



PUBLIC
AGENCY
RETIREMENT
SERVICES

PARS

TRUSTED SOLUTIONS. LASTING RESULTS.

CALIFORNIA VANPOOL AUTHORITY

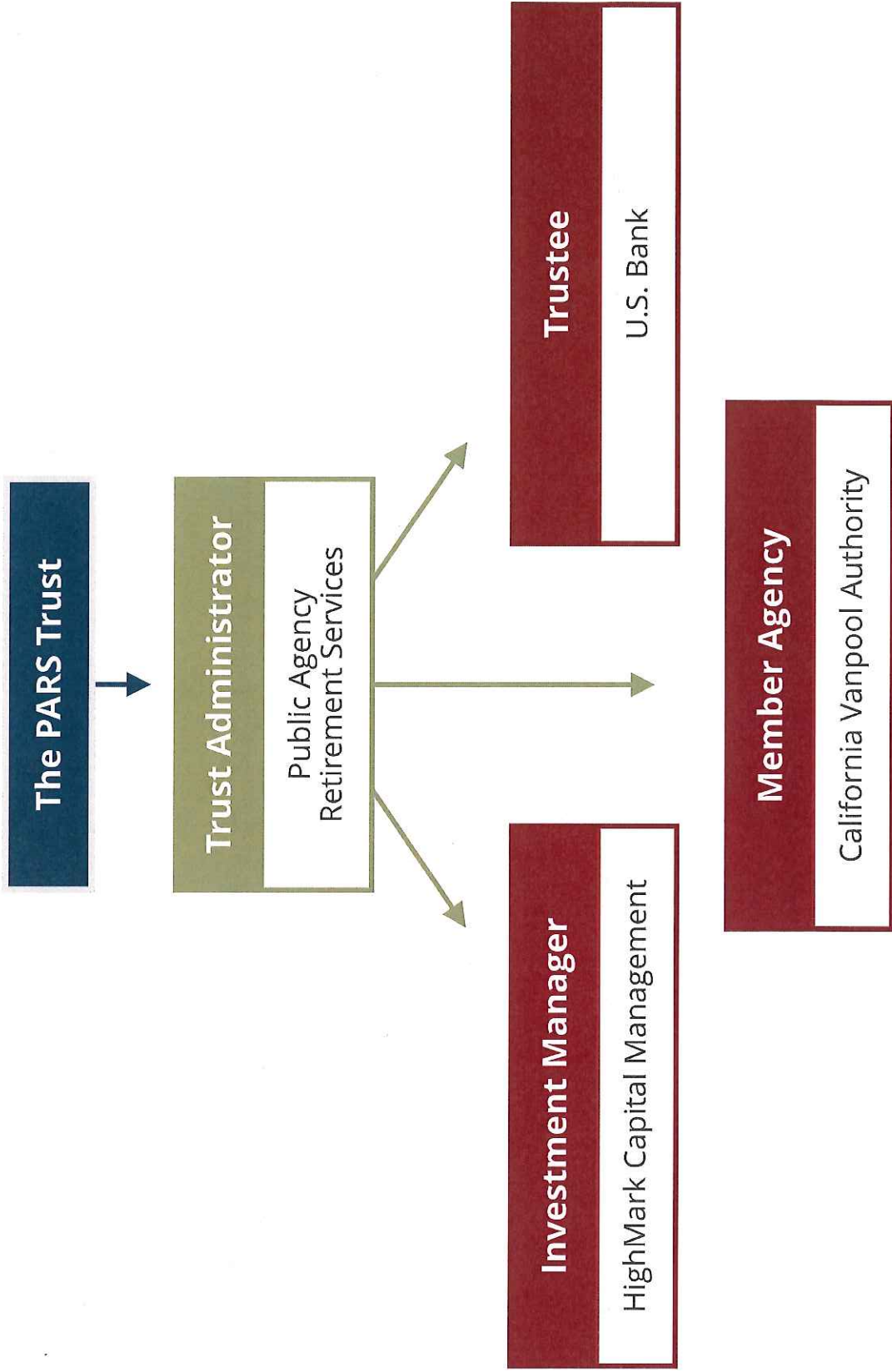
Retirement Enhancement Plan (REP) Client Review

August 15, 2018

ABOUT PARS

- **PARS is Public Agency Retirement Services**
 - Specializes exclusively in consulting and administration services for retirement plans and multiple employer retirement trust programs for special districts and other public agencies
 - Manages all phases of the program from plan design, implementation and ongoing administration
- Over 850 client agencies
- Over 420,000 plan participants
- Over 1,600 retirement plans
- Over \$3.0 billion in assets under administration
- Corporate Headquarters in Orange County

WHO IS IN THE PARS TRUST?



PARS TRUST TEAM



Trust Administrator & Consultant

- Recordkeeping/account valuations
- Monitors contributions
- Processes distributions
- Handles all agency/participant inquiries
- Monitor plan compliance

Trustee

- Safeguards plan assets
- Oversight protection
- Plan fiduciary
- Custodian of assets

Investment Manager

- An investment sub-advisor to U.S. Bank
- Manages plan investments according to established policy
- Uses open architecture
- Active and passive options

Corporate Experience

34 years (1984 – 2018)

155 years (1863 – 2018)

99 years (1919 – 2018)

Plans Under Administration

1,600+ plans, 850+ public agencies, 400,000+ participants

Dollars under Administration

Over \$2.6 billion

Over \$4 trillion

Over \$14.0 billion under management



PARS ADMINISTRATIVE SERVICES

- Fielding Participant and Agency information requests
- Coordinating with PARS Trustee on benefit distributions and tax-reporting (1099s and W2s)
- Preparing monthly and annual Agency statements
- Provide Quarterly Investment Updates
- Coordinating annual audit of PARS Trust by independent CPA firm for purposes of GASB 67/68 reporting
- Preparing annual State Controller's Report
- Assisting Agency with ongoing compliance and qualification issues
- Coordinating actuarial valuations updates with Milliman USA to help comply with California Government Code 7504
- Evaluate annuity purchases for qualified plan

PARS PLANS AND PROGRAMS

COMBO TRUST

1

Pension Rate Stabilization Program

A pension prefunding trust designed specifically to address GASB 68 liabilities on its financial statements and stabilize future costs.

2

OPEB Solutions Program

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

3

Supplemental Defined Contribution Plan

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

4

Alternate Retirement System (ARS)

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

5

Accumulated Leave Plan

a Defined Contribution Solution that reduces leave balances on an annual basis during employment.



SUMMARY OF AGENCY'S PLAN

- Plan Effective Date:** July 1, 2013
- Type of Plan:** 401(a) Tax-Qualified Defined Benefit
- Benefit Level:** 2.0% at 62
- Eligibility:** Full-time Employees on or after 12/26/11
 - 52 years of age
 - 5 years of service
- Employee Contribution:** **9.40%**
(as of the July 1, 2017 valuation)

AGE FACTOR ENHANCEMENT

Age	Age Factor	Age	Age Factor
52	1.000%	60	1.800%
53	1.100%	61	1.900%
54	1.200%	62	2.000%
55	1.300%	63	2.100%
56	1.400%	64	2.200%
57	1.500%	65	2.300%
58	1.600%	66	2.400%
59	1.700%	67+	2.500%

EMPLOYEE DEMOGRAPHICS

	July 1, 2015	July 1, 2017	% Change
Active Participant Count	27	32	18.52%
Retired Participant Count	0	0	n.a.
Valuation Payroll	\$1,215,893	\$1,419,991	16.79%
Average Age	44.0	44.4	0.91%
Average Service	2.8	3.5	25.00%



PLAN FUNDING STATUS

	July 1, 2015 <i>Discount Rate: 7.00%</i>	July 1, 2017 <i>Discount Rate: 6.75%</i>	% Change
Plan Assets	\$673,505	\$1,254,152	86.21%
Actuarial Liability	\$688,641	\$1,236,839	79.61%
Funding Ratio	97.80%	101.40%	3.68%

PENSION COST

	July 1, 2015 Discount Rate: 7.00% Effective: 7/1/2016	July 1, 2017 Discount Rate: 6.75% Effective: 7/1/2018	% Change
Normal Cost	\$116,923 ¹	\$137,335 ²	17.46%
Amortized Unfunded Actuarial Liability (UAAL) ³	\$11,166	\$22,720	103.47%
Total Annual Contribution (ARC)	\$128,089	\$160,055	24.96%
Contribution as a % of Payroll	10.23%	10.94%	6.94%

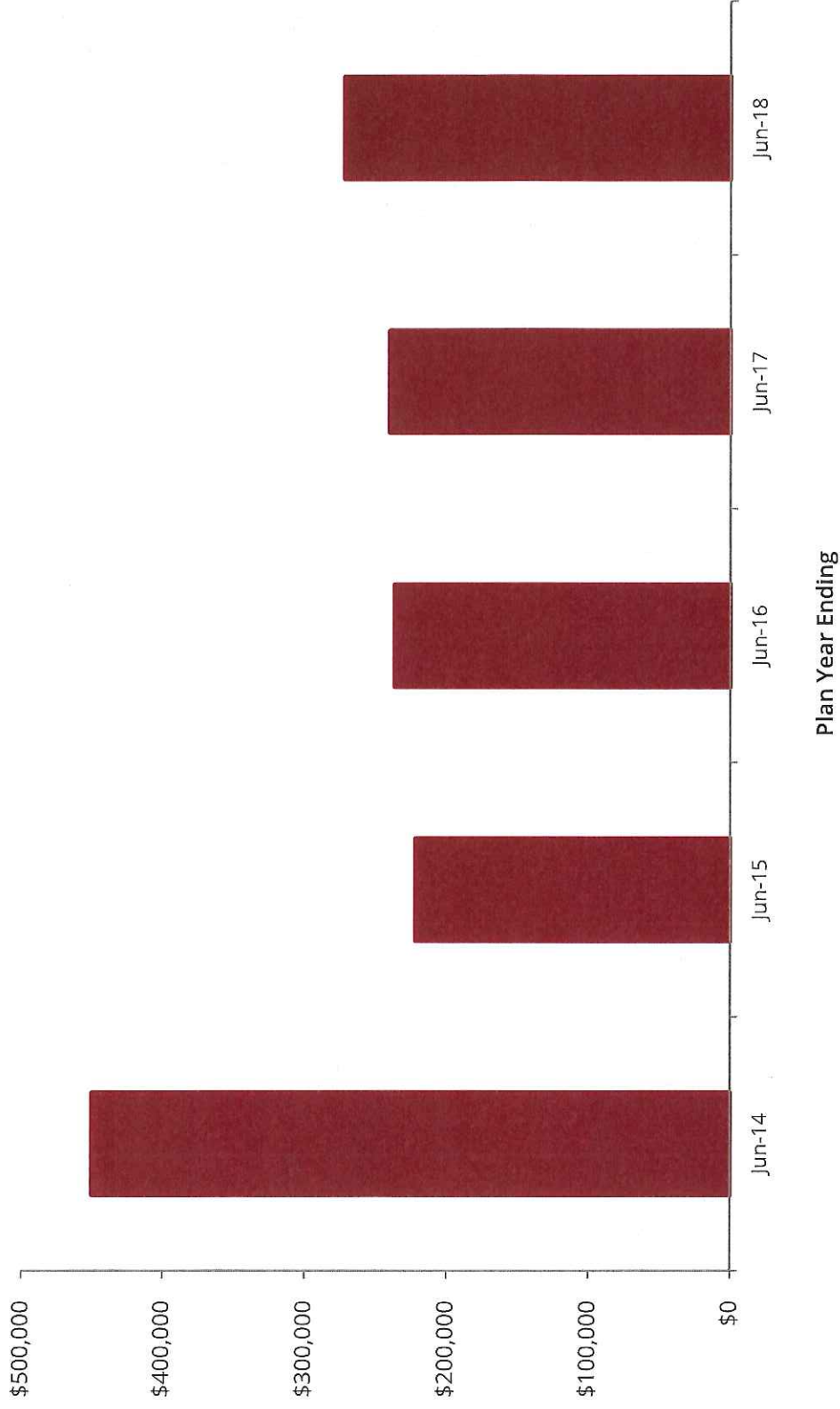
¹Employees contribute **8.56%** of Compensation in addition to the Employer Contribution

²Employees contribute **9.40%** of Compensation in addition to the Employer Contribution

³Based on a 20-yr amortization period from 7/1/2013 (**15** years remaining as of 7/1/2018)

PLAN CONTRIBUTIONS

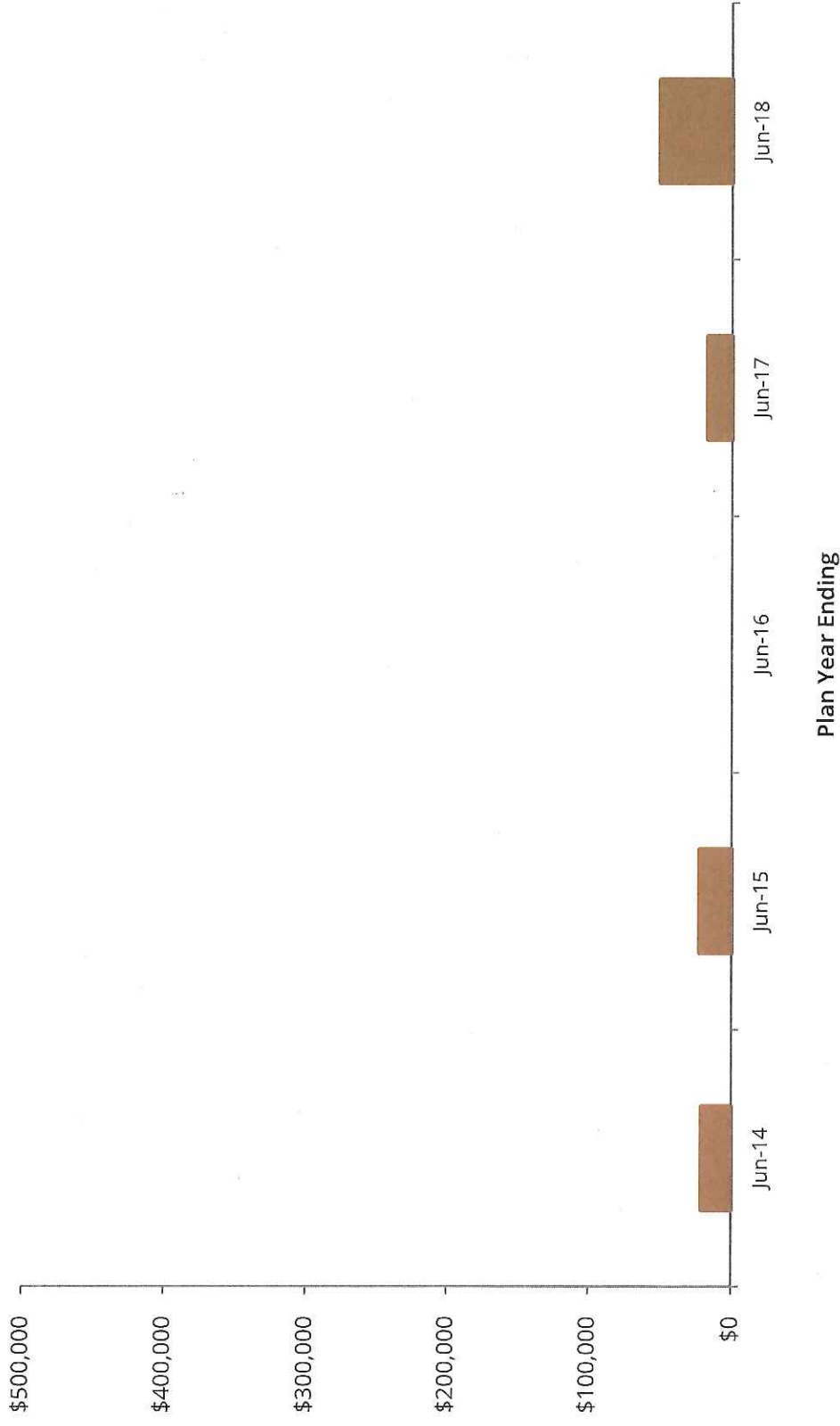
AS OF PLAN YEAR ENDING JUNE 30, 2018:



*Plan Year Ending June 2014 is based on 11 months of activity

PLAN DISTRIBUTIONS

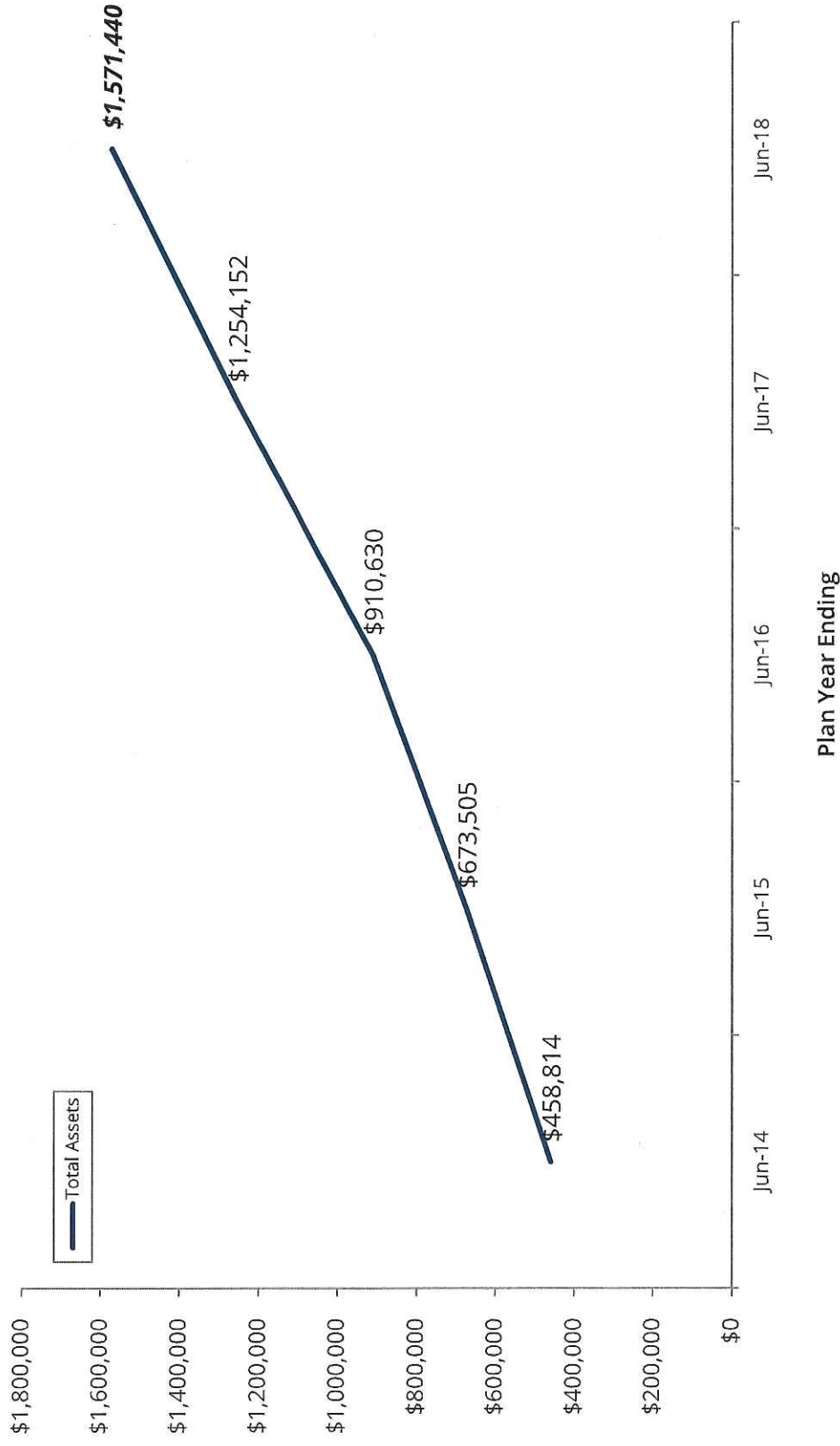
AS OF PLAN YEAR ENDING JUNE 30, 2018:



*Plan Year Ending June 2014 is based on 11 months of activity

PLAN ASSETS

AS OF PLAN YEAR ENDING JUNE 30, 2018:



*Plan Year Ending June 2014 is based on 11 months of activity



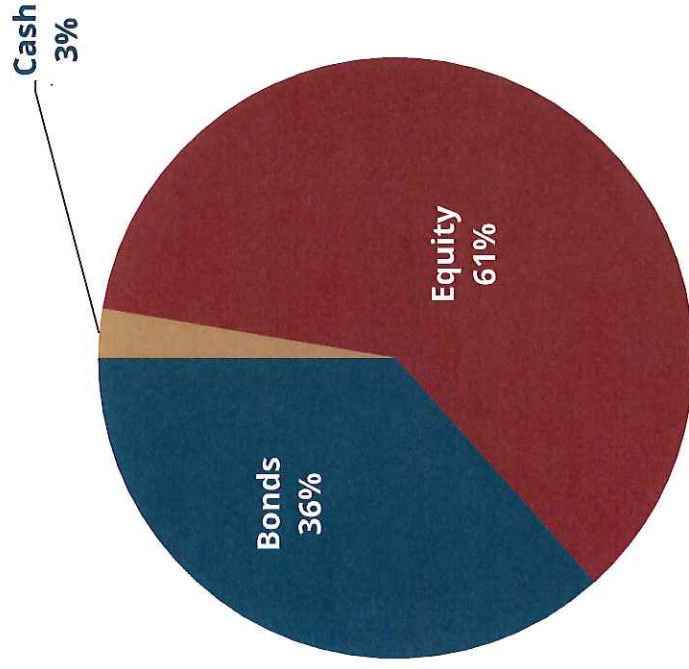
INVESTMENT STRATEGY

- HighMark Capital Management, the PARS Trustee, serves as investment manager and investment fiduciary for plan assets.
- Agency currently utilizes a Balanced HighMark Plus investment strategy (active).
- Asset mix is approximately 60% equities and 40% fixed income
- 2017 valuation assumed a 6.75% discount rate assumption

ASSET ALLOCATION

AS OF JUNE 30, 2018

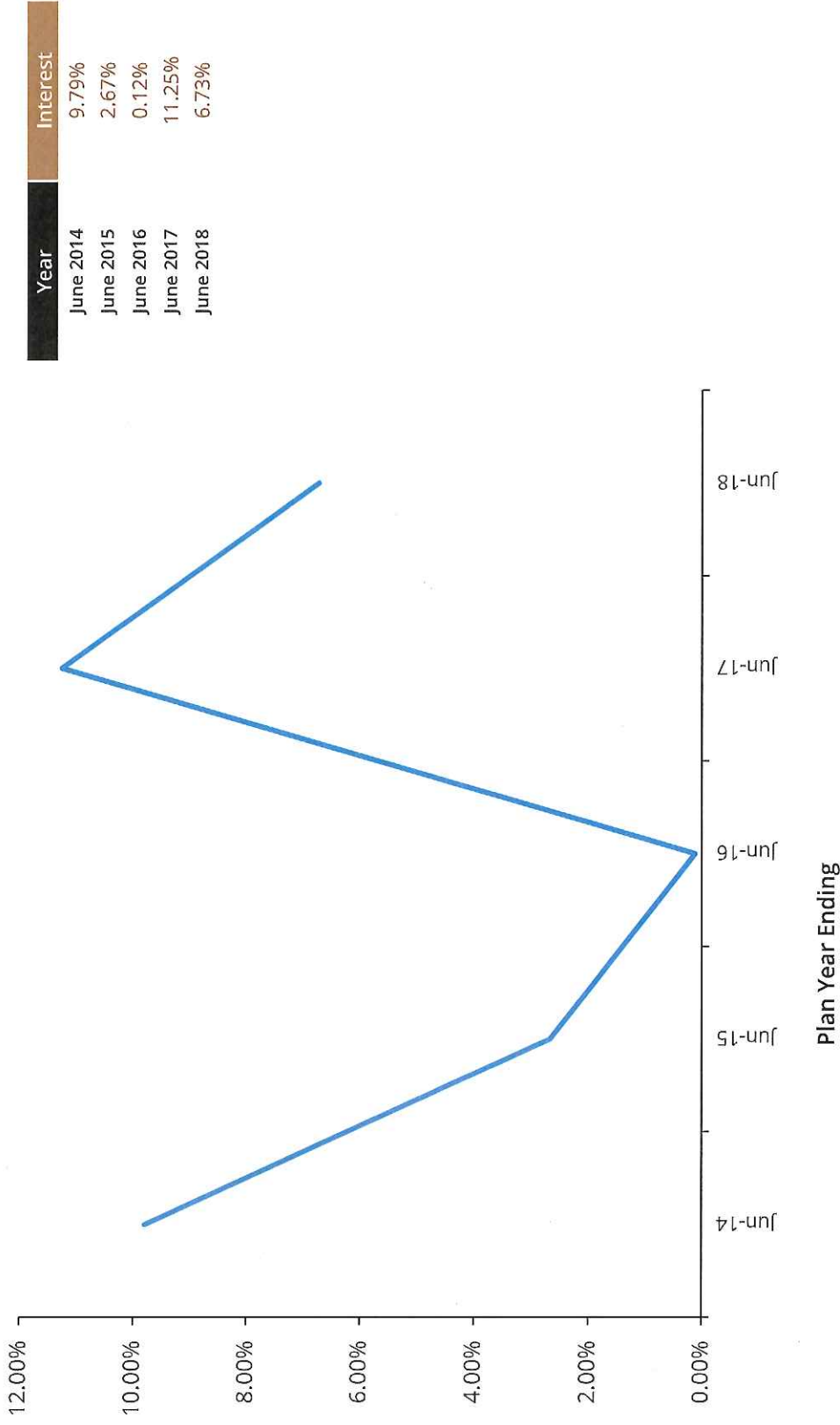
Asset Type	%
Cash	2.65%
U.S. Equity	44.16%
Non-U.S. Equity	14.89%
Bonds (Fixed Income)	36.64%
REITs	1.66%



Balanced Portfolio

PLAN ANNUAL RETURNS

AS OF PLAN YEAR ENDING JUNE 30, 2018:



*Plan Year Ending June 2014 is based on 11 months of activity

HIGHMARK CAPITAL MANAGEMENT RETURNS

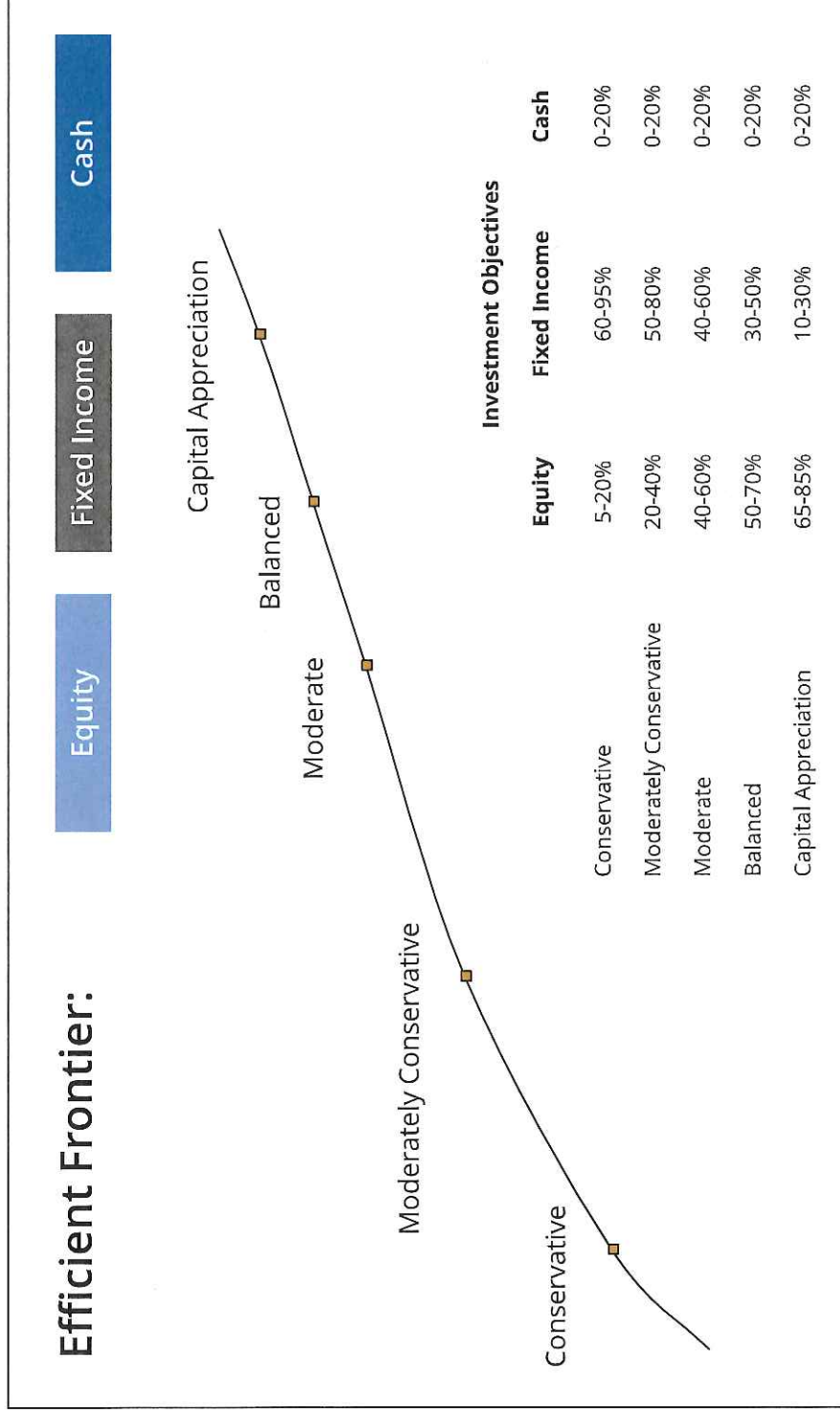
RETURNS AS OF JUNE 30, 2018

	Equity (%)	1 Year	3 Years	5 Years	10 Years
Capital Appreciation	65-85%	9.66%	7.64%	9.00%	--
Balanced	50-70%	7.93%	6.58%	7.47%	6.46%
Moderate	40-60%	6.42%	5.82%	6.59%	6.02%
Moderately Conservative	20-40%	3.80%	4.22%	4.84%	5.16%
Conservative	5-20%	1.88%	3.04%	3.51%	4.29%

* Past performance does not guarantee future results

INVESTMENT STRATEGIES

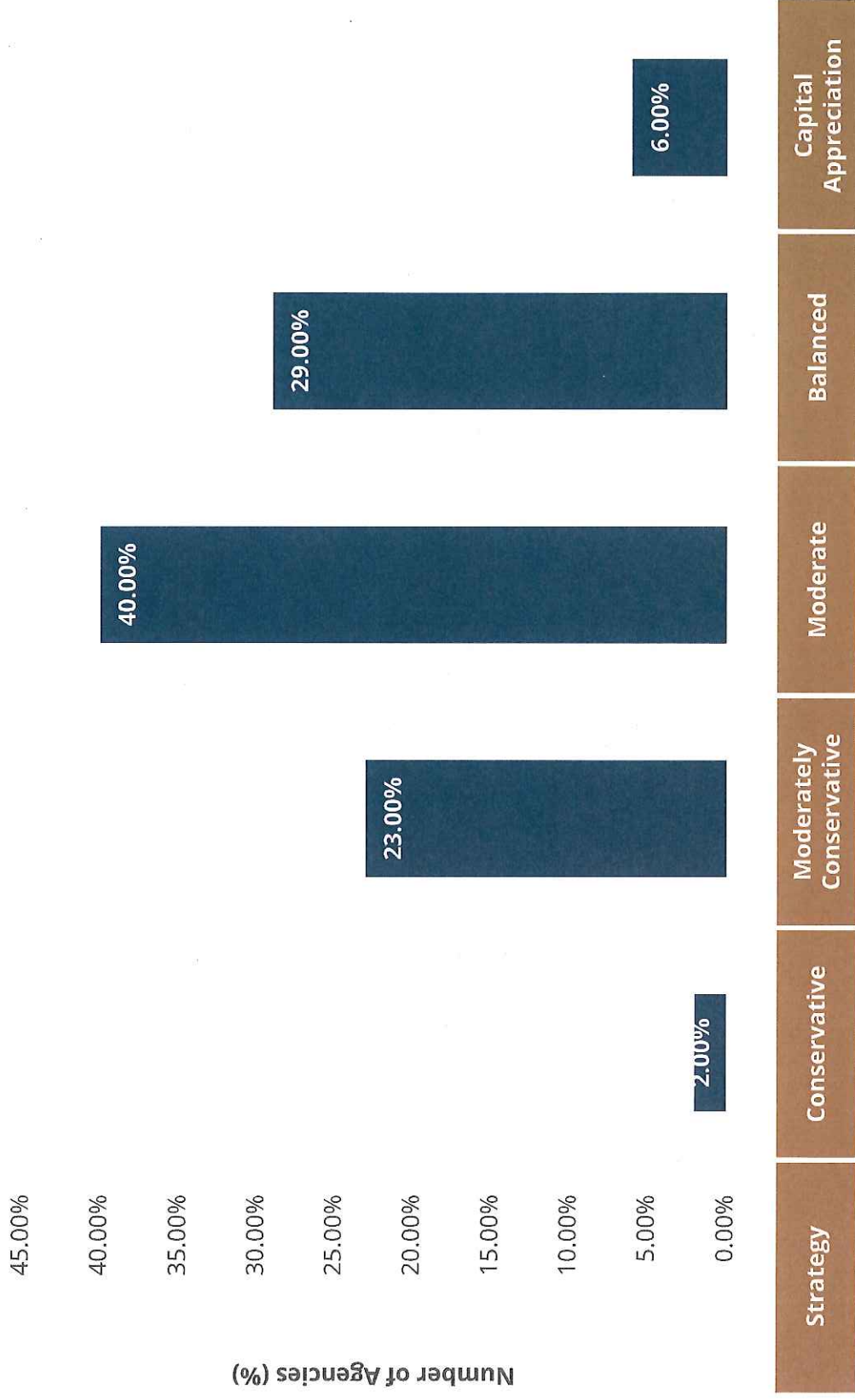
PARS ASSET ALLOCATION STRATEGIES



Expected Model Risk (standard deviation)

DEFINED BENEFIT INVESTMENT STRATEGY

HIGHMARK CAPITAL MANAGEMENT



GASB 67/68 REPORTING

- **To assist our public agency clients with GASB 67/68, PARS will be providing the following:**
 - An individual trust statement of each agency's plan assets that shows a reconciliation of assets held at the beginning of the fiscal year through the end of the fiscal year, breaking out the appropriate plan contributions, benefit payments, expenses, and investment earnings
 - Year-end audited financial statements of the Trust as a whole including Schedule of Changes in Fiduciary Net Position by Employer completed by White Nelson Diehl Evans that is intended to be compliant with GASB 67/68 requirements.
 - Supporting SOC 1-Type 2 report on the controls over the calculation and allocation of additions and deductions to employer accounts within the Trust
 - Investment allocation data and information on investment policies including target asset allocations and allowable asset class allocation ranges
- PARS Auditors have determined that participating plans should be considered an agent multiple-employer defined benefit plan as defined under GASB

CONTACTS

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TRUSTED SOLUTIONS. LASTING RESULTS.

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

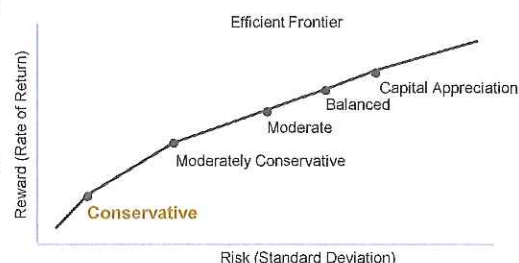
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation 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%	16%
Fixed Income	60 – 95%	80%	78%
Cash	0 – 20%	5%	6%

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

HighMark Plus (Active)

Current Quarter*	0.14%
Blended Benchmark**	0.47%
Year To Date	-0.89%
Blended Benchmark	-0.43%
1 Year	1.88%
Blended Benchmark	1.88%
3 Year	3.04%
Blended Benchmark	2.78%
5 Year	3.51%
Blended Benchmark	3.30%
10 Year	4.29%
Blended Benchmark	3.73%

Index Plus (Passive)

Current Quarter*	0.31%
Blended Benchmark**	0.47%
Year To Date	-0.86%
Blended Benchmark	-0.43%
1 Year	1.48%
Blended Benchmark	1.88%
3 Year	2.65%
Blended Benchmark	2.78%
5 Year	3.18%
Blended Benchmark	3.30%
10 Year	3.77%
Blended Benchmark	3.73%

* 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/Gov't, 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./Gov't, 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/Gov, 40% BC Agg, and 5% Citi 1 Mth T-Bill.

ANNUAL RETURNS

HighMark Plus (Active)		Index Plus (Passive)	
2008	-9.04%	2008	-6.70%
2009	15.59%	2009	10.49%
2010	8.68%	2010	7.67%
2011	2.19%	2011	3.70%
2012	8.45%	2012	6.22%
2013	3.69%	2013	3.40%
2014	3.88%	2014	4.32%
2015	0.29%	2015	0.06%
2016	4.18%	2016	3.75%
2017	6.73%	2017	5.52%

PORTFOLIO FACTS

HighMark Plus (Active)		Index Plus (Passive)	
Inception Data	07/2004	Inception Data	07/2004
No of Funds in Portfolio	18	No of Funds in Portfolio	12

HOLDINGS

HighMark Plus (Active)

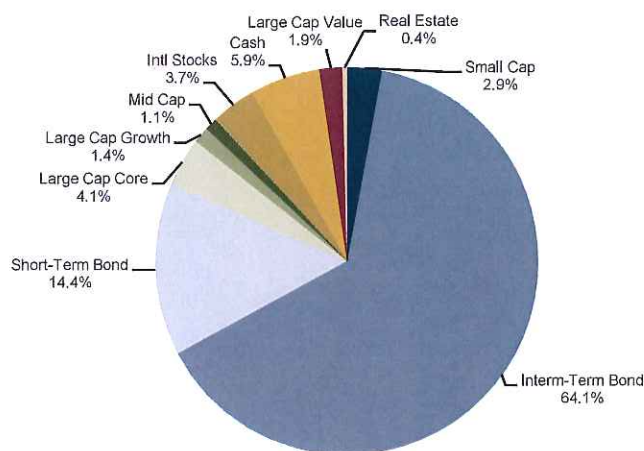
Columbia Contrarian Core Z
 Vanguard Growth & Income Adm
 Dodge & Cox Stock Fund
 Harbor Capital Appreciation
 T. Rowe Price Growth Stock
 iShares Russell Mid-Cap ETF
 Vanguard REIT ETF
 Undiscovered Managers Behavioral Value
 T. Rowe Price New Horizons
 Nationwide Baird International Equities
 Dodge & Cox International Stock
 MFS International Growth I
 Hartford Schroders Emerging Markets Eq
 Vanguard Short-Term Invest-Grade Adm
 PIMCO Total Return
 Prudential Total Return
 DoubleLine Core Fixed Income
 First American Government Obligations Z

Index Plus (Passive)

iShares Core S&P 500 ETF
 iShares S&P 500/Value
 iShares S&P 500/Growth
 iShares Russell Mid-Cap ETF
 Vanguard REIT ETF
 iShares Russell 2000 Value
 iShares Russell 2000 Growth
 iShares MSCI EAFE
 Vanguard FTSE Emerging Markets ETF
 Vanguard Short-Term Invest-Grade Adm
 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: 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 June 30, 2018, 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). Gross returns are presented before management and custodial fees but after all trading expenses and reflect the reinvestment of dividends and other income. 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. 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, and public and private retirement plans. 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

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 800-582-4734

www.highmarkcapital.com

ABOUT THE ADVISER

HighMark® Capital Management, Inc. (HighMark) has nearly 100 years (including predecessor organizations) of institutional money management experience with more than \$7.1 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

Randy Yurchak, CFA®

Senior Portfolio Manager
 Investment Experience: since 2002
 HighMark Tenure: since 2017
 Education: MBA, Arizona State University; BS, University of Washington

Asset Allocation Committee

Number of Members: 16
 Average Years of Experience: 27
 Average Tenure (Years): 14

Manager Review Group

Number of Members: 7
 Average Years of Experience: 18
 Average Tenure (Years): 6

PARS DIVERSIFIED PORTFOLIOS
MODERATELY CONSERVATIVE

Q2 2018

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

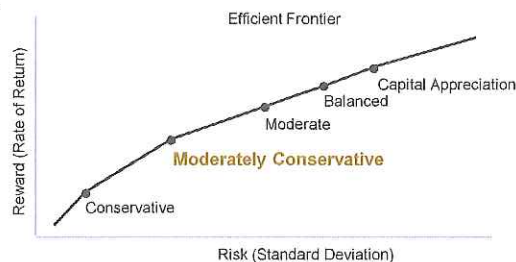
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Risk Management

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.

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%	31%
Fixed Income	50 - 80%	65%	66%
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*	0.46%	Current Quarter*	0.62%
Blended Benchmark**	0.85%	Blended Benchmark**	0.85%
Year To Date	-0.46%	Year To Date	-0.51%
Blended Benchmark	-0.09%	Blended Benchmark	-0.09%
1 Year	3.80%	1 Year	3.23%
Blended Benchmark	3.75%	Blended Benchmark	3.75%
3 Year	4.22%	3 Year	3.96%
Blended Benchmark	4.17%	Blended Benchmark	4.17%
5 Year	4.84%	5 Year	4.62%
Blended Benchmark	4.86%	Blended Benchmark	4.86%
10 Year	5.16%	10 Year	4.70%
Blended Benchmark	4.88%	Blended Benchmark	4.88%

* 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./Gov't, 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%
2017	9.56%	2017	8.08%

PORTFOLIO FACTS

HighMark Plus (Active)		Index Plus (Passive)	
Inception Data	08/2004	Inception Data	05/2005
No of Funds in Portfolio	18	No of Funds in Portfolio	12

HOLDINGS

HighMark Plus (Active)

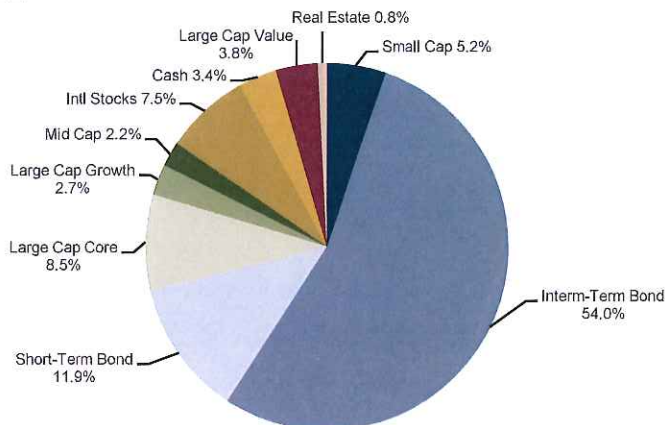
Columbia Contrarian Core Z
 Vanguard Growth & Income Adm
 Dodge & Cox Stock Fund
 Harbor Capital Appreciation
 T. Rowe Price Growth Stock
 iShares Russell Mid-Cap ETF
 Vanguard REIT ETF
 Undiscovered Managers Behavioral Value
 T. Rowe Price New Horizons
 Nationwide Baird International Equities
 Dodge & Cox International Stock
 MFS International Growth I
 Hartford Schroders Emerging Markets Eq
 Vanguard Short-Term Invest-Grade Adm
 PIMCO Total Return
 Prudential Total Return
 DoubleLine Core Fixed Income
 First American Government Obligations Z

Index Plus (Passive)

iShares Core S&P 500 ETF
 iShares S&P 500/Value
 iShares S&P 500/Growth
 iShares Russell Mid-Cap ETF
 Vanguard REIT ETF
 iShares Russell 2000 Value
 iShares Russell 2000 Growth
 iShares MSCI EAFE
 Vanguard FTSE Emerging Markets ETF
 Vanguard Short-Term Invest-Grade Adm
 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: 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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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.

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Asset Allocation Committee

Number of Members: 16
 Average Years of Experience: 27
 Average Tenure (Years): 14

Manager Review Group

Number of Members: 7
 Average Years of Experience: 18
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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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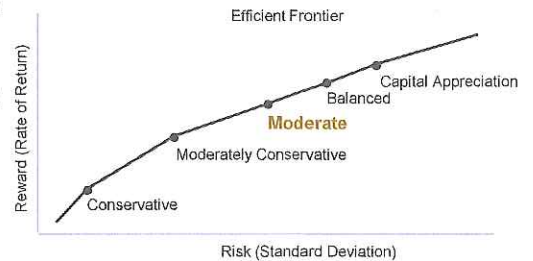
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Risk Management

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. 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%	51%
Fixed Income	40 - 60%	45%	46%
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*	1.01%	Current Quarter*	1.13%
Blended Benchmark**	1.45%	Blended Benchmark**	1.45%
Year To Date	0.27%	Year To Date	0.09%
Blended Benchmark	0.60%	Blended Benchmark	0.60%
1 Year	6.42%	1 Year	5.77%
Blended Benchmark	6.40%	Blended Benchmark	6.40%
3 Year	5.82%	3 Year	5.56%
Blended Benchmark	5.96%	Blended Benchmark	5.96%
5 Year	6.59%	5 Year	6.36%
Blended Benchmark	6.84%	Blended Benchmark	6.84%
10 Year	6.02%	10 Year	5.98%
Blended Benchmark	6.18%	Blended Benchmark	6.18%

* 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/Govt, 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/Govt, 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%
2017	13.19%	2017	11.59%

PORTFOLIO FACTS

HighMark Plus (Active)		Index Plus (Passive)	
Inception Data	10/2004	Inception Data	05/2006
No of Funds in Portfolio	18	No of Funds in Portfolio	12

HOLDINGS

HighMark Plus (Active)

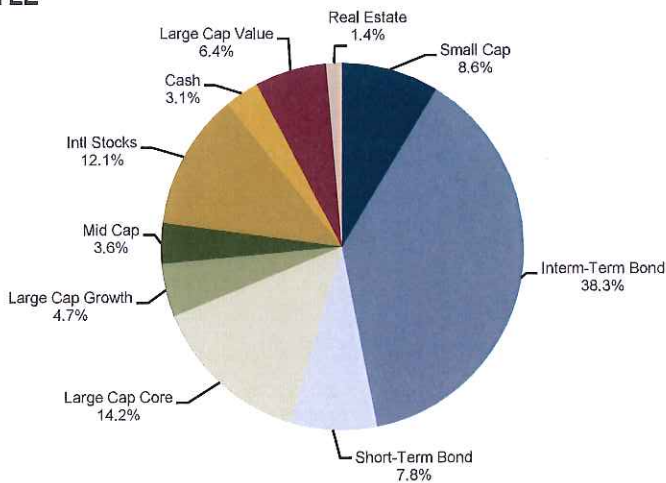
Columbia Contrarian Core Z
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 Dodge & Cox Stock Fund
 Harbor Capital Appreciation
 T. Rowe Price Growth Stock
 iShares Russell Mid-Cap ETF
 Vanguard REIT ETF
 Undiscovered Managers Behavioral Value
 T. Rowe Price New Horizons
 Nationwide Baird International Equities
 Dodge & Cox International Stock
 MFS International Growth I
 Hartford Schroders Emerging Markets Eq
 Vanguard Short-Term Invest-Grade Adm
 PIMCO Total Return
 Prudential Total Return
 DoubleLine Core Fixed Income
 First American Government Obligations Z

Index Plus (Passive)

iShares Core S&P 500 ETF
 iShares S&P 500/Value
 iShares S&P 500/Growth
 iShares Russell Mid-Cap ETF
 Vanguard REIT ETF
 iShares Russell 2000 Value
 iShares Russell 2000 Growth
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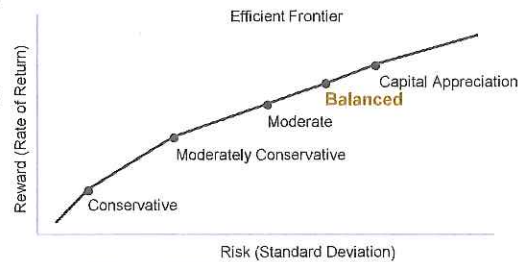
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INVESTMENT OBJECTIVE

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%	61%
Fixed Income	30 – 50%	35%	36%
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*	1.28%	Current Quarter*	1.32%
Blended Benchmark**	1.74%	Blended Benchmark**	1.74%
Year To Date	0.66%	Year To Date	0.27%
Blended Benchmark	0.92%	Blended Benchmark	0.92%
1 Year	7.93%	1 Year	6.93%
Blended Benchmark	7.75%	Blended Benchmark	7.75%
3 Year	6.58%	3 Year	6.35%
Blended Benchmark	6.85%	Blended Benchmark	6.85%
5 Year	7.47%	5 Year	7.25%
Blended Benchmark	7.84%	Blended Benchmark	7.84%
10 Year	6.46%	10 Year	6.41%
Blended Benchmark	6.88%	Blended Benchmark	6.88%

* 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/Govt, 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/Govt, 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%
2017	15.46%	2017	13.39%

PORTFOLIO FACTS

HighMark Plus (Active)		Index Plus (Passive)	
Inception Data	10/2006	Inception Data	10/2007
No of Funds in Portfolio	18	No of Funds in Portfolio	12

HOLDINGS

HighMark Plus (Active)

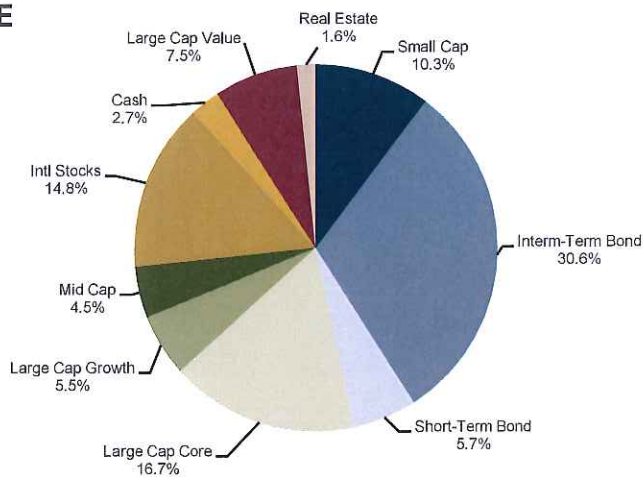
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 Harbor Capital Appreciation
 T. Rowe Price Growth Stock
 iShares Russell Mid-Cap ETF
 Vanguard REIT ETF
 Undiscovered Managers Behavioral Value
 T. Rowe Price New Horizons
 Nationwide Baird International Equities
 Dodge & Cox International Stock
 MFS International Growth I
 Hartford Schroders Emerging Markets Eq
 Vanguard Short-Term Invest-Grade Adm
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PARS DIVERSIFIED PORTFOLIOS
CAPITAL APPRECIATION

Q2 2018

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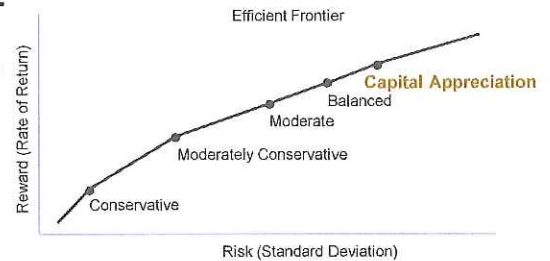
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INVESTMENT OBJECTIVE

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%	76%
Fixed Income	10 - 30%	20%	22%
Cash	0 - 20%	5%	2%

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

Current Quarter*	1.61%
Blended Benchmark**	2.03%
Year To Date	1.22%
Blended Benchmark	1.26%
1 Year	9.66%
Blended Benchmark	9.65%
3 Year	7.64%
Blended Benchmark	8.04%
5 Year	9.00%
Blended Benchmark	9.19%
Inception to Date (114-Mos.)	10.44%
Blended Benchmark	11.14%

* 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%
2017	16.72%

PORTFOLIO FACTS

HighMark Plus (Active)		Index Plus (Passive)	
Inception Data	01/2009	Inception Data	N/A
No of Funds in Portfolio	18	No of Funds in Portfolio	12

HOLDINGS

HighMark Plus (Active)

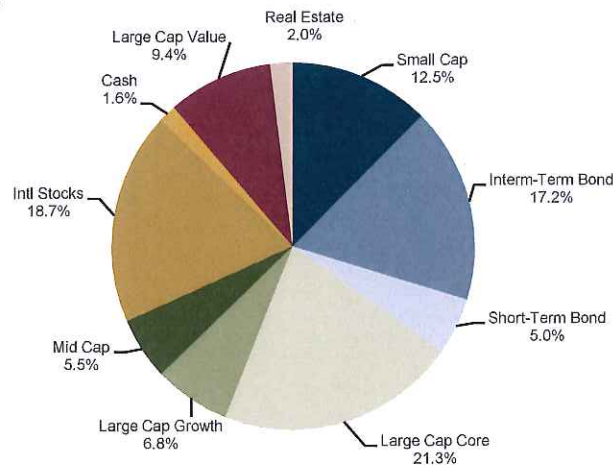
Columbia Contrarian Core Z
 Vanguard Growth & Income Adm
 Dodge & Cox Stock Fund
 Harbor Capital Appreciation
 T. Rowe Price Growth Stock
 iShares Russell Mid-Cap ETF
 Vanguard REIT ETF
 Undiscovered Managers Behavioral Value
 T. Rowe Price New Horizons
 Nationwide Baird International Equities
 Dodge & Cox International Stock
 MFS International Growth I
 Hartford Schroders Emerging Markets Eq
 Vanguard Short-Term Invest-Grade Adm
 PIMCO Total Return
 Prudential Total Return
 DoubleLine Core.Fixed Income
 First American Government Obligations Z

Index Plus (Passive)

iShares Core S&P 500 ETF
 iShares S&P 500/Value
 iShares S&P 500/Growth
 iShares Russell Mid-Cap ETF
 Vanguard REIT ETF
 iShares Russell 2000 Value
 iShares Russell 2000 Growth
 iShares MSCI EAFE
 Vanguard FTSE Emerging Markets ETF
 Vanguard Short-Term Invest-Grade Adm
 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: Composites are managed by HighMark's HighMark Capital Advisors (HCA) with full investment authority according to the PARS Capital Appreciation 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 June 30, 2018, 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). Gross returns are presented before management and custodial fees but after all trading expenses and reflect the reinvestment of dividends and other income. 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. 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, and public and private retirement plans. 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

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ABOUT THE ADVISER

HighMark® Capital Management, Inc. (HighMark) has nearly 100 years (including predecessor organizations) of institutional money management experience with more than \$7.1 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

Randy Yurchak, CFA®

Senior Portfolio Manager
 Investment Experience: since 2002
 HighMark Tenure: since 2017
 Education: MBA, Arizona State University; BS, University of Washington

Asset Allocation Committee

Number of Members: 16
 Average Years of Experience: 27
 Average Tenure (Years): 14

Manager Review Group

Number of Members: 7
 Average Years of Experience: 18
 Average Tenure (Years): 6