

**ADOPTION AGREEMENT
FOR THE
POST-EMPLOYMENT BENEFITS TRUST**

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
ARTICLE 1 EMPLOYER INFORMATION	1
ARTICLE 2 PLAN INFORMATION.....	1
ARTICLE 3 TRUST ADMINISTRATIVE SERVICES.....	2
ARTICLE 4 INVESTMENTS.....	2
ARTICLE 5 TRUST FEES AND EXPENSES	2
ARTICLE 6 REPRESENTATIONS AND WARRANTIES	2
ARTICLE 7 STANDARD OF CARE AND INDEMNIFICATION.....	3
ARTICLE 8 AMENDMENT	4
ARTICLE 9 NO GUARANTEE OF INVESTMENT RESULTS.....	4
ADOPTION OF TRUST AGREEMENT	4
EXHIBIT A	A-1
EXHIBIT B	B-1
EXHIBIT C	C-1

INTRODUCTION

By executing this Adoption Agreement, the Employer named in Article 2 of this Adoption Agreement hereby adopts and agrees to be bound by the terms of the Post-Employment Benefits Trust Agreement (the "Trust Agreement"), a copy of which is attached as Exhibit A. To the extent there is a conflict between this Adoption Agreement and the Trust Agreement, the Trust Agreement will control. Unless otherwise specified below, initially capitalized terms used in this Adoption Agreement are defined in the Trust Agreement.

ARTICLE 1

EMPLOYER INFORMATION

1.1 Employer's Name, Address, and Telephone Number

- (a) Name: City of Walnut Creek
- (b) Address: 1666 North Main Street, Walnut Creek, CA 94596
- (c) Telephone: 925-943-5899

1.2 Employer's Taxpayer Identification Number: 94-6000450

ARTICLE 2

PLAN INFORMATION

2.1 Plan Names:

OPEB Plan(s): _____

Pension Plan(s): City of Walnut Creek Section 115 Pension Trust Fund

(Each a "Plan" and collectively, the "Plans")

2.2 Employer-designated: Plan Administrator's Name, Title, Address, and Telephone Number:

- (a) Name: Daniel Buckshi
- (b) Title: City Manager
- (c) Address: 1666 North Main Street, Walnut Creek, CA 94596
- (d) Telephone: 925-943-5899

ARTICLE 3

TRUST ADMINISTRATIVE SERVICES

As a condition of the Employer's participation in the Trust, the Employer and the Trust Administrator have executed the Trust Administrative Services Agreement attached as Exhibit B.

ARTICLE 4

INVESTMENTS

The Employer hereby directs the Trust Administrator to direct the Trustee to invest the assets in the Employer's Account in accordance with the investment strategy mutually agreed to by the Employer and the Trust Administrator as set forth in the Investment Policy Statement attached as Exhibit C.

ARTICLE 5

TRUST FEES AND EXPENSES

5.1 Method of Payment. Unless the Employer otherwise elects below, the Trust Administration Fees (as defined in Section 9.2 of the Trust Agreement), Trustee Fees (as defined in Section 9.3 of the Trust Agreement), and any other reasonable fees and expenses of administering the Employer's Account will be paid from the Employer's Account. In lieu of payments from its Account, the Employer hereby elects to pay the following amounts:

- Trust Administration Fees
- Trustee Fees
- All expenses of the Employer's Account other than fees
- Other (please insert description):

Please refer to Section 4 of the Trust Administrative Services Agreement for further information about payment of fees and expenses.

ARTICLE 6

REPRESENTATIONS AND WARRANTIES

6.1 The Employer hereby represents and warrants that each of the following statements is true and correct to the best of its knowledge:

- (a) The Employer is a state, a political subdivision of a state or another public agency whose income is excludable from gross income under section 115 of the Code that is established and maintained under the laws of the [State/Commonwealth] of California.
- (b) The Employer has established and maintains one or more Plans the exclusive purpose of each is to provide OPEB or retirement benefits to its former employees.
- (c) The exclusive purpose of the Employer's participation in the Trust is to fund the Pension Obligation or OPEB Obligation, or both, under the Employer's Plans.
- (d) The Employer's participation in the Trust for the purpose of funding, as applicable, the Pension Obligation or OPEB Obligation, or both, under the Employer's Plans is authorized under the laws of the [State/Commonwealth] of California.
- (e) The Employer's Plans do not permit participants to direct or otherwise exercise in any manner, whether direct or indirect, control over the investment of their accounts or benefits accrued under the Plans.
- (f) The Employer has received copies, and has read and understands the terms, of the Trust Agreement.

ARTICLE 7

STANDARD OF CARE AND INDEMNIFICATION

- 7.1 Standard of Care. The Trustee and the Trust Administrator must discharge their duties with respect to the investment and management of Trust assets in accordance with the standard of care set forth in Section 11.2 of the Trust Agreement.
- 7.2 Employer Indemnification of Trustee. The Employer, from its own funds and not from any assets of the Trust, agrees to indemnify the Trustee and each of its affiliates against, and will hold them harmless from, any and all loss, claims, liability, and expense, including cost of defense and reasonable attorneys' fees, imposed upon or incurred at any time by any of them by reason of or in connection with the performance of the Trustee's services under this Agreement, except to the extent such damages resulted from the Trustee's or affiliate's performance (or non-performance) of its duties under the Trust Agreement in a manner that constitutes, gross negligence, willful misconduct or willful breach of the standard of care articulated in Section 11.2 of the Trust Agreement.
- 7.3 Employer Indemnification of Trust Administrator. Employer, from its own funds and not from any assets of the Trust, agrees to indemnify the Trust Administrator and each of its affiliates against, and will hold them harmless from, any and all damages imposed upon or incurred by any of them by reason of, or in connection with its services under the Trust Agreement or the Trust Administrative Services Agreement, except to the extent that such damages resulted from the Trust Administrator's or affiliate's performance (or non-performance) of its duties under the Trust Agreement or the Trust Administrative Services Agreement in a manner that constitutes, negligence, willful misconduct or willful breach of the standard of care articulated in Section 11.2 of the Trust Agreement.

ARTICLE 8

AMENDMENT

The Employer understands and agrees that the Trust Agreement may be amended from time to time by the Trustee and the Trust Administrator with the approval of two-thirds of the Employers then participating in the Trust.

ARTICLE 9

NO GUARANTEE OF INVESTMENT RESULTS

The Employer understands and acknowledges that investments in the Trust involve risk and that there is no guarantee of investment performance or other performance of the Trust, including but not limited to custodians, depositories, or counterparties to investment strategies of the Trust.

ADOPTION OF TRUST AGREEMENT

By executing this Adoption Agreement, the Employer hereby adopts and agrees to be bound by the terms of the Trust Agreement and hereby approves, ratifies and confirms the appointment of Wells Fargo Bank, N.A. as the Trustee and PFM Asset Management LLC as the Trust Administrator as of the effective date of this Adoption Agreement. This Adoption Agreement and the Trust Agreement are effective on the 15th day of August, 2018

**EMPLOYER
CITY of WALNUT CREEK**

By: 

Its: City Manager

Date: 7/16/2018

ACCEPTED:

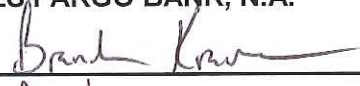
**TRUST ADMINISTRATOR
PFM ASSET MANAGEMENT LLC**

By: 

Its: Managing Director

Date: 7/18/18

**TRUSTEE
WELLS FARGO BANK, N.A.**

By: 

Its: Deputy Manager

Date: 7/18/18

EXHIBIT A
TRUST AGREEMENT



Post-Employment Benefits Trust Agreement

By and between



PFM Asset Management LLC

as Trust Administrator

and



as Trustee

Effective July 1, 2015

TABLE OF CONTENTS

	Page
ARTICLE 1 DEFINITIONS	2
ARTICLE 2 ESTABLISHMENT AND PURPOSE.....	3
ARTICLE 3 PARTICIPATION.....	4
3.1 Eligibility.....	4
3.2 Commencement of Participation	4
3.3 Termination of Participation.	4
ARTICLE 4 GENERAL TRUST PROVISIONS	5
4.1 Irrevocable Trust.....	5
4.2 No Diversion	5
4.3 Title to Trust Assets	5
4.4 Spendthrift Provision.....	5
4.5 Account Assets.....	5
4.6 Separate Accounts.....	6
ARTICLE 5 TRUST ADMINISTRATOR.....	7
5.1 Powers and Duties of the Trust Administrator	7
5.2 Reliance.....	7
5.3 Annual Audit	7
5.4 Trust Administrator not Custodian of Trust Assets	7
5.5 Furnishing of Administrative Services, Office Space, Equipment and Personnel	7
5.6 Registered Investment Advisor	8
5.7 Investment Advice to Other Clients	8
5.8 Notice of Regulatory Action.....	8
5.9 Trust Administrator Separate from Employer and Trustee.....	8
5.10 Recordkeeping.....	8

TABLE OF CONTENTS

	Page
5.11 Disclosure Statement	8
5.12 Survival of Agreement and Assignment	9
ARTICLE 6 TRUSTEE	9
6.1 Powers and Duties of the Trustee	9
ARTICLE 7 INVESTMENTS.....	11
7.1 Trustee	11
7.2 Trust Administrator.....	11
7.3 Combining of Assets for Investment.....	11
7.4 Investment Direction	11
7.5 Broker Executed Investments	11
7.6 Affiliated Broker/Dealers	11
7.7 Quarterly Reports.....	12
ARTICLE 8 PAYMENTS FROM TRUST	12
8.1 Plan Administrator.....	12
8.2 Trustee Reliance.....	12
8.3 Payments.....	12
ARTICLE 9 TAXES, EXPENSES AND COMPENSATION OF THE TRUSTEE AND TRUST ADMINISTRATOR.....	13
9.1 Payment of Fees.....	13
9.2 Trust Administration Fees	13
9.3 Trustee Fees.....	13
9.4 Reimbursement of Expenses	13
ARTICLE 10 RECORDKEEPING AND VALUATION	13
10.1 Trust Records	13
10.2 Separate Account Records	13
10.3 Quarterly Reports.....	13

TABLE OF CONTENTS

	Page
10.4 Valuation.....	14
ARTICLE 11 STANDARD OF CARE AND INDEMNIFICATION.....	14
11.1 Exclusive Purpose	14
11.2 Standard of Care.....	14
11.3 Trustee Indemnification of Trust Administrator	14
11.4 Trust Administrator Indemnification of Trustee	14
11.5 Survival of Indemnifications	15
ARTICLE 12 RESIGNATION AND REMOVAL OF TRUST ADMINISTRATOR.....	15
12.1 Resignation or Removal of Trust Administrator	15
12.2 Designation of Successor Trust Administrator.....	15
12.3 Compensation Pending Appointment of Successor.....	15
12.4 Merger, Conversion, Consolidation or Sale of Trust Administrator	15
12.5 Successor Trust Administrator - No Duty to Investigate	15
ARTICLE 13 RESIGNATION AND REMOVAL OF TRUSTEE	16
13.1 Resignation of Trustee	16
13.2 Removal of Trustee.....	16
13.3 Designation of Successor Trustee	16
13.4 Application to Court to Designate Successor	16
13.5 Trustee Compensation Pending Appointment of Successor.....	16
13.6 Merger, Conversion, Consolidation or Sale of Trustee	16
13.7 Transfer of Assets and Records.....	16
13.8 Payment of Expenses	16
13.9 Successor Trust Administrator - No Duty to Investigate	16
ARTICLE 14 AMENDMENT, TERMINATION, MERGER, TRANSFER	17
14.1 Amendment	17

TABLE OF CONTENTS

	Page
14.2 Termination of Trust.....	17
14.3 Termination of Employer's Account.....	18
14.4 Mistake of Fact	18
14.5 Merger or Transfer.....	18
14.6 Reversion	18
ARTICLE 15 MISCELLANEOUS.....	19
15.1 Choice of Law.....	19
15.2 No Joint Powers Agreement	19
15.3 Authorized Signatories.....	19
15.4 List of Persons Authorize to Act for Employer	19
15.5 List of Persons Authorized to Act for Trust Administrator	19
15.6 Agreement Controls	19
15.7 Severability	19
15.8 Counterparts	19
15.9 Delivery of Communications	19



POST-EMPLOYMENT BENEFITS TRUST AGREEMENT

This Post-Employment Benefits Trust Agreement (“Agreement”) is made effective July 1, 2015, between WELLS FARGO BANK, N.A. (together with any successor trustee hereunder, the “Trustee”) and PFM ASSET MANAGEMENT LLC (together with any successor trust administrator hereunder, the “Trust Administrator”);

WHEREAS, the Trust Administrator wishes to establish a means by which public-agency employers may set aside moneys to fund the employers’ obligations to provide eligible persons (“Beneficiaries”) with (i) pension benefits and (ii) retiree-health benefits and other post-employment benefits other than pension benefits (“OPEB”);

WHEREAS, to accomplish these objectives, the Trustee wishes to establish a multiple-employer trust (“Trust”) for the exclusive purpose of providing amounts to fund participating employers’ obligations to provide OPEB or pension benefits, or both, with the intent that (i) the Trust’s income will be exempt from federal and state income tax (under Internal Revenue Code Section 115 with respect to federal income tax), (ii) contributions and transfers to the Trust will not be taxable to Beneficiaries, (iii) Trust assets are intended to qualify as “plan assets” to the maximum extent permitted under Governmental Accounting Standards Board statements applicable to OPEB and pension benefits, and (iv) all assets of the Trust are and will be irrevocably dedicated to, and will be used for the exclusive purposes of, providing for payments of OPEB and pension obligations as described in this Agreement, and paying the reasonable expenses of administering the Trust, and will not be available to any participating employer’s creditors;

WHEREAS, the Trust Administrator and Trustee are unaffiliated entities;

WHEREAS, the Trustee is willing to accept the Trust;

WHEREAS, the Trust is an entity separate from the participating employers for the exclusive benefit of the Beneficiaries and not of the employers;

WHEREAS, the indicia of ownership of Trust assets will be held by the Trustee at all times and the Trust assets will not be considered participating employers’ funds or assets for any purpose;

WHEREAS, PFM Asset Management LLC is willing to serve as the Trust Administrator of the Trust with the rights and duties of the Trust Administrator provided in this Agreement;

WHEREAS, the Trust Administrator will have exclusive authority and responsibility for the management, administration, and investment of Trust assets in its sole judgment in accordance with this Agreement, without any requirement of consent by any participating employer or, except as expressly provided herein, of notice to any participating employer;

WHEREAS, every Employer is a state, political subdivision of a state, or other entity whose income is excludible from gross income under Section 115 of the Code; and

WHEREAS, the Trustee is a national banking association and a corporate trustee, with all requisite powers and capabilities to act as the Trustee and administer the Trust as set forth in this Agreement.



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NOW, THEREFORE, the Trust Administrator and the Trustee agree as follows:

ARTICLE 1

DEFINITIONS

- 1.1 "Account" is defined in Section 4.6.
- 1.2 "Adoption Agreement" means the written instrument by which the Employer adopts and participates in the Trust in accordance with this Agreement, and by which the Employer makes certain elections relating to its participation in the Trust.
- 1.3 "Agreement" means this Post-Employment Benefits Trust Agreement between the Trustee and the Trust Administrator.
- 1.4 "Beneficiary" means a person who is entitled to post-employment benefits under the Employer's OPEB Plan or Pension Plan.
- 1.5 "Code" means the Internal Revenue Code of 1986, as amended.
- 1.6 "Employer" means each public agency that executes the Adoption Agreement, thereby becoming a participating agency in the Trust. Such agency must be a state, a political subdivision of a state, or an entity whose income is excludible from gross income under Section 115 of the Code.
- 1.7 "Investment Policy Statement" means the separate statement of policy for investing the assets of each Employer's Account, a copy of which is attached to the Employer's Adoption Agreement and which is satisfactory to the Employer.
- 1.8 "Omnibus Account" is defined in Section 4.6.
- 1.9 "OPEB" means post-employment health and welfare benefits (other than pensions) provided by the Employer under the OPEB Plan to Beneficiaries, including medical, dental, vision, life insurance, long-term care and other similar benefits.
- 1.10 "OPEB Account" is defined in Section 4.6.
- 1.11 "OPEB Obligation" means the Employer's obligation to provide OPEB under the Employer's OPEB Plan, including the direct costs of the OPEB and the expenses associated with providing the OPEB.
- 1.12 "OPEB Plan" means the policies, collective bargaining agreement, or other arrangements under which a Beneficiary is entitled to receive OPEB, but only if the policy, agreement, or other arrangement is specified by the Employer in the Adoption Agreement.
- 1.13 "Pension Account" is defined in Section 4.6.
- 1.14 "Pension Obligation" means the Employer's obligation to contribute to the qualified trust of the Employer's Pension Plan and to pay the expenses associated with providing



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benefits under the Pension Plan. For this purpose, "qualified trust" means a trust that is qualified under Section 401(a) of the Code and that funds retirement benefits provided under the Pension Plan. A qualified trust is separate from this Trust and will not be considered part of this Trust for any purpose.

- 1.15 "Pension Plan" means one or more defined-benefit plans, each of which is (i) qualified under Section 401(a) of the Code, (ii) sponsored by the Employer in order to provide retirement benefits to Beneficiaries, including but not limited to a stand-alone plan maintained solely by the Employer or a multiple-employer or multiemployer plan in which the Employer participates along with one or more other employers, (iii) partly or wholly funded by the Employer's contributions, and (iv) specified by the Employer in the Adoption Agreement.
- 1.16 "Plan Administrator" means the person(s) or entity appointed by the Employer with the plenary authority over the Account. The Plan Administrator may delegate all or any part of its authority to any person(s) or entity. The Employer must, at the time and in the manner specified by the Trustee and the Trust Administrator, certify in writing to the Trustee and the Trust Administrator the names and specimen signatures of the Plan Administrator and its delegates; no appointment or delegation under this Section 1.16 will be effective without that certification. If no person or entity is appointed as Plan Administrator, the Employer will be the Plan Administrator.
- 1.17 "Trust" means the Post-Employment Benefits Trust established by this Agreement.
- 1.18 "Trust Administrative Services Agreement" means the agreement in the form attached to each Adoption Agreement and executed between the Employer and the Trust Administrator which authorizes the Trust Administrator to administer the Employer's Account.
- 1.19 "Trust Administrator" means PFM Asset Management LLC or any successor thereof designated by the Employers under Article 12.
- 1.20 "Trustee" means Wells Fargo Bank, N.A., or any successor trustee designated by the Trust Administrator in accordance with Article 13.

ARTICLE 2

ESTABLISHMENT AND PURPOSE

The Trust is a multiple-employer trust arrangement established and maintained for the sole purposes of holding the assets used to fund Employers' OPEB Obligations and Pension Obligations, and for paying each Employer's reasonable, allocable expenses of administering the Trust. As such, the Trust is divided into separate Accounts to hold the assets of each participating Employer. Consistent with its purpose, the Trust is intended to qualify as a tax-exempt trust performing an essential governmental function within the meaning of Section 115 of the Code. Each participating Employer retains an interest only in the assets held in that Employer's Account as set forth in Section 4.6.



ARTICLE 3

PARTICIPATION

- 3.1 Eligibility. Only public agencies may become participating Employers in the Trust. For this purpose, a public agency means a state, political subdivision of a state, or an entity whose income is excludible from gross income under Section 115 of the Code.
- 3.2 Commencement of Participation. A public agency may become a participating Employer in the Trust by furnishing the Trust Administrator with the following: (i) an executed Adoption Agreement, (ii) an executed Trust Administrative Services Agreement, (iii) a certified copy of a resolution, minutes, or other documentary evidence of the Employer's governing body approving the adoption of the Agreement, and (iv) any other documentation as the Trust Administrator may require. The public agency will become a participating Employer upon the Trust Administrator's written acceptance of the documents described in the preceding sentence.
- 3.3 Termination of Participation.
- (a) An Employer may elect in writing to withdraw from the Trust by filing such election with the Trust Administrator and the Trustee at least 30 days before the effective date of the withdrawal. As soon as administratively practicable after the effective date, the Trustee will segregate the withdrawing Employer's Account and transfer the assets in such Account to a trust established by agreement between the Employer and a successor trustee, but only if the Employer certifies in writing to the Trust Administrator that the trust satisfies the requirements of Section 115 of the Code.
 - (b) In the event the Trust Administrator contemplates an assignment of this Agreement in connection with a change of control or otherwise (collectively, an "assignment"), the Trust Administrator will provide each Employer with written notice at least 60 days before the effective date of such assignment. Upon receipt of such notice, each Employer may elect to terminate participation and withdraw from the Trust at any point prior to the effective date of the assignment as set forth in the notice. If an Employer does not provide notice of its desire to terminate within the 60-day notice period, the Employer's consent to the contemplated assignment will be implied.
 - (c) If the Employer has an Omnibus Account and both its Pension Obligation and OPEB Obligation have terminated, Section 14.3(b) will apply. If the Employer has an OPEB Account and its OPEB Obligation has terminated, Section 14.3(c) will apply. If the Employer has a Pension Account and its Pension Obligation has terminated, Section 14.3(d) will apply. An Employer's Pension Obligation or OPEB Obligation will be deemed terminated for these purposes upon the Trust Administrator's receipt of a certified copy of a resolution, minutes, or other documentary evidence of the Employer's governing body approving of the respective termination.
 - (d) Each Employer agrees to immediately notify the Trust Administrator upon receipt of a determination from the Internal Revenue Service that has the effect of rendering the Employer's Account ineligible for the tax exemption under Section



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115 of the Code, such as any determination that the Employer is not a public agency. In such a case, as soon as administratively practicable after the Trust Administrator notifies the Trustee of the Internal Revenue Service's determination, the Trustee will segregate and place the Employer's Omnibus Account, OPEB Account, and Pension Account (as applicable) in a separate trust established for the exclusive purpose of funding the Employer's OPEB and Pension Obligation, OPEB Obligation only, or Pension Obligation only, respectively.

ARTICLE 4

GENERAL TRUST PROVISIONS

- 4.1 Irrevocable Trust. The Trust is irrevocable.
- 4.2 No Diversion. The principal of the Trust, together with any earnings thereon, will be held in trust by the Trustee separate and apart from any assets of the Employer. Except as provided in Sections 14.3 and 14.4, all assets in each Account and all income thereon are irrevocably dedicated to, and will be used for the exclusive purpose of, making payments of OPEB Obligations or Pension Obligations, as applicable, under the OPEB Plan or Pension Plan for which the Account was established and for paying the reasonable expenses of the Employer's participation in the Trust. At no time will the assets in any Employer's Account be used for, or diverted to, any other purposes, including but not limited to payment of any other Employer's OPEB Obligations or Pension Obligations.
- 4.3 Title to Trust Assets. The Trustee has exclusive right, title, and interest in and to the assets of the Trust.
- 4.4 Spendthrift Provision. Assets held in the Trust may not be used to satisfy claims of creditors of any Employer. No Beneficiary will be deemed a third-party beneficiary of this Agreement, nor will any Beneficiary have the right to compel any payment of any amount from the assets of the Trust or to enforce any duties of any party to or other entity referred to in this Agreement. Beneficiaries will not have any preferred claim, lien on, or security interest in, or any beneficial interest in any particular assets of the Trust. Beneficiaries will be entitled to receive payments of assets of the Trust only when, as, and if determined by the Employer in accordance with this Agreement. Except to the extent allowed by law, the Trust is not subject to attachment or garnishment or other legal process by any creditor of any such Beneficiary, nor will any Beneficiary have the right to alienate, anticipate, commute, pledge, encumber, or assign any Trust assets.
- 4.5 Account Assets. Each Employer may at any time make (or cause to be made) contributions or transfers of cash or other assets acceptable to the Trustee to the Trust from any source. Neither the Trustee nor any Beneficiary or any party to or any other entity referred to in this Agreement will have any right to compel such contributions or transfers or any duty to determine whether any such contributions or transfers comply with the Employer's OPEB Plan or Pension Plan, as applicable. In addition, neither the Trustee nor the Trust Administrator is responsible for separately accounting of any contributions or transfers to the Trust or for determining the source of these amounts.



4.6 Separate Accounts.

- (a) Upon the effective date of an Employer's participation in the Trust under Article 3, the Trustee will establish a separate Account to which the Trustee will (i) credit all contributions or transfers from the Employer to the Trust and any income and gains attributable to those amounts, and (ii) debit all distributions, transfers from the Trust, and any losses and expenses attributable to those amounts. The Employer will have an interest only in the assets in the Employer's Account, and those assets will be available only to pay the Employer's OPEB Obligations and Pension Obligations and will not be available to pay any other Employer's obligations.
- (b) At the direction of the Trust Administrator, the Trustee may pool or commingle for investment purposes assets in the Employer's Account with other assets of the Trust and may invest all or a portion of those assets in any separate fund or account (including common investment pools or trusts) established under this Agreement or other investments permitted under this Agreement as set forth in Article 7. If any of the Employer's Account assets are pooled or commingled for investment purposes with other assets of the Trust or invested with other assets of the Trust in a separate fund or account, the Employer's Account will have an undivided beneficial interest in the Trust itself or in the particular investment funds, as the case may be, and these ownership interests will be represented by units or shares that the Trustee will hold in the Employer's Account.
- (c) Each Employer's Account contains up to three types of subaccounts (each of which may contain one or more subaccounts): an "Omnibus Account," "Pension Account," and "OPEB Account". Assets under the Omnibus Account are available to fund the Employer's Pension Obligations or OPEB Obligations and allocable expenses of participating in the Trust. Assets under the Employer's Pension Account are available only to fund the Employer's Pension Obligation and allocable expenses of participating in the Trust. Assets under the Employer's OPEB Account are available only to fund the Employer's OPEB Obligation and allocable expenses of participating in the Trust. Contributions or transfers to an Employer's Account will be allocated to the subaccounts as follows:
 - (1) Contributions and transfers received by the Trust on the Employer's behalf will be allocated to the Omnibus Account, Pension Account or OPEB Account, or any combination of these subaccounts, as directed by the Plan Administrator.
 - (2) Any contributions or transfers for which the Plan Administrator does not provide allocation directions will be held in the Omnibus Account. The Plan Administrator may at any time direct the allocation of amounts in the Omnibus Account to either the Pension Account or the OPEB Account.
 - (3) Once allocated to the Pension Account or the OPEB Account, amounts under the Trust may not subsequently be transferred to any other subaccount. Notwithstanding the preceding sentence, at the Plan Administrator's direction, the Trustee will reverse any allocation to the Pension Account or OPEB Account and deposit the funds (together with allocable earnings and losses) in one or both of the other two



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subaccounts, but only if the Plan Administrator notifies the Trustee in writing within 30 days after the allocation that the allocation was due to mistake of fact and provides any other documentation required by the Trustee in its sole discretion.

ARTICLE 5

TRUST ADMINISTRATOR

- 5.1 Powers and Duties of the Trust Administrator. The Trust Administrator has sole discretion and authority to do any of the following:
- (a) At the direction of the Plan Administrator, instruct the Trustee to make distributions from the Employer's Account, including from any subaccount under the Account;
 - (b) Direct the Trustee to pay the fees of the Trust Administrator;
 - (c) Direct the Trustee as to the investment and management of Trust assets; and
 - (d) Such other acts as may be agreed to by the Employer and the Trust Administrator in the Trust Administrative Services Agreement or are necessary or appropriate to effect the intent of this Agreement.
- 5.2 Reliance. In the performance of its duties hereunder, the Trust Administrator is entitled to rely on, and is under no obligation to investigate instructions or data received from the Plan Administrator, including whether the amount of contributions or transfers made to the Trust by the Employer comply with the Employer's OPEB Plan or Pension Plan. Accordingly, the Trust Administrator will not be liable for action or inaction that is caused directly or indirectly by erroneous or late instructions or data furnished by the Plan Administrator.
- 5.3 Annual Audit. The Trust Administrator shall appoint a responsible accounting firm to conduct an annual audit of the Trust at the sole expense of the Employers. The results of such audit will be provided to the Trust Administrator, the Trustee, and each of the Employers. The Employer will be solely responsible for any expenses associated with any separate audit of the Employer's Account or the Employer's participation in the Trust, and no Trust assets outside the Employer's Account may be used to pay any part of those expenses.
- 5.4 Trust Administrator not Custodian of Trust Assets. The Trustee shall have sole custody of cash, securities and other assets of the Trust. The Trust Administrator is authorized to give instructions to the Trustee as to deliveries of securities and payments of cash for the account of the Trust. The Trust Administrator shall not take possession of or act as custodian for the cash, securities or other assets of the Trust and shall have no responsibility in connection therewith.
- 5.5 Furnishing of Administrative Services, Office Space, Equipment and Personnel. The Trust Administrator shall furnish at its own expense all necessary administrative services, office space, equipment, clerical personnel, telephone and other



PFM Asset Management LLC

communication facilities, and executive and supervisory personnel required to perform its duties under this Agreement.

- 5.6 Registered Investment Advisor. The Trust Administrator hereby represents that it is a registered investment advisor under the Investment Advisers Act of 1940. The Trust Administrator shall immediately notify every Employer and the Trustee if at any time during the term of this Agreement it is not so registered or if its registration is suspended. The Trust Administrator agrees to perform its duties and responsibilities under this Agreement with reasonable care as provided by law. The federal securities laws impose liabilities under certain circumstances on persons who are required to act in good faith. Nothing in this Agreement shall in any way constitute a waiver or limitation of any rights which the Employers, the Trust Administrator, or the Trustee may have under any federal securities laws.
- 5.7 Investment Advice to Other Clients. The Employers and the Trustee understand that the Trust Administrator performs investment advisory services for various other clients which may include investment companies, commingled trust funds and individual portfolios. The Employers and the Trustee agree that the Trust Administrator may give advice or take action with respect to any of its other clients which may differ from advice given or the timing or nature of action taken with respect to the Trust, so long as it is the policy and practice of the Trust Administrator, to the extent practical, to allocate investment opportunities to the Trust over a period of time on a fair and equitable basis relative to other clients. The Trust Administrator will not have any obligation to purchase, sell or exchange any security for the Trust solely by reason of the fact that the Trust Administrator, its principals, affiliates, or employees may purchase, sell or exchange such security for the account of any other client or for themselves.
- 5.8 Notice of Regulatory Action. The Trust Administrator shall promptly give notice to each Employer and the Trustee if the Trust Administrator has received written notice of the filing against it or any professional of the Trust Administrator who has performed any service with respect to the Trust in the 24 preceding months, of any complaints or disciplinary actions by the Securities and Exchange Commission or any other regulatory agency or department of the United States, any registered securities exchange, the FINRA, any Attorney General, or any regulatory agency or authority of any State.
- 5.9 Trust Administrator Separate from Employer and Trustee. The Trust Administrator, its employees, officers and representatives, shall not be deemed to be employees, agents, partners, servants, and/or joint ventures of any of the Employers or the Trustee by virtue of this Agreement or any actions or services rendered under this Agreement.
- 5.10 Recordkeeping. The Trust Administrator shall maintain appropriate records of all its activities hereunder.
- 5.11 Disclosure Statement. The Trust Administrator warrants that at least five business days before the execution of this Agreement, it has delivered to the Trustee the Trust Administrator's current Securities and Exchange Commission Form ADV, Part II. The Trustee hereby acknowledges receipt of the disclosure statement at least five business days before the execution of this Agreement.



PFM Asset Management LLC

- 5.12 Survival of Agreement and Assignment. The provisions of this Agreement will be binding on the Trust Administrator and its successors and assigns. The Trust Administrator may not, however, assign this Agreement without the consent of the Employers, which consent will be obtained through the process described in Section 3.3(b).

ARTICLE 6

TRUSTEE

- 6.1 Powers and Duties of the Trustee. To the extent directed by the Trust Administrator, the Trustee is authorized and empowered to do the following:
- (a) Invest and reinvest Trust assets, together with the income therefrom.
 - (b) Establish and maintain Accounts to which the Trustee will (i) credit all contributions or transfers from the Employer to the Trust and any income and gains attributable to those amounts, and (ii) debit all distributions, transfers from the Trust, and any losses and expenses attributable to those amounts.
 - (c) Maintain accounts with, execute transactions through, and lend stocks, bonds or other securities on an adequately secured basis to, any brokerage firm.
 - (d) Perform accounting and maintain records of each Employer's Account and reconciling such Account with the Trust.
 - (e) Vote upon or tender any stocks, bonds or other securities and to give general or special proxies or powers of attorney with or without power of substitution; to exercise any conversion privileges, subscription rights or other options of which the Trustee receives actual notice, and to make any payments incidental thereto; to consent to or otherwise participate in corporate reorganizations or other changes affecting corporate securities and to delegate discretionary powers and to pay any assessments or charges in connection therewith; and generally to exercise any of the powers of an owner with respect to stocks, bonds, securities or other property held in Trust.
 - (f) Deposit or invest all or any part of the assets of the Trust in savings accounts or certificates of deposit or other deposits in a bank or savings and loan association or other depository institution, including the Trustee or any of its affiliates; provided that, with respect to such deposits with the Trustee or an affiliate, the deposits bear a reasonable rate of interest.
 - (g) Invest and reinvest any Trust assets in one or more collective investment funds.
 - (h) Hold, manage, improve, repair and control all investment property, real or personal, forming part of the Trust; to sell, convey, transfer, exchange, partition, pledge, encumber, lease for any term, even extending beyond the duration of this Trust, and otherwise dispose of the same from time to time.
 - (i) Take such actions as may be necessary or desirable to protect the Trust from loss due to the default on mortgages held in the Trust including the appointment



PFM Asset Management LLC

of agents or trustees in such other jurisdictions as may seem desirable, to transfer property to such agents or trustees, to grant to such agents such powers as are necessary or desirable to protect the Trust, to direct such agent or trustee, or to delegate such power to direct, and to remove such agent or trustee.

- (j) Settle, compromise or abandon all claims and demands in favor of or against the Trust.
- (k) Borrow money from any source and to execute promissory notes, mortgages, or other obligations and to pledge or mortgage any Trust assets as security.
- (l) Designate and engage the services of such agents, representatives, advisers, counsel and accountants, any of whom may be an affiliate of the Trustee or a person who renders services to such an affiliate and, as part of its expenses under this Agreement, to pay their reasonable expenses and compensation.
- (m) Hold in cash, without liability for interest, such portion of the Trust assets as is pending investment, or payment of expenses, or distribution.
- (n) Make, execute and deliver, as the Trustee, any and all deeds, leases, mortgages, conveyances, waivers, releases or other instruments in writing necessary or appropriate for the accomplishment of any powers listed in this Agreement.
- (o) Register securities, or any other property, in its name or in the name of any nominee, including the name of any affiliate or the nominee name designated by any affiliate, with or without indication of the capacity in which property shall be held, or to hold securities in bearer form and to deposit any securities or other property in a depository or clearing corporation.
- (p) Pay or cause to be paid from the Trust any and all real or personal property taxes, income taxes or other taxes with respect to the Trust.
- (q) Enter into interest rate, currency, cash-flow, indexed (including indexed to equities) and other types of swaps and hedges designed to hedge payment, interest rate, currency, duration, spread or similar exposure related to any investment or program of investments of Trust assets or to manage asset/liability matching between investments and OPEB Obligations or Pension Obligations, or both, to be paid therefrom.
- (r) Exercise all of the further rights, powers, options and privileges granted, provided for, or vested in trustees generally under applicable state law so that the powers conferred upon the Trustee herein shall not be in limitation of any authority conferred by law or under this Agreement, but shall be in addition thereto; provided that such powers satisfy applicable state law requirements (if any).
- (s) Any other acts which the Trustee deems necessary or appropriate for the protection of the Trust.



ARTICLE 7

INVESTMENTS

- 7.1 Trustee. The Trustee shall hold and administer Trust assets without distinction between principal and income.
- 7.2 Trust Administrator. The Trust Administrator has exclusive authority and responsibility for the management and investment of Trust assets, and the Trustee is authorized and directed to comply with the written directions of the Trust Administrator concerning Trust assets. The Trust Administrator may, from time to time and in its sole discretion, allocate some or all of the cash in an Account at the end of each business day into a sweep investment fund managed by the Trust Administrator. Any amounts held in a sweep investment fund would typically be reallocated on the next business day. The Trust Administrator may not issue any such direction in violation of the terms of the Trust. The Trustee has no duty or authority to (i) review, question, approve or make inquiries as to any investment directions given pursuant to this Agreement, or (ii) determine whether investments directed by the Trust Administrator are in compliance with any applicable State laws.
- 7.3 Combining of Assets for Investment. As instructed by the Trust Administrator, the Trustee may commingle, for investment or administration purposes, the assets (or a portion of the assets) of the Trust in any group trust within the meaning of Section 401(a)(24) of the Code, but only if the commingled trust qualifies as tax exempt under Revenue Ruling 2011-1 and any subsequent relevant guidance from the Internal Revenue Service. In addition, at the Trust Administrator's direction, the Trustee may aggregate the balances of one or more Accounts within the Trust for investment or administrative purposes, in which case the Trustee will credit and debit each Account in accordance with Section 4.6.
- 7.4 Investment Direction. The Trust Administrator will direct the Trustee to invest the assets of each Employer's Account in accordance with the principles set forth in the Investment Policy Statement in any investments permitted under this Agreement.
- 7.5 Broker Executed Investments. Transactions in investments that require execution through a broker will be executed through such broker or brokers as the Trust Administrator will select. The indicia of ownership of Trust assets will be held by the Trustee at all times, and the Trustee shall serve as sole custodian of Trust assets.
- 7.6 Affiliated Broker/Dealers. Neither the Trustee nor any affiliate of the Trustee will act as broker dealer to execute transactions, including the purchase of securities directly distributed, underwritten or issued by an affiliate of the Trustee, or otherwise provide investment services with respect to the Trust; provided, however, that the Trustee (or its affiliate) may provide ancillary non-advisory investment services with respect to the Trust, including investment of Trust assets in money market or stable value funds distributed, underwritten or issued by the Trustee (or its affiliate) to the extent these investments are permitted under this Agreement. The Trustee and the Trust Administrator will disclose any services or relationships to each Employer before the Employer's commencement of participation in the Trust and at least annually thereafter, and any such services will be provided at standard commission rates, mark-ups or concessions.



PFM Asset Management LLC

- 7.7 Quarterly Reports. The Trust Administrator will provide to each Employer a quarterly analysis of the performance of the investments of each Account and statement of any changes in investments made in such quarter. The asset information for such analysis will be supplied to Trust Administrator by the Trustee. The report required by this Section 7.7 is separate from the reports required by Section 10.3.

ARTICLE 8

PAYMENTS FROM TRUST

8.1 Plan Administrator.

- (a) Each Employer's Plan Administrator has the exclusive authority and responsibility to determine the extent to which amounts will be paid from the Employer's Account. Neither the Trust Administrator nor the Trustee will make or authorize disbursements or transfers from any Employer's Account without the explicit written direction from the Employer's Plan Administrator.
- (b) From time to time, the Plan Administrator will direct the Trustee in writing to disburse amounts from the Employer's Omnibus Account for any purpose permitted under Section 8.1(c) or (d).
- (c) From time to time, the Plan Administrator will direct the Trustee in writing to disburse amounts from the Employer's OPEB Account for OPEB Obligations to (i) the Plan Administrator for subsequent distribution to or for the benefit of the Employer's Beneficiaries, (ii) any party providing services for the Employer's OPEB Plan, including but not limited to any insurer, third-party administrator, or other service provider, (iii) the Employer's Beneficiaries themselves directly, or (iii) the Employer as reimbursement for any OPEB Obligation amount paid or incurred by the Employer.
- (d) From time to time, the Plan Administrator will direct the Trustee in writing to disburse amounts from the Employer's Pension Account to (i) the Pension Plan as contributions to the plan's qualified trust, (ii) the Plan Administrator, for subsequent payment of the Employer's Pension Obligation, (iii) any party providing services for the Employer's Pension Plan, including but not limited to any insurer, third-party administrator, or other service provider, or (iv) the Employer as reimbursement for any Pension Obligation amount paid or incurred by the Employer.

- 8.2 Trustee Reliance. Except as otherwise provided by law, the Trustee will be fully protected in making payments out of any Employer's Account at the direction of the Employer's Plan Administrator. The Trustee's sole obligation as to those disbursements shall be to observe the instructions of the Plan Administrator to the extent that the Account has assets to make disbursements as instructed by the Plan Administrator. Nothing in the Trust or any Plan shall constitute a guarantee that Trust assets will be sufficient to pay the Employer's OPEB Obligations or Pension Obligations.

- 8.3 Payments. The Trustee is authorized to disburse amounts from the Trust to pay the fees and expenses of administering the Trust as expressly authorized by this Agreement, or as instructed in writing by the Trust Administrator.



ARTICLE 9

TAXES, EXPENSES AND COMPENSATION OF THE TRUSTEE AND TRUST

ADMINISTRATOR

- 9.1 Payment of Fees. Subject to Section 4.2, each Employer's Account will be charged for allocable Trustee Fees, Trust Administration Fees, and any other fees specified in the Trust Administrative Service Agreement. To the extent permitted in the Trust Administrative Service Agreement and Adoption Agreement, the Employer may elect in the Adoption Agreement to instead pay such fees from the Employer's assets.
- 9.2 Trust Administration Fees. "Trust Administration Fees" means the fees of the applicable investment funds and the fees for all services of the Trust Administrator specified in the Trust Administrative Services Agreement. The Trust Administrator is authorized to instruct the Trustee to disburse funds from the Account for the payment of the Trust Administration Fees to the Trust Administrator to the extent not paid by the Employer or deducted from the gross earnings of the investment funds. If and to the extent that the Trustee requests that the Trust Administrator render services to the Trust other than those to be rendered by the Trust Administrator hereunder, such additional services will be compensated separately on terms to be agreed upon between the Trust Administrator and the Trustee.
- 9.3 Trustee Fees. "Trustee Fees" means the Trustee's fees for services provided by it under this Agreement. These fees will be separately disclosed to the Employer prior to the commencement of the Employer's participation in the Trust. The Trustee is authorized to disburse funds from the Trust to itself for the payment of these fees to the extent not paid by the Employers. The Trustee will notify the Trust Administrator in writing of any change in the Trustee Fees at least 90 days before the effective date of the change.
- 9.4 Reimbursement of Expenses. Except as expressly provided otherwise herein, the Trustee is authorized to disburse funds from the Trust to pay all reasonable expenses of administering the Trust, including, without limitation, any taxes payable by the Trust, fees and expenses of legal counsel to the Trust, insurance premiums, and expenses associated with performing the annual audit provided for in Section 5.3.

ARTICLE 10

RECORDKEEPING AND VALUATION

- 10.1 Trust Records. The Trustee will keep accurate and detailed records of all investments, receipts, disbursements, and all other transactions, including such specific records as may be agreed upon in writing between the Trust Administrator and the Trustee with respect to the Trust.
- 10.2 Separate Account Records. The Trustee will keep accurate and detailed records of all investments, receipts, disbursement, and all other transactions with respect to each separate Employer Account.
- 10.3 Quarterly Reports. Within 45 days after the last day of each calendar quarter (and within 60 days after removal or resignation of the Trustee), the Trustee will deliver to the Trust



PFM Asset Management LLC

Administrator and each Employer a written account of the Employer's Account during such calendar quarter (or during the period from the close of the last preceding calendar quarter to the date of such removal or resignation), setting forth all deposits, investments, receipts, disbursements and other transactions effected by it with respect to the Account, including a description of transfers made and income received by the Account, all securities and investments purchased and sold with the cost or net proceeds of such purchases or sales (accrued interest paid or receivable being shown separately), all disbursements for the payment of OPEB Obligations and Pension Obligations, administrative expenses (any amounts paid to the Trustee shown separately) of the Trust paid from the Account, and showing all cash, securities and other property held in the Account at the end of such calendar quarter or as of the date of such removal or resignation, as the case may be.

- 10.4 Valuation. All securities will be valued at fair market value as of the date of valuation, as determined by the Trustee on the basis of all available information that the Trustee deems reasonable.

ARTICLE 11

STANDARD OF CARE AND INDEMNIFICATION

- 11.1 Exclusive Purpose. Except as provided in Sections 14.3 and 14.4, all Trust assets and all income thereon will be used for the exclusive purpose of providing for the payments of OPEB Obligations and Pension Obligations and for paying the reasonable expenses of administering the Trust.
- 11.2 Standard of Care. The Trustee and the Trust Administrator, when making, selling or otherwise managing investments of the funds, will discharge their duties with respect to the investment of the funds (i) solely in the interest of, and for the exclusive purposes of funding OPEB Obligations and Pension Obligations, maximizing the amount available for such funding, and paying reasonable expenses of administering the Trust, and (ii) with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims. The Trust Administrator will invest assets in each Employer's Account accordance with the applicable Investment Policy Statement, but only to the extent that doing so does not conflict with the duties described in the preceding sentence.
- 11.3 Trustee Indemnification of Trust Administrator. The Trustee, solely from its assets and not from the Trust assets, will indemnify the Trust Administrator and each of its affiliates against, and will hold them harmless from, any and all damages imposed upon or incurred by any of them by reason of, or in connection with the Trustee's or affiliate's performance (or non-performance) of its duties under this Agreement in a manner that constitutes willful misconduct or willful breach of the standard of care articulated in Section 11.2, except to the extent that such damages resulted from the Trust Administrator's or affiliate's performance (or non-performance) of its duties under this Agreement in a manner that constitutes willful misconduct or willful breach of the standard of care articulated in Section 11.2.
- 11.4 Trust Administrator Indemnification of Trustee. The Trust Administrator, solely from its assets and not from the Trust assets, will indemnify the Trustee and each of its affiliates



PFM Asset Management LLC

against, and will hold them harmless from, any and all damages imposed upon or incurred by any of them by reason of, or in connection with the Trustee's and each of its affiliates' services under this Agreement, except to the extent that such damages resulted from the Trustee's or affiliate's performance (or non-performance) of its duties under this Agreement in a manner that constitutes willful misconduct or willful breach of the standard of care articulated in Section 11.2. The foregoing shall in no way limit or otherwise restrict any rights to indemnification which the Trust Administrator may have under any Adoption Agreement executed and delivered by the Trust Administrator and an Employer.

- 11.5 Survival of Indemnifications. The indemnification obligations provided for in this Agreement will survive the termination of this Agreement.

ARTICLE 12

RESIGNATION AND REMOVAL OF TRUST ADMINISTRATOR

- 12.1 Resignation or Removal of Trust Administrator. The Trust Administrator may resign at any time upon 90 days' prior written notice to each of the Employers, which notice may be waived in writing by the Employers. With the approval of at least two-thirds of the participating Employers, the Employers may remove the Trust Administrator upon 90 days' prior written notice to the Trust Administrator and the Trustee, which notice may be waived by the Trust Administrator.
- 12.2 Designation of Successor Trust Administrator. Upon notice of the Trust Administrator's resignation, the Employers will promptly designate a successor Trust Administrator qualified to act as the Trust Administrator of the Trust under applicable state law, such resignation to be effective upon acceptance of appointment by such successor Trust Administrator. The Employers will not remove the Trust Administrator unless Employers have designated such a successor Trust Administrator who shall have agreed with Employers and the Trustee to act as the Trust Administrator under an agreement substantially similar to this Agreement.
- 12.3 Compensation Pending Appointment of Successor. Until a successor Trust Administrator is appointed and assumes its duties as the Trust Administrator under this Agreement, the Trust Administrator shall be entitled to compensation for its services in accordance with Article 9.
- 12.4 Merger, Conversion, Consolidation or Sale of Trust Administrator. Any company into which the Trust Administrator may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trust Administrator may sell or transfer all or substantially all of its investment advisory business, shall be, with the prior consent of Employers in the manner set forth in Section 3.3(b), the successor to such Trust Administrator.
- 12.5 Successor Trust Administrator - No Duty to Investigate. A successor Trust Administrator shall have no duty to audit or otherwise inquire into the acts or transactions of its predecessor.



ARTICLE 13

RESIGNATION AND REMOVAL OF TRUSTEE

- 13.1 Resignation of Trustee. The Trustee may resign at any time upon 90 days prior written notice to the Trust Administrator, which notice may be waived by the Trust Administrator.
- 13.2 Removal of Trustee. With approval of at least two-thirds of the participating Employers, the Employers may instruct the Trust Administrator in writing to remove the Trustee (or any successor trustee) upon 90 days prior written notice to the Trustee, which notice may be waived in writing by the Trustee, and to replace the Trustee with a corporate Trustee satisfactory to the Trust Administrator in its sole judgment.
- 13.3 Designation of Successor Trustee. Upon notice of the Trustee's resignation or removal, the Trust Administrator shall promptly designate a successor corporate Trustee qualified to act as the Trustee of the Trust under applicable state law, such resignation or removal to be effective upon acceptance of appointment by such successor corporate Trustee.
- 13.4 Application to Court to Designate Successor. If the Trust Administrator does not designate a successor corporate Trustee, or if a successor corporate Trustee designated by the Trust Administrator has not accepted its appointment within 90 days after the Trustee gives notice of its resignation or receives notice of removal, the Trustee may, at the expense of the Trust, apply to a court of competent jurisdiction to appoint a successor corporate Trustee.
- 13.5 Trustee Compensation Pending Appointment of Successor. Until a successor corporate Trustee is appointed and assumes its duties, the Trustee shall be entitled to compensation for its services according to its fee schedule then in effect for acting as the Trustee in accordance with the Trust.
- 13.6 Merger, Conversion, Consolidation or Sale of Trustee. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, shall be, with the prior written consent of the Trust Administrator, the successor to such Trustee.
- 13.7 Transfer of Assets and Records. A resigning Trustee shall transfer the Trust assets and shall deliver the books, accounts and records of the Trust to the successor corporate Trustee as soon as practicable.
- 13.8 Payment of Expenses. A resigning Trustee is authorized to reserve such amount as may be necessary for the payment of its fees and expenses incurred prior to its resignation or removal, and the Trust assets shall remain liable to reimburse the resigning or removed Trustee for any costs or fees payable to the Trustee under the terms of this Agreement.
- 13.9 Successor Trust Administrator - No Duty to Investigate. A successor corporate Trustee shall have no duty to audit or otherwise inquire into the acts or transactions of its predecessor.



ARTICLE 14

AMENDMENT, TERMINATION, MERGER, TRANSFER

- 14.1 Amendment. With the approval of at least two-thirds of the Employers then participating in the Trust, the Trust Administrator and the Trustee may amend the Trust; provided, however, that no amendment may:
- (a) cause any assets held in any Employer's Account to be used for or diverted to any purpose other than for the exclusive purposes of funding the Employer's OPEB Obligations or Pension Obligations, as applicable, or defraying the reasonable expenses of administering the Account; or
 - (b) eliminate the requirement that none of the assets held in any Employer's Account revert to the Employer prior to the satisfaction of all OPEB Obligations or Pension Obligations (as applicable) under the OPEB Plan or Pension Plan for which the Account was established.
- 14.2 Termination of Trust.
- (a) The Trust may be terminated by the unanimous agreement of all Employers, which action must be in writing and delivered to the Trustee and Trust Administrator. Upon termination of the Trust, the Trust will continue to exist and the Trust Administrator and the Trustee will continue to have all powers provided in this Agreement as are necessary or desirable for the orderly liquidation and distribution of Trust assets in accordance with the provisions hereof until all Trust assets have been distributed. The Trustee will distribute assets remaining in each Employer's Account at the direction of the Trust Administrator in the following order of priority: (1) payment of reasonable administrative expenses (including taxes and termination costs) of the Trust, (2) payment of the OPEB Obligations and Pension Obligations currently payable under the Employer's OPEB Plan and Pension Plan, as applicable, and (3) payment to a trust that satisfies the requirements of Section 115 of the Code and any other applicable law.
 - (b) Contributions and transfers to the Trust are conditioned on initial qualification of the Trust under Section 115 of the Code. If the Trust receives an adverse determination with respect to its initial qualification, then the Trust and this Trust Agreement will automatically terminate without any action by any Employer or other parties. After such termination, the assets of each Employer's Omnibus Account, Pension Account, or OPEB Account, as applicable, will be returned by the Trustee to the Employer as directed by the Plan Administrator in accordance with this Section 14.2(b) to the extent permitted by law and consistent with the requirements of Section 115 of the Code. This Section 14.2(b) will cease to apply upon the Trust's receipt of a favorable determination with respect to its initial qualification.



PFM Asset Management LLC

14.3 Termination of Employer's Account.

- (a) An Employer's Account will automatically terminate upon the termination of the Employer's participation in the Trust and the transfer of the assets in the Employer's Account under Section 3.3.
- (b) If an Employer has an Omnibus Account and maintains an OPEB Plan or Pension Plan, but not both, Section 14.3(b) or (c) (as applicable) will apply to the assets in the Omnibus Account. If the Employer maintains both an OPEB Plan and Pension Plan, the Trustee will continue to maintain, and will have all of the powers and duties under this Agreement with respect to, the Employer's Omnibus Account until the Employer's OPEB Obligation under its OPEB Plan and Pension Obligation under its Pension Plan are fully satisfied. Any assets remaining in the Employer's Omnibus Account after both such obligations are fully satisfied will be paid to the Employer to the extent permitted by law and consistent with the requirements of Section 115 of the Code.
- (c) If an Employer's OPEB Plan terminates, the Trustee will continue to maintain, and will have all of the powers and duties under this Agreement with respect to, the Employer's OPEB Account until the Employer's OPEB Obligation under its OPEB Plan is fully satisfied. Any assets remaining in the Employer's OPEB Account after its OPEB Obligation is fully satisfied will be paid to the Employer to the extent permitted by law and consistent with the requirements of Section 115 of the Code.
- (d) If an Employer's Pension Plan terminates, the Trustee will continue to maintain, and will have all of the powers and duties under this Agreement with respect to, the Employer's Pension Account until the Employer's Pension Obligation under its Pension Plan is fully satisfied. Any assets remaining in the Employer's Pension Account after its Pension Obligation is fully satisfied will be paid to the Employer to the extent permitted by law and consistent with the requirements of Section 115 of the Code.

14.4 Mistake of Fact. At the written direction of an Employer and after receipt of any indemnification that the Trustee may require from the Employer, the Trustee will return any contribution or transfer made to the Trust by the Employer due a mistake of fact, excluding any earnings but reduced by any losses, to the Employer within one year after the Employer discovers the mistake.

14.5 Merger or Transfer. At any time that there is in existence any trust created by Employer which satisfies the requirements in Articles 2 and 4, at the direction of Employer, the Trust may be merged with such trust, or all or part of its assets (net of any amount as may be reasonably necessary to pay the fees and expenses of the Trust Administrator, the Trustee and other expenses of the Trust) transferred to such trust; provided, however, that no such merger or transfer may increase the Trustee's obligations under this Agreement without the Trustee's written approval, no such merger or transfer may render the Trust "revocable" or otherwise adversely affect the status of the Trust as described in Articles 2 and 4.

14.6 Reversion. Neither the Trust Administrator nor the Employers nor any entity related to any of them will have any beneficial interest in the Trust or receive any amounts upon



PFM Asset Management LLC

termination of the Trust or at any other time, except as provided in Sections 14.3 and 14.4.

ARTICLE 15

MISCELLANEOUS

- 15.1 Choice of Law. The Trust is governed by, and will be interpreted in a manner consistent with, the laws of the Commonwealth of Pennsylvania and, to the extent applicable, the Internal Revenue Code.
- 15.2 No Joint Powers Agreement. This Agreement is not a joint exercise of powers agreement, does not create a joint powers or joint action authority, and the obligations of Employer, the Trustee, and the Trust Administrator are several and not joint. Neither the Trustee nor the Trust Administrator is responsible for any contributions, costs, benefits, distributions, acts or omissions of the Employers or the Plan Administrators.
- 15.3 Authorized Signatories. Each party to this Agreement represents and warrants that the person or persons signing this Agreement on behalf of such party are authorized and empowered to sign and deliver this Agreement for such party.
- 15.4 List of Persons Authorize to Act for Employer. Each of the Employers will certify to the Trust Administrator and the Trustee in writing of the person or persons, by office or other position of employment, who are authorized to act on behalf of the Employer in all matters relating to the Trust.
- 15.5 List of Persons Authorized to Act for Trust Administrator. The Trust Administrator shall notify the Trustee and each of the Employers in a separate writing of all those who are authorized to act on behalf of the Trust Administrator in all matters relating to the Trust.
- 15.6 Agreement Controls. If there is any conflict between any Pension Plan or OPEB Plan and this Agreement, this Agreement will control.
- 15.7 Severability. In the event any provision of this Agreement is held to be invalid for any reason, such invalidity will not affect any other provisions of this Agreement and this Agreement will be construed and enforced as if the invalid provision had never been included.
- 15.8 Counterparts. This Agreement may be executed in any number of counterparts, each of which will be considered as an original.
- 15.9 Delivery of Communications. All communications under this Agreement must be in writing and will be deemed to have been duly given (1) on the date of receipt if served personally or by confirmed facsimile or other similar communication; (2) on the first business day after sending if sent for guaranteed next day delivery by a next-day courier service; or (3) on the fourth business day after mailing if mailed to the party or parties to whom notice is to be given by registered or certified mail, return receipt requested, postage prepaid, and properly addressed as follows:

If to an Employer:

At the address listed for such purpose on the Employer's Adoption Agreement

If to Trust Administrator:

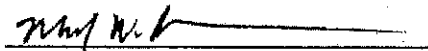
PFM Asset Management LLC
Two Logan Square, Suite 1600
18th and Arch Streets
Philadelphia, PA 19103
Attention: Leo Karwejna

If to Trustee:

Wells Fargo Bank, N.A.
1751 Pinnacle Drive, 3rd Floor
McLean, VA 22102
Attention: Timothy S. Rueling

IN WITNESS WHEREOF, and as evidence of establishment of the Trust created hereunder, the parties have caused this Agreement to be executed as of the date set forth below:

**PFM ASSET MANAGEMENT LLC,
As Trust Administrator**

By: 
Name: Michael W. HARRIS
Title: Managing Director
Date: 7/8/2015

**WELLS FARGO BANK, N.A.
As Trustee**

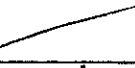
By: 
Name: Timothy Rueling
Title: Vice President
Date: 7/13/15

EXHIBIT B

TRUST ADMINISTRATIVE SERVICES AGREEMENT

TRUST ADMINISTRATIVE SERVICES AGREEMENT

This agreement ("Agreement") is made this ___ day of June, 2018, by and between City of Walnut Creek (the "Employer") and PFM ASSET MANAGEMENT LLC, a Delaware limited liability company (the "Trust Administrator").

WHEREAS, the Employer has adopted one or more plans, policies, or collective bargaining agreements ("Plans") the exclusive purpose of each is to provide other post-employment health and welfare benefits (other than pensions) ("OPEB") or retirement benefits; and

WHEREAS, the Trust Administrator, Wells Fargo Bank, N.A. (the "Trustee"), and various public agencies have entered into an agreement (the "Trust Agreement") establishing the Post-Employment Benefits Trust (the "Trust"); and

WHEREAS, the Employer has adopted the Trust by executing the adoption agreement to which this Agreement is attached (the "Adoption Agreement") in order to fund the OPEB and retirement benefits payable under the Plans; and

WHEREAS, the Employer wishes to retain the services of the Trust Administrator to administer the Employer's account under the Trust ("Account").

NOW THEREFORE, the Employer and the Trust Administrator hereby agree as follows:

Capitalized words not defined this document are defined in the Trust Agreement.

1. Trust Administrator Services

The Trust Administrator will provide the following services for the Employer's Account:

1.1 Administrative Services

- A. Instruct the Trustee to make disbursements from the Employer's Account at the direction of the Plan Administrator for the payment of OPEB or retirement benefits, including payments to CalPERS, under the Employer's Plans funded by the Account;
- B. Coordinate the annual audit of the Trust, the results of which will be provided to the Employer; and
- C. Coordinate such other actions with the Trustee as directed by the Plan Administrator that are within the scope of the Trust Administrator's duties under the Trust Agreement.

1.2 Investment Management Services

- A. Determine the asset allocation of investments in the Employer's Account ("Investment Strategy") based on information provided by the Employer or the Plan Administrator, including the anticipated amounts of cash required by the Plans for distributions and other expenses, and the appropriate risk

tolerance for the Plans based on the Plans' asset-liability characteristics and the Employer's resources;

- B. Prepare a recommended policy statement of the Account's Investment Strategy acceptable to the Employer to the extent necessary to accomplish the Account's Investment Strategy ("Investment Policy Statement");
- C. Execute the Account's Investment Strategy by instructing the Trustee to buy and sell shares of investments permitted under the Trust in accordance with the Investment Policy Statement;
- D. In consultation with the Employer, reassess and alter the Investment Strategy and Investment Policy Statement at least annually to the extent necessary to "rebalance" the Account investments;
- E. Perform reviews at least annually of the performance of the investments held in the Account, add or reduce allocations to each investment or add or delete investments in its judgment (to the extent permitted under the Investment Policy Statement and the Trust), and promptly advise the Employer of any additions or deletions of Account investments; and
- F. Provide the Employer after the end of each calendar quarter with an analysis of the performance of the investments of the Account and a statement of the changes in the investments made during such calendar quarter.

2. Compensation

- 2.1 Fees.** For all services provided by the Trust Administrator under this Agreement and the Trustee under the Trust Agreement, the following fees will apply:

Please refer to Exhibit A

The Trust Administrator will notify the Employer in writing of any change in the above fee amounts at least 60 days before the effective date of the change.

- 2.2 Fees for Additional Services.** If and to the extent that the Employer requests the Trust Administrator to render services other than those described under this Agreement, such additional services will be compensated separately on terms to be agreed upon between the Trust Administrator and the Employer.

- 2.3 Pooled Investments.** Assets invested by the Trust Administrator under the terms of this Agreement may from time to time be invested in individual securities, or in a proprietary money market mutual fund or local government investment pool (either, a "Pool"). Each Pool is a commingled fund managed by the Trust Administrator. Average daily net assets subject to the fees described in this section shall not take into account any funds invested in the Pool. Expenses of the Pool, including compensation for the Trust Administrator and the Pool custodian, are described in the relevant prospectus or information statement and are paid from the Pool.

3. Expenses

3.1 Furnishing of Administrative Services, Office Space, Equipment and Personnel. The Trust Administrator will furnish at its own expense all necessary administrative services, office space, equipment, clerical personnel, telephone and other communication facilities, investment advisory facilities, and executive and supervisory personnel required to perform the services under this Agreement, inclusive of reasonable costs required to attend meetings with the Employer.

3.2 Expenses of Employer's Account. Except as otherwise provided in this Agreement, Employer agrees to pay all expenses under the Trust incurred by (or allocable to) the Employer's Account including, without limitation, taxes, expenses (including front- or back-end charges) of an investment fund, fees and expenses of the Account's independent auditors and legal counsel, insurance premiums, expenses of the Trustee, the keeping of books and accounts, and the allocable costs of the annual Trust audit described in Section 5.3 of the Trust Agreement. The Trust Administrator will calculate expenses allocable to the Account on a pro-rata basis, or in any other reasonable and equitable manner determined by the Trust Administrator.

4. Payment Terms. At the end of each calendar month, the Trust Administrator will prepare and submit to the Employer for approval a monthly invoice for fees and expenses under this Agreement as described in Sections 2.1 and 3.2. The invoice will include a statement of the basis upon which the fees and expenses were calculated. Except to the extent that the Employer has elected in the Adoption Agreement to pay such invoices, the Employer authorizes the Trust Administrator to charge such invoices to the Employer's Account and authorizes and instructs the Trustee to disburse funds from the Account for the payment of the fees and expenses. If the Employer has elected in the Adoption Agreement to pay such invoices, but does not fully pay any invoice within 15 calendar days after the invoice's postmark, then the Employer hereby authorizes the Trust Administrator to charge the unpaid amount to the Account and instructs the Trustee to disburse such amount from the Account for the payment of the fees and expenses. If sufficient funds are not available or cannot for any reason otherwise be disbursed from the Account, the Trust Administrator will notify the Employer, and the Employer will pay the unpaid amount to the Trust Administrator from other sources within 10 calendar days after receiving the notice.

5. Registered Advisor; Duty of Care. The Trust Administrator hereby represents it is a registered investment advisor under the Investment Advisers Act of 1940. The Trust Administrator will immediately notify the Employer if at any time during the term of this Agreement it is not so registered or if its registration is suspended. The Trust Administrator agrees to perform its duties and responsibilities under this Agreement with reasonable care. Notwithstanding the foregoing, the Trust Administrator has no responsibility or liability for determining whether or to what extent the Trust or Trustee is eligible to receive funds from the Employer under applicable law; and it is the Employer's sole responsibility to make such determination upon the establishment of its account under the Trust and at all subsequent times. The federal securities laws impose liabilities under certain circumstances on persons who act in good faith. Nothing herein in any way constitutes a waiver or limitation of any rights which the Employer or the Trust may have under any federal securities laws. The Employer hereby authorizes the Trust Administrator to sign an Internal Revenue Service Form W-9 on behalf of the

Employer and to deliver such form to broker-dealers or others from time to time as required in connection with securities transactions pursuant to this Agreement.

6. **Trust Administrator's Other Clients.** The Employer understands that the Trust Administrator performs investment advisory services for various other clients which may include investment companies, commingled trust funds and/or individual portfolios. The Employer agrees that the Trust Administrator, in the exercise of its professional judgment, may give advice or take action with respect to any of its other clients which may differ from advice given or the timing or nature of action taken with respect to the Account. The Trust Administrator has no obligation to purchase, sell or exchange any security for the Employer solely by reason of the fact that the Trust Administrator, its principals, affiliates, or employees may purchase, sell or exchange such security for the account of any other client or for itself or its own accounts.
7. **Term of Agreement.** This Agreement will remain in effect until terminated by either party at any time by giving 90 days' written notice to the other party of its intent to terminate.
8. **Force Majeure.** The Trust Administrator has no liability for any losses arising out of the delays in performing or inability to perform the services which it renders under this Agreement which result from events beyond its control, including interruption of the business activities of the Trust Administrator or other financial institutions due to acts of God, acts of governmental authority, acts of war, terrorism, civil insurrection, riots, labor difficulties, or any action or inaction of any carrier or utility, or mechanical or other malfunction.
9. **Disciplinary Actions.** The Trust Administrator will promptly notify the Employer if the Trust Administrator is found to have violated any state or federal securities law or regulation in any final and unappealable judgment in any criminal action or civil suit in any state or federal court or in any disciplinary proceeding before the Securities and Exchange Commission or any other regulatory agency or department of the United States, any registered securities exchange, the Financial Industry Regulatory Authority, or any regulatory authority of any State based upon the performance of services as an investment advisor.
10. **Confidentiality.** The Trust Administrator will not disclose any information relating to the Plans or the Account except to authorized officers of the Employer, the Plan Administrator the Trustee and third parties retained by the Trust Administrator to perform specific services within this Agreement without the Employer's consent, unless such disclosure is required by law or by regulatory or judicial process. The Employer will not disclose any information relating the Trust to individuals other than authorized officers of the Employer and the Plan Administrator, or their respective designees, without the Trust Administrator's consent, except to the extent such disclosures are required by law including the California Public Records Act.
11. **Independent Contractor.** The Trust Administrator, its employees, officers and representatives, will not be deemed to be employees, agents (except as to the purchase or sale of securities described in Section 1), partners, servants, and/or joint ventures of the Employer or the Account by virtue of this Agreement or any actions or services rendered under this Agreement.

12. **Records.** The Trust Administrator will maintain appropriate records of all its activities hereunder. The Trust Administrator will use its best efforts to provide the Employer with a statement within 60 days following the end of each calendar quarter showing deposits, withdrawals, purchases and sales (or maturities) of investments, earnings received during the quarter, and the value of assets held on the last business day of the calendar quarter, all as provided for in the Trust Agreement, based on the information requested from and furnished to it by the Trustee.
13. **Ownership of Reports and Documents.** The Trust Administrator acknowledges that the originals of all correspondence, documents, reports and records produced in the course of providing the services pursuant to this Agreement are the property of the Employer. In the event this Agreement is terminated, the Trust Administrator agrees to provide such originals to the Employer. The Trust Administrator will not furnish copies of any such correspondence, documents reports and records to any party other than the Employer or the Plan Administrator, or their respective designees, or third parties retained by the Trust Administrator to perform services under this Agreement without the Employer's consent.
14. **Trust Administrator's Brochure and Brochure Supplement.** The Trust Administrator warrants that it has delivered to the Employer prior to the execution of this Agreement, the Trust Administrator's current Securities and Exchange Commission Form ADV, Part 2A (brochure) and Part 2B (brochure supplement). The Employer acknowledges receipt of such brochure and brochure supplement prior to the execution of this Agreement.
15. **Amendment.** This Agreement shall not be changed, modified, terminated or discharged in whole or in part, except by an instrument in writing signed by both parties hereto, or their respective successors or assigns.
16. **Successors and Assigns.** The provisions of this Agreement are binding on the Trust Administrator and its respective successors and assigns, provided, however, that the rights and obligations of the Trust Administrator may not be assigned without the Employer's consent.
17. **Designees.** In accordance with Section 1.8 of the Trust Agreement, the Employer will certify to the Trust Administrator in writing the persons or entity with the plenary authority pursuant to applicable state law over the investment and management of the Employer's Plans or its designee ("Plan Administrator"). The Plan Administrator has the authority to act on behalf of, and to exercise any of the rights of, the Employer under this Agreement. In accordance with Section 6.1(l) of the Trust Agreement, the Trust Administrator may designate and engage the services of such agents, representatives, advisors, counsel, accountants and other third parties, including affiliates of the Trust Administrator, and delegate its authority to perform specified services under this Agreement to such third parties. Any such designee shall have the authority to perform the services delegated to it by the Trust Administrator. Any officer of the Trust Administrator has the authority to exercise any of the rights of the Trust Administrator under this Agreement.
18. **Notice.** Written notices required under this Agreement will be sent by regular mail, certified mail, overnight delivery or courier, and will be deemed given when received at the parties' respective addresses shown below. Either party must notify the other party in writing of a change in address.

Employer's Address:

City of Walnut Creek
1666 North Main Street
Walnut Creek, CA 94596
Attn: Administrative Services Director

Trust Administrator's Address:

PFM Asset Management LLC
50 California Street, Suite 2300
San Francisco, CA 94111
Attn: Multi-Asset Class Specialist

With a Copy to:

PFM Asset Management LLC
1735 Market Street, 42nd Floor
Philadelphia, PA 19103
Attn: Controller

19. **Applicable Law.** This Agreement will be construed, enforced and administered according to the laws of the **State of California**, without regard to its conflicts of law principles. In the event that either party institutes legal proceedings against the other, venue will lie in any court of competent jurisdiction in the **State of California**.
20. **Entire Agreement.** This Agreement, including exhibits and any other documents referenced herein, constitutes the entire agreement of the parties with respect to the subject matter of this Agreement, and supersedes all prior negotiations, agreements, and understandings, whether written or oral, with respect thereto.
21. **Severability.** If any provision of this Agreement is held by any court of competent jurisdiction to be invalid or unenforceable, the remaining provisions of the Agreement will continue in full force and effect.
22. **Counterparts.** This Agreement may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed will be deemed to be a complete original and all of which together will constitute one and the same Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their authorized officers on the date set forth in the first paragraph of this Agreement.

**TRUST ADMINISTRATOR
PFM ASSET MANAGEMENT LLC**

By: *[Signature]*
Its: Managing Director

AGENCY
CITY OF WALNUT CREEK

By:  Daniel Buckshi

Its: City Manager



Exhibit A

Fees

Trust Administration Fees

Assets Under Management	Annual Fee
First \$10 million	0.45%
Next \$10 million	0.35%
Next \$30 million	0.25%
Next \$50 million	0.20%
Assets in excess of \$100 million	0.15%

*Minimum annual fee of \$20,000

Trustee/Custody Fees

Trustee/Custody Per Annum Fees		Unit Price	
Total Portfolio Assets	Base Fee	Per Additional Account	
\$0 - \$20 million	\$6,000	\$500	
\$20 million - \$100 million	\$10,000	\$500	
Over \$100 million	Individually priced on a deal by deal basis		
Benefit Payments			
Web-Based Online Reporting & Administration – RPP		Included	
Periodic ACH without Advice		\$1.50	
Periodic Check/ACH with Advice		\$2.00	
Lump Sum Payments		\$20.00	
Form 1099 Reports		\$0.00	
Stop Payments		\$0.00	
Domestic Transactions			
Mutual Fund Settlements		\$8.00 per transaction	
Outgoing/Incoming Wires		\$8.00 per transaction	

EXHIBIT C
INVESTMENT POLICY STATEMENT

INVESTMENT POLICY STATEMENT
FOR
THE CITY OF WALNUT CREEK
SECTION 115 PENSION TRUST FUND

February 6, 2018 Adopted

Approved 02/06/18

TABLE OF CONTENTS

<u>SECTION</u>	<u>PAGE</u>
Purpose	1
Investment Authority	1
Statement of Investment Objectives	2
Investment Guidelines	3
Time Horizon	
Liquidity and Diversification	
Asset Allocation	
Rebalancing Philosophy	
Risk Tolerance	
Performance Expectations	
Selection of Investment Managers.....	5
Guidelines for Portfolio Holdings	5
Direct Investments by Advisor	
Limitations on Managers' Portfolios	
Portfolio Risk Hedging	
Prohibited Portfolio Investments	
Safekeeping	
Control Procedures	7
Review of Investment Objectives	
Review of Investment Performance	
Voting of Proxies	
Adoption of Investment Policy Statement.....	9

The City of Walnut Creek (the "City") has established the City of Walnut Creek Section 115 Pension Trust (the "Trust"). This Trust is intended to provide funding of the City's retirement benefits provided by California Public Employees Retirement System ("CalPERS") for those eligible employees who meet the specified age and service requirements. The City of Walnut Creek Section 115 Trust Investment Committee, hereby adopts this Investment Policy Statement ("Policy Statement") for the following purposes.

Purpose

The main investment objective of the Trust is to achieve long-term growth of Trust assets by maximizing long-term rate of return on investments and minimizing risk of loss to fulfill the City's stated objectives for the Trust.

The purpose of this Policy Statement is to achieve the following:

1. Document investment objectives, performance expectations and investment guidelines for Trust assets.
2. Establish an appropriate investment strategy for managing all Trust assets, including an investment time horizon, risk tolerance ranges and asset allocation to provide sufficient diversification and overall return over the long-term time horizon of the Trust.
3. Establish investment guidelines to control overall risk and liquidity.
4. Establish periodic performance reporting requirements to monitor investment results and confirm that the investment policy is being followed.
5. Comply with fiduciary, prudence, due diligence and legal requirements for Trust assets.

Investment Authority

The City Council has authorized the establishment of the City of Walnut Creek Section 115 Trust Committee (the "Committee") to oversee certain policies and procedures related to the operation and administration of the Trust. The Committee will have authority to implement the investment policy and guidelines in the best interest of the Trust to best satisfy the purposes of the Trust. In implementing this Policy Statement, the Committee may delegate certain functions to:

1. An investment advisor ("Advisor") to assist the Committee in the investment process and to maintain compliance with this Policy Statement. The Advisor may assist the Committee in establishing investment policy objectives and guidelines and may also select investments with discretion to purchase, sell, or hold specific securities that will be used to meet the Fund's investment objectives. The Advisor will: a) adjust asset allocation for the Fund

subject to the guidelines and limitations set forth in this Policy Statement; b) select investment managers (“Managers”) and strategies consistent with its role as a fiduciary; c) monitor and review Managers and measure and evaluate their performance against their peers based upon the performance of the total funds under their direct management; and d) execute other tasks as deemed appropriate in its role as Advisor for Fund assets. The investment vehicles allowed may include mutual funds, commingled trusts, separate accounts, limited partnerships and other investment vehicles deemed to be appropriate by the Advisor. The Advisor shall never take possession of securities, cash or other assets of the Fund, all of which shall be held by the custodian. The Advisor must be registered with the Securities and Exchange Commission.

2. A custodian selected by the Trust to maintain possession of physical securities and records of street name securities owned by the Trust, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Trust.
3. A trustee appointed by the Trust, such as a bank trust department, if the Trust does not have its own Trustees, to assume fiduciary responsibility for the administration of Trust assets; provided, however, that if the Committee shall have appointed an investment advisor, then any trustee appointed under this paragraph shall have no authority with respect to selection of investments.
4. Specialists such as attorneys, auditors, actuaries and, retirement plan consultants to assist the Committee in meeting its responsibilities and obligations to administer Trust assets prudently.

Statement of Investment Objectives

The investment objectives of the Trust are as follows:

1. To invest assets of the Trust in a manner consistent with the following fiduciary standards: (a) all transactions undertaken must be for the sole interest of, and for the exclusive purposes of providing benefits to, Trust participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the trust, (b) with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims; and (c) assets are to be diversified in order to minimize the impact of large losses and to maximize the rate of return unless under the circumstances it is clearly prudent to not do so. .
2. To provide for funding and anticipated withdrawals on a continuing basis for payment of benefits and reasonable expenses of operation of the Trust.

3. To enhance the value of Trust assets in real terms over the long-term through asset appreciation and income generation, while maintaining a reasonable investment risk profile.
4. Subject to performance expectations over the long-term, to minimize principal fluctuations over the Time Horizon (as defined below).
5. To achieve a long-term level of return commensurate with contemporary economic conditions and equal to or exceeding the investment objective set forth in this Policy Statement under the section labeled "Performance Expectations".

Investment Guidelines

Within this section of the Policy Statement, several terms will be used to articulate various investment concepts. The descriptions are meant to be general and may share investments otherwise considered to be in the same asset class. They are:

"Growth Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on capital appreciation. Investments within the Growth Assets category can include income and risk mitigating characteristics, so long as the predominant investment risk and return characteristic is capital appreciation. Examples of such investments or asset classes are: domestic and international equities or equity funds, private or leveraged equity and certain real estate investments, focused on equity risk mitigation or equity-like returns.

"Income Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on income generation. Investments within the Income Assets category can include capital appreciation and risk mitigating characteristics, so long as the primary investment risk and return characteristic is income generation. Examples of such investments or asset classes are: fixed income securities, guaranteed investment contracts and certain real estate investments focused on interest rate risk mitigation or income investment-like returns.

"Real Return Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on real returns after inflation. Investments within the Real Return category can include inflation protected securities, commodities and certain real estate investments.

Time Horizon

The Trust's investment objectives are based on a long-term investment horizon ("Time Horizon") of five years or longer. Interim fluctuations should be viewed with appropriate perspective. The Committee has adopted a long-term investment horizon such that the risks and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets.

Liquidity and Diversification

In general, the Trust may hold some cash, cash equivalent, and/or money market funds for near-term Trust benefits and expenses (the “Trust Distributions”). Remaining assets will be invested in longer-term investments and shall be diversified with the intent to minimize the risk of long-term investment losses. Consequently, the total portfolio will be constructed and maintained to provide diversification with regard to the concentration of holdings in individual issues, issuers, countries, governments or industries.

Asset Allocation

The Committee believes that to achieve the greatest likelihood of meeting the Trust’s investment objectives and the best balance between risk and return for optimal diversification, assets will be invested in accordance with the targets for each asset class as follows to achieve an average total annual rate of return that is equal to or greater than the Trust’s target rate of return over the long-term, as described in the section titled “Performance Expectations”.

<u>Asset Classes</u>	<u>Asset Weightings</u>	
	<u>Range</u>	<u>Target</u>
Growth Assets		
Domestic Equity	13% - 53%	33%
International Equity	0% - 37%	17%
Other	0% - 20%	0%
Income Assets		
Fixed Income	30% - 70%	50%
Other	0% - 20%	0%
Real Return Assets	0% - 20%	0%
Cash Equivalentents	0% - 20%	0%

The Advisor and each Manager will be evaluated against their peers on the performance of the total funds under their direct management.

Rebalancing Philosophy

The asset allocation range established by this Policy Statement represents a long-term perspective. As such, rapid unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside Policy Statement ranges. When allocations breach the specified ranges, the Advisor will rebalance the assets within the specified ranges. The Advisor may also rebalance based on market conditions.

Risk Tolerance

Subject to investment objectives and performance expectations, the Trust will be managed in a style that seeks to minimize principal fluctuations over the established Time Horizon.

Performance Expectations

Over the long-term, five years or longer, the performance objective for the Trust will be to achieve an average total annual rate of return that is equal to or greater than the Trust's stated total return objective. Additionally, it is expected that the annual rate of return on Trust assets will be commensurate with the then prevailing investment environment. Measurement of this return expectation will be judged by reviewing returns in the context of industry standard benchmarks, peer universe comparisons for individual Trust investments and blended benchmark comparisons for the Trust in its entirety.

Selection of Investment Managers

The Advisor shall prudently select appropriate Managers to invest the assets of the Trust. Managers must meet the following criteria:

- The Manager must provide historical quarterly performance data compliant with Global Investment Performance Standards (GIPS®), Securities & Exchange Commission ("SEC"), Financial Industry Regulatory Agency ("FINRA") or industry recognized standards, as appropriate.
- The Manager must provide detailed information on the history of the firm, key personnel, support personnel, key clients, and fee schedule (including most-favored-nation clauses). This information can be a copy of a recent Request for Proposal ("RFP") completed by the Manager or regulatory disclosure.
- The Manager must clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
- The investment professionals making the investment decisions must have a minimum of three (3) years of experience managing similar strategies either at their current firm or at previous firms.
- Where other than common funds such as mutual funds or commingled trusts are utilized, the Manager must confirm receipt, understanding and adherence to this Policy Statement and any investment specific policies by signing a consent form provided to the Manager prior to investment of Trust assets.

Guidelines for Portfolio Holdings

Direct Investments by Advisor

Every effort shall be made, to the extent practical, prudent and appropriate, to select investments that have investment objectives and policies that are consistent with this Policy Statement (as outlined in the following sub-sections of the “Guidelines for Portfolio Holdings”). However, given the nature of the investments, it is recognized that there may be deviations between this Policy Statement and the objectives of these investments.

Limitations on Managers’ Portfolios

EQUITIES

No more than the greater of 5% or weighting in the relevant index (Russell 3000 Index for U.S. issues and MSCI ACWI ex-U.S. for non-U.S. issues) of the total equity portfolio valued at market may be invested in the common equity of any one corporation; ownership of the shares of one company shall not exceed 5% of those outstanding; and not more than 40% of equity valued at market may be held in any one sector, as defined by the Global Industry Classification Standard (GICS).

Domestic Equities. Other than the above constraints, there are no quantitative guidelines as to issues, industry or individual security diversification. However, prudent diversification standards should be developed and maintained by the Manager.

International Equities. The overall non-U.S. equity allocation should include a diverse global mix that is comprised of the equity of companies from multiple countries, regions and sectors.

FIXED INCOME

Fixed income securities of any one issuer shall not exceed 5% of the total bond portfolio at time of purchase. The 5% limitation does not apply to issues of the U.S. Treasury or other Federal Agencies. The overall rating of the fixed income assets as calculated by the Advisor shall be investment grade, based on the rating of one Nationally Recognized Statistical Rating Organization (“NRSRO”).

OTHER ASSETS (ALTERNATIVES)

Alternatives may consist of non-traditional asset classes such as real estate and commodities, when deemed appropriate. The total allocation to this category may not exceed 20% of the overall portfolio. Prior to adding an allocation to any of the following asset classes, with the exception of publicly-traded mutual fund vehicles, the Advisor shall receive approval from the Committee.

Real Estate: Consists of publicly traded Real Estate Investment Trust (“REIT”) securities and/or non-publicly traded private real estate and shall be diversified across a broad array of property types and

geographic locations. Investments of this type are designed to provide a stable level of income combined with potential for price appreciation, particularly in periods of unexpected inflation. For private real estate, the illiquid, long-term nature should be considered. For purposes of asset allocation targets and limitations, publicly traded REITs will be categorized as "Other" under the Growth Assets category. Depending on the investment characteristics of a private real estate fund, the fund will be categorized as "Other" under either the Income Assets category, for example, a core real estate fund, or under the Growth Assets category, for example, an opportunistic real estate fund where capital gains are expected to make up a significant portion of the total return.

Inflation Hedge: Shall consist of pooled vehicles holding among other assets: Treasury Inflation Protected Securities ("TIPS"), commodities or commodity contracts, index-linked derivative contracts, certain real estate or real property funds and the equity of companies in businesses thought to hedge inflation. Inflation hedge assets will be reported in the Real Return Assets category.

CASH EQUIVALENTS

Cash equivalents shall be held in funds complying with Rule 2(a)-7 of the Investment Company Act of 1940.

Portfolio Risk Hedging

Portfolio investments designed to hedge various risks including volatility risk, interest rate risk, etc. are allowed to the extent that the investments are not used for the sole purpose of leveraging Trust assets. One example of a hedge vehicle is an exchange traded fund ("ETF") which takes short positions.

Prohibited Investments

Except for purchase within authorized investments, securities having the following characteristics are not authorized and shall not be purchased: letter stock and other unregistered securities, direct commodities or commodity contracts, or private placements (with the exception of Rule 144A securities). Further, derivatives, options, or futures for the sole purpose of direct portfolio leveraging are prohibited. Direct ownership of real estate, natural resource properties such as oil, gas or timber and the purchase of collectibles is also prohibited.

Safekeeping

All assets of the Trust shall be held by a custodian approved by the Committee for safekeeping of Trust assets. The custodian shall produce statements on a monthly basis, listing the name and value of all assets held, and the dates and nature of all transactions in accordance with the terms in the Trust Agreement. Investments of the Trust not held as liquidity or investment reserves shall, at all times, be invested in interest-bearing accounts. Investments and portfolio securities may not be loaned.

Control Procedures

Review of Investment Objectives

The Advisor shall review annually and report to the Committee the appropriateness of this Policy Statement for achieving the Trust's stated objectives. It is not expected that this Policy Statement will change frequently. In particular, short-term changes in the financial markets should not require an adjustment in this Policy Statement.

Review of Investment Performance

The Advisor shall report on a quarterly basis to the Committee to review the investment performance of the Trust. In addition, the Advisor will be responsible for keeping the Committee advised of any material change in investment strategy, Managers, and other pertinent information potentially affecting performance of the Trust.

The Advisor shall compare the investment results on a quarterly basis to appropriate peer universe benchmarks, as well as market indices in both equity and fixed income markets. Examples of benchmarks and indexes that will be used include the Russell 3000 Index for broad U.S. equity strategies; S&P 500 Index for large cap U.S. equities, Russell 2000 Index for small cap U.S. equities, MSCI ACWI ex-U.S. Index for broad based non-U.S. equity strategies; MSCI Europe, Australasia, and Far East (EAFE) Index for developed markets international equities, Barclays Capital Aggregate Bond Index for fixed income securities, and the U.S. 91 Day T-bill for cash equivalents. The Russell 3000 Index will be used to benchmark the U.S. equities portfolio; the MSCI ACWI ex-U.S. Index will be used to benchmark the non-U.S. equities portfolio; the Barclays U.S. Aggregate Bond Index will be used to benchmark the fixed income portfolio. The categories "Other" will be benchmarked against appropriate indices depending on the specific characteristics of the strategies and funds used.

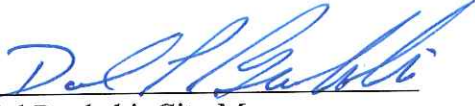
Voting of Proxies

The Committee recognizes that proxies are a significant and valuable tool in corporate governance. The voting rights of individual stocks held in separate accounts or collective, common, or pooled funds will be exercised by the investment managers in accordance with their own proxy voting policies. The voting rights of funds will be exercised by the Advisor.

Adoption of Investment Policy Statement

Any changes and exceptions to this Policy Statement will be made in writing and adopted by the Committee. Once adopted, changes and exceptions will be delivered to each Manager, as appropriate, by the Advisor.

Approved by the City of Walnut Creek Section 115 Trust Investment Committee:



Daniel Buckshi, City Manager



Date