

OPEB Funding Vehicle Comparison County of Napa

Item	CalPERS	ICMA	PARS	CALVEBA	RCM
1. Type of Organization	Govt. Code Section 22940 established in the State Treasury the Annuitants' Health Care Coverage Fund	501C4	PARS, a private corporation, engaged UBOC, a publicly traded corporation, for investment and trust services	Not-for-profit multi-employer VEBA trust	Independent Third-Party Administrator
2. Type of Trust	IRC Section 115 Trust	Integral Part Trust per Private Letter Ruling	IRC Section 115 Trust	501(c) 9	VEBA or 115
3. IRS determination letter available?	No. However, a determination letter is not required by the IRS and CalPERS has said their internal and external legal counsel believe the Trust is in full compliance with IRS rules.	No. However ICMA has a private letter ruling for its Section 115 Master Trust, Master Plan and Adoption Agreement	No. However PARS has a private letter ruling for its Section 115 Master Trust, Master Plan and Adoption Agreement	Yes	Yes
4. Governing Board	CalPERS Board of Administration: 13-member board of elected and appointed officials, composition is mandated by law	10-member board of both public and private sector professionals	5-member board of individuals in this line of business	Trust is governed by representatives from member agencies	Adopting Agency Assigned
5. Local control on investments	A CalPERS managed portfolio, no local control	Employer-directed ¹ investment options available, in the process of setting up a discretionary ² investment options	Employer-directed and discretionary investment options available	Yes	Yes

¹ Employer-directed investment options allow the County to direct how plan assets are invested.

² Discretionary investment options are pre-allocated assets pools with investment mix that varies from one investment pool to the next.



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6. Fiduciary responsibility	CalPERS assumes fiduciary responsibility	Agency assumes fiduciary responsibility	Generally agency assumes fiduciary responsibility. However, Trust document contains language that might mitigate this responsibility.	Agency assumes fiduciary responsibility	Agency assumes fiduciary responsibility
7. Requires trust financial statement, and agency investment policy, treasury function and oversight board?	No, CalPERS assumes responsibility for trust financial statement. Trust financial statement will be reported on an aggregated basis in compliance with GASB 43.	Yes (not included in fees).	If employer-directed investment option, yes (not included in fees). Discretionary investment pools, no, PARS assumes responsibility for trust financial statement, etc.	If employer-directed investment option, yes (not included in fees). Discretionary investment pools, no, CALVEBA assumes responsibility for trust financial statement, etc.	Yes (not included in fees).
8. Anticipated non-investment expenses (as percentage of plan assets)	All expenses expected to be 40 – 60 bps. Amount is the total cost of the fund to the employer.	None	Administration and legal compliance fees, sliding scale based on assets: 40 bps < \$5m, 30 bps \$5m-\$10m 25 bps \$10-\$25m 20 bps \$25m-\$50m 10 bps > \$50m. \$400 Monthly minimum.	Depends on asset base. Expected to be 10 - 50 bps + (if applicable) \$4.55 per participant per month for Third Party Administration	USBank trust services: \$750 annually + 6 bps on first \$5m, 4 bps on next \$5m, 2 bps on next \$5m. America's VEBA Solution recordkeeping, plan administration and claim processing all inclusive



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9. Anticipated investment expenses (as percentage of plan assets) for self directed funds and non-passive portfolio	Included above.	Dependent upon investment election. Fund expense ratios vary from 44 to 111 bps.	Conservative: 42 bps mutual fund fees ³ 31 bps investment management fees ⁴ Moderately Cons.: 58 bps mutual fund fees ³ 30 bps investment management fees ⁴ Moderate: 68 bps mutual fund fees ³ 31 bps investment management fees ⁴ Balanced/Mod. Aggr.: 72 bps mutual fund fees ³ 31 bps investment management fees ⁴	Dependent upon investment election. Fund expense ratios vary from 100 to 120 bps.	RCM Robinson Capital Management investment advisory 40 bps on first \$5m, 30 bps on next \$5m, 25 bps on next \$25m, 10 bps on next \$25m

³ Weighted embedded mutual fund fees of the current underlying funds used within the portfolio. With the exception of the HighMark Funds, HighMark/UBOC does not share or collect revenue on these funds.

⁴ Weighted investment management fees after waiving fees on assets invested in HighMark Funds.



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10. Are discretionary pools actively or passively managed?	N/A	All mutual funds actively managed.	Both approaches available.	Generally, pools would include actively and passively managed products. If preferred, pools can be structured entirely with passively managed options.	Active
11. Anticipated investment expenses (as percentage of plan assets) for passive portfolio?	N/A	N/A	Conservative: 39 bps mutual fund fees ⁵ 37 bps investment management fees ⁶ Moderately Cons.: 28 bps mutual fund fees ⁵ 39 bps investment management fees ⁶ Moderate: 25 bps mutual fund fees ⁵ 39 bps investment management fees ⁶ Balanced/Mod. Aggr.: 24 bps mutual fund fees ⁵ 39 bps investment management fees ⁶	Total investment expenses, as measured by an average weighting would be 75 - 100 bps.	Included in Mutual Fund expenses

⁵ Weighted embedded mutual fund fees of the current underlying funds used within the portfolio. With the exception of the HighMark Funds, HighMark/UBOC does not share or collect revenue on these funds.

⁶ Weighted investment management fees after waiving fees on assets invested in HighMark Funds.



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12. Frequency investment income credited?	Monthly	Daily	Monthly	Daily	Monthly
13. Estimated long term investment rate of return net of expenses (also used for actuarial valuation)	7.75% ⁷	Employer-directed ⁸ ? Depends on investment selection. Discretionary ⁹ pools Net yet established.	Employer-directed? Depends on investment selection. Discretionary pools ¹⁰ Conservative: 5.50% Moderately Conservative: 6.00% Moderate: 6.50% Balanced/Moderately Aggressive: 7.00%	Employer-directed? Depends on investment selection. Discretionary pools ¹¹ Conservative: 6.50% Moderate: 7.25% Aggressive: 7.75%	Discretionary pools: ¹² Capital Preservation 5.75% Balanced Income: 6.25% Balanced: 7.00% Balanced Growth: 7.50%
14. Restrictions on:					
a. Minimum deposit?	Lesser of \$5,000 or ARC	No minimum	No minimum	No minimum	No minimum
b. Maximum deposit?	Present value of employer's total projected benefits	No restriction	No restriction	No restriction	No restriction
c. Disbursement timing?	No time restriction or full ARC requirement. ¹³	No time restriction or full ARC requirement	No time restriction or full ARC requirement	No time restriction or full ARC requirement	No time restriction or full ARC requirement
d. Disbursement frequency?	Monthly	No limitation	Monthly	Monthly	No limitation
e. Employer participation termination?	After 3 years, employer may make trustee to trustee transfer	No time restriction on trustee to trustee transfer	No time restriction on trustee to trustee transfer	No time restriction on trustee to trustee transfer	No time restriction on trustee to trustee transfer

⁷ Mandatory CalPERS assumption. Bartel Associates believes this assumption is reasonable.

⁸ Employer-directed investment options allow the County to direct how plan assets are invested.

⁹ Discretionary investment options are pre-allocated assets pools with investment mix that varies from one investment pool to the next.

¹⁰ As determined by Bartel Associates based on investment mix and estimated expenses. Rates provided by PARS were slightly higher.

¹¹ As determined by Bartel Associates based on investment mix and estimated expenses. Rates provided by CALVEBA were similar in the short term and higher in the long term.

¹² As determined by Bartel Associates based on investment mix and estimated expenses. Rates provided by RCM were higher.

¹³ CalPERS is encouraging less frequent (quarterly or semi-annual) distributions or that employers continue to make PayGo payments and contribute only difference between ARC and PayGo.



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15. Contact person	Rand Anderson 916-795-3859 rand_anderson@calpers.ca.gov	Erika Armstrong 866-731-1067 earmstrong@icmarc.org	Mitch Barker or Kevin Murphy 800-540-6369 ext. 127; mitch.barker@pars.org kmurphy@pars.org	Jeff Hall 805-764-0306 jeff.hall@brentwoodllc.com	Douglas Robinson 415-771-9421 doug@robinsoncapital.com

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