



**CITY OF SEBASTOPOL CITY COUNCIL  
AGENDA ITEM REPORT FOR MEETING OF: June 2, 2026**

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**To:** Honorable Mayor and City Councilmembers  
**From:** Ana Kwong – *Administrative Services Director*  
**Responsible Department:** Administrative Services  
**Subject:** Year-to-Date Update for City Investments, including the Section 115 Trust and Non-Trust Discretionary Account

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**RECOMMENDATION:**

It is recommended that the City Council receive and file this informational report providing an annual update on City investments, including the Section 115 Pension Trust and the non-trust pension account.

While this item is informational, any consideration of additional funding to the Section 115 Trust is recommended to be discussed and acted upon as part of the FY 2026–27 budget hearings, where full budget context and funding priorities can be evaluated. Policy direction or other related actions may also be brought forward as future agenda item.

**PROCESS OF AGENDA ITEM:**

- a. Presentation of the agenda item by the Administrative Services Director
- b. Introduction of Consultant
- c. Questions and Discussion from Councilmembers
- d. Public Comment Period
- e. Council Deliberation and Motion

**EXECUTIVE SUMMARY:**

This report provides a year-to-date update on the City’s Section 115 Pension Trust and internal (non-trust) pension reserves. The purpose of this report is to support transparency and provide context for upcoming budget deliberations related to long-term pension funding.

**BACKGROUND:**

The City established a Section 115 Pension Trust in October 2023 to prefund a portion of its CalPERS pension obligations. Authorized under federal tax law, a Section 115 trust allows public agencies to set aside assets in an irrevocable trust that may be used exclusively for pension-related costs. Assets held in the trust are invested under a long-term strategy with the goal of achieving returns that help reduce volatility in future pension costs.

In addition to the Section 115 Pension Trust, the City retained a portion of its pension reserves outside the trust as a non-trust discretionary pension reserve. Unlike the Section 115 Trust, these funds are not subject to the same legal restrictions and remain fully under City Council discretion.

Given renewed Council interest in pension funding strategy and the role of prefunding in managing long-term obligations, this report provides an annual overview of both funding mechanisms. This report is informational in nature and does not recommend a change in policy at this time.

**DISCUSSION:**

**Section 115 Pension Trust**

The Section 115 Pension Trust is held in an irrevocable trust and invested in accordance with an adopted investment policy designed to balance risk mitigation with long-term return objectives.

Key characteristics of the Section 115 Trust include:



- Funds are legally restricted for pension-related expenditures.
- Assets are invested separately from the City's operating funds.
- Earnings, whether gains or losses, accrue to the trust over time.
- Use of trust funds generally requires City Council direction and coordination with the City's pension advisors.

The Trust serves as a long-term financial management tool intended to reduce contribution volatility and provide flexibility in addressing future pension cost increases, particularly during periods of market or actuarial stress. Statements for the most recent fiscal year-end and current fiscal year-to-date are provided for informational purposes.

### **Non-Trust Pension Account and City Investment Portfolio**

In addition to the Section 115 Trust, the City maintains non-trust pension account. These funds are not subject to the legal restrictions of a Section 115 Trust and therefore provide greater short-term fiscal flexibility. While historically associated with pension planning, these reserves remain available for broader General Fund purposes at the discretion of the City Council.

Key distinctions between non-trust pension reserves and the Section 115 Trust include:

- Funds are not legally restricted to pension-only use.
- Assets are generally held within the City's pooled investment structure.
- Council may redirect these funds during budget adoption or mid-year adjustments, subject to fiscal policy considerations.

The coexistence of trust and non-trust pension resources allows the City to balance long-term pension prefunding objectives with near-term budgetary pressures, including structural deficit considerations.

### **City Investment Portfolio Investment Policy Update**

The City's Investment Policy sets forth the City's investment objectives, risk preferences, authorized investments, and other investment-related priorities. A thoughtful and comprehensive investment policy not only provides accountability for investment officials but also promotes public trust in investment decisions. Developing, reviewing, and monitoring the City's Investment Policy serves as an important tool of communication between the investment official, City management, and the City Council.

Prior to January 1, 2005, State statute required the City Treasurer to render to the City Council an annual Investment Policy. Although this statutory requirement has been removed, conducting an annual review for legal compliance and submitting the Policy to the City Council remains a sound fiscal practice.

The current Investment Policy Statement remains compliant with California Government Code Section 53601 ("the Code"). However, updates to the Code in recent years have expanded investment flexibility for local agencies while preserving the core principles of safety, liquidity, and return.

Shuster has recommended targeted updates to the City's IPS to align with current statutory allowances and incorporate best practices in public fund management. These changes are designed to enhance yield potential, streamline portfolio structure, and ensure the City remains well-positioned in a dynamic interest rate environment.

### **STAFF ANALYSIS:**

The City has retained Shuster Advisory Group, LLC to manage City investments to prefund pension liabilities (Trust and non-Trust). The firm is an SEC-registered investment advisor managing over \$11 billion in public assets and serves as fiduciary and investment advisor to the City. Charles Schwab Trust Bank acts as custodian, and Alta Trust Company serves as directed trustee.



The Section 115 Pension Trust is currently invested with an allocation of approximately 40 percent equities and 60 percent fixed income. This allocation emphasizes capital preservation while allowing for moderate long-term growth.

Since inception, the Trust has demonstrated positive performance. The annualized returns over the past two years ending May 6, 2026 were 11.28%, exceeding the benchmark return of 9.73% for the same period and the CalPERS Public Employees’ Retirement Fund (PERF) pension plan discount rate of 6.80%. As of May 6, 2026, the inception-to-date return was 10.45%, compared to a benchmark return of 8.86%.

The CalPERS PERF pension plan maintains an asset allocation of approximately 70 percent equities and 30 percent fixed income. In contrast, the City adopted a more balanced approach for the Section 115 Pension Trust in recognition of its size and capacity for risk.

As the Trust enters its second year and continues to demonstrate positive performance, staff will periodically reassess the asset allocation to determine whether a gradual increase in equity exposure would better support long-term return objectives while maintaining a risk profile appropriate to the City’s overall financial position.

Balances for both the Section 115 Pension Trust and the non-trust pension reserves are as follows:

Account	Balance as of 3/31/26	Balance as of 4/30/26	Balance as of 5/6/26
Section 115 Pension Trust	\$2,144,104	\$2,232,147	\$2,261,476
Non-Trust Pension Account	\$1,080,663	\$1,083,582	\$1,083,582

Pension prefunding decisions must be evaluated alongside competing fiscal priorities, including infrastructure investment, service level sustainability, and long-term revenue capacity.

Any future changes in funding strategy or use of pension reserves would be presented separately for City Council consideration as part of the budget process or a dedicated policy discussion.

In order to maximize non-Trust investment earnings, staff has discussed the option to engage Shuster Advisory Group to also actively manage the City’s Cash Investment Portfolio.

Following a comprehensive review of the City’s investment assets, as reflected in the March 2026 Investment Report data, Shuster identified opportunities to reallocate a portion of shorter-maturity holdings into high-quality fixed income investments. These reallocations are designed to enhance portfolio yield without sacrificing core principles of safety and liquidity.

Recognizing the complexity of the fixed income market, Shuster partners with leading institutional bond managers to construct investment-grade, resilient portfolios. These portfolios include only investments permissible under California Government Code Section 53601, such as U.S. Treasuries, U.S. Agency bonds, A-rated or better corporate bonds, and AA-rated or better mortgage- and asset-backed securities.

In today’s dynamic interest rate environment, professional bond management provides access to institutional pricing, credit analysis, and market research, allowing the City to capture opportunities arising from market dislocations. Shuster will continue to assist the City in allocating assets between JPA pools and institutional bond managers to optimize yield and ensure compliance with safety and liquidity objectives.

The recommendation to approve an updated Investment Policy Statement and to approve Shuster as the Investment Fiduciary for the City’s Cash Investment Portfolio will be presented separately for Council consideration.

**BUDGET COMMITTEE REVIEW**



The Budget Committee reviewed this item at its May 11, 2026 meeting and provided advisory input intended to inform City Council deliberations during the FY 2026–27 budget process. Consistent with these recommendations, no action is requested at this time, as any related policy considerations will return to the City Council at a future meeting and any related funding to 115 trust should be addressed as part of the upcoming budget hearings:

**1. Transfer of Funds to Section 115 Trust**

Transfer 50%, or \$500,000, from the non-trust pension account into the Section 115 Trust to move assets from money market investments into a diversified, long-term growth strategy.

Action: To be considered by the City Council as part of the FY 2026–27 budget hearings.

**2. Section 115 Trust Asset Allocation Adjustment**

Adjust the asset allocation from 40/60 to 50/50 (Equity/Fixed Income) to improve long-term return potential while maintaining a moderate and prudent risk profile.

Action: No City Council approval required; this is an administrative/investment management action.

**3. Investment Policy Statement (IPS) Update**

Revise the City’s Investment Policy Statement to allow greater investment flexibility consistent with California Government Code.

Action: Will be brought back to the City Council for formal review and approval at a future meeting.

**4. Alignment of Investment Strategy with Long-Term Liabilities**

Align the City’s investment strategy with long-term pension liabilities rather than short-term liquidity-only objectives.

Action: Policy approach will be further developed and returned to the City Council for future consideration and direction.

**5. Future Investment of Excess Funds**

Work with staff to identify and invest future excess funds, once liquidity needs are met, under the revised IPS using a professionally managed approach designed to maximize return within prudent risk limits.

Action: Implementation will be guided by Council-approved policies; No City Council approval required; this is an administrative/investment management action.

**Outcome:**

These advisory recommendations are intended to position the City to better manage pension cost volatility, improve long-term returns, and align investment practices with the City’s long-term financial obligations while preserving flexibility and local control.

**CITY COUNCIL GOALS/PRIORITIES/ AND OR GENERAL PLAN CONSISTENCY:**

This agenda item represents the City Council goals/priorities as follows:

Goal 5: Achieving Greater Fiscal Resilience and Long Term Fiscal Sustainability

This agenda item represents the City Council General Plan Consistency (if applicable): Not Applicable

**FISCAL IMPACT:**

There is no fiscal impact associated with receiving and filing this informational report. Future fiscal impacts would depend on City Council policy direction and would be evaluated through the budget process or a separate policy action.

**COMMUNITY OUTREACH:**



This item has been noticed in accordance with the Ralph M. Brown Act and was available for public viewing and review at least 72 hours prior to schedule meeting date. The City has also used social media to promote and advertise the City Council Meeting Agenda Items.

As of the writing of this agenda item report, the City has not received any public comment. If staff receives public comment from interested parties following the publication and distribution of this agenda item report, such comments will be provided to the City Council as supplemental materials before or at the meeting and will be posted to the city website.

**RESTATED RECOMMENDATION(S):**

It is recommended that the City Council receive and file this informational report providing an annual update on City investments, including the Section 115 Pension Trust and the non-trust pension account.

While this item is informational, any consideration of additional funding to the Section 115 Trust is recommended to be discussed and acted upon as part of the FY 2026–27 budget hearings, where full budget context and funding priorities can be evaluated. Policy direction or other related actions may also be brought forward as a future agenda item.

**OPTIONS:**

None

**ATTACHMENTS:**

Section 115 Trust and Cash Investment Updates

**APPROVALS:**

Department Head Approval: Approval Date: 5/1/26

CEQA Determination (Planning): Approval Date: N/A

The proposed action is not a project under the California Environmental Quality Act (CEQA)

Administrative Services (Financial) Approval Date: 5/18/26

Costs authorized in City Approved Budget:  Yes  No  N/A

Account Code (f applicable) N/A

City Attorney Approval: Approval Date: 5/22/26

City Manager Approval: Approval Date: 5/22/26



# Section 115 Trust and Cash Investment Updates

City of Sebastopol

June 2, 2026

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# Section 115 Trust & Cash Account Summary

Section 115 Trust Adoption: 10/17/2023

## Asset Balance

Account	3/31/2026 Balance	4/30/2026 Balance	5/6/2026 Balance
Section 115 Pension Trust	\$2,144,104	\$2,232,147	\$2,261,476
Non-Trust Pension	\$1,080,663	\$1,083,582	\$1,083,582

## Investment Policy

- Section 115 Pension Trust: 40% Equity / 60% Fixed Income
- Non-Trust Pension Account: 100% Money Market

## Cash Flows

- Contributions: Section 115 Pension Trust: \$1,800,000 (1/19/2024)  
Non-Trust Pension: \$1,000,000 (5/1/2024)
- Distributions: Section 115 Pension Trust: \$0  
Non-Trust Pension: \$0

# Why Use a Section 115 Trust?

## Uses of the Trust

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



## Benefits

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



# CalPERS Public Employees' Retirement Fund (PERF) Performance

Fiscal Year Ending	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	5-Year Annualized*	10-Year Annualized*
CalPERS	0.61%	11.20%	8.60%	6.70%	4.70%	21.30%	-6.10%	5.80%	9.30%	11.60%	8.01%	7.15%
70/30 Index	1.69%	11.21%	8.99%	6.60%	3.70%	26.98%	-15.87%	11.10%	12.97%	14.31%	8.92%	7.64%

\* Fiscal Year Ending 2025

Note: Shuster Advisory Group ("Shuster"), is a Securities & Exchange Commission Registered Investment Advisor. This material has been prepared for informational and summary purposes only and is not intended to provide, and should not be relied on for accounting, legal or tax advice, or investment recommendations. Past performance is not a guarantee of future results. All data is as of 6/30 of each calendar year. CalPERS PERF returns shown are as reported on the FY 2024-25 CalPERS Facts at a Glance available online at <https://www.calpers.ca.gov/documents/facts-investments/download?inline>. Returns are time-weighted and reflect private equity and real assets valuations as of March 31, 2025, and are cash adjusted through June 30, 2025. The 70/30% index shown is the Morningstar Balanced 70/30 GR USD which is a blended benchmark of 70% Morningstar DM GR USD and 40% Morningstar Gbl Trsy Bd TR USD rebalanced to target weights of 70% equity and 30% fixed income on a quarterly basis. The index does not incorporate Environmental, Social, or Governance (ESG) criteria. Any discrepancy is purely accidental.



# Shuster Composite Model Performance

## (Net 4/30/2026)

Model	YTD	Rolling 1-Year	Rolling 3-Year	Rolling 5-Year	Inception	Inception Date
<b>0 100 Taxable</b>	<b>0.29%</b>	<b>5.57%</b>	<b>4.75%</b>	<b>N/A</b>	<b>4.12%</b>	<b>6/1/2022</b>
<i>Benchmark: 100% Taxable Bond</i>	0.06%	3.98%	3.73%	N/A	2.65%	
<b>10 90 Taxable</b>	<b>1.25%</b>	<b>8.57%</b>	<b>N/A</b>	<b>N/A</b>	<b>5.88%</b>	<b>10/1/2024</b>
<i>Benchmark: 10% Equity 90% Taxable Bond</i>	0.86%	6.57%	N/A	N/A	4.15%	
<b>20 80 Taxable</b>	<b>2.22%</b>	<b>11.63%</b>	<b>8.22%</b>	<b>3.46%</b>	<b>5.50%</b>	<b>5/1/2020</b>
<i>Benchmark: 20% Equity 80% Taxable Bond</i>	1.66%	9.21%	6.45%	2.36%	3.47%	
<b>30 70 Taxable</b>	<b>3.12%</b>	<b>14.44%</b>	<b>10.13%</b>	<b>5.10%</b>	<b>5.98%</b>	<b>6/1/2019</b>
<i>Benchmark: 30% Equity 70% Taxable Bond</i>	2.45%	11.91%	7.76%	3.28%	5.03%	
<b>40 60 Taxable</b>	<b>3.72%</b>	<b>16.13%</b>	<b>11.35%</b>	<b>5.74%</b>	<b>7.52%</b>	<b>9/1/2019</b>
<i>Benchmark: 40% Equity 60% Taxable Bond</i>	3.25%	14.65%	9.20%	4.25%	5.85%	
<b>50 50 Taxable</b>	<b>4.56%</b>	<b>19.12%</b>	<b>12.59%</b>	<b>7.18%</b>	<b>9.03%</b>	<b>4/1/2019</b>
<i>Benchmark: 50% Equity 50% Taxable Bond</i>	4.05%	17.45%	10.64%	5.23%	7.13%	
<b>60 40 Taxable</b>	<b>5.32%</b>	<b>21.71%</b>	<b>14.18%</b>	<b>7.93%</b>	<b>12.38%</b>	<b>4/1/2019</b>
<i>Benchmark: 60% Equity 40% Taxable Bond</i>	4.85%	20.31%	12.11%	6.12%	10.36%	
<b>70 30 Taxable</b>	<b>6.14%</b>	<b>23.99%</b>	<b>15.54%</b>	<b>8.25%</b>	<b>10.27%</b>	<b>2/1/2020</b>
<i>Benchmark: 70% Equity 30% Taxable Bond</i>	5.65%	23.21%	13.63%	7.12%	8.98%	
<b>80 20 Taxable</b>	<b>7.00%</b>	<b>27.19%</b>	<b>16.87%</b>	<b>9.11%</b>	<b>10.69%</b>	<b>1/1/2020</b>
<i>Benchmark: 80% Equity 20% Taxable Bond</i>	6.45%	26.17%	15.05%	8.06%	9.77%	
<b>90 10 Taxable</b>	<b>7.04%</b>	<b>29.44%</b>	<b>18.03%</b>	<b>9.89%</b>	<b>13.06%</b>	<b>6/1/2019</b>
<i>Benchmark: 90% Equity 10% Taxable Bond</i>	7.25%	29.19%	16.52%	8.91%	11.95%	
<b>100 Equity Taxable</b>	<b>8.38%</b>	<b>31.81%</b>	<b>19.36%</b>	<b>10.73%</b>	<b>13.86%</b>	<b>6/1/2019</b>
<i>Benchmark: 100% Equity Benchmark</i>	7.89%	31.64%	18.09%	9.90%	13.07%	

Note: All portfolio allocation options are available with Shuster. Shuster's performance is calculated by Morningstar, is net of all Trust program fees (weighted at 14.6 basis points as of 9/30/25), and is believed to be accurate but is not guaranteed. Any discrepancy is purely accidental. This summary is for simplification purposes only and is not guaranteed. Past performance is not a guarantee of future performance.



# Shuster Composite Model Performance

## (Gross 4/30/2026)

Model	YTD	Rolling 1-Year	Rolling 3-Year	Rolling 5-Year	Inception	Inception Date
<b>0 100 Taxable</b>	<b>0.34%</b>	<b>5.71%</b>	<b>4.89%</b>	<b>N/A</b>	<b>4.26%</b>	<b>6/1/2022</b>
<i>Benchmark: 100% Taxable Bond</i>	0.06%	3.98%	3.73%	N/A	2.65%	
<b>10 90 Taxable</b>	<b>1.30%</b>	<b>8.71%</b>	<b>N/A</b>	<b>N/A</b>	<b>6.02%</b>	<b>10/1/2024</b>
<i>Benchmark: 10% Equity 90% Taxable Bond</i>	0.86%	6.57%	N/A	N/A	4.15%	
<b>20 80 Taxable</b>	<b>2.27%</b>	<b>11.77%</b>	<b>8.36%</b>	<b>3.60%</b>	<b>5.64%</b>	<b>5/1/2020</b>
<i>Benchmark: 20% Equity 80% Taxable Bond</i>	1.66%	9.21%	6.45%	2.36%	3.47%	
<b>30 70 Taxable</b>	<b>3.17%</b>	<b>14.58%</b>	<b>10.27%</b>	<b>5.24%</b>	<b>6.12%</b>	<b>6/1/2019</b>
<i>Benchmark: 30% Equity 70% Taxable Bond</i>	2.45%	11.91%	7.76%	3.28%	5.03%	
<b>40 60 Taxable</b>	<b>3.77%</b>	<b>16.27%</b>	<b>11.49%</b>	<b>5.88%</b>	<b>7.66%</b>	<b>9/1/2019</b>
<i>Benchmark: 40% Equity 60% Taxable Bond</i>	3.25%	14.65%	9.20%	4.25%	5.85%	
<b>50 50 Taxable</b>	<b>4.61%</b>	<b>19.26%</b>	<b>12.73%</b>	<b>7.32%</b>	<b>9.17%</b>	<b>4/1/2019</b>
<i>Benchmark: 50% Equity 50% Taxable Bond</i>	4.05%	17.45%	10.64%	5.23%	7.13%	
<b>60 40 Taxable</b>	<b>5.37%</b>	<b>21.85%</b>	<b>14.32%</b>	<b>8.07%</b>	<b>12.52%</b>	<b>4/1/2020</b>
<i>Benchmark: 60% Equity 40% Taxable Bond</i>	4.85%	20.31%	12.11%	6.12%	10.36%	
<b>70 30 Taxable</b>	<b>6.19%</b>	<b>24.13%</b>	<b>15.68%</b>	<b>8.39%</b>	<b>10.41%</b>	<b>2/1/2020</b>
<i>Benchmark: 70% Equity 30% Taxable Bond</i>	5.65%	23.21%	13.63%	7.12%	8.98%	
<b>80 20 Taxable</b>	<b>7.05%</b>	<b>27.33%</b>	<b>17.01%</b>	<b>9.25%</b>	<b>10.83%</b>	<b>1/1/2020</b>
<i>Benchmark: 80% Equity 20% Taxable Bond</i>	6.45%	26.17%	15.05%	8.06%	9.77%	
<b>90 10 Taxable</b>	<b>7.09%</b>	<b>29.58%</b>	<b>18.17%</b>	<b>10.03%</b>	<b>13.20%</b>	<b>6/1/2019</b>
<i>Benchmark: 90% Equity 10% Taxable Bond</i>	7.25%	29.19%	16.52%	8.91%	11.95%	
<b>100 Equity Taxable</b>	<b>8.43%</b>	<b>31.95%</b>	<b>19.50%</b>	<b>10.87%</b>	<b>14.00%</b>	<b>6/1/2019</b>
<i>Benchmark: 100% Equity Benchmark</i>	7.89%	31.64%	18.09%	9.90%	13.07%	

Note: All portfolio allocation options are available with Shuster. Shuster's performance is calculated by Morningstar, is gross of all Trust program fees, is believed to be accurate but is not guaranteed. Any discrepancy is purely accidental. This summary is for simplification purposes only and is not guaranteed. Past performance is not a guarantee of future performance.



# City of Sebastopol Performance

## Section 115 Trust

### Account Details - 1st Quarter 2026 (1/1/2026-3/31/2026)

Account Name	Mgmt. Style	1/1/2026 Value	3/31/2026 Value	Net Investment	Period Return %	3 Months %	YTD %	1 Year %	3 Year %	Inception % 1/23/2024
City of Sebastopol	-	2,149,781.86	2,144,104.05	-429.39	-0.34	-0.61	-0.34	9.85	N/A	8.32
City of Sebastopol Pension Stabilization	Gov 40/60	2,149,781.86	2,144,104.05	-429.39	-0.34	-0.61	-0.34	9.85	N/A	8.32
<i>40% Equity 60% Taxable Bond</i>					-0.69	-0.97	-0.69	7.86	N/A	6.74

### Account Details - Last 2 Years (5/6/2024-5/6/2026)

Account Name	Mgmt. Style	5/6/2024 Value	5/6/2026 Value	Net Investment	Period Return %	3 Months %	YTD %	1 Year %	3 Year %	Inception % 1/23/2024
City of Sebastopol	-	1,828,025.46	2,261,475.69	-3,101.61	11.28	3.58	5.04	15.35	N/A	10.45
City of Sebastopol Pension Stabilization	Gov 40/60	1,828,025.46	2,261,475.69	-3,101.61	11.28	3.58	5.04	15.35	N/A	10.45
<i>40% Equity 60% Taxable Bond</i>					9.73	3.26	4.56	13.27	N/A	8.86

# Cash Account Program Services

<b>Fiduciary Investment Management Cash</b>	We serve as a fiduciary, making investment decisions in your best interest with full accountability and transparency. Our approach combines disciplined oversight, independent research, and customized strategies to help safeguard and grow your assets.	<b>Independent and Non-Proprietary</b>	We operate with complete independence and do not offer proprietary products, ensuring advice is objective and solely in your best interest. Our open-architecture platform allows us to evaluate the full universe of investment options without conflicts of interest.
<b>Investment Policy Review</b>	We review your Investment Policy Statement (IPS) to ensure alignment with your financial goals, risk tolerance, and regulatory requirements. Recommendations are made to enhance clarity, compliance, and effectiveness.	<b>Monthly Reporting and Review</b>	Comprehensive monthly and quarterly reports detail portfolio performance, compliance, and market commentary, all in accordance with CA Code 53607 and 53646. Ongoing reviews ensure your investments remain aligned with your objectives.
<b>Cash Flow Review</b>	We analyze historical and projected cash flows to ensure sufficient liquidity and optimize asset allocation. This helps balance operational needs with long-term investment objectives.	<b>Banking and Custody</b>	We assist in evaluating and selecting banking and custody providers to ensure alignment with your service, pricing, and reporting needs. If a change is made, we support a smooth transition by coordinating directly with all parties involved.
<b>Customized Investment Strategy</b>	Your portfolio is tailored to your unique objectives, time horizon, and risk profile. We monitor the interest rate environment and adjust allocations among permissible asset classes to optimize performance while managing risk.	<b>Fee Transparency</b>	All fees are clearly disclosed and summarized with each account review. We provide full transparency across advisory, custody, administration and investments.
<b>Credit Research</b>	We conduct in-depth analysis of issuer creditworthiness to manage risk and protect capital. This includes monitoring ratings, trends, and economic indicators.	<b>Team Based Service Model</b>	We operate as a collaborative team, ensuring clients receive responsive, hands-on support with direct access to key team members, including analysts and portfolio managers

# Investment Policy Analysis

Investment Type	Sebastopol	CA Code 53601 Limits
* 1 US Treasury Obligations	5yr max maturity, <b>limit unstated</b>	5yr max maturity, no limit
* 2 US Agency Obligations	5yr max maturity, <b>limit unstated</b>	5yr max maturity, no limit
* 3 Mortgage Pass-Through and Asset-Backed Securities	<b>Not explicitly stated</b>	5yr max maturity, 20% limit, AA rated or better, No portfolio limit on Agency MBS
* 4 Medium-Term Notes (i.e. corporates)	5yr max maturity, <b>limit and credit rating unstated</b>	5yr max maturity, 30% limit, A rated or better 10% single-issuer limit
5 Negotiable CDs	5yr max maturity, <b>limit unstated</b>	5yr max maturity, 30% limit
6 Non-negotiable CDs	5yr max maturity, <b>limit unstated</b>	5yr max maturity, no limit
* 7 Mutual Funds and MMMFs	<b>Limit unstated</b>	20% limit
8 Bankers' Acceptances	<b>Limit unstated</b>	180 day max maturity, 40% limit
9 Repurchase Agreements	<b>Limit unstated</b>	1yr max maturity, no limit
10 CP (non-pooled, city with >=100mn of investments)	<b>Limit unstated</b> , A-1 rated or better	397 day max maturity, 40% limit, A-1 rated or better
11 CP (non-pooled, city with <100mn of investments)	<b>Limit unstated</b> , A-1 rated or better	397 day max maturity, 25% limit, A-1 rated or better
* 12 Supranational Obligations (IBRD, IFC, IADB)	<b>Not explicitly stated</b>	5yr max maturity, 30% limit, AA rated or better
* 13 Local Agency Bonds	5yr max maturity, <b>limit unstated</b>	5yr max maturity, no limit
* 14 CA Local Agency Obligations	5yr max maturity, <b>limit unstated</b>	5yr max maturity, no limit
* 15 State Obligations (CA and others)	5yr max maturity, <b>limit unstated</b>	5yr max maturity, no limit
16 Reverse Repurchase Agreements & Sec Lending Agreements	<b>Not explicitly stated</b>	92 day max maturity, 20% limit
* 17 Joint Powers Authority Pool	<b>Limit unstated</b>	No Limit
* 18 Local Agency Investment Fund (LAIF)	<b>Limit unstated</b>	No Limit in Aggregate / \$75M per LAIF account
19 CP (pooled funds)	<b>Not explicitly stated</b>	270 day max maturity, 40% limit
20 Placement Service Deposits	<b>Not explicitly stated</b>	5yr max maturity, 50% limit
21 Placement Service Certificates of Deposit	<b>Not explicitly stated</b>	5yr max maturity, 50% limit
22 Collateralized Bank Deposits	<b>Not explicitly stated</b>	5yr max maturity, no limit
23 County Pooled Investment Funds	<b>Limit unstated</b>	No Limit
24 Voluntary Investment Program Fund	<b>Not explicitly stated</b>	No Limit
25 Public Bank Obligations	<b>Not explicitly stated</b>	5yr max maturity, no limit

\*Updates to the IPS for these investment types would have the greatest impact on increased investment flexibility.

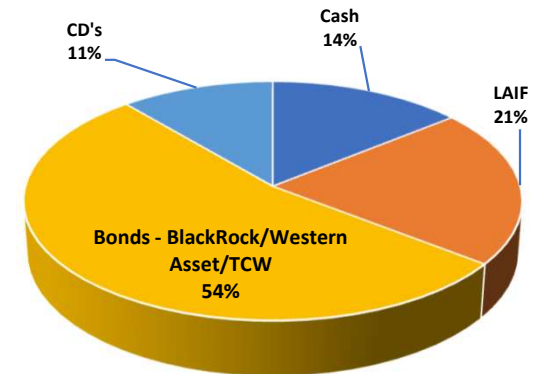
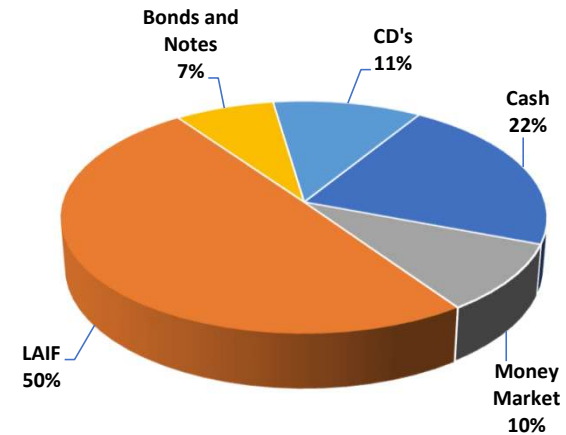
\*\*Investment Policy last updated in September 2017

# Current and Proposed Portfolios

City of Sebastopol* - Current Holdings			
Type	Market Value	Weighted Yields	Yield Contribution
Cash	\$3,080,497	0.250%	0.055%
Money Market	\$1,358,030	3.459%	0.333%
LAIF	\$7,015,745	3.810%	1.897%
Bonds and Notes	\$1,055,952	3.765%	0.282%
CD's	\$1,580,511	3.261%	0.366%
<b>Totals</b>	<b>\$14,090,735</b>		<b>2.933%</b>

\*Investment Values as of 3/31/2026

City of Sebastopol* - Proposed Holdings			
Type	Value	Weighted Yields	Yield Contribution
Cash	\$2,000,000	0.250%	0.035%
Money Market	\$0	3.459%	0.000%
LAIF	\$3,000,000	3.810%	0.811%
Bonds - BlackRock/Western Asset/TCW	\$7,510,224	4.000%	2.132%
CD's	\$1,580,511	3.261%	0.366%
<b>Totals</b>	<b>\$14,090,735</b>		<b>3.344%</b>



# Potential Savings and Opportunity Gain

City of Sebastopol* - Current Holdings							
Type	Market Value	Weighted Yields	Yield Contribution	Return	Fees %	Fees \$	
Cash	\$3,080,497	0.25%	0.055%	\$7,701	TBD	TBD	
Money Market	\$1,358,030	3.46%	0.333%	\$46,972	0.20%**	\$2,716	
LAIF	\$7,015,745	3.81%	1.897%	\$267,300	0.26%	\$18,241	
Bonds and Notes	\$1,055,952	3.77%	0.282%	\$39,757	0.10%**	\$1,056	
CD's	\$1,580,511	3.26%	0.366%	\$51,540	TBD	TBD	
Custody Fees	N/A	N/A	N/A	N/A	TBD	TBD	
<b>Totals</b>	<b>\$14,090,735</b>		<b>2.933%</b>	<b>\$413,270</b>		<b>\$22,013</b>	

City of Sebastopol* - Proposed Holdings							
Type	Value	Weighted Yields	Yield Contribution	Return	Fees %	Fees \$	
Cash	\$2,000,000	0.25%	0.035%	\$5,000	TBD	TBD	
Money Market	\$0	3.46%	0.000%	\$0	0.20%**	\$0	
LAIF	\$3,000,000	3.81%	0.811%	\$114,300	0.26%	\$7,800	
Bonds - BlackRock/Western Asset/TCW	\$7,510,224	4.00%	2.132%	\$300,409	0.07%	\$5,257	
CD's	\$1,580,511	3.26%	0.366%	\$51,540	TBD	TBD	
Shuster Fiduciary Fee	N/A	N/A	N/A	N/A	Flat	\$5,000	
<b>Totals</b>	<b>\$14,090,735</b>		<b>3.344%</b>	<b>\$471,249</b>		<b>\$18,057</b>	

<b>Net Difference</b>	<b>\$</b>	<b>-</b>	<b>0.411%</b>	<b>\$57,979</b>		<b>(\$3,956)</b>	
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\*Due to the higher allocation of funds to a professional bond manager, such as Western Asset Management or BlackRock, higher fees will be incurred. However, when incorporating implicit expense ratio fees and explicit custody/fiduciary fees, savings do occur with a Shuster managed cash investment portfolio. LAIF Net Expense Ratio / Fee not disclosed but calculated from most recent Annual Report. Money Market fees are an estimated Net Expense Ratio comparable to other institutional Money Market funds.

\*\*The Current Holdings Bond and Notes fee is an estimate for comparable bond managers. Implicit fees may also apply given non-institutional brokerage relationships.



# Thank you

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Unless otherwise stated, all information, including fees and interest rates, is gathered from the Agency or publicly available sources.

Past performance is no guarantee of future results.

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# Shuster Advisory Group



- SEC-Registered Investment Advisor with \$11B+ in assets under management/advisement
- Focuses on serving the unique needs of governmental agencies and special districts
- Fiduciary to plan investments
- Must act in the **best interest** of our clients
- Provides investment selection and ongoing monitoring and management
- Provides transparent services and fees



## Background

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

# Plan Consulting Services

## Defined Contribution

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

## Retiree Medical Reimbursement

## Pension

- Defined Benefit
- Cash Balance
- Supplemental Defined Benefit

## Future Liability Prefunding (115 Trust)

- Pension
- OPEB

## Operating Reserves/Cash Accounts

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



# Platform Administration



**Consultant & Fiduciary**

- Independent and Non-Proprietary
- Fee Negotiations
- \$11B+ in Assets Under Management / Advisement\*
- Platform Coordination
- Investment Policy Assistance
- Regulatory Compliance Support
- White Glove Client Support



**Custodian**

- Safekeeping of Assets
- Trade Processing
- Reporting
- Paying Agent
- \$38.3M Brokerage Accounts\*\*
- \$11.8T in Total Client Assets\*\*

\*As of 12/31/25, \*\* As of 9/30/25



# Cities and Towns We Proudly Serve

American Canyon	Commerce	Jurupa Valley	Montebello	Pismo Beach	Sausalito
Arcadia	Covina	Laguna Hills	Monterey Park	Placentia	Sebastopol
Artesia	Downey	La Mirada	Moraga	Pleasant Hill	Scotts Valley
Azusa	Eastvale	La Palma	Moreno Valley	Rancho Cordova	Signal Hill
Baldwin Park	El Segundo	La Quinta	Morgan Hill	Rancho Mirage	South Gate
Bell	Emeryville	La Verne	Norwalk	Rancho Palos Verdes	South Pasadena
Bell Gardens	Fontana	Lafayette	Oakley	Redlands	Stanton
Bellflower	Fullerton	Lakeport	Ontario	Rialto	Stockton
Beverly Hills	Gardena	Lakewood	Orange	Riverside	Temecula
Canyon Lake	Glendora	Lancaster	Oxnard	San Bernardino	Union City
Carson	Hemet	Lomita	Palmdale	San Dimas	Upland
Cathedral City	Hermosa Beach	Lompoc	Palm Desert	San Fernando	Vernon
Chino	Hesperia	Los Altos	Palo Alto	San Juan Capistrano	Walnut
Claremont	Huntington Park	Los Gatos	Paramount	San Luis Obispo	Whittier
Clovis	Indian Wells	Lynwood	Perris	San Pablo	Wildomar
Colton	Inglewood	Manhattan Beach	Pico Rivera	Santa Fe Springs	Yucaipa



# Public Agencies We Proudly Serve

Antelope Valley Medical Center	Midway City Sanitation District
Buena Vista Water Storage District	Mountains Recreation & Conservation Authority (MRCA)
Chino Valley Fire District	Ohio County Employees Retirement Plan (OCERP)
Conejo Recreation & Park District (CRPD)	Ontario International Airport Authority
County Commissioners' Association of Ohio (CCAO)	Orange County Fire Authority (OCFA)
County of Modoc	Regional Center of the East Bay
First Public Hydrogen Authority	San Bernardino Water District
Greater Los Angeles County Vector Control District (GLACVCD)	South Bay Regional Public Communications Authority
Hesperia Fire Protection District	Three Valleys Municipal Water District
Hesperia Water District	Trinity County Waterworks
Little Lake Fire Protection District	Valley-Wide Recreation & Park District
Madera Irrigation District	West Valley Water District

# Corporate Clients We Proudly Serve





# Our Investment Process

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



# Base Portfolios\*

		Model #1	Model #2	Model #3	Model #4	Model #5	Model #6	Model #7	Model #8	Model #9	Model #10	Model #11	
Allocation Options (Equity/Fixed)		All Fixed 0/100%	Ultra Conservative 10/90%	Conservative 20/80%	Mod Conservative 30/70%	Moderate 40/60%	Balanced 50/50%	Moderate Growth 60/40%	Moderate Aggressive 70/30%	Growth 80/20%	Aggressive 90/10%	All Equity 100/0%	
Risk Range: 0 to 100 (100 is Riskiest)		0	30	34	39	44	48	53	58	64	69	72	
Investment Return Range: 95% prob after 6 months		-3.4%+8.2%	-4.3%+9.7%	-5.3%+11.3%	-6.5%+12.9%	-7.8%+14.6%	-9.1%+16.4%	-10.5%+18.2%	-11.9%+20.1%	-13.3%+22.0%	-14.7%+23.9%	-15.7%+25.2%	
Distribution Rate		5.39%	4.94%	4.57%	4.20%	3.82%	3.45%	3.07%	2.74%	2.33%	1.96%	1.70%	
Expense Ratio		0.45%	0.42%	0.39%	0.36%	0.33%	0.30%	0.27%	0.24%	0.21%	0.18%	0.16%	
Equity	Domestic Equity	iShares Core S&P 500 ETF	0.00%	3.06%	5.61%	8.16%	10.71%	13.26%	15.81%	18.35%	20.90%	23.45%	25.24%
		iShares MSCI USA Quality Factor ETF	0.00%	1.08%	1.98%	2.88%	3.78%	4.68%	5.58%	6.48%	7.38%	8.28%	8.91%
		SPDR S&P 500 Growth ETF	0.00%	0.48%	0.88%	1.28%	1.68%	2.08%	2.48%	2.88%	3.28%	3.68%	3.96%
		Avantis US Large Cap Value ETF	0.00%	1.02%	1.87%	2.72%	3.57%	4.42%	5.27%	6.13%	6.98%	7.83%	8.42%
		iShares US Infrastructure ETF	0.00%	0.84%	1.54%	2.24%	2.94%	3.64%	4.34%	5.04%	5.74%	6.44%	6.93%
		BlackRock US Equity Factor Rotation ETF	0.00%	0.72%	1.32%	1.92%	2.52%	3.12%	3.72%	4.32%	4.92%	5.52%	5.94%
		Vanguard Information Technology ETF	0.00%	0.48%	0.88%	1.28%	1.68%	2.08%	2.48%	2.88%	3.28%	3.68%	3.96%
		Total	0.00%	7.68%	14.08%	20.48%	26.88%	33.28%	39.68%	46.08%	52.48%	58.88%	63.36%
	Int'l Developed Equity	iShares MSCI EAFE Value ETF	0.00%	1.44%	2.64%	3.84%	5.04%	6.24%	7.44%	8.64%	9.84%	11.04%	11.88%
		Avantis International Equity ETF	0.00%	1.92%	3.52%	5.12%	6.72%	8.32%	9.92%	11.52%	13.12%	14.72%	15.84%
		Total	0.00%	3.36%	6.16%	8.96%	11.76%	14.56%	17.36%	20.16%	22.96%	25.76%	27.72%
	Emerging Market Equity	iShares Core MSCI Emerging Markets ETF	0.00%	0.96%	1.76%	2.56%	3.36%	4.16%	4.96%	5.76%	6.56%	7.36%	7.92%
		Total	0.00%	0.96%	1.76%	2.56%	3.36%	4.16%	4.96%	5.76%	6.56%	7.36%	7.92%
	<b>Total Equities</b>		<b>0.00%</b>	<b>12.00%</b>	<b>22.00%</b>	<b>32.00%</b>	<b>42.00%</b>	<b>52.00%</b>	<b>62.00%</b>	<b>72.00%</b>	<b>82.00%</b>	<b>92.00%</b>	<b>99.00%</b>
Fixed Income	Core Fixed Income	PIMCO Income Instl Fund	34.65%	30.45%	26.95%	23.45%	19.95%	16.45%	12.95%	9.45%	5.95%	2.45%	0.00%
		Fidelity Total Bond ETF	32.67%	28.71%	25.41%	22.11%	18.81%	15.51%	12.21%	8.91%	5.61%	2.31%	0.00%
		TCW Flexible Income ETF	10.89%	9.57%	8.47%	7.37%	6.27%	5.17%	4.07%	2.97%	1.87%	0.77%	0.00%
		PIMCO Multisector Bond ETF	10.89%	9.57%	8.47%	7.37%	6.27%	5.17%	4.07%	2.97%	1.87%	0.77%	0.00%
		JPMorgan International Bond Opportunities ETF	9.90%	8.70%	7.70%	6.70%	5.70%	4.70%	3.70%	2.70%	1.70%	0.70%	0.00%
		Total	99.00%	87.00%	77.00%	67.00%	57.00%	47.00%	37.00%	27.00%	17.00%	7.00%	0.00%
		Total Fixed Income	99.00%	87.00%	77.00%	67.00%	57.00%	47.00%	37.00%	27.00%	17.00%	7.00%	0.00%
Cash/Cash Alternatives	Cash/Cash Alternatives	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	
	<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	

\* Custom portfolios available at no additional cost

Asset allocation shown is as of February 20, 2026. Risk Scores, Historical Ranges and Distribution Rates are calculated by Nitrogen Wealth, Inc. (previously Riskalyze, Inc.) using a long-term average for the S&P 500, average change in the Ten Year US Treasury Rate, and correlation and volatility data from 2008 to present. Nitrogen uses actual historical data to calculate the statistical probabilities shown. For securities calculated using Average Annual Return, the Average Return will be calculated using actual price history from June 2004-present or inception. We calculate the annualized return number as  $(\text{final price} / \text{initial price})^{1 / \text{number of years}} - 1$ . Riskalyze does not provide investment analysis on investments with less than 6 months of historical performance. In instances where an investment's inception is more recent than January 1, 2008 and greater than 6 months Nitrogen will use correlation statistics from the investments actual trading history to extrapolate missing volatility data. In most cases the extrapolation calculation increases the risk presented in the investment analysis as a means of protecting the investor. The Six Month Historical Range is calculated from the standard deviation of the portfolio (via covariance matrix), and represents a hypothetical statistical probability, but there is no guarantee any investments would perform within the range. There is a 5% probability of greater losses. Nitrogen does not use any Monte Carlo or any other type of simulations. The underlying data is updated as of the previous day's market close price, and the results may vary with each use and over time. The investments considered were determined by the financial representative. IMPORTANT: The projections or other information generated by Nitrogen regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. These figures may exclude commissions, sales charges or advisory fees which, if included, would have had a negative effect on the annual returns. In instances where a security is unrecognized by the Nitrogen system or a security does not yet contain more than six (6) months of historical return data, Nitrogen may assign a benchmark/proxy to more accurately display risk and return analytics. In these instances Nitrogen will use the historical data associated with the benchmark/proxy indicated. Please see additional disclosures (included towards the end of this report) for any exchange traded funds and/or mutual funds referenced herein.

\* The distribution rate is derived by summing the trailing 12-months' distributions (dividends, distributions from borrowing, return of capital, etc) and dividing the sum by the last month's ending NAV. It does not include capital gains distributed over the same period. \*\* The percentage of fund assets used to pay for operating expenses and management fees, including 12b-1 fees, administrative fees, and all other asset-based costs incurred annually by the underlying funds, except brokerage costs.