PLACENTIA LIBRARY DISTRICT BOARD OF TRUSTEES

TO: Jeanette Contreras, Library Director

FROM: Nadia Dallstream, Librarian II

SUBJECT: Adult Services Monthly Activity Report for March 2012

DATE: **APRIL 16, 2012**

MONTHLY STATISTICS

Adult Services Programs

		March 2012
March 6, 2012	Computer Workshop: E-mail 101	12
March 7, 2012	Play Reading: Amy's View	2
March 13, 2012	Book Discussion: Hotel on the Corner of Bitter and Sweet	15
March 14, 2012	League of Women Voters : Privatization	24
March 20, 2012	Computer Workshop: Word Processing: Beyond the Basics	7
March 22, 2012	DVD Premiere	54
March 24, 2012	Stories of Cesar Chavez	10
March 28, 2012	League of Women Voters : Privatization	22
	Total Program Participants	**146**

Reference Desk Activity

	March 2012	March 2011	Y-T-D 2011-12	Y-T-D* 2010-09	Y-T-D % change
Reference -- in person	865	1104	7446	9396	-20.75%
Reference -- telephone	240	346	2484	2979	-16.62%
Reference -- email/chat	2	1	27	2	100.00%
Technology assistance	299	665	3275	5917	-44.65%
Guest passes	97	213	1465	1489	-1.61%
Adult and Children's computer use (desktops)	2711	3543	24883	26828	-7.25%
Adult computer usage (desktop)*	2188	0	20994	0	0.00%
Public computer use (express laptops)	676	720	7301	8094	-9.80%
In library use -- cleanup	3820	3450	29260	30943	200.00%
Adult Program Attendance*	146	79	924	786	17.56%

**No data available for FY 10-11*

Volunteer Hours:

	March 2012	March 2011	Y-T-D 2011-12	Y-T-D 2010-11	Y-T-D % change
History Room	0	118	259.5	422	-38.51%
PLFF	486	601	4090.8	4082	0.21%
General Library	472.25	477	5332.3	3334.5	59.91%
Technology	19	148.5	455.75	403.75	12.88%
Homework Club	74.75	164.5	946	711.5	32.96%
Adult Literacy Tutors	80.5	120	464.25	529	-12.24%
PTAC	170.75	156	1136.8	682	66.68%
Total Volunteer Hours	**1303.25**	**1785**	**9045.8**	**7892.3**	**14.62%**

History Room Activity

	March 2012	March 2011	Y-T-D 2011-12	Y-T-D 2010-11	Y-T-D % Change
History Room Visitors	3	8	66	77	-14.29%
History Room Volunteers	0	3	10	27	0.00%

Adult Literacy Services

	March 2012
Number of Tutors	11
Number of Students	19
Total Number of Participants	30

**No data for FY 2010-2011*

Computer Literacy Services

	March 2012
Number of Tutors	1
Number of Students	1
Total Number of Participants	2

**No data for FY 2010-2011*

ACHIEVEMENTS

- ***Nadia Dallstream*** assisted with the Easter Eggcitement program.
- ***Jeannie Killianey*** coordinated & instructed 2 Computer Workshops (E-Mail 101 & Word: Beyond the Basics).
- ***Jeannie Killianey*** is coordinating the Computer Literacy tutoring program.
- ***Jeannie Killianey*** created the book trough for "Take Me Out to the Ballgame!"
- ***Jeannie Killianey*** created the book trough for "Best Pictures."
- ***Jeannie Killianey*** volunteered to order for both Spanish & Spanish Non-Fiction collections.
- ***Katie Matas*** proctored 6 exams.
- ***Katie Matas*** coordinated the March 1st Play Reading of *Amy's View.*
- ***Katie Matas*** interviewed and tested 1 new Adult Literacy Student.
- ***Katie Matas*** led the March 13th book discussion of *Hotel on the Corner of Bitter and Sweet* by Jamie Ford.
- ***Jeannie Killianey, Katie Matas and Wendy Townsend*** took turns cleaning the Staff Lounge.
- ***Nadia Dallstream*** and ***Wendy Townsend*** completed the premiere of the film "Placentia: A Pleasant Place".
- ***Jeannie Killianey, Katie Matas*** and ***Wendy Townsend*** coordinated and hosted "The Stories of Cesar Chavez" program.
- ***Wendy Townsend*** matched a new literacy tutor with 2 students and tested 9 new literacy students.

MEETINGS

- ***Nadia Dallstream*** attended 1 Mangers/Supervisors Meeting.
- ***Wendy Townsend and Katie Matas*** attended 1 staff meeting.
- ***Wendy Townsend*** attended the reception for Mr. Turner.
- ***Katie Matas*** attended 3 manager/supervisor meetings.
- ***Katie Matas*** attended the premier of the Placentia a Pleasant Place DVD.
- ***Wendy Townsend*** attended the Placentia Historical Committee meeting
- ***Wendy Townsend*** attended the Heritage Coordinating Council meeting.

IN PROGRESS

- ***Nadia Dallstream*** is preparing the Performance Measures report.
- ***Nadia Dallstream*** is coordinating the Summer Reading Program.
- ***Jeannie Killianey*** is coordinating 3 Computer Workshops for March.
- ***Jeannie Killianey*** is preparing to instruct 3 Computer Workshops for March.
- ***Jeannie Killianey*** continues to monitor and update the library's Facebook page.
- ***Jeannie Killianey*** connected with two future computer workshop instructors.
- ***Katie Matas*** is preparing for the April Play Reading Program.
- ***Wendy Townsend*** is updating the volunteer application, orientation materials and presentation.
- ***Wendy Townsend*** is working to fill library volunteer openings.
- ***Katie Matas*** and ***Wendy Townsend*** are making sure all History Room books have security strips.
- ***Wendy Townsend*** is working on the displays Placentia & Piacenza Sister Cities (display case in the back of the library) and Volunteer Week (display case in the front of the library).
- ***Wendy Townsend*** is identifying, cataloguing, scanning and storing new photographs and materials for the History Room collection.

PLACENTIA LIBRARY DISTRICT BOARD OF TRUSTEES

TO: Jeanette Contreras, Library Director

FROM: Katie Matas, Librarian, Technical Services

SUBJECT: Technology & Website Report for March 2012

DATE: April 16, 2012

MONTHLY STATISTICS

On-line database usage

	March 2012	March 2011	Y-T-D 2011-12	Y-T-D 2010-11	Y-T-D % change
General Reference Center	24	763	398	3,497	-89%
Heritage Quest	822	928	4,629	4,729	-2%
Novelist	60	52	335	244	37%
Tumblebooks	553	644	2,892	2,738	6%
Reference USA	78	128	871	693	26%
TOTAL DATABASE USAGE			**9,125**	**11,901**	**-23%**

Website Traffic

	March 2012	March 2011	Y-T-D 2011-12	Y-T-D 2010-11	Y-T-D % change
Website visits	19,150	23,087	184,136	165,229	11%
Page Hits	36,574	39,578	352,003	325,806	8%

ACHIEVEMENTS

- *Jesus Diaz* updated the Library's website.
- *Jesus Diaz* updated the outside digital sign.
- *Katie Matas* updated the messages on the telephone system.
- *Jeannie Killianey* updated the Library's Facebook Account.
- *Brenda Ramirez* updated the Library's Twitter Account.
- *Coleen Wakai* updated the Library's Flickr Account.

PLACENTIA LIBRARY DISTRICT BOARD OF TRUSTEES

TO: Library Board of Trustees

FROM: Jeanette Contreras, Library Director

SUBJECT: Public Agency Retirement Services (PARS) Presentation

DATE: April 16, 2012

BACKGROUND

Dennis Yu, Senior Vice President from PARS and Ahmed Khatib, Portfolio Manager from HighMark Capital Management will make a presentation about the Placentia Library District's Defined Contribution Plan.

Copies of the plan will be presented at the meeting.

RECOMMENDATION

Receive and file.

Placentia Library District

Retirement Plan
401 (a) Defined Contribution
Client Review

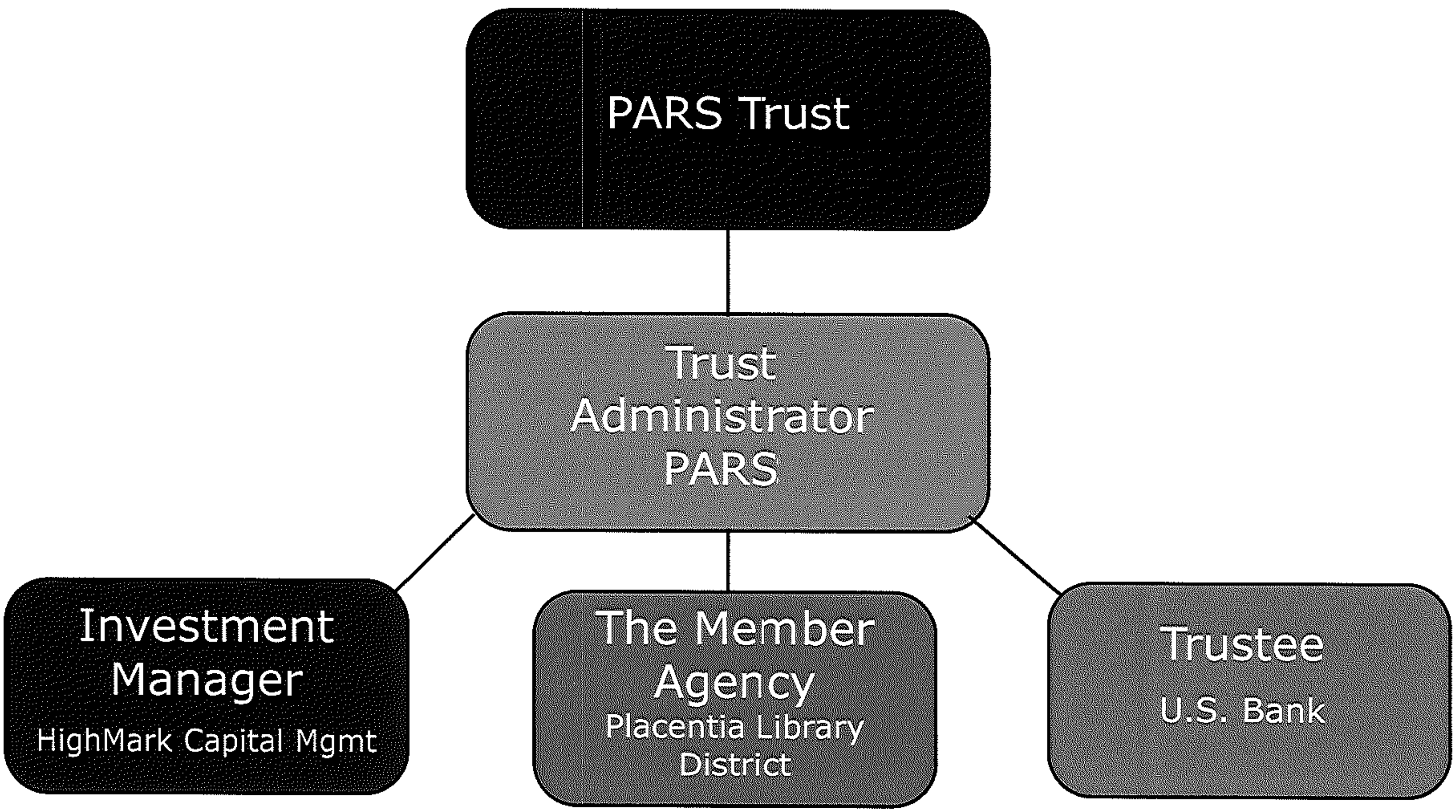
April 16, 2012

usbank HighMark® CAPITAL MANAGEMENT PUBLIC AGENCY RETIREMENT SERVICES PARS Making retirement work for you.

Overview of PARS

- Public Agency Retirement Services (PARS)
  - Administers PARS Trust Program, a multiple employer retirement trust system for governmental agencies
- 600+ Member Agencies
- 300,000+ Participants
- 1,200+ Retirement Plans
- Over $1 Billion in PARS trust assets

PARS Organizational Chart



PARS Trustee Change

- U.S. Bank purchased Union Bank's Retirement Plan Services business, which includes trustee services for all PARS programs effective February 1, 2012.
- The change should not have a noticeable impact on your agency or plan participants. No actions are required at this point by your agency.
- U.S. Bank has now assumed the same fiduciary and investment responsibility as Trustee for the PARS program that had been previously held by Union Bank.
- U.S. Bank will continue to use the same team from Union Bank (HighMark Capital Management) in a subadvisor role to manage your plan's investments. No change to your plan's investments will occur.
- Anticipated conversion from Union Bank to U.S. Bank systems will take place in September, 2012. Until further notice from PARS, continue to send PARS contributions as you would normally do.

U.S. Bank

- Fifth largest commercial bank in the nation, serving 25 states
- One hundred years in institutional trust and custody business
- One of the highest rated, financially secure banks in country
- PARS has been a business partner with U.S. Bank on another trust program since 2006 and has a strong, established relationship with the bank.
- U.S. Bank will enable PARS to accommodate continued growth and greater economies of scale for our agencies.

Summary of the Agency's Plan

Plan Effective Date:	July 1, 2008
Type of Plan:	401(a) Tax Qualified Defined Contribution
Active Contributing (as of: Dec 2011)	22
Employer Contribution*:	8.00% of Compensation
Employee Contribution+:	A one-time irrevocable election of a contribution rate ranging from 1%-12% (in 1% increments).
Eligibility:	Full-Time and Part-Time Employees 21 Years of Age & 6 Months of Service
Total Assets as of Dec 31, 2011:	$667,829
Investment Selection:	Balanced/Moderately Aggressive HighMark PLUS

* Contribution rate through June 30, 2012. Rate subject to change at District's discretion

+ An annual opportunity will be given to those that have not made an election.

Note: All expenses paid by Plan Assets.

Plan Vesting

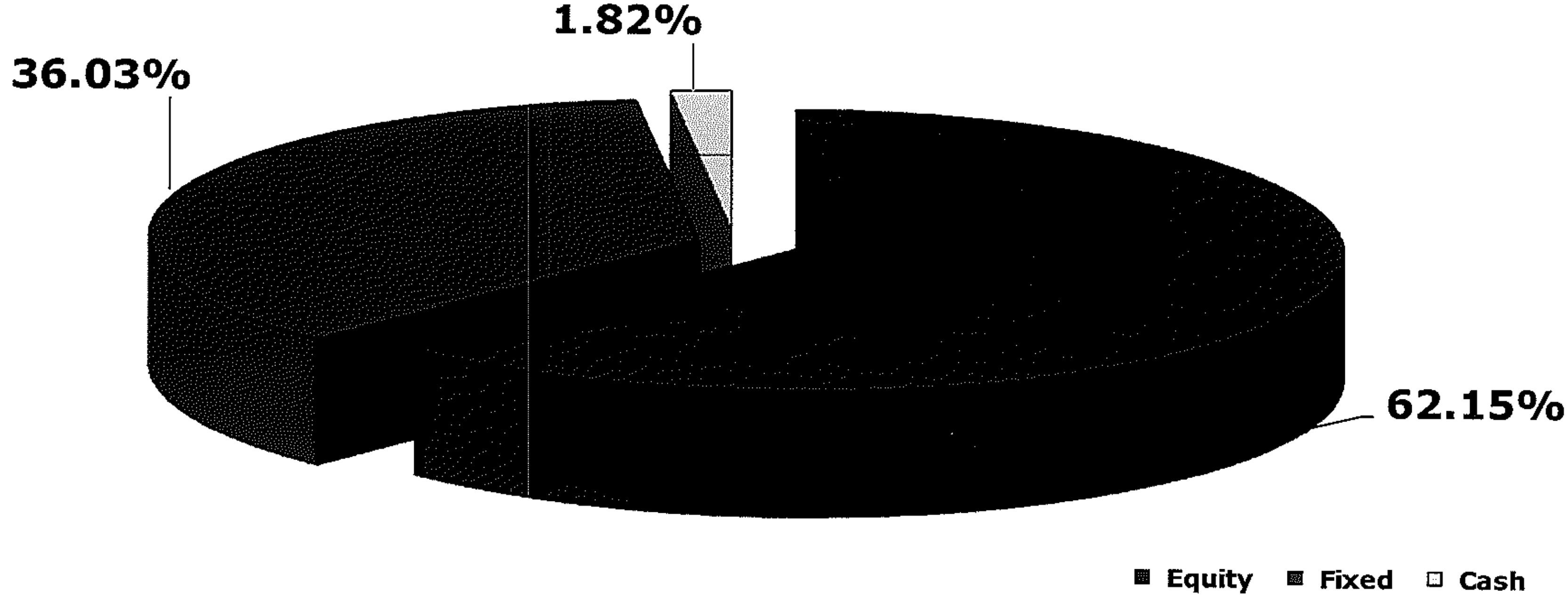
- Vesting refers to the ownership of your employer contributions.

Years of Service Completed	Percent Vested
1	20%
2	40%
3	60%
4	80%
5	100%

- Participants will be credited one (1) year of District Service upon completion of 1000 hours within the plan year.
- Employee contributions (if any) shall always be 100% vested to the employee

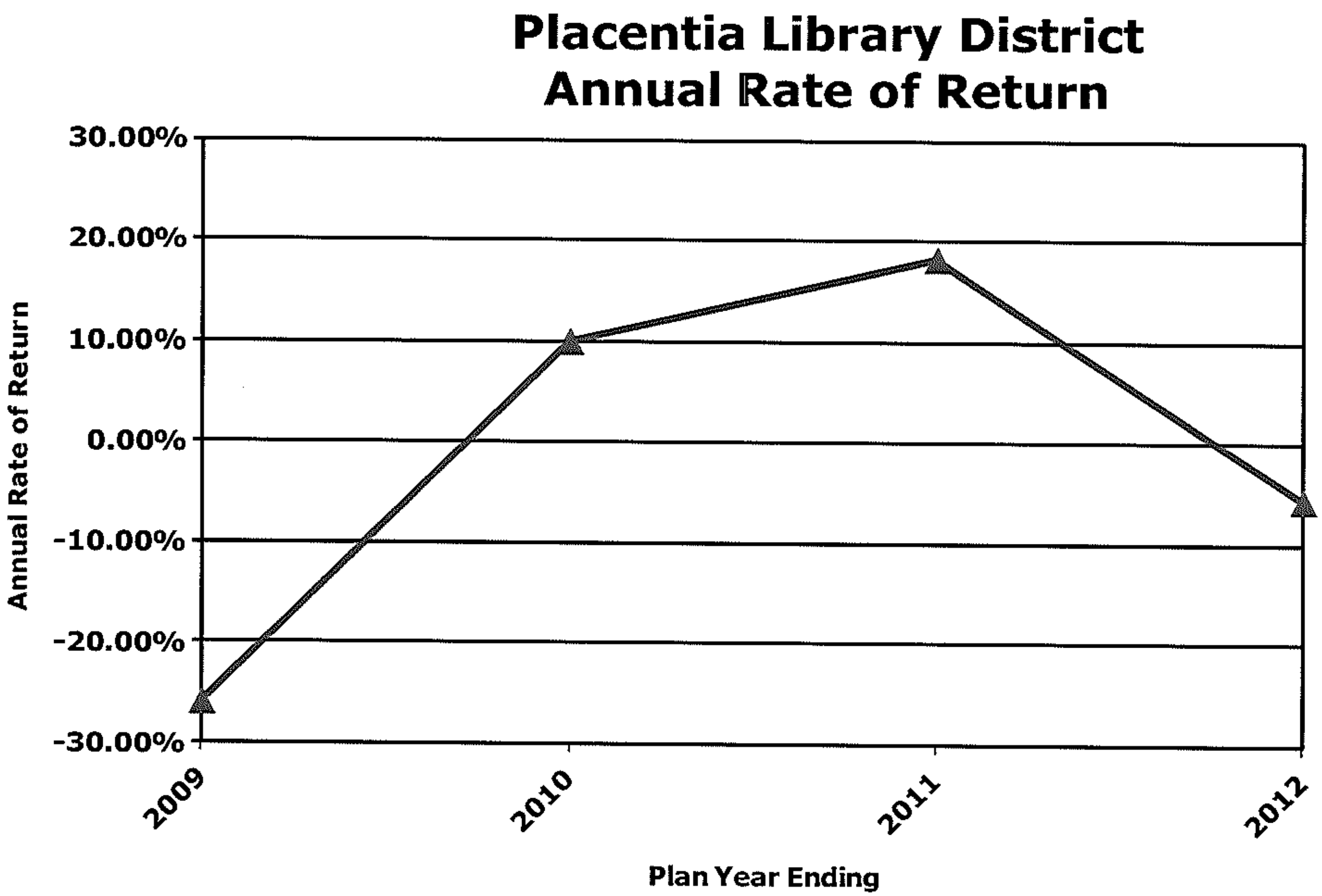
Summary of the Agency's Plan

Placentia Library District
Asset Allocation as of 12/31/2011



Balanced/Moderately Aggressive
HighMark PLUS

Summary of the Plan



Plan Y/E	Return
Jun -09	-25.91%
Jun -10	10.00%
Jun -11	18.18%
Jun -12*	-5.59%

* Plan Year Ending June 2012 is based on 6 months of activity through December 31, 2011.

Benefits to the Employees

Eligibility for Distribution:

- Retirement
- Termination
- Permanent Disability
- Death

Distribution Process:

- District notifies PARS of distributable event
- PARS sends distribution materials directly to the participant
- Participant complete necessary forms and return them to PARS
- Union Bank sends benefit payment based on participant instructions

Distribution flexibility:

- Lump-sum cash pay out
- IRA or other qualified plan rollovers
- Purchase of PERS service credit (if eligible)

Placentia Library District

Ahmed Khatib, CFP®
Portfolio Manager
18300 Von Karman Ave, Suite 1030
Irvine, CA 92612
949-553-2591
ahmed.khatib@unionbank.com

HIGHMARK®
CAPITAL MANAGEMENT

Agenda

Firm Overview & Process

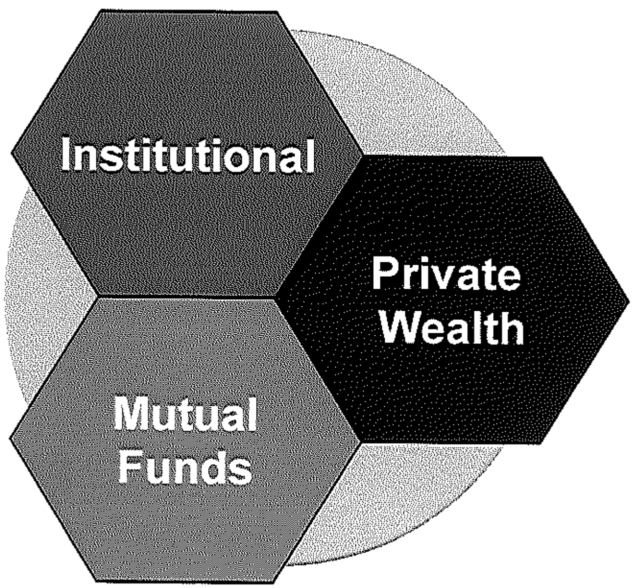
Financial Overview

Placentia Library District 401(a) Plan

Questions

Firm Overview

Vision. Discipline. Results.℠

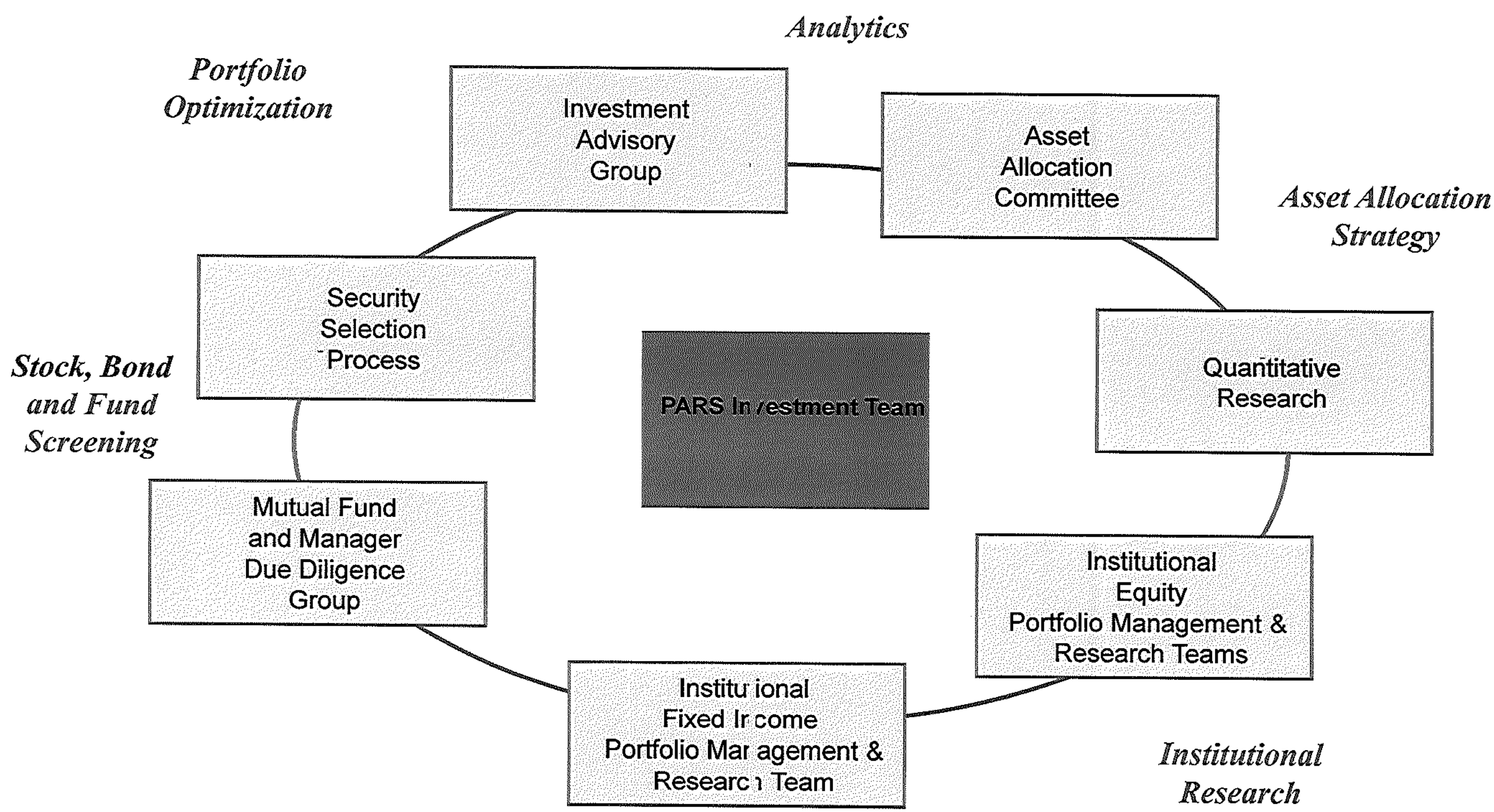


HIGHMARK® CAPITAL MANAGEMENT

- With its predecessors, HighMark has been focused exclusively on investment management of client's assets since 1919.
- Registered Investment Adviser with more than $16.4 billion in assets under management.
- 59 investment professionals with an average of 21 years investment experience.
- 29 professionals hold the Chartered Financial Analyst® (CFA) designation.
- In-house investment research capabilities and access to top-tier investment managers.
- Investment manager to PARS accounts since 1994.

OUR INVESTMENT CAPABILITIES

Our Portfolio Managers are supported by deep investment resources and unique processes.



Financial Overview

2011 Recap

- Japan Earthquake
- Arab Spring
- European Debt Crisis
- US Debt Crisis
- S&P Flat, International Markets Struggle, Treasuries Prevail

Current Environment & Outlook

- European debt crisis continues – Spain, Greece, Italy, etc
- China slowing
- Oil prices
- Interest rates low, per the Fed until 2014 – inflation?
- GDP Improving
- Strong corporate profitability; earnings season upon us
- Unemployment picture improving at a moderate pace, 8.2%
- Other positive US economic data - housing, sentiment, ISM, retail, auto sales

Client Profile

Goals & Objectives

– *Target 7%*

Time Horizon

– *Long-term*

Liquidity/Income Needs

- *Low/some disbursements*

Tolerance for Risk

– *Moderate to high*

Constraints

- *None*

Communication Expectations

– *Target annual meetings*

Investment Selection

– *Balanced/Moderately Aggressive (H ghMark Plus)*

ASSET ALLOCATION
As of March 31, 2012

Current Asset Allocation		Investment Vehicle	
Equity	**61.55%**		
Large Cap Core	5.70%	EXEYX	Manning and Napier Equity Fund
	5.72%	SMGIX	Columbia Contrarian Core Z
Large Cap Value	7.21%	LSGIX	Loomis Sayles Value Y
	6.96%	PRFDX	T. Rowe Price Equity Income Fund
Large Cap Growth	5.46%	PRGFX	T. Rowe Price Growth Stock Fund
Large Cap Growth	5.45%	HACAX	Harbor Capital Appreciation Fund
Mid Cap Value	3.24%	TIMVX	TIAA-CREF Mid Cap Value Fund
Mid Cap Growth	2.48%	PNMFX	HighMark Geneva Growth Fund CL
Small Cap Value	5.18%	NSVAX	Columbia Small Cap Value Fund II
Small Cap Growth	2.72%	PRNHX	T. Rowe Price New Horizons Fund
International Core	1.73%	HIOFX	HighMark International Opportunity Fund
International Value	1.49%	DODFX	Dodge & Cox International Stock Fund
International Growth	1.49%	MQGIX	MFS International Growth Fund
Emerging Markets	0.75%	LZEMX	Lazard Emerging Markets Instl Fund
	3.98%	RSENX	RS Emerging Markets CL Y
Specialty-Real Estate	2.00%	FARCX	Nuveen Real Estate Secs I
Fixed Income	**36.09%**		
Short-Term	8.52%	VFSUX	Vanguard Short-Term Corp Adm Fund
Intermediate-Term	13.02%	HMBDX	HighMark Bond Fund
	13.05%	PTTRX	PIMCO Total Return Instl Fund
High Yield Taxable	1.50%	PHIYX	PIMCO High Yield Instl Fund
Cash	**2.36%**		
	2.36%	HMDXX	HighMark Diversified MM Fund
TOTAL	**100.00%**		

Selected Period Performance
PARS/HCM MOD AGGRESS HM PLUS

Period Ending: 03/31/2012

	Year to Date (3 Months)	1 Year	3 Years	Since Inception 44 Months
Cash Equivalents	.01	.02	.19	.51
iMoneyNet, Inc. Taxable	*.00*	*.00*	*.02*	*.21*
Total Fixed Income	2.11	5.67	8.37	7.25
BC US Aggregate Bd Index	*.31*	*7.73*	*6.85*	*6.78*
Total Equities	13.94	3.83	22.70	3.97
Large Cap Funds	14.32	5.52	20.94	3.60
S&P 500 Composite Index	*12.58*	*8.53*	*23.41*	*5.25*
Mid Cap Funds	12.61	5.11		
Russell Midcap Index	*12.94*	*3.29*	*29.13*	*6.82*
Small Cap Funds	13.12	3.58	29.99	8.37
Russell 2000 Index	*12.44*	*-.17*	*26.90*	*5.68*
REIT Funds	9.96	12.12		
Wilshire REIT Index	*10.79*	*13.40*	*44.70*	*5.68*
International Equities	14.66	-4.73	21.09	.11
MSCI EAFE Index	*10.86*	*-5.76*	*17.13*	*-2.58*
Total Managed Portfolio	9.37	4.83	16.99	5.51

*Inception: July 1, 2008

Returns are gross of account level investment advisory fees and net of any fees, including fees to manage mutual fund or exchange traded fund holdings. Returns for periods over one year are annualized. The information presented has been obtained from sources believed to be accurate and reliable. Past performance is not indicative of future returns. Securities are not FDIC insured, have no bank guarantee, and may lose value.

PLACENTIA LIBRARY DISTRICT

For Periods Ending March 31, 2012

Fund Name	1-Month Return	3-Month Return	Year-to-Date	1-Year Return	3-Year Return	5-Year Return	10-Year Return
LARGE CAP EQUITY FUNDS							
Columbia Contrarian Core Z	3.47	14.59	14.59	8.16	24.84	5.46	5.30
T. Rowe Price Equity Income	2.60	11.23	11.23	4.51	23.58	0.92	4.71
Harbor Capital Appreciation Instl	4.52	19.08	19.08	14.50	24.02	5.76	4.72
Manning & Napier Equity	1.42	10.70	10.70	-0.70	20.38	1.44	5.24
Loomis Sayles Value Y	2.83	12.13	12.13	1.91	19.01	0.44	5.65
T. Rowe Price Growth Stock	4.75	19.13	19.13	12.15	25.40	4.57	5.63
S&P 500 Index	**3.29**	**12.59**	**12.59**	**8.54**	**23.42**	**2.01**	**4.12**
MID CAP EQUITY FUNDS							
HighMark Geneva Mid Cap Growth Fiduciary	2.98	13.22	13.22	9.01	28.66	7.71	8.08
Russell Mid Cap Growth Index	**2.22**	**14.52**	**14.52**	**4.43**	**29.16**	**4.44**	**6.92**
TIAA-CREF Mid-Cap Value Instl	2.56	12.15	12.15	2.51	26.20	1.80	--
Russell Mid Cap Value Index	**2.26**	**11.41**	**11.41**	**2.28**	**29.18**	**1.26**	**8.02**
SMALL CAP EQUITY FUNDS							
Columbia Small Cap Value II Z	2.75	11.66	11.66	-0.68	27.09	2.48	--
T. Rowe Price New Horizons	2.98	15.98	15.98	12.18	35.62	8.49	9.41
Russell 2000 Index	**2.56**	**12.44**	**12.44**	**-0.18**	**26.90**	**2.13**	**6.45**
INTERNATIONAL EQUITY FUNDS							
Dodge & Cox International Stock	0.15	12.72	12.72	-7.61	22.20	-2.07	8.48
HighMark International Opportunities Fid	0.30	12.78	12.78	-7.25	17.17	-2.91	7.22
Lazard Emerging Markets Equity Instl	-1.70	17.32	17.32	-2.75	27.19	6.27	16.53
RS Emerging Markets Y	-1.89	17.37	17.37	-6.68	29.10	6.11	14.73
MFS International Growth I	1.79	14.57	14.57	1.25	22.08	1.87	8.96
MSCI EAFE Index	**-0.46**	**10.86**	**10.86**	**-5.77**	**17.13**	**-3.51**	**5.70**
REIT EQUITY FUNDS							
Nuveen Real Estate Secs I	5.16	10.75	10.75	12.37	42.28	1.81	12.57
DJ US Select REIT Index	**5.24**	**10.76**	**10.76**	**13.53**	**44.48**	**-0.75**	**10.36**
BOND FUNDS							
HighMark Bond Fid	-0.34	1.72	1.72	7.32	8.50	6.61	5.77
PIMCO Total Return Instl	0.04	2.88	2.88	5.99	9.36	8.34	7.03
Vanguard Short-Term Investment-Grade Adm	0.12	1.60	1.60	2.98	6.90	4.39	4.24
BarCap US Aggregate Bond Index	**-0.55**	**0.30**	**0.30**	**7.71**	**6.83**	**6.25**	**5.80**
PIMCO High Yield Instl	0.01	5.11	5.11	5.74	21.46	6.85	8.13
Credit Suisse HY Index	**0.02**	**5.03**	**5.03**	**6.75**	**22.70**	**7.54**	**9.34**

Source: SEI Investments, Morningstar Investments

Returns less than one year are not annualized. Past performance is no indication of future results. The information presented has been obtained from sources believed to be accurate and reliable. Securities are not FDIC insured, have no bank guarantee and may lose value.

INVESTMENT OUTLOOK: *ARE THE NIGHTMARES BEHIND US?*

by: David Goerz, SVP - Chief Investment Officer

Investors have had to contend with many upsetting concerns over the last year, including geopolitical uncertainty, social unrest, natural disasters, monetary tightening, new regulations, and a U.S. government downgrade. The European Sovereign Debt Crisis was underway for over a year when the worrying *Nightmares* began compounding in March 2011. These *Nightmares* undercut confidence and global growth expectations, which impeded equity returns, despite earnings growth exceeding 16% in 2011. Treasury yields plunged below 2.0%. Uncertainty fueled much higher volatility across equity, bond, currency, and commodity markets.

Most of these threats we expected to be transitory, as we've observed. We cautioned investors about the potential misleading assumption of relying on "soft data" or sentiment indicators given the contradictory economic data. Insights that seem so intuitive to investors can overlook key variables that aren't so obvious. Now, consumer confidence has rebounded sharply since October from 40.9 to 64.5, while expectations jumped from 50.0 to 76.4, with improving economic conditions. Uncertainty has been retreating with each positive economic surprise. Equity markets rebounded strongly too, reflecting improved investor confidence. An economic inflection point has emerged, reinforced by the constructive themes we discuss below. A few *Nightmares* remain, not the least of which is the Eurozone's struggle to manage their fiscal deficits and reduce high debt levels, necessary to reduce government yields to a reasonable level. Focusing on HighMark's five exceptional drivers of economic surprise continues to guide our thinking about growth.

Surprising strength in earnings, consumption and investment activity has persisted. Economic data, including retail sales, industrial production, business sales, capital investment, exports, productivity, and profit margins exceeded expectations. The "output gapers" have argued that there is too much slack in employment and manufacturing capacity to push up inflation, yet consumer prices have surged 3.9%, before easing recently. Inflation is showing up in wages, producer prices, and even shelter costs. Relative valuations across asset classes, countries, sectors, currencies and stocks now provide compelling opportunities for active management in 2012, as extreme relative valuations should normalize.

Investment Review

Global equities rose in the fourth quarter, to finish off a volatile year. The S&P 500 index rose or fell greater than +1% on 96 days or 36% of all trading days, with a nearly equivalent number of up and down days. Just 11 of the last 35 months have posted negative returns. The S&P 500 returned a noteworthy 11.8% versus a Barclays Capital Aggregate bond return of 1.1% during the fourth quarter, which marked a significant divergence between stocks and bond returns. For 2011, bonds (7.9%) outperformed stocks (2.1%), as the 10-year Treasury yield fell from 3.3% to 1.9%. Treasury bonds are now at the lowest level in more than 50 years despite inflation more than doubling to 3.9% by October, unemployment dipping to 8.5% from 10.5% in 2009, and lack of any signs of recession in the foreseeable future, as fourth quarter real GDP is expected to exceed 3.5%.

Small-cap outpaced large-cap stocks by 3.7%, while value trumped growth stocks by 2.5% during the fourth quarter, although large-cap and growth equity styles dominated in 2011. Preferences for higher dividend yield and defensive stable-earnings growth stocks extended valuations further of outperforming sectors in 2011, including Utilities (19.9%), Consumer Staples (14.0%), Health Care (12.7%) and Telecommunications (6.3%). Lagging Financial (-17.1%) and Material (-9.8%) sectors reflected growth and financial sector concerns due to the Eurozone Debt Crisis. Correlations increased between individual stocks and country indices, so the 37% return dispersion in 2011 across sectors was surprising.

In 2011, international equities underperformed U.S. equities, as we expected, with MSCI EAFE lagging the S&P 500 significantly by 13.8%, but the MSCI Emerging Market Index (-18.2%) underperformed MSCI EAFE by a lesser amount of -6.4%. Fears of a collapse in the U.S. dollar have failed to materialize, as it strengthened 0.9% in 2011, on a trade weighted basis. Since S&P cut the U.S. Government's credit rating to AA+ on August 5th, following the debt ceiling debate, the U.S. dollar actually rose 5.9% through year-end.

Given low interest rates, a 32% increase in the U.S. monetary base, failure to sufficiently address the budget deficit, and the Arab Spring conflict (higher oil prices), investors expected gold to appreciate above its $1900/oz peak. The last time gold exceeded twice the CRB Index was in 1980, and it took 29 years before it attained that level again. In September, Gold exceeded the CRB Index by 3X, but gold was off -18.2% from its high to $1574 by year-end, after tumbling -9.8% in December. Gold rose 11.1% in 2011. Commodities fell for only the second time in 10 years by -10.6% in 2011, but still exceeds the average return of 2.6% = (Inflation –Holding Costs). Changes in input costs can't exceed output costs, thus commodity returns can exceed inflation over the long-run, with higher risk than bonds.

A new secular paradigm has hypothesized diminished capacity for economic growth and lagging equity returns since the Financial Crisis, but it has failed to materialize. Instead, equities returned 103%, far surpassing the total return to bonds of 21.6%, since the March 2009 trough.

Cyclical Themes

The recent economic slowdown appears to have been a mid-cycle transitory pause, similar to 2010, rather than a precursor to another recession. We expect capital investment, consumption, and export growth in 2012, with a pick-up in hiring and housing starts. Housing starts increased 25% to 657 in 2012, but that is only 57% of the historical average household formation rate of 1.2 million. About 300K homes are replaced annually due to fire, floods, hurricanes, earthquakes, and decay, suggesting natural demand for housing starts of 1.5 million, ignoring second homes. Household formation has been predictive of housing demand, so after falling to a low of 356K through 2009, the formation rate is rising fast and expected to exceed 700K in 2011. This fifth HighMark driver of exceptional economic surprise has the potential to surprise again in 2012.

Monitoring HighMark's five drivers of exceptional growth has helped us better understand the economic cycle. Four of the five drivers exceeded expectations in 2011, including consumption, exports, investment and housing starts. Only inventory re-stocking disappointed in 2011 but now inventories are even leaner because consumption exceeded expectations. Thus, re-stocking inventories should add to growth in 2012, with orders already increasing. Consumption may be the least likely to provide an upside surprise in 2012.

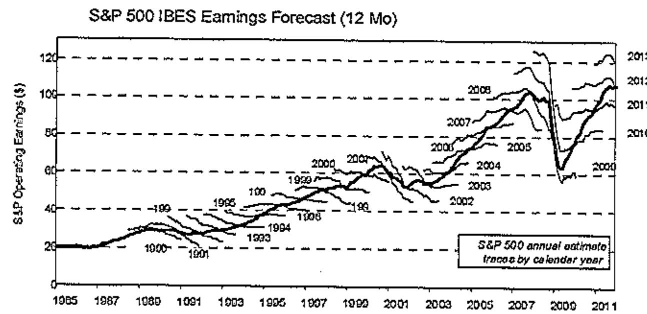
Economic Forecasts	2008	2009	2010	2011e	2012e	2013e
U.S. GDP (Y/Y Real)	-3.4	-0.6	3.2	1.8	2.3	2.8
Earnings Growth	-26.5	-5.6	43.4	15.2	5.7	5.4
CPI Inflation (Y/Y)	-0.0	2.8	1.4	3.0	2.5	2.5
Unemployment	7.3	9.9	9.4	8.5	8.3	8.0
Fed Funds Target	0.25	0.25	0.25	0.25	0.25	1.00
Treasury Notes-10y	2.25	3.84	3.31	1.88	3.00	3.50
S&P 500 Target	903	1115	1258	1258	1350	1450

Source: HighMark Capital estimates and Thomson Datastream

Earnings growth is expected to slow this year, but the consensus forecast still suggests growth approaching 10%. Our estimates are a little lower than the $107 consensus expectation, but equity valuations are very compelling, in our opinion, so little if any growth seems to be discounted. Thus, we expect the equity return can exceed 9.5%, before much increase in the 12X forward price/earnings multiple. Earnings growth and high profit margins have benefited from above average productivity and increasing revenues, but earnings growth is expected to slow this year to 10%, according to the consensus. Forward 12-month earnings will continue to increase over time, given 2012 and 2013 estimates.

There is no evidence that the positive trend in earnings surprise dissipated in the third quarter with 70% of S&P 500 companies beating June 30th estimates by 6.0%, despite economic concerns and geopolitical headwinds. It was the eighth sequential quarter in a row of significant positive earnings surprise. Analysts now expect earnings exceeding $97, up 16% in 2011, surpassing the $88 earnings record of 2006 and $93 forecast two years ago.

INVESTMENT OUTLOOK: *ARE THE NIGHTMARES BEHIND US?* (cont.)



Earnings	2013e	2012e	2011e	2010	2009	2008	2007
HighMark	6.1%	2.6%	15.2%	43.4%	-5.6%	-26.5%	-4.6%
Consensus	11.7%	9.7%	16.2%	43.4%	-5.6%	-26.5%	-4.6%
HighMark	$ 105.00	$ 99.00	$ 96.50	$ 84.15	$ 58.40	$ 61.48	$ 85.12
Consensus	$ 119.38	$ 106.84	$ 97.38	$ 84.15	$ 58.40	$ 61.48	$ 85.12
Financials	13.4%	22.0%	10.6%	288.2%	106.9%	-130.8%	-2.1%
Non-Financials	11.4%	7.6%	15.8%	28.1%	-18.6%	7.2%	3.2%

Source: HighMark Capital estimates and Thomson Datastream

Below we introduce three longer-term cyclical themes that have important implications for investors:

1 *Shift to Asynchronous Global Expansion*
2. *Era of Exceptional Productivity*
3. *Ignoring Cyclical Inflation Threat Could Be Perilous*

Shift to Asynchronous Global Expansion

In 2009, we began advocating a *Global Synchronized Recovery*. Global growth accelerated on the heels of massive coordinated monetary and fiscal stimulus, coupled with low interest rates, engineered to restore confidence and liquidity to the banking system. The global economic cycle became more synchronized as the recovery gained traction, but this is an unusual condition that hasn't been sustainable historically. Higher than normal correlations between asset classes, sectors, and securities observed amplified market volatility. Now, signs of global economic decoupling have emerged, which we expect leads to a more typical *Asynchronous Global Expansion that* should last 4-5 years, at least.

Our world is more interconnected than ever, so risk of contagion has increased. The effects of the Eurozone Debt Crisis are serious, but we think the influence on their trading partners has been exaggerated. Although European growth should remain positive in 2012, even a 1% decline in growth, affecting 14% of S&P 500 revenues, has an impact of just -14 basis points. Eurozone countries have many options to significantly reduce debt and interest expense. European banks were less aggressive about raising capital than U.S. banks, so any decline in sovereign debt, once risk-free regulatory capital, also reduces lending capacity and profits. Banking is a global industry, so the Eurozone governing paralysis, which has impeded resolution to the debt crisis for two years, has weakened capital ratios and profitability. New regulations and efforts to introduce a financial transaction tax likely will further undermine Eurozone bank competitiveness versus global peers.

In an *Asynchronous Global Expansion,* we expect factor correlations will decline and the risk of Eurozone contagion will diminish, particularly for North America and other self-sustaining economies. Concerns about the Eurozone Debt Crisis should be overwhelmed by fundamental forces that define real economic activity. Unique country and regional economic differences, as well as diverging monetary and fiscal policies, should further increase decoupling. High frequency trading has exceeded 60% of daily volume, and algorithmic trading programs take time to adapt, but the unique characteristics of individual countries still matter. Countries exhibit different sensitivities to economic variables, interest rate changes, and industrial themes. We expect that the resurgence of fundamental influences will drive a meaningful reversion to familiar intuitive dependencies that have persisted for decades.

Will Deleveraging Persist?

The extent of any further deleveraging across household and corporate sectors will influence potential growth over the next 3-5 years. Household net worth and corporate balance sheets have improved as asset values recovered and debt was reduced. Restructuring loans reduced interest burdens, while strong earnings bolstered cash balances. Investment spending remained strong, even if companies were reluctant to expand their workforce given regulatory, legislative, and labor cost uncertainty. Liabilities moderated with reduced credit card balances and lines of credit, but financial holdings increased. Mortgage liabilities were reduced by paying down principal, possibly to qualify for a conforming loan.

The most significant change resulted from restructuring debt as interest rates plunged. Lower financing costs increased purchasing power, but also improved the sustainability of existing leverage. Deleveraging is a transitory state for households, corporations, and banks that will most likely subside as confidence improves and investment opportunities offer sufficient returns. We believe corporate and household deleveraging is unlikely to continue at its recent pace. After all, deleveraging has always been an unlikely secular theme, rarely persisting for more than a year or two.

Commercial lending began expanding again, as recent surveys suggest increasing demand and easing lending standards. Bank leverage has plunged to a near record low of 7X total assets-to-cash, from a peak of 40X in October 2008, as estimated by Deutsche Bank. Increased regulatory uncertainty and the capital ratio requirements of the Dodd-Frank Act and Basel III, plus the Federal Reserve paying 0.25% on reserves and deposits since October 2008, constrained bank lending.

Liquid assets have increased to over $2.0 trillion for non-financial companies, equal to 7.4% of total assets, which is the highest ratio since 1959. Heightened economic uncertainty is among the reasons cited by management, but other purposes for holding cash include: (1) financing acquisitions, (2) investment needs, (3) share buybacks, and (4) accumulated foreign earnings. Strong cash flows, which increased considerably since 2009, have helped tremendously, in this regard. The household savings rate is much higher than the prevailing rate in 2007, but off 2009 highs during the Financial Crisis.

Government deleveraging has not been observed. Spending continued to increase as tax revenues declined, resulting in expanding state and federal fiscal deficits. Since the stimulus had little effect in boosting growth, winding down temporary programs shouldn't cause much drag either. The U.S. economy has been growing on its own for over two years, despite many headwinds. Households typically anticipate changes and temporary windfalls, so only permanent tax policy changes and incentives have much effect.

Era of Exceptional Productivity

The best way to predict the future is to invent it. Really smart people with reasonable funding can do just about anything that doesn't violate too many of Newton's Laws!
— Alan Kay, inventor of Smalltalk at PARC in 1971

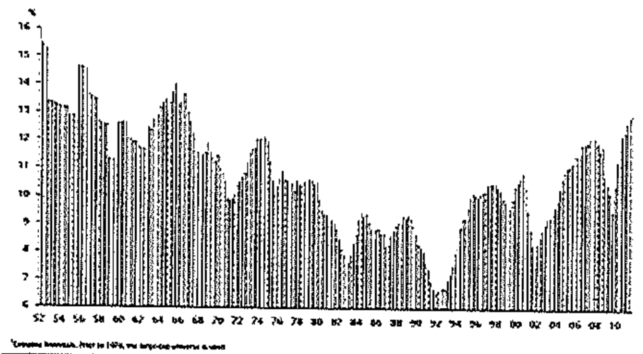
Population plus productivity growth are fundamental drivers of economic growth. Periods of exceptional productivity have sustained above average real growth and rising profit margins. Innovation is vital to competitiveness, and breakthroughs are redefining competition of entire industries in a fraction of the time for previous cycles. Silicon Valley has long been near the epicenter of innovation. Having grown up in Silicon Valley, I believe there is something different here that changes your point of view. Believing in "impossible things" is often looked upon with skepticism in most circles, except in Alice's *Wonderland* and Silicon Valley. Entrepreneurs have raced new products to market, in spite of the Financial Crisis, and continue to do so. The list is seemingly endless—how can this be?

Today's needs exist in developing new materials and power sources, as well as improving agriculture yields, machine learning, communications, security, information access, education, power, health care, natural resource exploration, resource substitution, process engineering, and robotics. There is always a market for producing something cheaper, faster, smarter, or more efficiently, but developing an innovation that defines new industries or materially improves living standards exposes a need that can be filled by many companies.

INVESTMENT OUTLOOK: *ARE THE NIGHTMARES BEHIND US?* (cont.)

Rapid innovation over the last two decades has lifted our living standards, yielding greater prosperity and periods of exceptional productivity. Such high and persistent productivity following the financial crisis was unexpected. Can this rate of innovation persist or even accelerate further, contrary to conventional wisdom today? Profit margins and productivity are presumed to be mean reverting as exceptional profits tend to be arbitraged away, but the pace of innovation is not governed by laws of physics, although we might be limited by our capacity to see the potential of new discoveries. Should they be any more constrained than Moore's Law?

S&P 500[1]
Pre-Tax Profit Margins
1952 Through Q3 2011



Source: Empirical Partners

We identified nine key drivers to an emerging *Era of Exceptional Productivity.* This theme has the potential for significantly boosting long-term growth. Periods of exceptional productivity have sustained above average real growth and rising profit margins.

(1) *Accelerating Innovation* tackling an ever-increasing *Abundance of Problems to Solve*
(2) *Ubiquitous Computing*: Enabling broad-based and low-cost access to information and applications
(3) *Revolutionizing Communication:* E-mail to social networks, facilitating collaboration and networking
(4) *Expanding Universe of Inventors:* Emerging markets are contributing meaningful intellectual property
(5) *Democratization of Education:* New teaching methods, growth in literacy, access in any language
(6) *Research, Development and Process Engineering:* Shorter prototyping cycles, intellectual property protections, unlimited opportunities, revealed needs
(7) *Investment Spending Displacing Labor:* Repetitive tasks, manufacturing, and quantitative disciplines impacted by systems improving efficiency or quality
(8) *Financial Liberalization:* Free markets and a large pool of incentivized investment risk capital
(9) *Forces of Secular Disinflation:* Globalization, outsourcing, hyper-competition, and increased price transparency leverage innovation and creativity

We believe that appropriate incentives with a low cost of capital (debt or equity) can unleash the entrepreneurial spirit to provide exciting investment opportunities, funding more innovation. We observe previous virtuous productivity cycles in 1960-1975, 1984-1990, and 1995-2005, lasting up to 15 years. Investing in basic research triggered prior cycles from the space race in the 1960s, strengthening national defense in the 1980s, and the technology boom of the 1990s. Falling cost of communication and information access are converging to bring about the next wave of heightened productivity. Where other countries exploited natural resources to promote periods of hyper-growth, the U.S. has leveraged investment capital to mine intellectual muscle. Periods of exceptional productivity have yielded a sustained period of above average real growth and rising profit margins.

Population and productivity are fundamental drivers of real economic growth. Has either shifted so dramatically that we should lower our growth expectations well below long-term averages? Why should this be, when instead we observe

INVESTMENT OUTLOOK: *ARE THE NIGHTMARES BEHIND US?* (cont.)

accelerating innovation, 4.8% annualized increase in household net worth since 2002, and improving living standards? The dismal forecasts of a secular *New Normal* seem to have exaggerated concerns about deleveraging and debt crisis contagion, aiding and abetting heightened volatility. Yet, economic growth, earnings, profit margins, and equity performance have far exceeded the theory's implied conclusions.

We assume U.S. potential real growth is currently 2.7%, adding population growth, which averaged 1.0% over 1990-2010, plus 1.7% productivity, which averaged 1.8% since 1990. If productivity exceeds 2%, then real growth could average over 3%, instead of 1.0-1.5% real growth, with productivity ≤ 0.5%, some suggest is our new secular equilibrium. Any release of higher than normal corporate and household cash levels should promote greater trade, inventory restocking, investment, and consumption. Somebody else's *New Normal* doesn't have to be our destiny. Instead, what if we have already embarked on an *Era of Heightened Productivity*, yielding higher sustained profit margins, as observed for the last decade, interrupted only by the 2008 Financial Crisis?

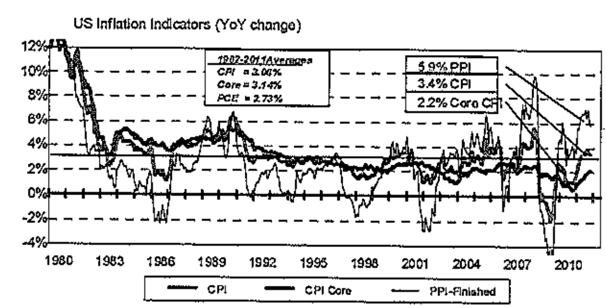
Ignoring Cyclical Inflation Threat Could Be Perilous

CPI inflation has increased from 1.3% to over 3.0% in just a year. Higher inflation has now become entrenched with rising prices for commodities, transportation, food, energy, imports, and shelter now working their way into cost of living increases and boosting wages. Weekly earnings have increased 2.2% and personal income is up 3.9%. We are concerned that the longer rising prices persist, the greater the likelihood that inflation will become more difficult to contain.

Quantitative easing (QE-1) and other creative monetary policies initiated at the depths of the crisis were effective during the financial crisis to stabilize credit markets and restore liquidity. Economic conditions have improved since 2009, yet interest rates are still at record low levels and the Federal Reserve has sought to push bond yields even lower by reducing the supply of Treasuries.

Effective central bank interventions typically are massive in scale and surprise investors. Under QE-2, the Federal Reserve purchased Treasuries worth just $600 billion, but that was insufficient to keep bond yields from rising. "Operation Twist" is expected to purchase $400 billion of Treasuries maturing in 6-30 years, financed by selling securities maturing before 2015. Since the September 21st announcement, there hasn't been much change in 10-year Treasuries, then at 2.0% vs. 1.9% at year-end. It appears that both policy moves failed because they didn't surprise investors and weren't massive relative to total U.S. debt. And recent bond purchases have worked counter to Treasury's effort to extend maturities, given interest rates are so low. As the Federal Reserve seeks to provide transparency and increase communication, they will forego an ability to have greater effect with any change in monetary policy.

We believe U.S. interest rates are unsustainably low, but we have to balance an economically rational interest rate policy, as suggested by the Taylor Rule, versus the old adage: "Don't fight the Fed". The Taylor Rule suggests a U.S. interest rate of 3.35% is appropriate now, even if we drop inflation to 2.5%, in contrast to an implied April 2009 target of -3.6%. Of course, we can't have negative interest rates, but the Taylor Rule calculation illustrates how much conditions have changed. How can a similar interest rate policy be as appropriate today, as it was during the Financial Crisis? Current economic conditions do not justify such loose monetary policy, increasing the monetary base by 32% due to QE-2. As economic data continues to surprise positively, it would be prudent to raise interest rates sooner than expected in mid-2013.

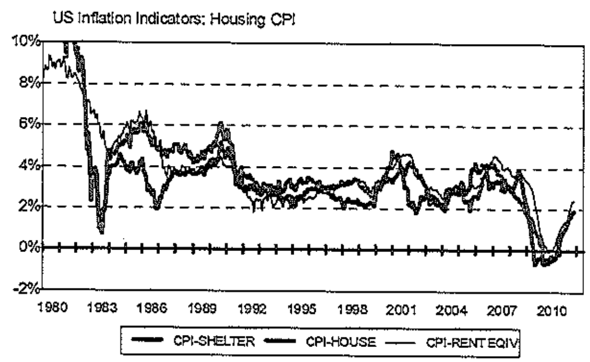


Source: HighMark Capital Management and Datastream

INVESTMENT OUTLOOK: *ARE THE NIGHTMARES BEHIND US?* (cont.)

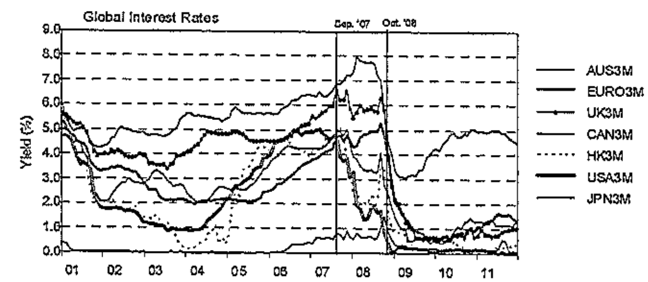
The Federal Reserve has justified keeping interest rates near 0%, since December 2008, based on perceived "slack" in the economy, including high unemployment and excess manufacturing capacity. They maintain that inflation risk is low, so interest rates can remain low through mid-2013. The expansion already extends into its third year, given NBER's recession endpoint of June 2009. Capacity utilization has increased from 67.3% to 77.8%, approaching the 30-year average rate of 80.4%, while unemployment has fallen from 10% to 8.5%. There is some skepticism about the decline with individuals leaving the workforce, but it is worth remembering that the Boomers are retiring now, and the next generation won't require as many new jobs to maintain the natural rate of unemployment, assumed to be 6%. We suggest monetary policy needs to normalize, including hiking interest rates, before inflation becomes more entrenched. Once artificially low interest rates begin to rise, we expect market forces will cause greater volatility than desirable as rates normalize.

High commodity prices continue to drive manufacturing input and food prices, while import prices are up 9.9%. An increase of 7.7% in wholesale producer prices has yet to work its way through prices of intermediate and finished goods. In 2008, plunging housing costs drove overall inflation lower. Housing rents are rising 2.4%, and accelerated to a rate of 3.8% over the last 3 months. Rents for apartments have been rising 4 to 6%. Shelter costs account for 32% of CPI inflation and show no signs of easing, but few have focused on its importance.



Source: HighMark Capital Management and Datastream

Normalizing global inflation has triggered interest rate increases from Norway to the Eurozone and Emerging Markets. U.S. interest rates will need to rise as economic growth and inflation normalizes sooner than expected.



Source: HighMark Capital Management and Datastream

Secular disinflationary forces, such as globalization, outsourcing, hyper-competition, increased Internet price transparency, innovation, and creativity helped to keep inflation contained. This business cycle could extend longer than normal, if inflation remains contained. Our forecasts suggest stable economic and earnings growth through 2013. Suggesting the business or investment cycle will be different this time can be a perilous supposition. Investors should be wary of provocative theories that grab attention in times of uncertainty, regardless of how unlikely their outcome might be.

Rotation in Investment Leadership

Investors should expect investment leadership will be different over the next 10 years, in contrast to the last decade. There has been a dramatic reversal in relative stock vs. bond valuations since 2001. The S&P 500 Price/Earnings exceeded 35X more than 10 years ago, so rolling off of 2001 returns has helped close the gap between equity and bond returns. Small-cap (5.6%) and Emerging Market equities (14.2%) outperformed the S&P 500 over this period. Trailing 10-year S&P 500 equity returns are finally positive again, and relative returns versus bonds should improve further in 2012.

HighMark's recently updated asset class expectations are summarized below. Our 6.5% equity risk premium suggests stocks will outperform bonds by a wider than normal margin, whereas bonds, cash and commodities will struggle to beat inflation until interest rates rise or prices correct. Within equities, we expect a value tilt to beat growth by 2.5%, and small-cap to outperform large-cap by 1.5% annually over the next investment cycle, assumed to be 5-7 years.

Asset Class Returns

Annualized	10-years	1973-2011	1900-2010[2]	HighMark E[Return][1]	Risk
Stocks	2.9%	9.6%	9.4%	8.5%	15.8%
Bonds	5.8%	8.1%	4.8%	2.0%	5.8%
Cash	1.8%	5.4%	3.9%	2.0%	1.0%
Commodities	11.4%	3.8%	2.6%	2.0%	13.8%
Inflation	2.5%	4.4%	3.1%	2.5%	1.2%
Risk Premium					
Stock-Bond	-2.9%	1.6%	4.6%	6.5%	
Bond-Cash	4.0%	2.6%	0.9%	0.0%	

(1) Expected return refers to long-term performance over an investment cycle of 5-7 years
(2) 1900-2010 data from Credit Suisse Global Investment Returns Yearbook 2011
(3) Data as of December 31, 2011
(4) Stocks: S&P 500, Bonds: Barclay's Aggregate Bond, Cash: 3m T-Bill, Commodity: CRB

Source: HighMark Capital estimates and Thomson Datastream

A 30-year bull market in bonds has driven 10-year Treasury yields from 15.3% in September 1981 to year-end below 1.9%. For bonds to provide a "normal" real return of 2.5% above inflation, as observed over the last 60 years, 10-year Treasury yields must exceed 5.5%. We suggest investors are too complacent about negative real bond yields versus historical average inflation of 3.0%. The low yield for bonds explains investor preference for dividend paying stocks. Dividends and long-term capital gains are more favorably taxed at 15%, while coupon payments are taxed at the highest marginal rate in taxable accounts.

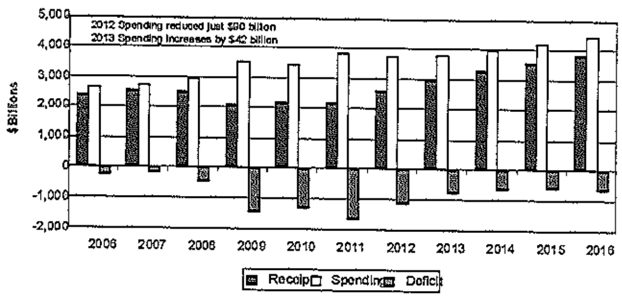
Getting Back to Even (2Q/2011) observed that many variables that have already surpassed key economic and financial market milestones. U.S. GDP of $15.2 trillion exceeds the previous peak in Q2/2008 of $14.4 trillion, as do so many other growth variables. In August 2008, before Lehman declared bankruptcy, the S&P 500 stood at 1282 vs. 1258 at year-end. Since the S&P 500 low of "666" during the Financial Crisis on "03/06/09", the S&P 500 has returned 103%. Earnings in 2011 exceeded the prior peak in 2007 of $88, but the S&P 500 is still 17.8% below the record high of 1565 on October 9, 2007.

Lower Gov't Spending, Not Recession Precursor

U.S. government spending growth is budgeted to slow in FY 2012, but shouldn't undermine economic growth much as Government agencies shift their efforts to increase efficiency, just as the private sector has improved productivity in recent years. The economic effectiveness of government stimulus is a complex question, but changes in tax policy have had greater observed impact on growth, than deficit spending (*Ref: Barro, Romer & Romer*). There is no free lunch, thus it is illogical to assume deficit spending can produce growth exceeding spending, or a multiplier greater than 1.0. Deficit spending must be repaid, most likely with tax increases that usually inhibit growth. Government spending tends to crowd out more productive private sector activities before it is additive to growth. Some economists have ventured a guess that recent stimulus spending produced a growth multiplier less than 0.5.

Much of the savings from reduced spending will come from eliminating the most unproductive work and redundancies, which will have minimal effect on growth. We think it is unlikely that the U.S. economy will tip into a recession by reducing spending by just -90 billion or failing to renew the payroll tax cut. However, bigger tax increases planned for 2013 do approach levels that could have consequences. New spending authorizations have increased the fiscal deficit from $162 billion to $1.25 trillion since the change in leadership of the House and Senate in 2007. If spending was frozen at FY2008 levels, the budget would be in surplus by 2014.

INVESTMENT OUTLOOK: *ARE THE NIGHTMARES BEHIND US?* (cont.)



Source: HighMark Capital and Thomson Datastream

The U.S. recession ended in June 2009, according to NBER, after numerous creative monetary policies helped restore liquidity and stabilize capital markets. Driving down interest rates near 0% reduced the cost of capital and restored confidence in credit markets. The $787 billion stimulus, known as the American Recovery and Reinvestment Act is now estimated to cost $840 billion, but had very limited effect on the economy. Only $36 billion was disbursed by September 2009, according to Recovery.gov. In our opinion, the inefficient allocation of stimulus funds, in the rush to get it done, was a critical reason for its ineffectiveness. In order to accelerate the dispersal of funds, targeted entitlements and tax benefits comprised over $600 billion. Cash-for-Clunkers and the Homebuyers Tax Credit only managed to pull forward demand, without providing any sustainable benefit, thereby only increasing economic volatility.

Thus, we have witnessed significant deleveraging across the board in the corporate, banking, and household sectors. Sovereign governments, as well as U.S., state and local municipalities are under pressure to reduce spending and reverse large fiscal deficits that are unsustainable. For as much discussion about the need fiscal austerity, we anticipate only the Eurozone will be noticeably affected. We believe the U.S. economy, in particular, is able to stand on its own now, particularly as deleveraging in both the corporate and household sectors slowed significantly. Why should deleveraging persist if consumption, business sales, and investment are growing faster than normal?

Many temporary tax cuts are legislated to expire over the next year, increasing concerns about the likely economic impact. Differentiating between economic effects of temporary and permanent changes to tax policy is well-documented. Individual households change their behaviors well before implementation of known adjustments. So if the payroll tax holiday is not renewed, thereby increasing social security withholding from 4.2% to 6.2%, there is likely to be less impact on growth than the full 2% difference, as some forecast. Since the tax break is highly progressive because it is capped, higher-income households benefited less and will not be as impacted by expiration. Many other variables are likely more important to the forecast of U.S. growth in 2012.

More Geopolitical Uncertainty, But Less Volatility

The number of countries that experienced a significant and unexpected change in government was the greatest surprise of 2011. The causes in each case varied by country, but generally can be grouped in two categories: (1) The Arab Awakening, aimed at improving political freedom and equality, resulted in the fall of authoritarian governments in Tunisia, Egypt, Libya, and Yemen (2) The European Debt Crisis, which directly or indirectly led to the ouster of five out of 17 Eurozone governments, including Ireland, Portugal, Spain, Greece and Italy.

A new uncertainty has emerged in the significant number of presidential elections slated for 2012, including the United States, France, Finland, Russia, Mexico, Venezuela, India, Taiwan (just held), Hong Kong (Chief Executive), South Korea, Turkey and Egypt. Unique sovereign interests characterize each election. While the stakes are high in the United States, in what many believe is the most pivotal election in modern time, Russia's alleged parliamentary election fraud, linked to Vladimir Putin's United Russia party, has already triggered protests in Russia.

The Eurozone Debt Crisis appears to be moderating, with efforts to stabilize fiscal deficits and lower interest rates to offset reduced government spending. Any fiscal or geopolitical crisis, as we are dealing with today, requires a different solution than a financial crisis, and takes longer to resolve. Lately, Spanish and Italian yields have eased after several successful bond auctions. We expect volatility may remain higher than normal, but lower than observed in 2011. Less uncertainty will provide an opportunity for expanding equity valuation multiples that boost returns in excess of earnings growth, particularly in stable developed markets such as the United States, Canada, and Germany, as well as cheap developing countries with easing monetary policy such as Brazil, China, South Korea, and India.

Long Workout Ahead For Europe

The Euro was born out of a desire to bind nations through economic and monetary union, without political integration or enforceable fiscal discipline. It has taken 20 years to learn autonomous fiscal policies of sovereign countries can't coexist in a single monetary union. In our opinion, this flawed experiment has proven to be a significant economic policy mistake. The day of reckoning has arrived as compounding deficits finally reached a tipping point for investors. Sovereign financing costs have soared, exacerbated by inferior global competitiveness. The ability to manage any future crisis has been compromised. The Eurozone Fiscal Crisis is a stern warning to other indebted nations.

Europe has the capacity to significantly reduce its debt burden and implement fiscal deficit reduction measures to address investor concerns that have plagued the region since April 2010. Decades of misguided government policy can't be reversed quickly. Eurozone spending cuts have forced the European Central Bank to reverse two previous interest rate increases totaling 0.5% over a year ago. We expect them to cut rates once more to 0.75%, to offset slowing economic activity and Eurozone spending cuts. There can never be an optimal monetary policy for all members, with such diverse economies, without political union or surrendering sovereign freedom to fiscal compromises. Consequently, we expect Europe's trend growth will be lower. It took Germany many years to integrate East Germany, but to resolve this crisis requires even greater time.

We believe it is unlikely any member of EMU will leave the Eurozone, although Germany exiting is the most likely scenario, if the most heavily indebted fail to reduce their debt burdens, potentially forcing "mutualization" of debt by issuing Eurobonds. Governments have been reluctant to sell assets, including land, buildings, and retained company securities, which could raise sufficient funds to retire significant debt. Spending reform must address unsustainable budget deficits, and accept greater fiscal integration by imposing stricter Maastricht Treaty adherence and sacrificing budget control.

This fiscal crisis has highlighted the costs and constraints of Eurozone membership, as well as precipitating government turnover in five countries. Higher risk premiums, evident in increasing bond yields, have made it even harder for Eurozone weaklings to finance their debt, while unable to devalue their currencies to regain competitiveness. In stark contrast, the United Kingdom, Switzerland, Sweden and Denmark have benefited from the flexibility of retaining sovereign independence and their own currency during this crisis. If the Eurozone has turned the corner, as falling bond yields suggest, it was achieved at a great cost to all.

Conclusion

Investor concerns are rightly focused on global growth, but it appears that most transitory *Nightmares* are now behind us. In our opinion, strong earnings growth, global equity market declines, and low interest rates have reinforced equity valuations at attractive levels. We favor U.S. and Emerging Market equities over exposures in Europe and Japan. Emerging Market growth has slowed with tighter monetary policy, but that seems to be reversing with moderating inflation. Emerging market growth is more cyclical now, but secular drivers of urbanization and insatiable consumption still persist. We don't dismiss any of our enumerated concerns, although they are trumped by many positive global economic trends, strong earnings growth, compelling valuations, and an anticipated *Era of Exceptional Productivity*.

Our tactical asset allocation models suggest this is a compelling opportunity for equities overall, as well as small-cap and value stocks, in particular. With earningsrevisions pushing up 2011 S&P 500 forecasted earnings toward $97, or 16% growth, equity valuations have continued to improve amidst flat to declining equity prices. We conclude that market risk premiums have already

INVESTMENT OUTLOOK: *ARE THE NIGHTMARES BEHIND US?* (cont.)

priced in a dire economic scenario, evident in credit spreads and equity valuations, so there isn't much to gain being defensive, even if economies weakened in 2012. We also believe cyclical industrial, technology, and basic material stocks are too cheap and neglected.

Equity valuations are particularly compelling relative to bond yields. The current S&P 500 price multiple on 2012 earnings has fallen to 12X, and the S&P 500 dividend yield of 2.1% exceeds a 10-year Treasury yield of 1.9%. From a bond perspective, the stock market P/E would need to soar to 52X just to reach parity with 10-year Treasury yields. Considering the tax advantage of dividend income relative to low yielding bonds, it is not surprising that demand for high dividend yielding stocks has pushed their relative valuations to extreme levels.

With no sign that inflation is relenting, advocacy that slack in employment and capacity utilization should contain inflation is less convincing. Indications of near potential growth and increasing inflation should eventually force hiking U.S interest rates. HighMark correctly anticipated increases in interest rates that surprised most others in 2004. Investors seem too complacent about Treasury valuations after a 30-year bull market in bonds drove 10-year yields from 15.3% in 1981 to 1.9% now. *Ignoring the Threat of Inflation Could Be Perilous* with above average inflation increasingly entrenched. We think inflation is the most likely of our concerns that could derail the expansion and robust profit margins in the foreseeable future.

We remain overweight global equities, with a preference for U.S. and Emerging Market regions. If commodity prices moderate further, combined with slower wage growth and easing monetary policy, Emerging Market productivity and profit margins could improve materially. We have slightly reduced global equity exposure during the quarter, but increased exposure to high-yield bonds. We revised up our U.S. inflation forecast, adjusted down economic growth forecasts, and pushed out our first expected hike in U.S. interest rates.

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Each strategy represented as a Sample Portfolio is a hypothetical portfolio only and does not reflect actual investment decisions or recommendations. It does not reflect the liquidity constraints of actual fund investing or the impact that material economic and market factors may have on an investment adviser's decision-making. Investors cannot invest in the Sample Portfolio and actual investment results may differ materially. The Sample Portfolio does not reflect the deduction of advisory fees, brokerage, commissions, or any other actual client expenses, which would reduce investor returns. Advisory fees are described in Part II of the Form ADV and are available upon request. The Sample Portfolio does not reflect the reinvestment of dividends, distributions, and other earnings.

A portfolio's Expected Return (comprised of capital appreciation and income/dividends) is calculated in two steps:
(1) The expected return of each asset class in a given portfolio is determined through a combination of examining historical rates of return with expected returns. Historical rates of return (analyzed over a number of years) are provided by Ibbotson Associates. Expected rates of return are developed by HighMark's Asset Allocation Committee, which incorporates a one year forecast for market returns, the asset class' beta, and a risk-free rate (generally, the T-Bill rate).
(2) The expected return for the overall portfolio is derived by taking the weighted average of each respective asset class' expected return.
Expected returns generated are before taxes and any fees.The Standard Deviation for an asset class represents its possible divergence of the actual return for an asset class from its Expected Return. It measures the potential magnitude of any positive overperformance or negative underperformance of an asset class from its Expected Return.

Strategies represented are hypothetical portfolios and does not reflect actual investment decisions or recommendations. The strategies do not reflect the liquidity constraints of actual fund investing or the impact that material economic and market factors may have on an investment adviser's decision-making. Investors cannot invest in the hypothetical portfolios and actual investment results may differ materially. The hypothetical portfolios do not reflect the deduction of advisory fees, brokerage, commissions, or any other actual client expenses, which would reduce investor returns. Advisory fees are described in Part II of the Form ADV and are available upon request. The hypothetical portfolios do not reflect the reinvestment of dividends, distributions, and other earnings.

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PLACENTIA LIBRARY DISTRICT BOARD OF TRUSTEES

TO: Library Board of Trustees

FROM: Jeanette Contreras, Library Director

SUBJECT: **Final Adoption of Placentia Library District Policy #2020 - Vacations**

DATE: April 16, 2012

BACKGROUND

At the Library Board of Trustees Work Session Meetings on January 25, 2012 and February 21, 2012, Placentia Library District Policy #2020 was discussed as part of the Fiscal Year 2012-2013 Budget Preparation. The Library Board of Trustees approved the recommended policy amendments at the March 19, 2012 meeting.

The Library Board of Trustees needs to adopt the approved Policy with an effective date for final adoption.

Attachment A is the approved amendments to Placentia Library District Policy #2020 – Vacations.

RECOMMENDATION

Adopt amended Placentia Library District Policy #2020 – Vacations as presented, effective July 1, 2012.

Placentia Library District

POLICY HANDBOOK

POLICY TITLE: **Vacations**
POLICY NUMBER: **2020**

2020.1 This policy will apply to regular full-time and part-time employees in all classifications.

2020.2 Paid vacations will be accrued according to the following schedule on an annual basis:

(a) During the first four years of continuous work, seventy-two~~eighty~~ (72~~80~~) hours.

(b) Five through nine years of service, one hundred four~~twenty~~ (104~~120~~) hours.

(c) After nine years of service, one hundred forty-four~~sixty~~ (144~~160~~) hours.

(d) Vacation accrual is based on a forty (40) hour work week. Employees working less than forty (40) hours per week, but working 20 or more regularly scheduled hours per week, will receive a pro-rata allocation of vacation hours.

2020.3 Employees who have completed six months in regular status may take their vacation time all at once, or gradually. No vacation may be taken until the employee has completed at least six months in regular employee status.

2020.4 Vacation time is accrued at the second pay period of each month.

2020.5 Vacation time may be accumulated or postponed. The total accumulated vacation time will not exceed thirty (30) days (for full time employees 160~~240~~ hours). The Library Director will require staff members with excessive vacation balances to use them immediately.

2020.6 At termination of employment for any reason, the District will compensate the employee for his/her accumulated vacation time at his/her straight time rate of pay at the time of termination.

2020.7 The District will not require an employee to take vacation time in lieu of sick leave or leave of absence during periods of illness. However, the employee may elect to take vacation time in case of extended illness where sick leave has been fully used.

2020.8 If a holiday falls on a workday during an employee's vacation period, that day will be considered as a paid holiday and not vacation time.

2020.9 Vacations may be scheduled at any time during the year upon approval of the employee's immediate supervisor and the Library Director.

2020.10 Probationary employees will not accrue vacation time during the probationary period. Once regular status has been granted at the completion of the probationary period, vacation time is calculated from the date of employment. No vacation may be taken until the employee has completed at least six months in regular employee status.

2020.11 Vacations are provided by the District to employees as a period of exemption from work with pay for the purpose of rest, relaxation and recreation. This respite is a benefit and is intended as an aid in maintaining the long-term and consistent productivity and contentment of the employee.

2020.12 Employees who have taken seventy-five per cent (75%) of the vacation hours that they accrued in the previous twelve months have the option of requesting payment for the remaining twenty-five percent (25%) or any portion thereof.

2020.12.1 These requests may be submitted to the office of the Manager of Administrative Services on November 1 and May 1 of each year with payment to be made with the first pay period of December and June.

2020.12.2 The number of hours paid may not reduce the vacation balance to less than eighty (80) hours at the time of the request.

PLACENTIA LIBRARY DISTRICT BOARD OF TRUSTEES

TO: Library Board of Trustees

FROM: Jeanette Contreras, Library Director

SUBJECT: **Final Adoption of Placentia Library District Policy #2030 - Holidays**

DATE: April 16, 2012

BACKGROUND

At the Library Board of Trustees Work Session Meetings on January 25, 2012 and February 21, 2012, Placentia Library District Policy #2030 was discussed as part of the Fiscal Year 2012-2013 Budget Preparation. The Library Board of Trustees approved the recommended policy amendments at the March 19, 2012 meeting.

The Library Board of Trustees needs to adopt the approved Policy with an effective date for final adoption.

Attachment A is the approved amendments to Placentia Library District Policy #2030 – Holidays.

RECOMMENDATION

Adopt amended Placentia Library District Policy #2030 – Holidays as presented, effective July 1, 2012.

Placentia Library District

POLICY HANDBOOK

POLICY TITLE: **Holidays**
POLICY NUMBER: **2030**

2030.1 This policy will apply to all regular full-time ~~and part-time~~ employees. ~~who work twenty hours or more per week~~.

2030.2 The following days will be recognized and observed as paid holidays:

New Years Day
President's Day
Memorial Day
Independence Day
Labor Day
Veteran's Day
Thanksgiving Day
Christmas Eve Day
Christmas Day
New Year's Eve Day

2030.3 All regular work will be suspended and employees will receive one-day's pay for each of the holidays listed above. An employee is eligible for any paid holiday if he/she works the day before and the day after said holiday. Eligibility is also granted if the employee is on vacation or has notified his/her supervisor and the Library Director and received permission to be absent from work on that specific day or days.

2030.4 Holiday hours are based on an eight hour day of a forty (40) hour work week. ~~Employees working less than forty (40) hours per week will receive a pro-rata allocation of holiday hours.~~

2030.5 When a holiday falls on an employee's day off or when the Library is closed, the employee will request any day during the work week of the holiday, approved by his/her scheduling supervisor, to compensate for this holiday.

2030.6 When a holiday occurs on a Monday, the full-time ~~and regular part-time~~ staff will be subject to different work schedules for that work week so that each full-time ~~and regular part-time~~ staff member will work at least one holiday weekend per year and receive at least two four-day weekends per year. The scheduling supervisors will strive to give each full-time ~~and regular~~

~~part-time~~ staff member who works on a holiday weekend, two days off in succession during the week with the Monday holiday.

2030.7 Any employee who works on any of the holidays listed above will be paid for all hours worked at the rate of time and one-half (1½) the regular rate of pay, or as otherwise specified under Policy #2010, "Hours of Work and Overtime."

PLACENTIA LIBRARY DISTRICT BOARD OF TRUSTEES

TO: Library Board of Trustees

FROM: Jeanette Contreras, Library Director

SUBJECT: **Final Adoption of Placentia Library District Policy #2040 – Sick Leave**

DATE: April 16, 2012

BACKGROUND

At the Library Board of Trustees Work Session Meetings on January 25, 2012 and February 21, 2012, Placentia Library District Policy #2040 was discussed as part of the Fiscal Year 2012-2013 Budget Preparation. The Library Board of Trustees approved the recommended policy amendments at the March 19, 2012 meeting.

The Library Board of Trustees needs to adopt the approved Policy with an effective date for final adoption.

Attachment A is the approved amendments to Placentia Library District Policy #2040 – Sick Leave.

RECOMMENDATION

Adopt amended Placentia Library District Policy #2040 – Sick Leave as presented, effective July 1, 2012.

Placentia Library District

POLICY HANDBOOK

POLICY TITLE: **Sick Leave**
POLICY NUMBER: **2040**

2040.1 This policy will apply to regular employees in all classifications.

2040.2 Sick leave is defined as absence from work due to illness, non-industrial injury, or quarantine due to exposure to a contagious disease. In addition, dentist and doctor appointments and prescribed sickness prevention measures will be subject to sick leave provided prior notice is provided to the employee's supervisor and the Library Director.

2040.3 Full time regular employees will earn sick leave at the rate of one working day per month. Regular part-time employees working 20 or more hours per week will receive a pro-rata allocation of sick leave.

2040.4 Sick leave is accrued at the second pay period of each month.

2040.6 Sick leave is not a privilege that an employee may use at his/her discretion, but will be allowed only in case of necessity and actual sickness or disability of the employee, or because of illness in his/her immediate family.

> **2040.6.1** The definition of "immediate family" will be the same as specified in Section 2050.3 of the *Bereavement Leave* policy (#2050).

2040.7 In order to receive compensation while on sick leave, the employee will notify his/her supervisor prior to the time for beginning the regular work day, or as soon thereafter as practical.

2040.8 A medical release from the treating physician is required for all absences of three or more work days, regardless of the sick leave balance; however the District reserves the right to request a medical release form for any absence taken.

2040.9 Illness while on paid vacation will be charged to vacation leave.

2040.10 The District provides a sick leave payoff plan upon resignation or retirement as follows:

> **2040.10.1** After ten (10) years of employment, twenty~~-five~~ (20~~25~~) percent of accumulated sick leave will be paid at the current salary.

2040.10.2 After fifteen (15) years of employment, thirty~~-seven and one half~~ (30~~37.5~~) percent of accumulated sick leave will be paid at the current salary.

2040.10.3 After twenty (20) years of employment, forty-five ~~fifty~~ (45~~50~~) percent of accumulated sick leave will be paid at the current salary.

2040.10.4 The maximum accumulated sick leave for this purpose is five ~~eight~~ hundred (500~~800~~) hours before calculations.

2040.10.5 Sick leave payoff will be based on the amount of time employed in the District's salaried classifications.

2040.11 A pregnant employee will be permitted to work as long as she is able to safely perform the duties of her position as recommended by her attending physician.

2040.11.1 A pregnant employee will be allowed to be absent for the period during which, in the opinion of her attending physician, she is temporarily disabled because of pregnancy, miscarriage, abortion, childbirth and recovery. The total absence for disability leave may not exceed the amount of time specified by law and certified by the attending physician.

2040.11.2 At the completion of the disability leave the employee may request leave under the provisions of the California Family Medical Leave Act. The total absence for family medical leave may not exceed the amount of time specified by law.

2040.11.3 The employee may use sick leave and vacation for physician-certified disability absences and/or California Family Medical Leave Act absences and shall be granted leave of absence without pay to the extent required to reach the amount of time specified by law.

2040.11.4 An employee returning to work at the end of disability leave and/or California Family Medical Leave Act absences will return to the same position or a comparable position with no loss of salary or benefits.

2040.12 Employees are eligible to request leave under the provisions of the California Family Medical Leave Act.

2040.12.1 When an employee elects to use the provisions of the California Family Medical Leave Act the time absent runs concurrently with the Federal Family Medical Leave Act for a maximum of twelve (12) weeks.

2040.12.2 The employee may use sick leave and vacation for the California Family Medical Leave Act and shall be granted leave of absence without pay to the extent required to reach the amount of time specified by law.

2040.12.3 An employee returning to work at the end of a California Family Medical Leave Act absence will return to the same position or a comparable position with no loss of salary or benefits.

2040.13 Placentia Library District offers a Catastrophic Leave-Sharing Program to give full-time and regular part-time employees a chance to support their colleagues who are facing a major health crisis, whether their own or that of a family member. The program allows employees to provide assistance in the form of donated leave. It is developed as a part of the District's efforts to create a caring environment. While the program establishes a mechanism for leave transfers, participation is entirely voluntary.

2040.13.1 Qualifying Situations: In order for an employee to receive donated leave from another employee, the following requirements must be met:

2040.13.1.1 Receiving Employee must:
* be an employee of the Placentia Library District;
* be in a position that accrues leave;
* have passed the waiting period to use leave;
* have exhausted all full-pay leave credits earned pursuant to the applicable Placentia Library District policies;
* be on an approved leave of absence;
* submit a Catastrophic Leave Request Form.

2040.13.1.2 The Receiving Employee's Absence must be due to:
* the employee's own medically certified "serious health condition" and be out more than 15 calendar days; or
* the medically certified "serious health condition" of the employee's spouse, domestic partner, parent, child, sibling, grandparent, or grandchild (or in-law or step-relative in one of these relationships).

2040.13.1.3 Donating Employee must:
* be an employee of the Placentia Library District;
* be in a position that accrues leave;
* have passed the waiting period to use leave;
* have accrued sufficient vacation leave to cover the donation (leave may not be donated prior to accrual);
* submit a Catastrophic Leave Donation Form.

2040.13.2 Nature of Donations. Donations must be:
* anonymous. Management will not identify the donor; the donor may choose to self-identify;
* approved by both the donor's and the recipient's department;
* entirely voluntary;
* donated in increments of ½ hour, not to exceed 8 hours per request and 40 hours per year.

2040.13.3 Process. The following steps need to be taken to assure proper processing of leave donations:

2040.13.3.1 Receiving Employee Initiates Request. The prospective recipient must submit the Catastrophic Leave Request Form to Administration, indicating the number of hours to be donated. The form must be accompanied by a physician's statement that documents that a serious illness exists, and estimates the length of the illness. Leave can only be donated and accepted for the month in which it will be used. It cannot be donated in advance.

2040.13.3.2 Administration will verify eligibility with managers and/or supervisors for both the donating and receiving employee.

2040.13.3.3 Administration will prepare the appropriate adjustments directly against employee balances. There is no financial impact at the time of donation. The impact will only be seen at the time of usage.

2040.13.3.4 Administration will notify the donor and recipient in writing that the debit or credit has taken place.

2040.13.4 Termination of Catastrophic Leave. Catastrophic Leave terminates when:

* the recipient receives any type of disability pay (LTD, Workers' Compensation)
* the recipient and/or donor terminates employment with the District.
* the District terminates the recipient and/or donor.
* the need no longer exists (based on physician's recommendation).

PLACENTIA LIBRARY DISTRICT BOARD OF TRUSTEES

TO: Library Board of Trustees

FROM: Jeanette Contreras, Library Director

SUBJECT: **Final Adoption of Placentia Library District Policy #2050 – Bereavement Leave**

DATE: April 16, 2012

BACKGROUND

At the Library Board of Trustees Work Session Meetings on January 25, 2012 and February 21, 2012, Placentia Library District Policy #2050 was discussed as part of the Fiscal Year 2012-2013 Budget Preparation. The Library Board of Trustees approved the recommended policy amendment at the March 19, 2012 meeting.

The Library Board of Trustees needs to adopt the approved Policy with an effective date for final adoption.

Attachment A is the approved amendments to Placentia Library District Policy #2050 – Bereavement Leave.

RECOMMENDATION

Adopt amended Placentia Library District Policy #2050 – Bereavement Leave as presented, effective July 1, 2012.

Placentia Library District

POLICY HANDBOOK

POLICY TITLE: **Bereavement Leave**
POLICY NUMBER: **2050**

2050.1 This policy will apply to regular employees in all classifications.

2050.2 In the event of a death in the immediate family, an employee may be granted a paid leave of absence not to exceed five days. Bereavement leave is not charged against either sick leave or vacation time. The Library Director may require certification.

2050.3 Bereavement leave is based on an eight-hour day of a forty (40) hour work week. Employees working less than forty (40) hours per week will receive a pro-rata allocation of bereavement leave.

2050.4 "Immediate family" is defined as being spouse, parents, children, brother, sister, grandparents, father-in-law, mother-in-law, sister-in-law, brother-in-law, legal domestic partner or any other person who is a legal dependent of the employee.

PLACENTIA LIBRARY DISTRICT BOARD OF TRUSTEES

TO: Library Board of Trustees

FROM: Jeanette Contreras, Library Director

SUBJECT: **Final Adoption of Placentia Library District Policy #2060 - Jury Duty**

DATE: April 16, 2012

BACKGROUND

At the Library Board of Trustees Work Session Meetings on January 25, 2012 and February 21, 2012, Placentia Library District Policy #2060 was discussed as part of the Fiscal Year 2012-2013 Budget Preparation. The Library Board of Trustees approved the recommended policy amendments at the March 19, 2012 meeting.

The Library Board of Trustees needs to adopt the approved Policy with an effective date for final adoption.

Attachment A is the recommended amendments to Placentia Library District Policy #2060 – Jury Duty.

RECOMMENDATION

Adopt amended Placentia Library District Policy #2060 – Jury Duty as presented, effective July 1, 2012.

Placentia Library District

POLICY HANDBOOK

POLICY TITLE: Jury Duty
POLICY NUMBER: 2060

2060.1 This policy will apply to regular employees in all classifications.

2060.2 An employee summoned for jury duty will immediately notify his/her supervisor and the Library Director.

2060.3 While serving on a jury, the employee will be given paid leave for the time served up to a maximum of two weeks. ~~the duration of said jury duty.~~ Said paid leave of absence is conditional upon the employee returning to work upon dismissal from jury duty each day if the amount of time spent on jury duty is more than two hours less than the normally scheduled work day. The employee will be able to complete his/her workday without the requirement of split hours.

2060.4 Pay for jury duty is also conditional upon the employee's conveyance to the District of any compensation received as a juror, not including any travel allowance received.

2060.5 Employees working less than forty (40) hours per week will receive a pro-rata allocation of jury duty leave.

PLACENTIA LIBRARY DISTRICT BOARD OF TRUSTEES

TO: Library Board of Trustees

FROM: Jeanette Contreras, Library Director

SUBJECT: **Final Adoption of Placentia Library District Policy #2110 – Health and Welfare Benefits**

DATE: April 16, 2012

BACKGROUND

At the Library Board of Trustees Work Session Meetings on January 25, 2012 and February 21, 2012, Placentia Library District Policy #2110 was discussed as part of the Fiscal Year 2012-2013 Budget Preparation. The Library Board of Trustees approved the recommended policy amendments at the March 19, 2012 meeting.

The Library Board of Trustee needs to adopt the approved Policy with an effective date for final adoption.

Attachment A is the approved amendments to Placentia Library District Policy #2110 – Health and Welfare Benefits.

RECOMMENDATION

Adopt amended Placentia Library District Policy #2110 – Health and Welfare Benefits as presented, effective July 1, 2012.

Placentia Library District

POLICY HANDBOOK

POLICY TITLE: **Health and Welfare Benefits**
POLICY NUMBER: **2110**

2110.1 Medical Expense Insurance. The District provides health, hospital, vision, dental and disability insurance to cover non-occupational injuries and sickness for regular full time and part-time employees working twenty or more hours per week. The scope of coverage and the payment of premiums are subject to periodic review and revision by the Board of Directors.

2110.1.1 Exempt Employees Premium. The District pays the premium for all exempt employees and family, if applicable, for medical, dental, and vision coverage. Long-term accidental death and dismemberment insurance is paid for by the District for the employee only.

2110.1.2 Non-Exempt Employees Premium. The District pays the premium for the non-exempt employee only on medical, dental, vision, accidental death and dismemberment coverage for full-time and a pro-rata payment for regular part-time employees. Spouse and family coverage is available at the employee's expense for all policies except family long-term accidental death and dismemberment coverage.

2110.1.3 Deductible/Co-Pay Reimbursements. All employees enrolled in medical and/or dental coverage are eligible to receive deductible/co-pay reimbursements for the following conditions. Regular part-time employees enrolled in medical and/or dental coverage are eligible to receive pro-rata reimbursements. The maximum reimbursement for full-time employees is $300~~500~~ per medical plan year (January to December).

2110.0.3.1 Medical Insurance Reimbursement of:

(a) $300 annual deductible. The Employee must submit receipt(s) from the care provider(s) that include the name and address of the provider, the date of the care and the amount paid to the provider.

(b) $15.00 co-pay for physician office visit. The Employee must submit a receipt from the physician's office that includes the name and address of the provider, the date of the visit and the amount paid to the provider.

(c) $15.00 co-pay for physical therapy. The Employee must submit a receipt from the physical therapist's office that includes the name and address of the provider, the date of the visit and the amount paid to the provider.

2110.1.3.2 Dental Insurance Reimbursement of 50% of employee's portion for "Major" procedures. Employee must submit "Explanation of Benefits" statement from Plan Provider and an itemized receipt from the dentist's office. Orthodontia, cosmetic and/or any elective work is not reimbursable.

2110.2 Workers' Compensation Insurance. All District employees will be insured against injuries received while on the job as required by State law.

2110.3 Life Insurance. Life Insurance in the amount of $100,000 is provided for all full-time and regular part-time employees working twenty hours per week or more. The carrier reduces the amount of coverage after age sixty-five.

2110.4 Social Security and Medicare. Placentia Library District participates in Social Security and Medicare for all employees.

2110.5 Money Purchase Pension Plan.

2110.5.1 Upon achieving eligibility as defined in the Plan, employees will be enrolled in the District's Money Purchase Pension Plan.

2110.5.2 The District contributes four ~~eight~~ per cent of an employee's annual salary to the Plan. There is no employee contribution to the Money Purchase Pension Plan.

2110.5.3 Employees are vested in the Money Purchase Pension Plan at a rate of twenty per cent per year for the first five full fiscal years of employment, and beginning in year six are fully vested.

2110.65 Deferred Compensation/457 Plan.

2110.6.1 Regular employees in all job classifications are eligible to participate in one of the Deferred Compensation Plans /457 Plans designated by the Library Board of Trustees.

2110.6.2 The Library does not make any contributions to a Deferred Compensation/457 Plan on the employee's behalf.

2110.6.3 Participation in the Deferred Compensation/457 Plan program is voluntary and the employee must process the application and manage the investments.

2110.6.4 Contributions to the Deferred Compensation/457 Plan are made with pre-tax dollars through payroll deduction.

2110.6.5 Individual staff members may request through the Library Director that the Library Board of Trustees approve additional 457 Plans.

2110.6.6 Information about all of the 457 Plans currently approved by the Library Board of Trustees is available from the office of Administrative Services.

PLACENTIA LIBRARY DISTRICT BOARD OF TRUSTEES

TO: Library Board of Trustees

FROM: Jeanette Contreras, Library Director

SUBJECT: **Final Adoption of Placentia Library District Policy #2120 – Educational Assistance**

DATE: April 16, 2012

BACKGROUND

At the Library Board of Trustees Work Session Meetings on January 25, 2012 and February 21, 2012, Placentia Library District Policy #2120 was discussed as part of the Fiscal Year 2012-2013 Budget Preparation. The Library Board of Trustees approved the recommended policy amendment at the March 19, 2012 meeting.

The Library Board of Trustees needs to adopt the approved Policy with an effective date for final adoption.

Attachment A is the approved amendments to Placentia Library District Policy #2120 – Educational Assistance.

RECOMMENDATION

Adopt amended Placentia Library District Policy #2120 – Educational Assistance as presented, effective July 1, 2012.