



A HUB International Company

Section 115 Trust for OPEB Prefunding Portfolio & Fee Review

City of El Segundo





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Agenda

Fiduciary Responsibilities



Powers and Duties Common To Cities, Counties And Other Agencies

CA GOVT CODE §53600.3.

All governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard.

When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

Shuster Advisory Group



Background

- For over 30 years, Shuster, and its prior affiliates have provided retirement plan consulting to both corporate and public sector plans.
- Recognizing a gap in quality and independent advisory services in the public sector over a decade ago, Shuster entered the sector in 2013.
- Since our first public sector client engagement in 2015, we have onboarded over 100 new agency clients, encompassing over 225 public agency plans. Currently, we serve as the adviser for more than 250 qualified retirement plans.
- Our comprehensive plan audit, RFP process and investment advisory services have resulted in significant cost reductions and improved safety of principal options for plan participants.
- Unwavering focus on delivering state-of-the-art, low cost and compliant retirement plans to our plan sponsor customers and their employees.

Shuster Advisory Group

- SEC-Registered Investment Advisor w/ \$10.5B+ in assets under management / advisement
- Fiduciary to plan investments
- Must act in the best interest of the plan and participants as a whole
- Provides ongoing investment management, plan level and participant services
- Reduces plan and investment fees that employees are charged
- Independent/non-proprietary



Plan Consulting Services

Defined Contribution

- 457(b)
- 457(f)
- 401(a)
- 401(k)
- 403(b)
- 415(m)
- PT-OBRA/ Social Security Alternative

Retiree Medical Reimbursement

Pension

- Defined Benefit
- Cash Balance
- Supplemental Defined Benefit

Future Liability Prefunding (115 Trust)

- Pension
- OPEB

Operating Reserves/Cash Accounts

- Cash Management
- Bonds
- Pooled Cash
- CD's



Cities and Public Agencies We Proudly Serve



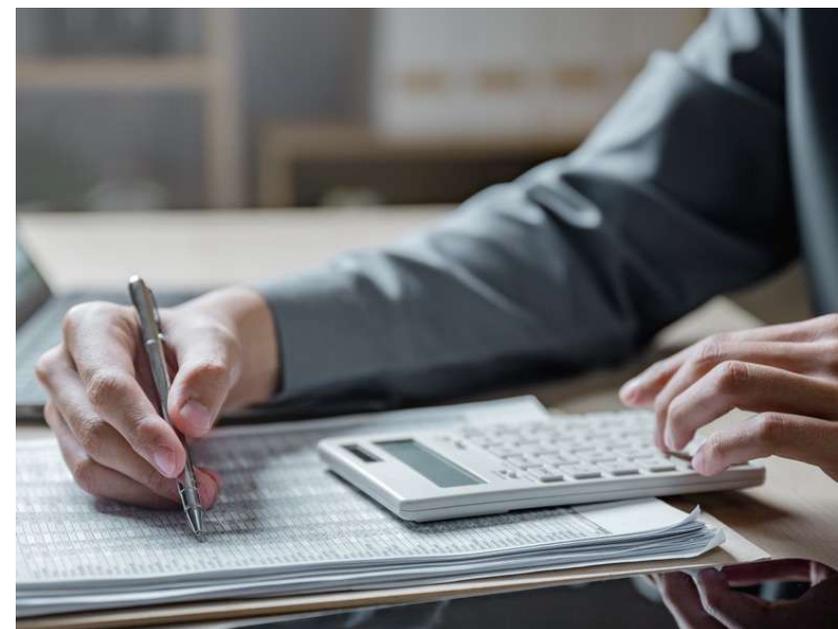
American Canyon	Fullerton	Antelope Valley Medical Center	Los Gatos	Rancho Palos Verdes
Arcadia	Gardena	Chino Valley Fire District	Manhattan Beach	Redlands
Artesia	Glendora	Conejo Recreation & Park District (CRPD)	Montebello	Rialto
Azusa	Hemet	County Commissioners' Association of Ohio (CCAO)	Monterey Park	Riverside
Baldwin Park	Hermosa Beach	County of Modoc	Moraga	San Bernardino
Bell	Hesperia	First Public Hydrogen Authority	Moreno Valley	San Dimas
Bell Gardens	Huntington Park	Hesperia Fire Protection District	Morgan Hill	San Fernando
Bellflower	Indian Wells	Hesperia Water District	Norwalk	San Juan Capistrano
Beverly Hills	Inglewood	Madera Irrigation District	Oakley	San Pablo
Canyon Lake	Jurupa Valley	Midway City Sanitation District	Ontario	Santa Fe Springs
Carson	Laguna Hills	Mountains Recreation & Conservation Authority (MRCA)	Orange	Sebastopol
Cathedral City	La Mirada	Ohio County Employees Retirement Plan (OCERP)	Oxnard	Scotts Valley
Chino	La Palma	Ontario International Airport Authority	Palmdale	Signal Hill
Claremont	La Quinta	Orange County Fire Authority (OCFA)	Palm Desert	South Gate
Clovis	La Verne	Regional Center of the East Bay	Palo Alto	Stanton
Colton	Lafayette	San Bernardino Water District	Perris	Stockton
Commerce	Lakeport	South Bay Regional Public Communications Authority	Pico Rivera	Temecula
Covina	Lakewood	Three Valleys Municipal Water District	Pismo Beach	Union City
Downey	Lancaster	Trinity County Waterworks	Placentia	Upland
Eastvale	Lomita	Valley-Wide Recreation & Park District	Pleasant Hill	Vernon
El Segundo	Lompoc	West Valley Water District	Rancho Cordova	Walnut
Emeryville	Los Altos		Rancho Mirage	Whittier
Fontana				Wildomar

115 Trust Overview



What is a Section 115 Trust?

- Authorized by the Internal Revenue Code
- Allows for the segregation of funds from general assets
- Integral-Part Trust
- Used for funding essential government functions - *Pension funding and post-employment obligations are considered essential*
 - Considered a best practice by the Government Finance Officers Association (GFOA)
- The Trust is irrevocably committed to the specific government/district function - *Assets cannot be diverted*



Why Use a Section 115 Trust?

Uses of the Trust

- Prefund pension contribution liabilities
- Prefund OPEB benefit liabilities
- Used as a budget stabilization tool



Benefits

- **Non-taxable:** Investment earnings are non-taxable
- **Flexible:** Investment restrictions applicable to the general fund do not apply - *Allows for use of relatively higher discount rate*
- **Investment Growth:** Allows for investment growth under the Town's chosen strategy
- **Liquidity & Budget Stability:** Assets can be accessed in years of budgetary stress to smooth contributions
- **Demonstrated Fiscal Discipline:** Considered a best practice by the Government Finance Officers Association (GFOA). IRS approval not required and no annual IRS filings.
- **Offset OPEB Liability:** For GASB 75 reporting, the OPEB liability is reported net of Trust assets. Pension 115 Trusts are reported as a fiduciary fund.

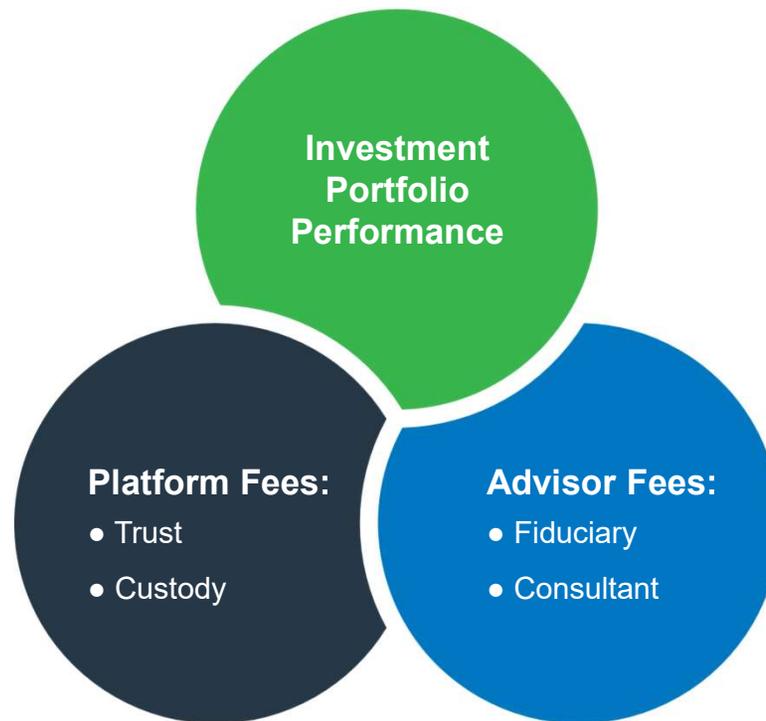
115 Trust Components

- Agency authorization to participate in the Trust and authorized signers
- Documents
 - Trust Document and Adoption Agreement (for Multiple Employer Trusts)
 - Administrative Services Agreement
 - Investment Fiduciary Agreement
 - Investment Policy Statement
- Investment Portfolio
- 115 Trust Roles
 - Administrator
 - Investment Advisor/Fiduciary
 - Directed Trustee
 - Custodian

Note: Independent actuarial annual valuation of assets required



Financial Components



Key Capabilities for Cities and Agencies

- Investment ***Fiduciary***
- Consolidated full ***fee transparency***
- Customizable investment portfolios
- Individual Accounts (***assets are not pooled***)
- ***Daily valuation*** and account access
- Custom reporting
- Low cost
- Local dedicated ***service team***
- Direct access to Portfolio Management team
- Private equity/debt (optional)
- ***GASB compliant*** reporting
- Compliant with Internal Revenue Code Section 115



115 Trust Program



Trust Administrator, Consultant & Investment Advisor

- Program Coordinator
- Trust Administrator
- Plan Consultant
- Independent and Non-Proprietary
- \$10.5B+ in Assets Under Management/Advisement
- Discretionary Independent Investment Advisor & Fiduciary
- Investment Policy Assistance
- Federal and State Compliance Monitoring
- Ongoing Trust Management
- White Glove Client Support

charles SCHWAB

Custodian

- Safekeeping of Assets
- Trade Processing
- Reporting
- Paying Agent
- \$390.8B in Fiduciary Assets
- \$11.83T in Total Client Assets (11/30/2025)



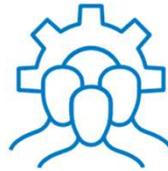
Directed Trustee

- Schwab Trust Partner for over a decade
- Federal and State Compliance Monitoring
- Supervises the selection, monitoring and management of plan assets
- Subject to direction of investment fiduciary
- Turn-Key Trust Services

Unique Program Benefits vs. CalPERS



**Individual Accounts
(not pooled!)**



**Local, Dedicated
Service Team**



**Flexible, Qualified
Distribution Timing**



**Custom Investment
Policy Statements (IPS)**



**Mutual Indemnification
Language**



**Consolidated Fee
Transparency**

Unique Program Benefits vs. CalPERS



**Customizable
Portfolios**



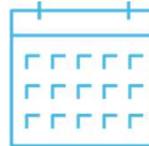
**10 Base Portfolio
Models with Custom
Options Available**



**Active/Passive Blend
or Fully Passive**



**Access to Investment
Management Team**



**Termination, Trustee-to-
Trustee Transfer within
60 Days**



**30-day Notice, Council
Approved Resolution
Daily Transfers***

Portfolio Comparison



Our Investment Process

Client Financial Analysis	<p>We start by learning all about your needs and objectives.</p>
Efficient Portfolio Construction	<p>We base asset class weightings in each strategy on the interplay between credit risk, interest rate risk, and equity risk.</p> <p>Credit spreads are analyzed against historic levels and we make allocations formulated on relative valuations.</p> <p>We evaluate monetary policy and interest rate projections to optimally allocate amongst fixed income investments.</p> <p>Interest rate risk is factored in to provide a cushion in case of extreme economic deterioration and equity market declines.</p> <p>We use relative values of each equity asset class (domestic, small cap, large cap, international, specialty) to determine equity allocations.</p>
Investment Selection	<p>Based on your portfolio construction strategy, we analyze qualitative and quantitative factors to select individual investments.</p>
Portfolio Rebalancing	<p>Each quarter we repeat the portfolio construction and investment selection process taking current economic indicators into account.</p>
Regular Reviews	<p>We meet with you to review economic forecasts, investment results, and your goals to decide if portfolio changes are required.</p>

115 Trust Investment Portfolio Options



All OPEB and Pension Stabilization portfolios are fully customizable

11 base portfolios are offered

Individual Portfolios

Base portfolio options (active/passive blend)

1. All Fixed - 0/100%
2. Conservative - 10/90%
3. Conservative - 20/80%
4. Moderate Conservative - 30/70%
5. Moderate - 40/60%
6. Balance - 50/50%
7. Moderate Growth - 60/40%
8. Moderate Aggressive - 70/30%
9. Growth - 80/20%
10. Aggressive - 90/10%
11. All Equity - 100/0%

CalPERS

Index only no customization available
3 options for CERBT (OPEB)
2 options for CEPPT (Pension Prefunding)

Pooled Portfolios

CERBT (OPEB):

1. Strategy 1 - 70/30%
2. Strategy 2 - 50/50%
3. Strategy 3 - 40/60%

CEPPT (Pension):

1. Strategy 1 - 50/50%
2. Strategy 2 - 30/70%

Institutional Portfolio Structures

ENDOWMENTS

- Vanguard
- Fidelity
- BlackRock
- T. Rowe Price
- State Street
- PIMCO
- JPMorgan
- Morgan Stanley
- Capital Group
- Other Public Managers
- Apollo
- Blackstone
- Blue Owl
- Carlyle
- Cliffwater
- KKR
- Partners Group
- Oaktree
- Ares
- Other Private Managers

CALPERS PENSION (PERF)*

- Vanguard
- Fidelity
- BlackRock
- T. Rowe Price
- State Street
- PIMCO
- JPMorgan
- Morgan Stanley
- Capital Group
- Other Public Managers
- Apollo
- Blackstone
- Blue Owl
- Carlyle
- Cliffwater
- KKR
- Partners Group
- Oaktree
- Ares
- Other Private Managers

SHUSTER 115 TRUST

- Vanguard
- Fidelity
- BlackRock
- T. Rowe Price
- State Street
- PIMCO
- JPMorgan
- Morgan Stanley
- Capital Group
- Other Public Managers
- Apollo
- Blackstone
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- Other Private Managers

CALPERS 115 TRUST (CERBT/CEPPT)

- State Street

* CalPERS PERF investments are managed by the CalPERS Investment Office under the direction of the CalPERS Board of Administration. The portfolio is broadly diversified across public equities, fixed income, private equity, real assets, and liquidity, and is managed in line with the System's strategic asset allocation, fiduciary standards, and long-term objectives. While CalPERS hires external investment managers, the specific managers selected and their mandates are not publicly disclosed.

Institutional Portfolios – UC Universities*

Campus	US Equity	Non-US Equity	Global Equity	US Fixed Income	Non-US Fixed Income	Absolute Return	Real Assets	Real Estate	Private Equity	Private Credit	Other	Cash Equiv.
Regents' GEP	13.3%	1.9%	32.4%	7.5%	0.0%	3.9%	2.6%	12.4%	21.1%	4.2%	0.0%	0.7%
Blue & Gold	86.0%	0.0%	14.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Berkeley	11.0%	12.3%	16.2%	3.4%	0.0%	17.2%	1.9%	3.8%	23.9%	0.0%	4.9%	5.4%
Davis	27.4%	7.6%	3.5%	6.1%	0.0%	3.2%	4.2%	11.3%	29.6%	4.0%	0.0%	3.1%
Irvine	18.4%	11.5%	18.1%	12.1%	0.0%	10.5%	6.0%	0.0%	19.0%	4.0%	0.0%	0.4%
Los Angeles	0.0%	0.0%	38.0%	4.7%	0.0%	20.6%	7.4%	6.6%	21.7%	0.0%	0.2%	0.8%
Merced	13.3%	1.9%	32.4%	7.5%	0.0%	3.9%	2.6%	12.4%	21.1%	4.2%	0.0%	0.7%
Riverside	13.3%	1.8%	32.0%	7.5%	0.0%	3.8%	2.6%	12.3%	21.6%	4.2%	0.0%	0.9%
San Diego	31.3%	0.0%	32.5%	5.2%	0.0%	2.7%	1.8%	8.7%	14.4%	2.9%	0.0%	0.5%
San Francisco	0.0%	0.0%	26.8%	0.0%	0.0%	20.6%	0.0%	3.0%	34.3%	5.4%	0.0%	9.9%
Santa Barbara	12.9%	1.8%	31.1%	7.3%	0.0%	3.7%	2.5%	11.9%	21.1%	4.0%	0.0%	3.6%
Santa Cruz	13.3%	1.9%	32.4%	7.5%	0.0%	3.9%	2.6%	12.4%	21.1%	4.2%	0.0%	0.7%

* Based upon data publicly available. Data as of fiscal year end 6/30/2024.

Pricing Comparison



Service Provider Fee Comparison

Pension Stabilization

Pension Stabilization Assets as of 1/14/26: \$7,184,728

Service	Previous PARS Program	Current Shuster Program
Administration	PARS ⁴ 0.25%	Shuster Advisory Group, LLC 0.05% ¹
Custody	US Bank ⁵ 0.32%	Charles Schwab Trust Bank 0.01% ²
Trustee		Alta Trust 0.02% ³
Investment Management	HighMark	Shuster Advisory Group, LLC 0.22%
Administrative Costs	Total 0.57%	Total 0.30%

1 - Shuster Administration Fees will convert to a flat dollar fee after the end of contract year-3 based on the highest year-end balance of the first 3 contract years.

2 - Transaction fees may apply and are disclosed in the Schwab fee schedule. Schwab fee is 0.01% and annual minimum is \$400 per plan.

3 - Alta Trust fee is 0.02% and has an annual maximum of \$5,000 per plan.

4 - Based on PARS Administrative Services Agreement provided by City.

5 - Based on PARS Discretionary Trustee/Investment Management Fee Schedule provided by City.

PARS Trust Administration Fees (Per Annum)

For Plan Assets from:	Fee
\$0 - \$10,000,000	0.25%
\$10,000,001 - \$15,000,000	0.20%
\$15,000,001 - \$50,000,000	0.15%
\$50,000,001 and above	0.10%

Discretionary Trustee Fees (Per Annum)

For Plan Assets from:	Fee
\$0 - \$5,000,000	0.35%
\$5,000,001 - \$10,000,000	0.25%
\$10,000,001 - \$15,000,000	0.20%
\$15,000,001 - \$50,000,000	0.15%
\$50,000,001 and above	0.10%

Fees are annualized based on 1/14/26 assets. The fees shown above are estimates based on documents provided by City and available market data and are summarized for simplification and presentation purposes only. Actual fees may be determined by auditing all account statements and service contracts. Any variance in fees is purely accidental.

Service Provider Fee Comparison

OPEB and Pension Stabilization

OPEB Assets as of 3/31/25: \$35,610,345
Pension Stabilization Assets as of 1/14/26: \$7,184,728
 Total Assets : \$42,795,073

Service	Previous PARS (Pension Stab.) Program	Current CERBT (OPEB) Program	Shuster Program (OPEB & Pension Stabilization)
Administration	PARS ¹ 0.25%	CalPERS ¹ 0.05%	Shuster Advisory Group, LLC 0.01% ²
Custody	US Bank 0.32%		Charles Schwab Trust Bank 0.01% ³
Trustee			Alta Trust 0.015% ⁴
Investment Management	HighMark		Shuster Advisory Group, LLC 0.085%
Administrative Costs	Total 0.57%	Total 0.05%	Total 0.12%

Blended Total: 0.135%

1 - Fees are calculated based on the expenses reported on the PARS Administrative Services Agreement, PARS Discretionary Trustee/Investment Management Fee Schedule, and CERBT March 2025 Account Update Summary provided by the City.

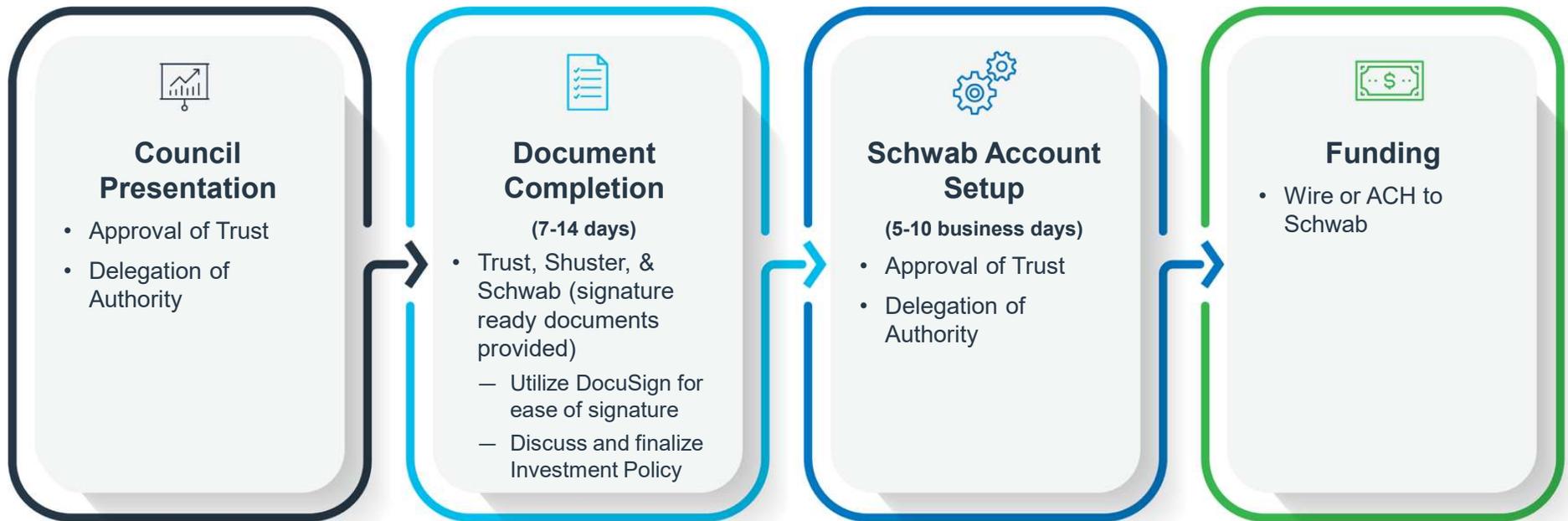
2 - Shuster Administration Fees will convert to a flat dollar fee after the end of contract year-3 based on the highest year-end balance of the first 3 contract years.

3 - Transaction fees may apply and are disclosed in the Schwab fee schedule. Schwab fee is 0.01% and has an annual minimum of \$400 per plan.

4 - Alta Trust fee is 0.02% and has an annual maximum of \$5,000 per plan (which equates to 0.0015% based on assets shown).

Fees are annualized based on 3/31/25 and 1/14/26 assets. The fees shown above are estimates based on documents provided by City and available market data and are summarized for simplification and presentation purposes only. Actual fees may be determined by auditing all account statements and service contracts. Any variance in fees is purely accidental.

Implementation



Thank you
