.44	2.68	2.34	4.27
PowerShares Senior Loan ETF	-0.15	0.53	0.53	7.28	1.99	3.38	--

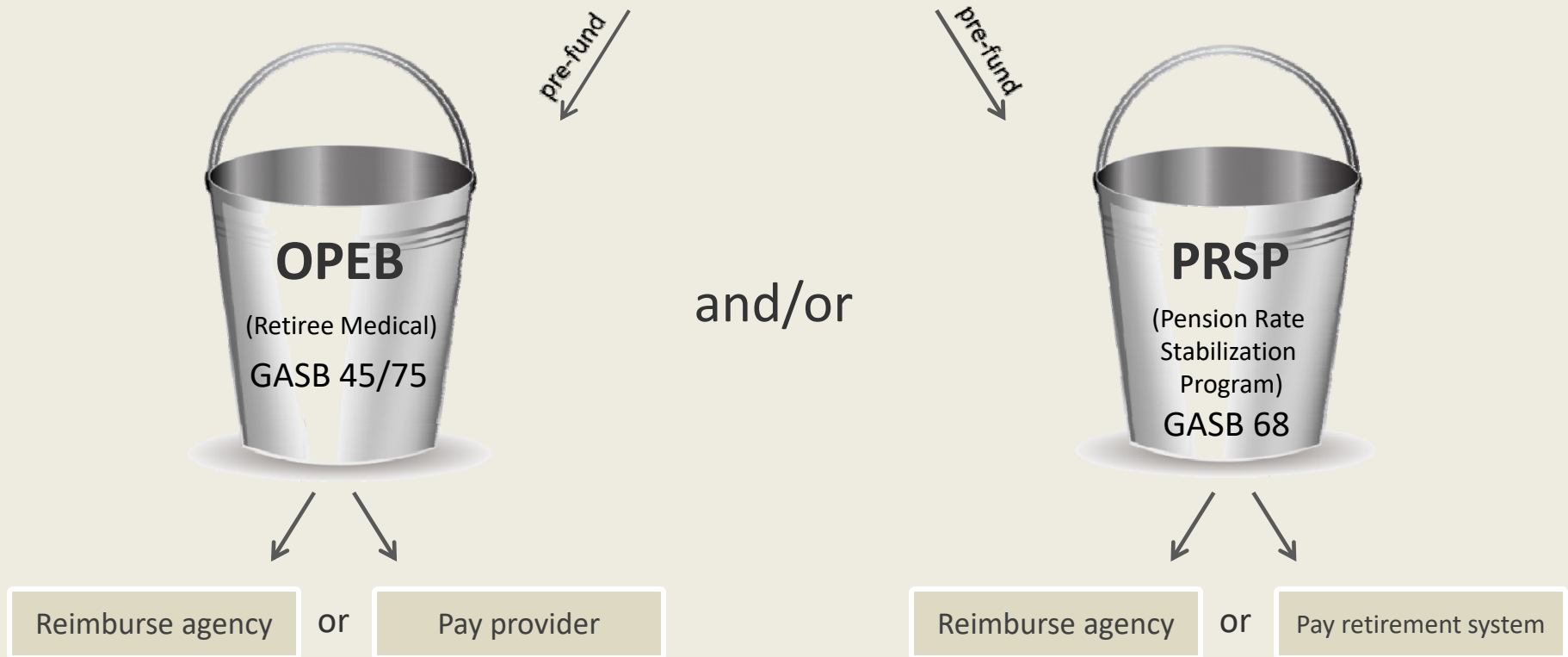
Source: SEI Investments, Morningstar Investments

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.

Administrative Review

- ✓ Future Contributions
- ✓ Future Disbursement Requests – Options
- ✓ Agency's future actuarial valuation for GASB 45 compliance – Next Valuation Due: 07/17
- ✓ GASB 75 Updates – Effective for fiscal years beginning after June 15, 2017
- ✓ Investment Guidelines Document – Completed May, 2014
- ✓ Client Funding Policy
- ✓ Pension Rate Stabilization Program (PRSP)
- ✓ Client Feedback

PARS IRS-Approved Combination 115 Trust



- Assets are sub-accounted for separately
- Pre-fund one now and the other later
- Addresses unfunded liabilities
- Can choose different investment risk tolerance levels for each

- Can access funds at anytime; OPEB for OPEB and pension for pension
- Assets (OPEB and Pension) aggregate and reach lower fees on tiered schedule sooner – saving money!
- No cost to set up; no fees until assets are added

Pension Actuarial Results

In response to the lack of options, PARS developed a Section 115 Trust program to enable public agencies to pre-fund retirement obligations through a locally controlled trust.

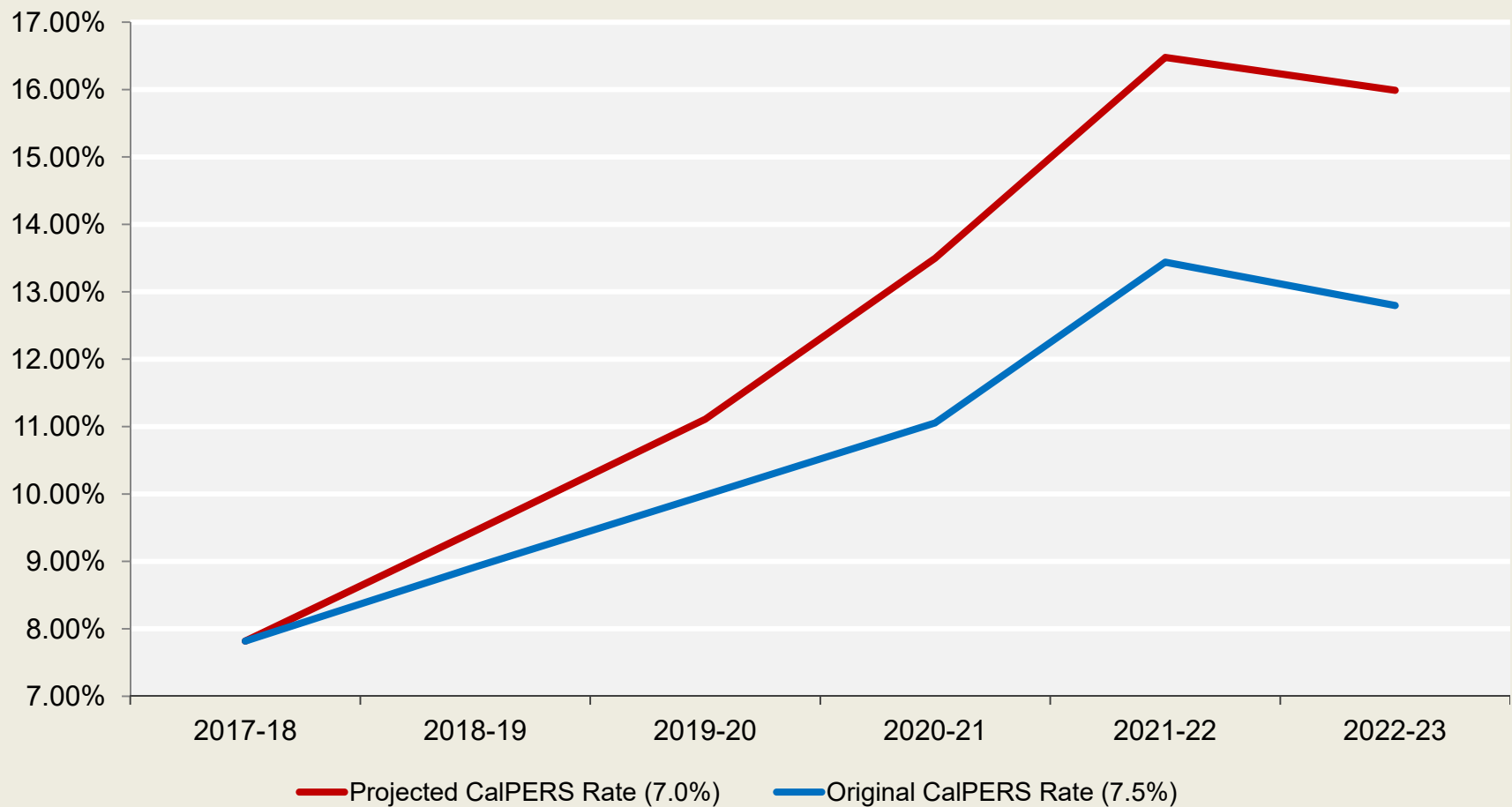
As of June 30, 2015, Central Contra Costa Transit Authority's CalPERS pension plan is as follows:

Actuarial Liability	\$80.8 M
Assets	\$77.4 M
Unfunded Liability	\$3.4 M
Funded Ratio	95.8 %
Total Employer Contribution Amount for FYE 2018	\$1.15 M
Projected Employer Contribution Amount for FYE 2023*	\$2.5 M

* Data from Agency's 2015-16 CalPERS Actuarial valuation, with midpoint adjustments for discount rate projections

Projected Future CalPERS Contributions – Misc.

Employer Misc. Contributions are projected to increase from \$1.2 M to \$2.5M over 6 years*



* Data from Agency's 2015-16 CalPERS Actuarial valuation, with midpoint adjustments for discount rate projections

Summary:

Why Prefund Pension in a Separate Trust?

1. Local control of reserve funds
2. Diversified Investing/Potential for Greater Return than General Fund
3. Addresses future pension liabilities
4. Helps offset pension rate increases or underperformance by retirement system
5. Emergency source of funds when Employer revenues are impaired based on when conditions dictate
6. Can use these funds for pension obligations at anytime
7. Can choose less aggressive investment strategy than retirement system
8. Assets (OPEB and Pension) will aggregate and reach lower fees on tiered schedule sooner – saving money!



Investment Guidelines Document

Central Contra Costa Transit Authority

PARS Post-Retirement Health Care Plan

May 2014

Investment Guidelines Document

Scope and Purpose

The purpose of this Investment Guidelines Document is to:

- Facilitate the process of ongoing communication between the Plan Sponsor and its plan fiduciaries;
- Confirm the Plan's investment goals and objectives and management policies applicable to the investment portfolio identified below and obtained from the Plan Sponsor;
- Provide a framework to construct a well-diversified asset mix that can potentially be expected to meet the account's short- and long-term needs that is consistent with the account's investment objectives, liquidity considerations and risk tolerance;
- Identify any unique considerations that may restrict or limit the investment discretion of its designated investment managers;
- Help maintain a long-term perspective when market volatility is caused by short-term market movements.

Key Plan Sponsor Account Information as of March 31, 2014

Plan Sponsor:	Central Contra Costa Transit Authority
Governance:	Central Contra Costa Transit Authority Administration and Finance Committee
Plan Name ("Plan"):	Central Contra Costa Transit Authority PARS Post-Retirement Health Care Plan
Trustee:	US Bank Contact: Susan Hughes, 949-224-7209 Susan.Hughes@usbank.com
Type of Account:	GASB 45/Other Post-Employment Benefits Trust
ERISA Status:	Not subject to ERISA
Market Value of Account:	\$1,237,651
Investment Manager:	US Bank, as discretionary trustee, has delegated investment management responsibilities to HighMark Capital Management, Inc. ("Investment Manager"), an SEC-registered investment adviser Contact: Andrew Brown, CFA, 415-705-7605 Andrew.brown@highmarkcapital.com

Investment Authority: Except as otherwise noted, the Trustee, US Bank, has delegated investment authority to HighMark Capital Management, an SEC-registered investment adviser. Investment Manager has full investment discretion over the managed assets in the account. Investment Manager is authorized to purchase, sell, exchange, invest, reinvest and manage the designated assets held in the account, all in accordance with account's investment objectives, without prior approval or subsequent approval of any other party(ies).

Investment Objectives and Constraints

The goal of the Plan's investment program is to generate adequate long-term returns that, when combined with contributions, will result in sufficient assets to pay the present and future obligations of the Plan. The following objectives are intended to assist in achieving this goal:

- The Plan should earn, on a long-term average basis, a rate of return equal to or in excess of the target rate of return of 5.5%.
- The Plan should seek to earn a return in excess of its policy benchmark over the long-term.
- The Plan's assets will be managed on a total return basis which takes into consideration both investment income and capital appreciation. While the Plan Sponsor recognizes the importance of preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns. To achieve these objectives, the Plan Sponsor allocates its assets (asset allocation) with a strategic, long-term perspective of the capital markets.

Investment Time Horizon: Long-term

Anticipated Cash Flows: Distributions are expected to be low in the early years of the Plan

Target Rate of Return: 5.5% annual target

Investment Objective: The primary objective is to maximize total Plan return, subject to the risk and quality constraints set forth herein. The investment objective the Plan Sponsor has selected is the Moderately Conservative Objective, which seeks to provide current income and moderate capital appreciation. The major portion of the assets are committed to income-producing securities. Market fluctuations should be expected.

Risk Tolerance: *Moderately Conservative*

The account's risk tolerance has been rated moderately conservative, which demonstrates that the account can accept modest price fluctuations to pursue its investment objectives.

Strategic Asset Allocation: The asset allocation ranges for this objective are listed below:

<i>Strategic Asset Allocation Ranges</i>		
Cash	Fixed Income	Equity
0-20%	50%-80%	20%-40%
Policy: 5%	Policy: 65%	Policy: 30%

Market conditions may cause the account's asset allocation to vary from the stated range from time to time. The Investment Manager will rebalance the portfolio no less than quarterly and/or when the actual weighting differs substantially from the strategic range, if appropriate and consistent with your objectives.

Security Guidelines:

Equities

With the exception of limitations and constraints described above, Investment Manager may allocate assets of the equity portion of the account among various market capitalizations (large, mid, small) and investment styles (value, growth). Further, Investment Manager may allocate assets among domestic, international developed and emerging market equity securities.

Total Equities	20%-40%
<i>Equity Style</i>	<i>Range</i>
Domestic Large Cap Equity	10%-30%
Domestic Mid Cap Equity	0%-10%
Domestic Small Cap Equity	0%-12%
International Equity (incl. Emerging Markets)	0%-12%
Real Estate Investment Trust (REIT)	0%-8%

Fixed Income

In the fixed income portion of the account, Investment Manager may allocate assets among various sectors and industries, as well as varying maturities and credit quality that are consistent with the overall goals and objectives of the portfolio.

Total Fixed Income	50%-80%
<i>Fixed Income Style</i>	<i>Range</i>
Long-term bonds (maturities >7 years)	0%-30%
Intermediate-term bonds (maturities 3-7 years)	30%-80%
Short-Term bonds (maturities <3 years)	0%-25%
High Yield bonds	0%-6%

Performance Benchmarks:

The performance of the total Plan shall be measured over a three and five-year periods. These periods are considered sufficient to accommodate the market cycles experienced with investments. The performance shall be compared to the return of the total portfolio blended benchmark shown below.

Total Portfolio Blended Benchmark

15.5%	S&P500 Index
3.00%	Russell Mid Cap
4.50%	Russell 2000
2.00%	MSCI EM FREE
4.00%	MSCI EAFE
1.00%	Wilshire REIT
49.25%	BC US Aggregate
14.00%	ML 1-3 Year US Corp/Gov't
1.75%	US High Yield Master II
5.00%	Citi 1Mth T-Bill

Asset Class/Style Benchmarks

Over a market cycle, the long-term objective for each investment strategy is to add value to a market benchmark. The following are the benchmarks used to monitor each investment strategy:

Large Cap Equity	S&P 500 Index
Growth	S&P 500 Growth Index
Value	S&P 500 Value Index
Mid Cap Equity	Russell MidCap Index
Growth	Russell MidCap Growth
Value	Russell MidCap Value
Small Cap Equity	Russell 2000 Index
Growth	Russell 2000 Growth
Value	Russell 2000 Value
REITs	Wilshire REIT
International Equity	MSCI EAFE
Investment Grade Bonds	BarCap US Aggregate Bond
High Yield	Credit Suisse High Yield

Security Selection

Investment Manager may utilize a full range of investment vehicles when constructing the investment portfolio, including but not limited to individual securities, mutual funds, and exchange-traded funds. In addition, to the extent permissible, Investment Manager is authorized to invest in shares of mutual funds in which the Investment Manager serves as advisor or sub-adviser.

Investment Limitations:

The following investment transactions are prohibited:

- Direct investments in precious metals (precious metals mutual funds and exchange-traded funds are permissible).
- Venture Capital
- Short sales*
- Purchases of Letter Stock, Private Placements, or direct payments
- Leveraged Transactions*
- Commodities Transactions Puts, calls, straddles, or other option strategies*
- Purchases of real estate, with the exception of REITs
- Derivatives, with exception of ETFs*

**Permissible in diversified mutual funds and exchange-traded funds*

Duties and Responsibilities

Responsibilities of Plan Sponsor

The Administration and Finance Committee of the Central Contra Costa Transit Authority is responsible for:

- Confirming the accuracy of this Investment Guidelines Document, in writing.
- Advising Trustee and Investment Manager of any change in the plan/account's financial situation, funding status, or cash flows, which could possibly necessitate a change to the account's overall risk tolerance, time horizon or liquidity requirements; and thus would dictate a change to the overall investment objective and goals for the account.
- Monitoring and supervising all service vendors and investment options, including investment managers.
- Avoiding prohibited transactions and conflicts of interest.

Responsibilities of Trustee

The plan Trustee is responsible for:

- Valuing the holdings.
- Collecting all income and dividends owed to the Plan.
- Settling all transactions (buy-sell orders).

Responsibilities of Investment Manager

The Investment Manager is responsible for:

- Assisting the Administration and Finance Committee with the development and maintenance of this Investment Policy Guideline document.
- Meeting with Administration and Finance Committee to review portfolio structure, holdings, and performance.
- Designing, recommending and implementing an appropriate asset allocation consistent with the investment objectives, time horizon, risk profile, guidelines and constraints outlined in this statement.
- Researching and monitoring investment advisers and investment vehicles.
- Purchasing, selling, and reinvesting in securities held in the account.
- Monitoring the performance of all selected assets.
- Voting proxies, if applicable.

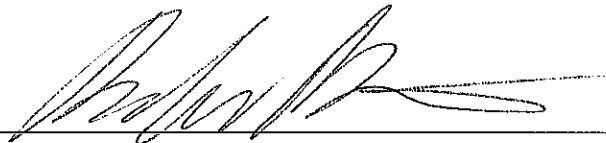
- Recommending changes to any of the above.
- Periodically reviewing the suitability of the investments, being available to meet with the committee at least once each year, and being available at such other times within reason at your request.
- Preparing and presenting appropriate reports.
- Informing the committee if changes occur in personnel that are responsible for portfolio management or research.

Acknowledgement and Acceptance

I/We being the Plan Sponsor with responsibility for the account(s) held on behalf of the Plan Sponsor specified below, designate Investment Manager as having the investment discretion and management responsibility indicated in relation to all assets of the Plan or specified Account. If such designation is set forth in the Plan/trust, I/We hereby confirm such designation as Investment Manager.

I have read the Investment Guidelines Document, and confirm the accuracy of it, including the terms and conditions under which the assets in this account are to be held, managed, and disposed of by Investment Manager. This Investment Guidelines Document supersedes all previous versions of an Investment Guidelines Document or investment objective instructions that may have been executed for this account.

 Date: 6/9/14
 Plan Sponsor: Central Contra Costa Transit Authority

 Date: 5/21/14
 Investment Manager: Andrew Brown, CFA, Senior Portfolio Manager, (415) 705-7605

PARS DIVERSIFIED PORTFOLIOS CONSERVATIVE

Q1 2017

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

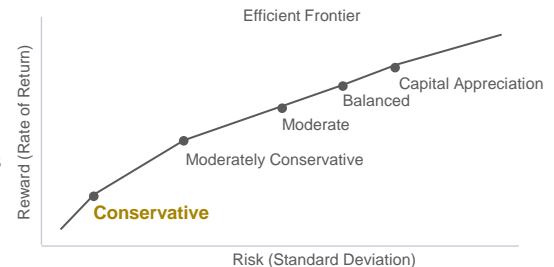
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation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

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%	15%
Fixed Income	60 – 95%	80%	79%
Cash	0 – 20%	5%	6%

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

HighMark Plus (Active)

Current Quarter*	1.88%
Blended Benchmark**	1.43%
Year To Date	1.88%
Blended Benchmark	1.43%
1 Year	4.07%
Blended Benchmark	3.26%
3 Year	2.97%
Blended Benchmark	2.99%
5 Year	3.67%
Blended Benchmark	3.27%
10 Year	4.25%
Blended Benchmark	3.88%

Index Plus (Passive)

Current Quarter*	1.44%
Blended Benchmark**	1.43%
Year To Date	1.44%
Blended Benchmark	1.43%
1 Year	2.91%
Blended Benchmark	3.26%
3 Year	2.72%
Blended Benchmark	2.99%
5 Year	3.28%
Blended Benchmark	3.27%
10 Year	3.81%
Blended Benchmark	3.88%

* Returns less than 1-year are not annualized. **Breakdown for Blended Benchmark: 7.5% S&P500, 1.5% Russell Mid Cap, 2.5% Russell 2000, 1% MSCI EM FREE, 2% MSCI EAFE, 52.25% BC US Agg, 25.75% ML 1-3 Yr US Corp/Govt, 2% US High Yield Master II, 0.5% Wilshire REIT, and 5% Citi 1 Mth T-Bill. Prior to October 2012, the blended benchmarks were 12% S&P 500; 1% Russell 2000, 2% MSCI EAFE, 40% ML 1-3 Year Corp./Govt, 40% BC Agg, 5% Citi 1 Mth T-Bill. Prior to April 2007, the blended benchmarks were 15% S&P 500, 40% ML 1-3Yr Corp/Govt, 40% BC Agg, and 5% Citi 1 Mth T-Bill.

ANNUAL RETURNS

HighMark Plus (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%

Index Plus (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%

PORTFOLIO FACTS

HighMark Plus (Active)

Inception Date	07/2004
No of Funds in Portfolio	19

Index Plus (Passive)

Inception Date	07/2004
No of Funds in Portfolio	13

HOLDINGS

HighMark Plus (Active)

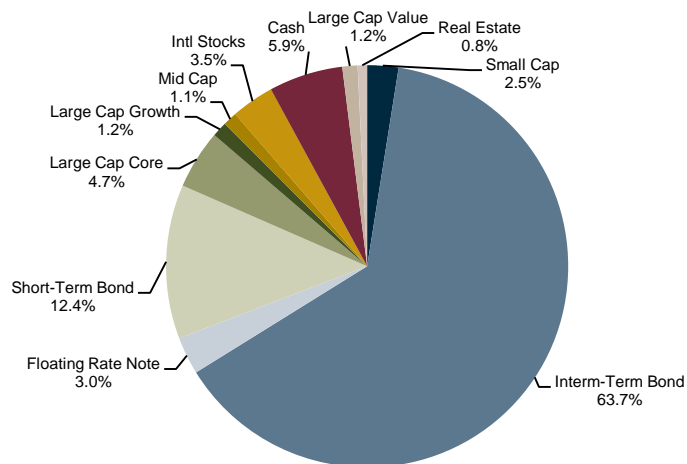
COLUMBIA CONTRARIAN CORE-Z
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 NATIONW BAILRD INT EQ-INST
 DODGE & COX INTL STOCK FUND
 MFS INTL GROWTH-I
 HRTFRD SCHR EM MRKT EQ-I
 VANGUARD S/T INVEST GR-ADM
 PIMCO TOTAL RETURN FUND-INST
 PRUDENTIAL TOTAL RETRN BND-Q
 NATIONW HIGHMARK BND-R6
 EATON VAN FL RT & HI INC-INS
 FIRST AM GOV OBLIG-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 REIT ETF
 ISHARES RUSSELL 2000 VALUE E
 ISHARES RUSSELL 2000 GROWTH
 ISHARES MSCI EAFE ETF
 VANGUARD FTSE EMERGING MARKE
 VANGUARD S/T INVEST GR-ADM
 ISHARES CORE U.S. AGGREGATE
 POWERSHARES SENIOR LOAN
 FIRST AM GOV OBLIG-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: Composites are managed by HighMark's HighMark Capital Advisors (HCA) with full investment authority according to the PARS Conservative active and passive objectives and do not have equity concentration of 25% or more in one common stock security.

The adviser to the PARS portfolios is US Bank, and HighMark serves as sub-adviser to US Bank to manage these portfolios. US Bank may charge clients as much as 0.60% annual management fee based on a sliding scale. As of March 31, 2017, the blended rate is 0.58%. US Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with US Bank. The 36 basis points paid to HighMark, as well as other expenses that may be incurred in the management of the portfolio, will reduce the portfolio 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 \$12.54 million after fees (Net-of-Fees) and \$12.76 million before fees (Gross-of-Fees). Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. In Q1 2010, the PARS Composite definition was changed from \$750,000 minimum to no minimum. 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 Free 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 US 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 Barclays Capital (BC) U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The Merrill Lynch (ML) 1-3 Year U.S. Corporate & Government Index tracks the bond performance of The ML U.S. Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged Citigroup 1-Month Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill.

HighMark Capital Management, Inc. (HighMark), an SEC-registered investment adviser, is a wholly owned subsidiary of MUFG Union Bank, N.A. (MUB). HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, public and private retirement plans, and personal trusts of all sizes. It may also serve as sub-adviser for mutual funds, common trust funds, and collective investment funds. MUB, a subsidiary of MUFG Americas Holdings Corporation, provides certain services to HighMark and is compensated for these services. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. **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

www.highmarkcapital.com

ABOUT THE ADVISER

HighMark® Capital Management, Inc. (HighMark) has over 90 years (including predecessor organizations) of institutional money management experience with more than \$15.9 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

Andrew Bates, CFA®

Portfolio Manager
 Investment Experience: since 2008
 HighMark Tenure: since 2015
 Education: BS, University of Colorado

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: 16
 Average Years of Experience: 26
 Average Tenure (Years): 13

Manager Review Group

Number of Members: 8
 Average Years of Experience: 19
 Average Tenure (Years): 7

PARS DIVERSIFIED PORTFOLIOS
MODERATELY CONSERVATIVE

Q1 2017

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

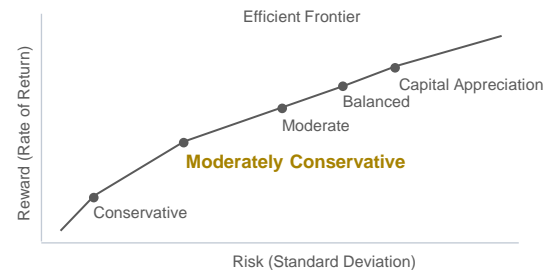
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation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

INVESTMENT OBJECTIVE

To provide current income and moderate capital appreciation. 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%	30%
Fixed Income	50 - 80%	65%	67%
Cash	0 - 20%	5%	3%

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

HighMark Plus (Active)		Index Plus (Passive)	
Current Quarter*	2.68%	Current Quarter*	2.16%
Blended Benchmark**	2.21%	Blended Benchmark**	2.21%
Year To Date	2.68%	Year To Date	2.16%
Blended Benchmark	2.21%	Blended Benchmark	2.21%
1 Year	6.44%	1 Year	5.40%
Blended Benchmark	5.61%	Blended Benchmark	5.61%
3 Year	3.64%	3 Year	3.72%
Blended Benchmark	4.01%	Blended Benchmark	4.01%
5 Year	4.85%	5 Year	4.65%
Blended Benchmark	4.82%	Blended Benchmark	4.82%
10 Year	4.73%	10 Year	4.27%
Blended Benchmark	4.57%	Blended Benchmark	4.57%

* Returns less than 1-year are not annualized. **Breakdown for Blended Benchmark: 15.5% S&P500, 3% Russell Mid Cap, 4.5% Russell 2000, 2% MSCI EM FREE, 4% MSCI EAFE, 49.25% BC US Agg, 14% ML 1-3 Yr US Corp/Gov't, 1.75% US High Yield Master II, 1% Wilshire REIT, and 5% Citi 1 Mth T-Bill. Prior to October 2012, the blended benchmarks were 25% S&P 500; 1.5% Russell 2000, 3.5% MSCI EAFE, 25% ML 1-3 Year Corp./Govt, 40% BC Agg, 5% Citi 1 Mth T-Bill. Prior to April 2007, the blended benchmarks were 30% S&P 500, 25% ML 1-3Yr Corp/Gov, 40% BC Agg, and 5% Citi 1 Mth T-Bill.

ANNUAL RETURNS

HighMark Plus (Active)		Index Plus (Passive)	
2008	-15.37%	2008	-12.40%
2009	18.71%	2009	11.92%
2010	10.46%	2010	9.72%
2011	1.75%	2011	3.24%
2012	10.88%	2012	8.24%
2013	7.30%	2013	6.78%
2014	4.41%	2014	5.40%
2015	0.32%	2015	-0.18%
2016	4.93%	2016	5.42%

PORTFOLIO FACTS

HighMark Plus (Active)		Index Plus (Passive)	
Inception Data	08/2004	Inception Data	05/2005
No of Funds in Portfolio	19	No of Funds in Portfolio	13

HOLDINGS

HighMark Plus (Active)

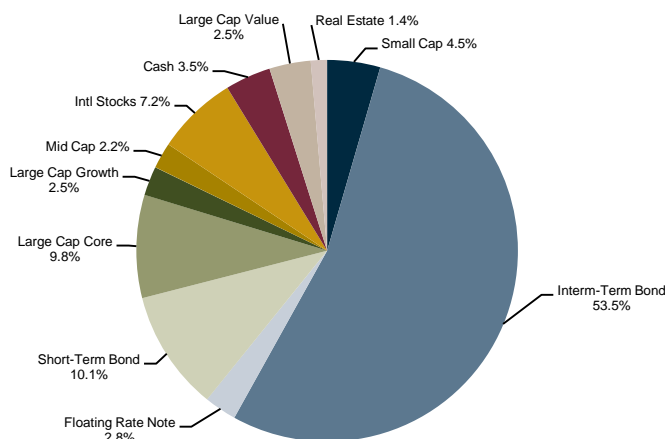
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 UNDISC MGRS BEHAV VAL-L
 T ROWE PR NEW HORIZONS-I
 NATIONW BAILRD INT EQ-INST
 DODGE & COX INTL STOCK FUND
 MFS INTL GROWTH-I
 HRTFRD SCHR EM MRKT EQ-I
 VANGUARD S/T INVEST GR-ADM
 PIMCO TOTAL RETURN FUND-INST
 PRUDENTIAL TOTAL RETRN BND-Q
 NATIONW HIGHMARK BND-R6
 EATON VAN FL RT & HI INC-INS
 FIRST AM GOV OBLIG-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 REIT ETF
 ISHARES RUSSELL 2000 VALUE E
 ISHARES RUSSELL 2000 GROWTH
 ISHARES MSCI EAFE ETF
 VANGUARD FTSE EMERGING MARKE
 VANGUARD S/T INVEST GR-ADM
 ISHARES CORE U.S. AGGREGATE
 POWERSHARES SENIOR LOAN
 FIRST AM GOV OBLIG-Z

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STYLE



The performance records shown represent size-weighted composites of tax exempt accounts that meet the following criteria: Composites are managed by HighMark's HighMark Capital Advisors (HCA) with full investment authority according to the PARS Moderately Conservative active and passive objectives and do not have equity concentration of 25% or more in one common stock security.

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HIGHMARK CAPITAL MANAGEMENT

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

Andrew Bates, CFA®

Portfolio Manager
 Investment Experience: since 2008
 HighMark Tenure: since 2015
 Education: BS, University of Colorado

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: 16
 Average Years of Experience: 26
 Average Tenure (Years): 13

Manager Review Group

Number of Members: 8
 Average Years of Experience: 19
 Average Tenure (Years): 7

PARS DIVERSIFIED PORTFOLIOS
MODERATE

Q1 2017

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.

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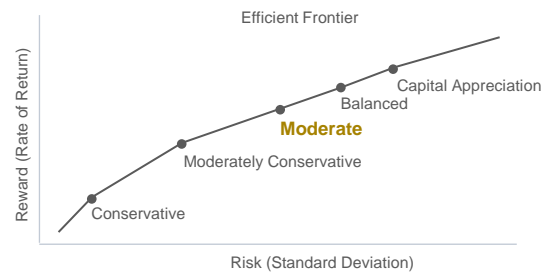
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The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund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

INVESTMENT OBJECTIVE

To provide growth of principal and income. 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%	50%
Fixed Income	40 - 60%	45%	47%
Cash	0 - 20%	5%	3%

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

HighMark Plus (Active)		Index Plus (Passive)	
Current Quarter*	3.72%	Current Quarter*	3.08%
Blended Benchmark**	3.20%	Blended Benchmark**	3.20%
Year To Date	3.72%	Year To Date	3.08%
Blended Benchmark	3.20%	Blended Benchmark	3.20%
1 Year	9.67%	1 Year	8.75%
Blended Benchmark	8.96%	Blended Benchmark	8.96%
3 Year	4.58%	3 Year	4.67%
Blended Benchmark	5.21%	Blended Benchmark	5.21%
5 Year	6.34%	5 Year	6.39%
Blended Benchmark	6.79%	Blended Benchmark	6.79%
10 Year	4.97%	10 Year	5.08%
Blended Benchmark	5.25%	Blended Benchmark	5.25%

* Returns less than 1-year are not annualized. **Breakdown for Blended Benchmark: 26.5% S&P500, 5% Russell Mid Cap, 7.5% Russell 2000, 3.25% MSCI EM FREE, 6% MSCI EAFE, 33.50% BC US Agg, 10% ML 1-3 Yr US Corp/Gov't, 1.50% US High Yield Master II, 1.75% Wilshire REIT, and 5% Citi 1 Mth T-Bill. Prior to October 2012, the blended benchmarks were 43% S&P 500; 2% Russell 2000, 5% MSCI EAFE, 15% ML 1-3 Year Corp./Govt, 30% BC Agg, 5% Citi 1 Mth T-Bill. Prior to April 2007, the blended benchmarks were 50% S&P 500, 15% ML 1-3Yr Corp/Gov, 30% BC Agg, and 5% Citi 1 Mth T-Bill.

ANNUAL RETURNS

HighMark Plus (Active)		Index Plus (Passive)	
2008	-22.88%	2008	-18.14%
2009	21.47%	2009	16.05%
2010	12.42%	2010	11.77%
2011	0.55%	2011	2.29%
2012	12.25%	2012	10.91%
2013	13.06%	2013	12.79%
2014	4.84%	2014	5.72%
2015	0.14%	2015	-0.52%
2016	6.44%	2016	7.23%

PORTFOLIO FACTS

HighMark Plus (Active)		Index Plus (Passive)	
Inception Date	10/2004	Inception Date	05/2006
No of Funds in Portfolio	19	No of Funds in Portfolio	13

HOLDINGS

HighMark Plus (Active)

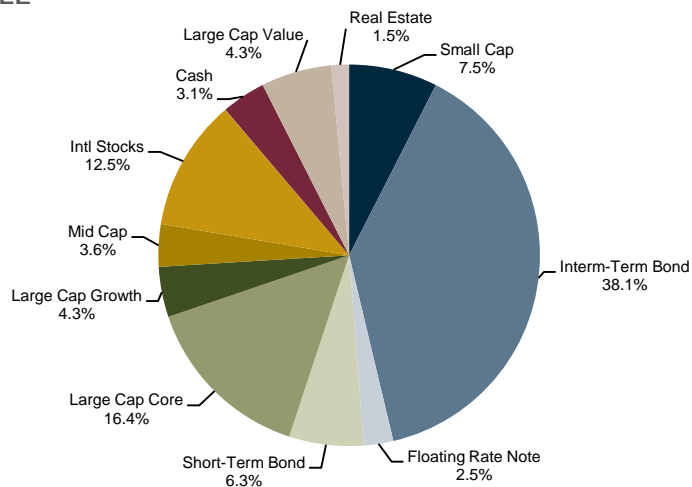
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 DODGE & COX INTL STOCK FUND
 MFS INTL GROWTH-I
 HRTFRD SCHR EM MRKT EQ-I
 VANGUARD S/T INVEST GR-ADM
 PIMCO TOTAL RETURN FUND-INST
 PRUDENTIAL TOTAL RETRN BND-Q
 NATIONW HIGHMARK BND-R6
 EATON VAN FL RT & HI INC-INS
 FIRST AM GOV OBLIG-Z

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 REIT ETF
 ISHARES RUSSELL 2000 VALUE E
 ISHARES RUSSELL 2000 GROWTH
 ISHARES MSCI EAFE ETF
 VANGUARD FTSE EMERGING MARKE
 VANGUARD S/T INVEST GR-ADM
 ISHARES CORE U.S. AGGREGATE
 POWERSHARES SENIOR LOAN
 FIRST AM GOV OBLIG-Z

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STYLE



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Asset Allocation Committee

Number of Members: 16
 Average Years of Experience: 26
 Average Tenure (Years): 13

Manager Review Group

Number of Members: 8
 Average Years of Experience: 19
 Average Tenure (Years): 7

PARS DIVERSIFIED PORTFOLIOS
BALANCED

Q1 2017

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

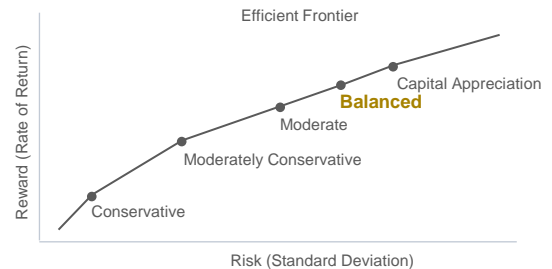
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation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

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%	60%
Fixed Income	30 – 50%	35%	37%
Cash	0 – 20%	5%	3%

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

HighMark Plus (Active)		Index Plus (Passive)	
Current Quarter*	4.34%	Current Quarter*	3.57%
Blended Benchmark**	3.71%	Blended Benchmark**	3.71%
Year To Date	4.34%	Year To Date	3.57%
Blended Benchmark	3.71%	Blended Benchmark	3.71%
1 Year	11.25%	1 Year	10.51%
Blended Benchmark	10.64%	Blended Benchmark	10.64%
3 Year	4.86%	3 Year	5.14%
Blended Benchmark	5.81%	Blended Benchmark	5.81%
5 Year	7.16%	5 Year	7.22%
Blended Benchmark	7.80%	Blended Benchmark	7.80%
10 Year	5.06%	Inception to Date (114-Mos.)	4.75%
Blended Benchmark	5.61%	Blended Benchmark	5.28%

* Returns less than 1-year are not annualized. **Breakdown for Blended Benchmark: 32% S&P500, 6% Russell Mid Cap, 9% Russell 2000, 4% MSCI EM FREE, 7% MSCI EAFE, 27% BC US Agg, 6.75% ML 1-3 Yr US Corp/Gov't, 1.25% US High Yield Master II, 2% Wilshire REIT, and 5% Citi 1 Mth T-Bill. Prior to October 2012, the blended benchmarks were 51% S&P 500; 3% Russell 2000, 6% MSCI EAFE, 5% ML 1-3 Year Corp./Govt, 30% BC Agg, 5% Citi 1 Mth T-Bill. Prior to April 2007, the blended benchmarks were 60% S&P 500, 5% ML 1-3Yr Corp/Gov, 30% BC Agg, and 5% Citi 1 Mth T-Bill.

ANNUAL RETURNS

HighMark Plus (Active)		Index Plus (Passive)	
2008	-25.72%	2008	-23.22%
2009	21.36%	2009	17.62%
2010	14.11%	2010	12.76%
2011	-0.46%	2011	1.60%
2012	13.25%	2012	11.93%
2013	16.61%	2013	15.63%
2014	4.70%	2014	6.08%
2015	0.04%	2015	-0.81%
2016	6.82%	2016	8.26%

PORTFOLIO FACTS

HighMark Plus (Active)		Index Plus (Passive)	
Inception Data	10/2006	Inception Data	10/2007
No of Funds in Portfolio	19	No of Funds in Portfolio	13

HOLDINGS

HighMark Plus (Active)

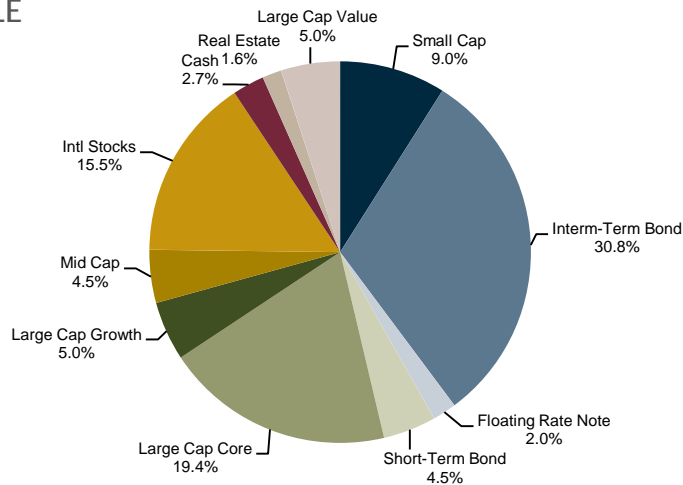
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Index Plus (Passive)

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The composite name has been changed from PARS Balanced/Moderately Aggressive to PARS Balanced on 5/1/2013. The adviser to the PARS portfolios is US Bank, and HighMark serves as sub-adviser to US Bank to manage these portfolios. US Bank may charge clients as much as 0.60% annual management fee based on a sliding scale. As of March 31, 2017, the blended rate is 0.58%. US Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with US Bank. The 36 basis points paid to HighMark, as well as other expenses that may be incurred in the management of the portfolio, will reduce the portfolio 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 \$12.54 million after fees (Net-of-Fees) and \$12.76 million before fees (Gross-of-Fees). Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. In Q1 2010, the PARS Composite definition was changed from \$750,000 minimum to no minimum. 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.

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PARS DIVERSIFIED PORTFOLIOS
CAPITAL APPRECIATION

Q1 2017

WHY THE PARS DIVERSIFIED CAPITAL APPRECIATION PORTFOLIO?

Comprehensive Investment Solution

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Rigorous Manager Due Diligence

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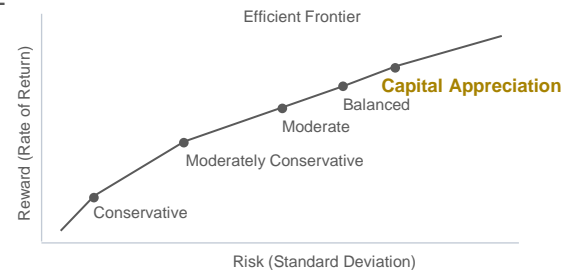
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INVESTMENT OBJECTIVE

The primary goal of the Capital Appreciation objective is 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%	75%
Fixed Income	10 - 30%	20%	23%
Cash	0 - 20%	5%	2%

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

Current Quarter*	4.48%
Blended Benchmark**	4.54%
Year To Date	4.48%
Blended Benchmark	4.54%
1 Year	13.08%
Blended Benchmark	13.11%
3 Year	5.87%
Blended Benchmark	6.48%
5 Year	8.39%
Blended Benchmark	8.96%
Inception to Date (99-Mos.)	10.46%
Blended Benchmark	11.29%

* Returns less than 1-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 FREE, 10.25% MSCI EAFE, 16% BC US Agg, 3% ML 1-3 Yr US Corp/Gov't, 1% US High Yield Master II, 2% Wilshire REIT, and 5% Citi 1 Mth T-Bill.

ANNUAL RETURNS

2008	N/A%
2009	23.77%
2010	12.95%
2011	-1.35%
2012	13.87%
2013	20.33%
2014	6.05%
2015	-0.27%
2016	8.81%

PORTFOLIO FACTS

HighMark Plus (Active)		Index Plus (Passive)	
Inception Data	01/2009	Inception Data	N/A
No of Funds in Portfolio	19	No of Funds in Portfolio	13

HOLDINGS

HighMark Plus (Active)

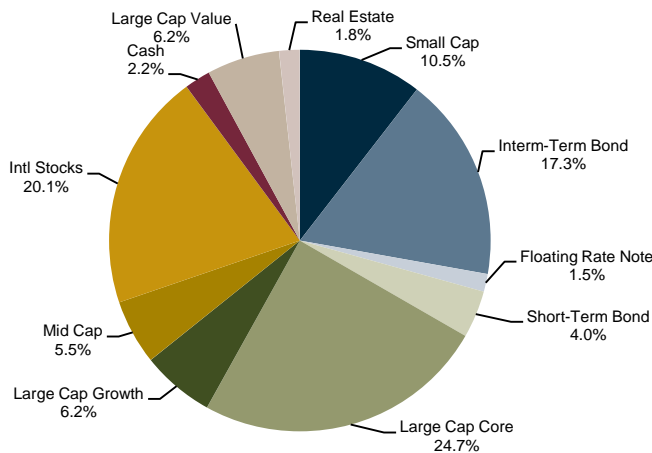
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