SIERRA JOINT COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO: Retirement Board of Authority

DATE: 04/27/2016

SUBJECT: Public Comments

ITEM #: 2015/2016-017

Enclosure: No
Action Item: No

Prepared by: Keenan Financial Services
Requested by: Retirement Board of Authority

BACKGROUND:
The public may address the Retirement Board of Authority (RBOA) on any matter pertaining to the Board that is not on the agenda.

RECOMMENDATION:
The Chair reserves the right to limit the time of presentations by individual or topic.
PRESENTED TO: Retirement Board of Authority

DATE: 04/27/2016

SUBJECT: Approval of Agenda

ITEM #: 2015/2016-018
Enclosure: Yes
Action Item: Yes

Prepared by: Keenan Financial Services
Requested by: Retirement Board of Authority

BACKGROUND:

Under California Government Code Section §54950 (The Ralph M. Brown Act) the “Legislative Body” is required to post an agenda detailing each item of business to be discussed. The Authority posts the agenda in compliance with California Government Code Section §54954.2.

STATUS:

Unless items are added to the agenda according to G.C. §54954.2 (b) (1) (2) (3) the agenda is to be approved as posted.

RECOMMENDATION:

Subject to changes or corrections, the agenda is to be approved.
AGENDA

SIERRA JOINT COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING
APRIL 27, 2016
2:00 PM – 4:00 PM

SIERRA JOINT COMMUNITY COLLEGE DISTRICT
Board Room – LRC 133
5000 Rocklin Road
Rocklin, CA 95677
(916) 624-3333

I. CALL TO ORDER

II. ROLL CALL

RETIREMENT BOARD OF AUTHORITY (the “Board”) MEMBERS
Vice President, Administrative Services Chris Yatooma
Director, Human Resources Cameron Abbott
Federation of United School Employees (FUSE) Greg Van De Bogart
Sierra College Faculty Association (SCFA) Todd Jensen
Sierra College Management Association (SCMA) Donna Brazil-Bloche
Vice President, Student Services Mandy Davies
“Pre 94” Retiree of Sierra Joint CCD Adele Hamlett

PROGRAM COORDINATOR
Senior Vice President, Keenan Financial Services (KFS) Gail Beal
Senior Account Manager, Keenan Financial Services (KFS) Roslyn Washington

CONSULTANTS
Morgan Stanley Wealth Management (MS) Cary Allison
Benefit Trust Company (BTC) Scott Rankin

GUESTS

OTHER
None

III. PUBLIC COMMENTS

Information 2015/2016-017

The public may address the Retirement Board of Authority on any matter pertaining to the Board that is not on the agenda. The Chair reserves the right to limit the time of presentations by individual or topic.
IV. APPROVAL OF AGENDA

The Retirement Board of Authority retains the right to change the order in which agenda items are discussed. Subject to review by the Retirement Board, the agenda is to be approved as presented. Items may be deleted or added for discussion only according to G.C. Section 54954.2.

PUBLIC COMMENTS:
BOARD CONSIDERATION:

V. APPROVAL OF MINUTES

The Retirement Board will review the Minutes from the previous Board Meeting on November 18, 2016 for any adjustments and adoption.

PUBLIC COMMENTS:
BOARD CONSIDERATION:

VI. INVESTMENTS

PORTFOLIO PERFORMANCE REVIEW

Morgan Stanley Wealth Management (MS) will review the overall performance of the District’s Public Entity Investment Trust portfolio.

PUBLIC COMMENTS:
BOARD CONSIDERATION:

MARKET OVERVIEW

Morgan Stanley Wealth Management (MS) will provide an overview of the actions of the global capital markets since the last Retirement Board of Authority meeting.

PUBLIC COMMENTS:
BOARD CONSIDERATION:

VII. ADMINISTRATION

DISBURSEMENT REPORT

The Retirement Board of Authority members approve all reasonable expenses and withdrawals associated with GASB Statement 43/45 compliance protocols and the management/operational requirements of the District’s Public Entity Investment Trust.

PUBLIC COMMENTS:
BOARD CONSIDERATION:

ACTUARIAL VALUATION STUDY UPDATE

The Retirement Board of Authority members will review the District’s liability (UAAL) as reflected in the current Actuarial Valuation Study and in light of the standards profiled in the Exposure Drafts issued by GASB.

PUBLIC COMMENTS:
BOARD CONSIDERATION:
FUTURE TRANSFER OF ASSETS INTO THE TRUST

The District’s transfer of assets into the Investment Trust may require a tailored funding procedure. To meet the possibly tailored funding procedure, the Retirement Board of Authority (RBOA) will provide timing and asset transfer schedules related to the District’s Annual Required Contribution (ARC) and Pay-As-You-Go funding strategies based on current District financial considerations.

PUBLIC COMMENTS:
BOARD CONSIDERATION:

RETIREMENT BOARD OF AUTHORITY – ELECTION OF CHAIRPERSON

The Retirement Board of Authority (RBOA) has been duly appointed by the Sierra Joint Community College District Board of Trustees and will elect a new Chairperson.

PUBLIC COMMENTS:
BOARD CONSIDERATION

RETIREMENT BOARD OF AUTHORITY – ELECTION OF VICE-CHAIRPERSON

The Retirement Board of Authority has been duly appointed by the Sierra Joint Community College District Board of Trustees and will elect a new Vice-Chairperson.

PUBLIC COMMENTS:
BOARD CONSIDERATION

VIII. INFORMATION REPORTS

RETIREMENT BOARD OF AUTHORITY COMMENTS

Each Retirement Board of Authority member may report about various matters involving the Board. There will be no Board discussion except to ask questions or refer matters to staff, and no action will be taken unless listed on a subsequent agenda.

PROGRAM COORDINATOR/CONSULTANT COMMENT

The Program Coordinator and Consultants will report to the Authority about various matters involving the Board. There will be no Board discussion except to ask questions, and no action will be taken unless listed on a subsequent agenda.

IX. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING

The Agenda Items for the next meeting will be the same as for this meeting. Board members and visitors may suggest additional items for consideration at the next District’s Retirement Board of Authority meeting.

PUBLIC COMMENTS:
BOARD CONSIDERATION:
X. ADJOURNMENT

Americans with Disabilities Act The Sierra Joint Community College District’s Retirement Board of Authority conforms to the protections and prohibitions contained in Section 202 of the Americans with Disabilities Act of 1990 and the federal rules and regulations adopted in implementation thereof. A request for disability-related modification or accommodation, in order to participate in a public meeting of the Sierra Joint Community College District’s Retirement Board of Authority meeting, shall be made to: Chris Yatooma, VP Administrative Services, Sierra Joint Community College District, 5000 Rocklin Road, Rocklin, CA 95677.
SIERRA JOINT COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO: Retirement Board of Authority

DATE: 04/27/2016

SUBJECT: Approval of Minutes

ITEM #: 2015/2016-019

Enclosure: Yes
Action Item: Yes

Prepared by: Keenan Financial Services
Requested by: Retirement Board of Authority

BACKGROUND:

As a matter of record and in accordance with the Brown Act, minutes of each meeting are kept and recorded.

STATUS:

The Board will review the Minutes from the previous Retirement Board of Authority (RBOA) Meeting on April 22, 2015.

RECOMMENDATION:

Subject to changes or corrections, the Minutes are to be approved.
MINUTES
SIERRA JOINT COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING
NOVEMBER 18, 2015
10:00 AM–12:00 PM

I. CALL TO ORDER
1. Meeting was called to order at 1:08 AM by Gail Beal, Senior Vice President, Keenan Financial Services.

II. ROLL CALL
1. All RBOA members reported their presence at the meeting.
2. All District Investment Trust Coordinators/Consultants were in attendance.

III. PUBLIC COMMENTS
1. One person from the District's Pre-94 group was in attendance but there were no public comments.

IV. APPROVAL OF AGENDA
1. Adele Hamlett suggested that Agenda Item “Designation of a New Member to the RBOA” be repositioned subsequent to the Approval of Minutes. Mandy Davies Motioned to reposition the Agenda as suggested; Motion was seconded by Chris Yatooma.

V. APPROVAL OF MINUTES
1. Chris Yatooma Motioned to accept the Minutes from the previous RBOA meeting as presented; Motion was seconded by Cameron Abbott.

VI. ADMINISTRATION
1. Designation of a New Member to the RBOA
   Chris Yatooma Motioned to designate and welcome Greg Van De Bogart as a new member of the RBOA; Motion was seconded by Donna Brazil-Bloche.

VII. INVESTMENTS
1. Portfolio Performance Review
   Cary Allison of Morgan Stanley (MS) reviewed the performance of the Investment Trust’s portfolio account as of Sept. 30, 2015.

   Time weighted return net of fees:

<table>
<thead>
<tr>
<th>Month to Date</th>
<th>Quarter to Date</th>
<th>Year to Date</th>
<th>Latest 1 Year</th>
<th>Annualized latest 3 Year</th>
<th>Annualized latest 5 Year</th>
<th>Annualized Inception to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>-1.64</td>
<td>-4.23</td>
<td>-3.11</td>
<td>-2.33</td>
<td>3.86</td>
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<td>4.88</td>
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</table>

   Relative to the Investment Trust’s portfolio near-term negative performance results, Cary pointed to recent financial events in China as the main catalyst for the 12% capital market correction in August/September.
Cary advised that there has been a nice October rebound in the global capital markets which is already reflected by better performance metrics in the District’s Investment Trust's portfolio account. In this connection Cary advised that the District’s portfolio reflected an October 31, 2015 market value of $10,156,086. Chris Yatooma Motioned to accept the Portfolio Performance Review as presented; Motion was seconded by Donna Brazil-Bloche.

Market Overview
Cary Alison presented Morgan Stanley’s Global Investment Committee capital market observations. Cary advised that unemployment is low and projected that global growth will continue at a modest pace with 2.0%-2.5% growth anticipated for the US economy; stocks have become reasonably valued; a Fed short-term rate hike of .25% is anticipated in December.

2. Investment Policy Statement (IPS) Review
Within the annual IPS review, the RBOA discussed an annual funding/withdrawal chart reflecting financial metrics projected over six decades relative to District Funding (Total Premiums Paid) Vs Retiree Premiums Paid from the General Fund integrated with Retiree Premiums Paid from the Trust. In this connection, the RBOA requested that the current Actuarial Valuation Study be positioned on the Agenda platform for Spring & Fall 2016. Todd Jensen Motioned to reaffirm the current provisions of the IPS; Motion was seconded by Chris Yatooma.

VII. EDUCATION
An overview of Benefit Trust Company’s (BTC) due diligence of Morgan Stanley’s fund manager selection and monitoring disciplines was presented by Scott Rankin of BTC.

VIII. ADMINISTRATION (Cont.)
1. Annual Report on the Status of the Trust
Roslyn Washington presented the District’s Annual Report and confirmed that it has been promulgated to the OPEB Plan beneficiaries via the District’s website. Chris Yatooma Motioned to ratify the Annual Report promulgation via the District’s approved process; Motion was seconded by Greg Van De Bogart.

2. Disbursement Report
Roslyn Washington presented Disbursement Report schedules reflecting expenses for Keenan, BTC & Morgan Stanley for their services during the posted period. Cameron Abbott Motioned to ratify the “Service Entities” posted period expenses; Motion was seconded by Chris Yatooma.

3. Status of updating the Comprehensive Compliance Plan, including the “Substantive Plan”.
Roslyn Washington provided a copy of the OPEB Questionnaire used to update the Comprehensive Compliance Plan, including the “Substantive Plan”. The updated e-library format was presented to the District for fiscal year ended June 30, 2015.

3. Future Transfer of Assets
The RBOA advised that the District will continue its current funding protocols and make monthly deposits of approximately $7,300.00 to the Investment Trust.
4. GASB Issues Final OPEB Statements
Gail Beal reviewed Keenan & Associates Briefing on GASBs Final OPEB Standards. Gail explained that GASB Statement No 74 will replace Statement No 43 effective on June 15, 2016 and GASB Statement No 75 will replace Statement No 45 effective on June 15, 2017.

IX. INFORMATION REPORTS
1. Retirement Board of Authority Comments
   a. There were no Retirement Board of Authority (RBOA) comments.

2. Program Coordinator/Consultant Comments
   a. There were no Program Coordinator/Consultant comments.

3. Date, Time and Agenda Items for Next Meeting
   The next RBOA Meeting for the 2015/2016 fiscal cycle is scheduled as follows:
   a. April 27, 2016: 2:00 PM-4:00

4. Adjournment
   a. Meeting was adjourned @ 11:40 AM by Gail Beal of Keenan Financial Services.
BACKGROUND:

As Board members of the Retirement Board of Authority you have a fiduciary responsibility as described in Government Code section 53215, et seq. As part of fulfilling your governance and fiduciary responsibilities, it is important to periodically review the District’s Public Entity Investment Trust Portfolio.

STATUS:

Morgan Stanley Wealth Management (MS) will provide a review of the District’s Public Entity Investment Trust Portfolio Performance Report.

RECOMMENDATION:

The Retirement Board of Authority should review and accept the Investment Trust Portfolio Performance Report and file as appropriate.
**SIERRA JOINT COMMUNITY COLLEGE DIST FUTURIS PUB ENTITY INVESTMENT TRUST**

*February 29, 2016*

### Change In Portfolio

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<tr>
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<th>12-31-15</th>
<th>02-29-16</th>
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<td>Portfolio Value</td>
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<td>Contributions</td>
<td>$15,288.00</td>
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<td>Withdrawals</td>
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<td>Change in Market Value</td>
<td>($315,240.35)</td>
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<td>Income Received</td>
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<td>Portfolio Fees</td>
<td>($13,970.23)</td>
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### Asset Allocation

#### PORTFOLIO SUMMARY

*February 29, 2016*

- **Cash and Receivables**: 0.50%
- **Fixed Income Funds**: 56.9%
- **Domestic Equity Funds**: 27.7%
- **International Equity Funds**: 15.4%

### Time Weighted Return - Gross of Fees

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<tr>
<th></th>
<th>Month To Date</th>
<th>Quarter To Date</th>
<th>Year To Date</th>
<th>Latest 1 Year</th>
<th>Latest 3 Year</th>
<th>Latest 5 Year</th>
<th>Annualized Inception To Date</th>
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<td>-2.91</td>
<td>-2.91</td>
<td>-6.10</td>
<td>2.83</td>
<td>3.83</td>
<td>5.32</td>
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<tr>
<td>S&amp;P 500 TR</td>
<td>-0.13</td>
<td>-5.08</td>
<td>-5.08</td>
<td>-6.17</td>
<td>10.76</td>
<td>10.14</td>
<td>7.22</td>
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<tr>
<td>MSCI EAFE</td>
<td>-1.83</td>
<td>-8.93</td>
<td>-8.93</td>
<td>-15.18</td>
<td>0.38</td>
<td>0.56</td>
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<tr>
<td>MSCI ACWI Ex US Net</td>
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<td>-7.86</td>
<td>-7.86</td>
<td>-17.29</td>
<td>-2.17</td>
<td>-1.27</td>
<td>-1.10</td>
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<tr>
<td>Barclays Aggregate</td>
<td>0.71</td>
<td>2.10</td>
<td>2.10</td>
<td>1.53</td>
<td>2.22</td>
<td>3.61</td>
<td>4.28</td>
</tr>
<tr>
<td>Barclays Global Agg Bd</td>
<td>2.23</td>
<td>3.12</td>
<td>3.12</td>
<td>0.83</td>
<td>-0.10</td>
<td>1.34</td>
<td>2.27</td>
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<tr>
<td>50% MSCI ACWI / 50% Barclays Agg</td>
<td>0.01</td>
<td>-2.32</td>
<td>-2.32</td>
<td>-5.39</td>
<td>3.13</td>
<td>3.92</td>
<td>3.80</td>
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### Time Weighted Return - Net of Fees

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<th></th>
<th>Month To Date</th>
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<th>Latest 5 Year</th>
<th>Annualized Inception To Date</th>
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<td>-6.17</td>
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<tr>
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<td>0.01</td>
<td>-2.32</td>
<td>-2.32</td>
<td>-5.39</td>
<td>3.13</td>
<td>3.92</td>
<td>3.80</td>
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## PORTFOLIO APPRAISAL

*February 29, 2016*

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<tbody>
<tr>
<td>CASH AND RECEIVABLES</td>
<td>NORTHERN INSTL FUNDS</td>
<td>BGSX.X</td>
<td>0.50</td>
<td>0.50</td>
<td>0.0</td>
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<tr>
<td>FIXED INC MUTUAL FUNDS</td>
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<td>Taxable Funds</td>
<td>BLACKROCK STRATEGIC INCOME OPPS INSTL</td>
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<td>10.16</td>
<td>419,187.36</td>
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<td>396,879.13</td>
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<td>BLACKROCK TOTAL RETURN INSTL</td>
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<td>11.65</td>
<td>816,838.14</td>
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<td>33,024.734</td>
<td>LEGG MASON BW ALT</td>
<td>LMAM.X</td>
<td>10.46</td>
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<td>5.7</td>
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<td>40,790.474</td>
<td>LEGG MASON BW GLOBAL OPPS BD IS PRUDENTIAL TOTAL RETURN BD FD TEMPLETON GLOBAL BOND ADV</td>
<td>GOBS.X</td>
<td>10.75</td>
<td>438,513.88</td>
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<td>64,779.420</td>
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<td>3.5</td>
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<td>79,411.164</td>
<td>WESTERN ASSET CORE PLUS BOND INSTL</td>
<td>WACP.X</td>
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<td>798,699.10</td>
<td>11.44</td>
<td>908,463.72</td>
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| | | | | | | |
| DOMESTIC EQUITY FUNDS | | | | | | |
| Taxable Funds | VANGUARD INDEX FDS MD CP STK INST | VMCLX | 35.29 | 321,316.81 | 30.78 | 280,239.77 | 2.9 | 1.6 |
| Large Cap Funds | ALGER FDS II SPECTRA FD Z COLUMBIA FDS SER TR I | ASPZ.X | 18.54 | 535,260.46 | 15.66 | 451,997.16 | 4.6 | 0.0 |
| 28,863.165 | | | | | | |
| 18,665.440 | | | | | | |
| Mid Cap Funds | COHEN & STEERS REALTY INCOME I HARTFORD MIDCAP Y | CSDL.X | 14.99 | 310,607.68 | 13.79 | 285,746.91 | 2.9 | 2.7 |
| 20,721.313 | | | | | | |
| 7,273.140 | | | | | | |
| 10,206.409 | OAKMARK SELECT I PRUDENTIAL GLOBAL REAL ESTATE | OAKL.X | 41.52 | 423,782.53 | 33.98 | 346,813.78 | 3.6 | 0.3 |
| 12,673.779 | | | | | | |

| | | | | | | |

1,218,176.37 | 1,104,872.99 | 11.3 | 1.2 |
**PORTFOLIO APPRAISAL**  
*February 29, 2016*

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<td>37.90</td>
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<td>BIIE.X</td>
<td>14.72</td>
<td>385,317.16</td>
<td>14.24</td>
<td>372,756.65</td>
<td>3.8</td>
<td>2.7</td>
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<td>13,009.822</td>
<td>LCOL.X</td>
<td>15.80</td>
<td>205,521.55</td>
<td>14.16</td>
<td>184,219.08</td>
<td>1.9</td>
<td>1.4</td>
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<tr>
<td>International</td>
<td>21,829.366</td>
<td>HILX</td>
<td>14.54</td>
<td>317,421.66</td>
<td>12.45</td>
<td>271,775.61</td>
<td>2.8</td>
<td>1.8</td>
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<td>Emerging Markets</td>
<td>23,339.389</td>
<td>BEMLX</td>
<td>8.78</td>
<td>204,869.00</td>
<td>6.25</td>
<td>145,871.18</td>
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<td>1.6</td>
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<td>Balanced Funds</td>
<td>15,894.095</td>
<td>TIBLX</td>
<td>19.40</td>
<td>308,386.64</td>
<td>18.25</td>
<td>290,067.23</td>
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<td><strong>TOTAL PORTFOLIO</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>10,427,674.75</strong></td>
<td></td>
<td><strong>9,734,923.89</strong></td>
<td>100.0</td>
<td>2.5</td>
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</table>
BACKGROUND:

As Members of the Retirement Board of Authority you have a fiduciary responsibility as described in Government Code section 53215, et seq. In fulfilling your fiduciary responsibility, it is important to understand the impact of global capital market conditions on the assets in the trust.

STATUS:

Morgan Stanley Wealth Management (MS) will provide an overview of the current global capital market conditions.

RECOMMENDATION:

The Retirement Board of Authority shall hear and receive the information presented.
## Model Portfolio Allocations

<table>
<thead>
<tr>
<th>EQUITIES</th>
<th>Fixed Income</th>
<th>Conservative</th>
<th>Moderate</th>
<th>Moderate Growth</th>
<th>Growth</th>
<th>Aggressive Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Cap Growth</td>
<td>0%</td>
<td>1%</td>
<td>3%</td>
<td>5%</td>
<td>5%</td>
<td>7%</td>
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<tr>
<td>Large Cap Value</td>
<td>0%</td>
<td>4%</td>
<td>7%</td>
<td>8%</td>
<td>11%</td>
<td>14%</td>
</tr>
<tr>
<td>Small/Mid Growth</td>
<td>0%</td>
<td>0%</td>
<td>1%</td>
<td>2%</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>Small/Mid Value</td>
<td>0%</td>
<td>2%</td>
<td>3%</td>
<td>5%</td>
<td>8%</td>
<td>10%</td>
</tr>
<tr>
<td>International</td>
<td>0%</td>
<td>7%</td>
<td>15%</td>
<td>19%</td>
<td>26%</td>
<td>31%</td>
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<tr>
<td>REITs</td>
<td>0%</td>
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<td>8%</td>
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<tr>
<td>Total Equities</td>
<td>0%</td>
<td>16%</td>
<td>33%</td>
<td>45%</td>
<td>61%</td>
<td>76%</td>
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<table>
<thead>
<tr>
<th>FIXED INCOME</th>
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<th></th>
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<tbody>
<tr>
<td>Domestic Intermediate</td>
<td>79.5%</td>
<td>61.8%</td>
<td>47.5%</td>
<td>40.0%</td>
<td>26.8%</td>
<td>15.3%</td>
</tr>
<tr>
<td>International Intermediate</td>
<td>20.5%</td>
<td>22.3%</td>
<td>19.5%</td>
<td>15.0%</td>
<td>12.3%</td>
<td>8.8%</td>
</tr>
<tr>
<td>Total Fixed Income</td>
<td>100%</td>
<td>84%</td>
<td>67%</td>
<td>55%</td>
<td>39%</td>
<td>24%</td>
</tr>
<tr>
<td>Grand Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

## Portfolio Statistics

| Avg Annual Return      | 4.98%        | 5.37%        | 6.47%    | 6.99%           | 7.69%  | 8.46%            |
| Standard Deviation (Risk) | 3.94%     | 4.26%        | 6.09%    | 7.41%           | 9.48%  | 11.89%           |

### Nominal Benchmarks

<table>
<thead>
<tr>
<th>MSCI ACWI (All County World Index)</th>
<th>0%</th>
<th>15%</th>
<th>30%</th>
<th>45%</th>
<th>60%</th>
<th>75%</th>
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</thead>
<tbody>
<tr>
<td>Barclay's Aggregate Bond</td>
<td>100%</td>
<td>85%</td>
<td>70%</td>
<td>55%</td>
<td>40%</td>
<td>25%</td>
</tr>
</tbody>
</table>

NOTE: The Futuris portfolios listed above are sample representations only and may be altered from time to time at the discretion of the Trustee.

Cary M. Allison, CIMA
Senior Institutional Consultant
<table>
<thead>
<tr>
<th>EQUITIES</th>
<th>Style</th>
<th>Ticker</th>
<th>Expenses</th>
<th>Income</th>
<th>Conservative</th>
<th>Moderate</th>
<th>Moderate Growth</th>
<th>Growth</th>
<th>Aggressive Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Domestic Equities</strong></td>
<td></td>
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</tr>
<tr>
<td><strong>Large Cap Domestic Equities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alger Spectra</td>
<td>Large Growth</td>
<td>ASPFX</td>
<td>0.97%</td>
<td>0%</td>
<td>1%</td>
<td>3%</td>
<td>5%</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>Columbia Contrarian Core</td>
<td>Large Blend</td>
<td>COFXY</td>
<td>0.68%</td>
<td>0%</td>
<td>2%</td>
<td>3%</td>
<td>4%</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>Oakmark Select</td>
<td>Large Value</td>
<td>OAKLX</td>
<td>0.95%</td>
<td>0%</td>
<td>2%</td>
<td>4%</td>
<td>4%</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Small/Mid Cap Domestic Equities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hartford Midcap</td>
<td>Mid Growth</td>
<td>HMDYX</td>
<td>0.76%</td>
<td>0%</td>
<td>0%</td>
<td>1%</td>
<td>2%</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>Vanguard Mid Cap Index</td>
<td>Mid Blend</td>
<td>VMCIX</td>
<td>0.08%</td>
<td>0%</td>
<td>1%</td>
<td>2%</td>
<td>3%</td>
<td>4%</td>
<td>5%</td>
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<tr>
<td>JP Morgan Undiscovered Managers</td>
<td>Small Blend</td>
<td>UBVX</td>
<td>1.05%</td>
<td>0%</td>
<td>1%</td>
<td>2%</td>
<td>2%</td>
<td>4%</td>
<td>5%</td>
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<td><strong>Real Estate Investment Trusts</strong></td>
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<td></td>
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<tr>
<td>Cohen &amp; Steers Realty Shares</td>
<td>Real Estate</td>
<td>CSDFX</td>
<td>0.95%</td>
<td>0%</td>
<td>1%</td>
<td>2%</td>
<td>3%</td>
<td>3.5%</td>
<td>4%</td>
</tr>
<tr>
<td>Prudential Global Real Estate Q</td>
<td>Real Estate</td>
<td>PGRQX</td>
<td>0.84%</td>
<td>0%</td>
<td>1%</td>
<td>2%</td>
<td>3%</td>
<td>3.5%</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Total Domestic Equities &amp; REITs</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>International/GLOBAL Equities</strong></td>
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<tr>
<td>Brandes International Small Cap</td>
<td>Int'l SMID</td>
<td>BISMX</td>
<td>1.15%</td>
<td>0%</td>
<td>1%</td>
<td>1.5%</td>
<td>2%</td>
<td>2.5%</td>
<td>3%</td>
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<td>Legg Mason ClearBridge International Small Cap</td>
<td>Int'l SMID</td>
<td>LCOIX</td>
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<td>0%</td>
<td>0%</td>
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<td>2.5%</td>
<td>3%</td>
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<td>American Funds New Perspectives Fund</td>
<td>Global Growth</td>
<td>ANWFX</td>
<td>0.46%</td>
<td>0%</td>
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<td>2%</td>
<td>2%</td>
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<td>4%</td>
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<td>American Funds New World Fund</td>
<td>Emerging Markets</td>
<td>NFFX</td>
<td>0.66%</td>
<td>0%</td>
<td>1%</td>
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<td>1.5%</td>
<td>2.0%</td>
<td>3%</td>
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<tr>
<td>Brandes Emerging Markets Fund</td>
<td>Emerging Markets</td>
<td>BEMIX</td>
<td>1.12%</td>
<td>0%</td>
<td>0%</td>
<td>1%</td>
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<td>3%</td>
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<tr>
<td>Brandes International Equity</td>
<td>Int'l Value</td>
<td>BLEX</td>
<td>0.99%</td>
<td>0%</td>
<td>2%</td>
<td>3%</td>
<td>4%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Hartford International</td>
<td>Int'l Value</td>
<td>HILUX</td>
<td>0.85%</td>
<td>0%</td>
<td>1%</td>
<td>2%</td>
<td>3%</td>
<td>4%</td>
<td>5%</td>
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<tr>
<td>Thornburg Investment Income Builder</td>
<td>Global Blend</td>
<td>TIBIX</td>
<td>0.86%</td>
<td>0%</td>
<td>1%</td>
<td>2%</td>
<td>3%</td>
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<tr>
<td><strong>Total Equities</strong></td>
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<tr>
<td><strong>Fixed Income</strong></td>
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<tr>
<td>BlackRock Total Return</td>
<td>Domestic Bond</td>
<td>MAHQX</td>
<td>0.53%</td>
<td>18%</td>
<td>13%</td>
<td>10%</td>
<td>8%</td>
<td>6%</td>
<td>3%</td>
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<tr>
<td>Delaware Diversified Income</td>
<td>Domestic Bond</td>
<td>DPFFX</td>
<td>0.65%</td>
<td>18%</td>
<td>13%</td>
<td>10%</td>
<td>8%</td>
<td>5%</td>
<td>3%</td>
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<tr>
<td>Prudential Total Return Bond Fund Q</td>
<td>Domestic Bond</td>
<td>PRTQX</td>
<td>0.49%</td>
<td>18%</td>
<td>13%</td>
<td>10%</td>
<td>9%</td>
<td>6%</td>
<td>4%</td>
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<tr>
<td>Western Asset Core Plus Bond</td>
<td>Domestic Bond</td>
<td>WACPX</td>
<td>0.49%</td>
<td>18%</td>
<td>13%</td>
<td>10%</td>
<td>9%</td>
<td>6%</td>
<td>3%</td>
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<tr>
<td>BlackRock Strategic Income Opps</td>
<td>Domestic Bond</td>
<td>BSVX</td>
<td>0.60%</td>
<td>2%</td>
<td>6.5%</td>
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<td>Hartford World Bond Fund</td>
<td>Global Bond</td>
<td>HWDIX</td>
<td>0.74%</td>
<td>11%</td>
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<td>5.0%</td>
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<td>Legg Mason Brandywine Global Opportunities Bond</td>
<td>Global Bond</td>
<td>GOBSX</td>
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<td>6%</td>
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<td>Legg Mason Brandywine Alternative Credit</td>
<td>Global Bond</td>
<td>LMAMX</td>
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<td>Templeton Global Bond Inst</td>
<td>Global Bond</td>
<td>TGBAX</td>
<td>0.64%</td>
<td>7%</td>
<td>9%</td>
<td>8%</td>
<td>6%</td>
<td>5.5%</td>
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<tr>
<td><strong>Total Bonds</strong></td>
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<tr>
<td><strong>SUMMARY</strong></td>
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<tr>
<td><strong>Total Equities</strong></td>
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<tr>
<td><strong>Grand Total</strong></td>
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<td></td>
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<tr>
<td><strong>Expense Ratio</strong></td>
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<td></td>
<td></td>
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<td></td>
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</tr>
</tbody>
</table>

NOTE: The Futuris portfolios listed above are sample representations only and may be altered from time to time at the discretion of the Trustee.
Investment Perspectives

From the Global Investment Committee
Capital Markets Overview: 4Q 2015

Introduction
As of 4Q 2015

- Risk assets generated positive returns during the fourth quarter of 2015, despite disappointing performance among broad asset classes over the year in its entirety. Currency volatility, oil turbulence, emerging market woes, and the much-anticipated Fed rate hike in December dominated headlines throughout the quarter. For the quarter, US and Japanese equities registered the best returns, while Diversified Commodities and Master Limited Partnerships (MLPs) posted the weakest performance among major asset classes. For the one-year period ended December 31, 2015, Japanese equities were the strongest asset class, while Diversified Commodities, MLPs and Emerging Market equities trailed the field.

- The Dow Jones Industrial Average increased 7.7% in the fourth quarter. The NASDAQ Composite Index was up 8.8% for the quarter. The S&P 500 Index increased 7.0% for the quarter.

- All sectors within the S&P 500 generated positive returns in the fourth quarter of 2015. The top-performing sector was Materials, which was up 9.7%. Health Care and Technology both rose 9.2% and were also among the top-performing sectors. The biggest laggards were Energy, which had a modest increase of 0.2%, and Utilities, which rose 1.1%.

- Morgan Stanley & Co. economists expect U.S. real GDP will be 2.4% in 2015, 1.9% in 2016 and 1.8% in 2017. They forecast global GDP growth to be 3.1% in 2015, 3.3% in 2016 and 3.7% in 2017.

- Commodities registered negative returns in the fourth quarter; the Bloomberg Commodity Index fell 10.5%. For the quarter, gold was down 5.0%.

- For the fourth quarter of 2015, global mergers and acquisitions (M&A) deal volume was $1.4 trillion, compared to $881 billion for the fourth quarter of 2014. Global M&A activity increased to $4.3 trillion in 2015 from $3.3 trillion in 2014.
Capital Markets Overview: 4Q 2015

The US Economy
As of 4Q 2015

The Department of Commerce estimated that Gross Domestic Product increased at an annual rate of 2.0% in the third quarter of 2015, in comparison to a 3.9% increase in the second quarter of 2015. Morgan Stanley & Co. economists forecast U.S. Real GDP will be 2.4% in 2015, 1.9% in 2016 and 1.8% in 2017.

The seasonally adjusted unemployment rate for November 2015 was unchanged at 5.0%. Job gains occurred in construction, professional and technical services, and health care. Mining and information lost jobs. The number of unemployed persons (7.9 million) was essentially unchanged in November 2015. The number of long-term unemployed was also little changed at 2.1 million, and has shown little movement since June. In November, these individuals accounted for 25.7 percent of the unemployed.

According to the most recent estimate from the Bureau of Economic Analysis, corporate profits decreased 1.6% between the second quarter of 2015 and the third quarter of 2015, and fell 5.1% between the third quarter of 2014 and the third quarter of 2015.

Inflation remained low in the U.S. According to the Bureau of Labor Statistics, the seasonally adjusted Consumer Price Index increased 0.2% in October and was flat in November. Morgan Stanley & Co. economists forecast a 0.5% inflation rate for 2015, 1.9% for 2016 and 2.4% for 2017.

The Census Bureau reported that private-sector housing starts in November 2015 were at a seasonally adjusted annual rate of 1,173,000—16% above November 2014 housing starts. The rise in housing starts over the past several years indicates that despite some intermittent setbacks, the housing market is rebounding.

The Census Bureau also reported that seasonally adjusted retail and food services sales increased 0.2% between October 2015 and November 2015, and increased 1.4% between November 2014 and November 2015.

In December, the Institute for Supply Management’s Purchasing Managers’ Index (PMI), a manufacturing sector index, contracted as the PMI registered 48.2 percent, a decrease of 0.4 percentage point from the November reading of 48.6 percent. This indicates a contraction in manufacturing for the second consecutive month, and is the lowest reading since June 2009 when the PMI registered 45.8 percent. Overall, PMI has been above 43 for 81 consecutive months. Generally speaking, a PMI or NMI (ISM Non-Manufacturing Index) over 50 indicates that the sector is expanding and a PMI below 50 but over 43 indicates that the sector is shrinking but the overall economy is expanding.

The NMI increased 2.2 points to 59.1 between September 2015 and October 2015, and fell 3.2 points to 55.9 between October 2015 and November 2015. The index has now been above 50 for 69 consecutive months.

Source: FactSet, Bloomberg, Morgan Stanley & Co. Research, Morgan Stanley Wealth Management GIC
Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material. This slide sourced from Market Performance section.
Capital Markets Overview: 4Q 2015

US Equity Markets
As of 4Q 2015

The Dow Jones Industrial Average increased 7.7% in the fourth quarter. The NASDAQ Composite Index was up 8.8% for the quarter. The S&P 500 Index increased 7.0% for the quarter.

All sectors within the S&P 500 generated positive returns in the fourth quarter of 2015. The top performing sector was Materials, which was up 9.7%. Health Care and Technology both rose 9.2% and were also among the top-performing sectors. The biggest laggards were Energy, which had a modest increase of 0.2%, and Utilities, which rose 1.1%.

Growth-style stocks of large-cap companies increased during the fourth quarter. The large-cap Russell 1000 Growth Index rose 7.3%. The Russell 1000 Index, a large-cap index, increased 6.5% for the quarter.

The Russell 1000 Value Index, also a large-cap index, increased 5.6% for the quarter. The Russell Midcap Growth Index rose 4.1% for the quarter. The Russell Midcap Index also increased 3.6% for the quarter. The Russell Midcap Value Index increased 3.1% for the quarter. The Russell 2000 Growth Index, a small-cap index, increased 4.3% for the quarter. The small-cap Russell 2000 Index rose 3.6% for the quarter. The Russell 2000 Value Index, also a small-cap index, increased 2.9% for the quarter.

| Key US Stock Market Index Returns (%) for the Period Ending 12/31/2015 |
|-----------------|--------|----------|-----------------|-----------------|
| INDEX IN USD    | Quarter | 12 Months | 5-Years (Annualized) | 7-Years (Annualized) |
| S&P 500         | 7.0%    | 1.4%      | *12.6%            | *14.8%           |
| Dow Jones       | 7.7%    | 0.2%      | 11.3%            | 13.3%            |
| Russell 2000    | 3.6%    | -4.4%     | 9.2%             | 14.0%            |
| Russell Midcap  | 3.6%    | -2.4%     | 11.4%            | 17.1%            |
| Russell 1000    | 6.5%    | 0.9%      | 12.4%            | 15.1%            |

Source: FactSet, Bloomberg, Morgan Stanley Wealth Management GIC
Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material. This slide sourced from Market Performance section.
Capital Markets Overview: 4Q 2015

Global Equity Markets
As of 4Q 2015

In the fourth quarter, emerging markets (EM) and global equities generated positive returns. The MSCI EAFE Index (a benchmark for developed markets) increased 4.7% for U.S.-currency investors and 6.4% for local-currency investors, as the U.S. dollar strengthened in relation to the currencies of many nations in the index. In the third quarter of 2015, the MSCI EAFE Index fell 10.2% in U.S. dollar terms and decreased 8.9% in local currency terms.

For the fourth quarter, the MSCI Emerging Markets Index increased 0.7% for U.S.-currency investors and 1.6% for local-currency investors, as the U.S. dollar strengthened in relation to emerging-market currencies. In the previous quarter, the MSCI Emerging Markets Index decreased 17.8% for U.S.-dollar-based investors and also fell 12.0% for local-currency investors.

The MSCI Europe Index increased 2.5% for U.S.-currency investors and 5.2% for local-currency investors during the fourth quarter of 2015. In the previous quarter, the MSCI Europe Index decreased 8.7% for U.S.-dollar-based investors and fell 7.0% for local-currency investors.

The S&P 500 Index increased 7.0% for the quarter.

Emerging economy equity market indices were also up in the fourth quarter. The MSCI BRIC (Brazil, Russia, India and China) Index rose 1.3% for the quarter in U.S. dollar terms and 2.0% in terms of local currencies. In comparison, for the fourth quarter, the MSCI EM Asia Index was up 3.5% in U.S. dollar terms and fell 2.9% in local terms.

### Key Global Equity Market Index Returns (%) for the Period Ending 12/31/2015

<table>
<thead>
<tr>
<th>INDEX IN USD</th>
<th>Quarter</th>
<th>12 Months</th>
<th>5-Years (Annualized)</th>
<th>7-Years (Annualized)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSCI EAFE</td>
<td>4.7%</td>
<td>-0.4%</td>
<td>4.1%</td>
<td>8.3%</td>
</tr>
<tr>
<td>MSCI EAFE Growth</td>
<td>6.7%</td>
<td>4.5%</td>
<td>5.0%</td>
<td>9.3%</td>
</tr>
<tr>
<td>MSCI EAFE Value</td>
<td>2.7%</td>
<td>-5.2%</td>
<td>3.1%</td>
<td>7.3%</td>
</tr>
<tr>
<td>MSCI Europe</td>
<td>2.5%</td>
<td>-2.3%</td>
<td>4.5%</td>
<td>8.6%</td>
</tr>
<tr>
<td>MSCI Japan</td>
<td>9.4%</td>
<td>9.9%</td>
<td>4.6%</td>
<td>6.4%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>7.0%</td>
<td>1.4%</td>
<td>12.6%</td>
<td>14.8%</td>
</tr>
<tr>
<td>MSCI Emerging Markets</td>
<td>0.7%</td>
<td>-14.6%</td>
<td>-4.5%</td>
<td>7.8%</td>
</tr>
</tbody>
</table>

Source: FactSet, Bloomberg, Morgan Stanley Wealth Management GIC

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Capital Markets Overview: 4Q 2015

The US Bond Market
As of 4Q 2015

The bond market struggled in the fourth quarter of 2015. The Barclays U.S. Aggregate Bond Index, a general measure of the bond market, fell 0.6% for the quarter. Interest rates increased during the fourth quarter, as the yield on the 10-Year U.S. Treasury note rose to a quarter-end 2.27% from 2.04% at the end of the third quarter of 2015.

Riskier parts of the bond market such as U.S. High Yield debt declined in the fourth quarter. The Barclays Capital High Yield Index, a measure of lower-rated corporate bonds, fell 2.1%.

Mortgage-backed securities were flat during the fourth quarter. The Barclays Capital Mortgage Backed Index fell 0.1% for the quarter. During the fourth quarter, the municipal bond market increased. As a result, the Barclays Capital Muni Index generated a 1.5% return for the quarter.

<table>
<thead>
<tr>
<th>Key US Bond Market Index Returns (%) for the Period Ending 12/31/2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>INDEX IN USD</td>
</tr>
<tr>
<td>Barclays Capital US Aggregate</td>
</tr>
<tr>
<td>Barclays Capital High Yield</td>
</tr>
<tr>
<td>Barclays Capital Government/Credit</td>
</tr>
<tr>
<td>Barclays Capital Government</td>
</tr>
<tr>
<td>Barclays Capital Intermediate Govt/Credit</td>
</tr>
<tr>
<td>Barclays Capital Long Govt/Credit</td>
</tr>
<tr>
<td>Barclays Capital Mortgage Backed Securities</td>
</tr>
<tr>
<td>Barclays Capital Muni</td>
</tr>
</tbody>
</table>

Source: FactSet, Bloomberg, Morgan Stanley & Co. Research, Morgan Stanley Wealth Management GIC

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### Asset Class Index Performance

**Capital Market Returns**

As of December 31, 2015; Private Real Estate as of September 30, 2015

<table>
<thead>
<tr>
<th>ASSET CLASS</th>
<th>INDEX IN USD</th>
<th>1-MONTH</th>
<th>YTD</th>
<th>1-YR</th>
<th>3-YR ANN</th>
<th>5-YR ANN</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Global Equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global Equity</td>
<td>MSCI All Country World</td>
<td>-1.8%</td>
<td>-1.8%</td>
<td>-1.8%</td>
<td>8.3%</td>
<td>6.7%</td>
</tr>
<tr>
<td>US Equity</td>
<td>S&amp;P 500</td>
<td>-1.6%</td>
<td>1.4%</td>
<td>1.4%</td>
<td>15.1%</td>
<td>12.6%</td>
</tr>
<tr>
<td>International Equity</td>
<td>MSCI World ex US</td>
<td>-1.9%</td>
<td>-5.3%</td>
<td>-5.3%</td>
<td>1.9%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Emerging Markets Equity</td>
<td>MSCI Emerging Markets</td>
<td>-2.5%</td>
<td>-17.0%</td>
<td>-17.0%</td>
<td>-9.0%</td>
<td>-7.2%</td>
</tr>
<tr>
<td><strong>Global Fixed Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Grade Fixed Income</td>
<td>Barclays Global Aggregate (H)</td>
<td>-0.3%</td>
<td>1.0%</td>
<td>1.0%</td>
<td>2.8%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Inflation-Linked Securities</td>
<td>Barclays Universal Govt Inflation-Linked</td>
<td>-1.7%</td>
<td>-7.2%</td>
<td>-7.2%</td>
<td>-3.4%</td>
<td>1.4%</td>
</tr>
<tr>
<td>High Yield</td>
<td>Barclays Global High Yield (H)</td>
<td>-2.3%</td>
<td>-0.7%</td>
<td>-0.7%</td>
<td>2.7%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Emerging Markets Fixed Income</td>
<td>JP Morgan EM Bonds (UH in USD)</td>
<td>-2.2%</td>
<td>-14.9%</td>
<td>-14.9%</td>
<td>-10.0%</td>
<td>-3.5%</td>
</tr>
<tr>
<td><strong>Alternative Investments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global REITs</td>
<td>FTSE EPRA/NAREIT Global REITs</td>
<td>1.0%</td>
<td>-0.4%</td>
<td>-0.4%</td>
<td>5.3%</td>
<td>6.9%</td>
</tr>
<tr>
<td>Commodities</td>
<td>Bloomberg Commodities</td>
<td>-3.1%</td>
<td>-24.7%</td>
<td>-24.7%</td>
<td>-17.3%</td>
<td>-13.5%</td>
</tr>
<tr>
<td>MLPs</td>
<td>Alerian MLP</td>
<td>-3.6%</td>
<td>-32.6%</td>
<td>-32.6%</td>
<td>-3.4%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Hedged Strategies</td>
<td>HFRX Global Hedge Fund Index</td>
<td>-1.2%</td>
<td>-3.5%</td>
<td>-3.5%</td>
<td>0.8%</td>
<td>-0.7%</td>
</tr>
<tr>
<td>Managed Futures</td>
<td>HFRX Macro/CTA Index</td>
<td>-0.9%</td>
<td>-1.4%</td>
<td>-1.4%</td>
<td>0.6%</td>
<td>-0.8%</td>
</tr>
<tr>
<td>Private Real Estate</td>
<td>NCREIF Private Real Estate</td>
<td>-</td>
<td>10.1%</td>
<td>10.1%</td>
<td>11.0%</td>
<td>11.5%</td>
</tr>
<tr>
<td><strong>Global Cash</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>Citigroup 3-month Treasury Bill</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.1%</td>
</tr>
<tr>
<td><strong>Other Fixed Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Municipal Fixed Income</td>
<td>Barclays Municipal Bond</td>
<td>0.7%</td>
<td>3.3%</td>
<td>3.3%</td>
<td>3.2%</td>
<td>5.3%</td>
</tr>
</tbody>
</table>

Source: FactSet, Morgan Stanley Wealth Management GIC. For more information about the risks to Master Limited Partnerships (MLPs), please refer to the Risk Considerations section at the end of this material.

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Valuation: 12-Month Forward P/E Ratios by Region

MSCI USA Forward P/E and Relative Valuation
As of December 31, 2015

MSCI Europe Forward P/E and Relative Valuation
As of December 31, 2015

MSCI Japan Forward P/E and Relative Valuation
As of December 31, 2015

MSCI EM Forward P/E and Relative Valuation
As of December 31, 2015

Source: FactSet, Morgan Stanley Wealth Management GIC. (1)Forward P/E = market price per share / expected earnings per share.

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GLOBAL INVESTMENT COMMITTEE (GIC) ASSET ALLOCATION MODELS
The Asset Allocation Models are created by Morgan Stanley Wealth Management’s GIC.

CLIENTS TO CONSIDER THEIR OWN INVESTMENT NEEDS
The GIC Asset Allocation Models are formulated based on general client characteristics such as investable assets and risk tolerance. This report is not intended to be a client-specific suitability analysis or recommendation, or offer to participate in any investment. Therefore, do not use this report as the sole basis for investment decisions.

Clients should consider all relevant information, including their existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon. Such a suitability determination may lead to asset allocation(s) results that are materially different from the asset allocation shown in this report. Clients should talk to their Financial Advisor about what would be a suitable asset allocation for them.

HYPOTHETICAL MODEL PERFORMANCE (GROSS)
Hypothetical model performance results do not reflect the investment or performance of an actual portfolio following a GIC Strategy, but simply reflect actual historical performance of selected indices on a real-time basis over the specified period of time representing the GIC’s strategic and tactical allocations as of the date of this report. The past performance shown here is simulated performance based on benchmark indices, not investment results from an actual portfolio or actual trading. There can be large differences between hypothetical and actual performance results achieved by a particular asset allocation or trading strategy. Hypothetical performance results do not represent actual trading and are generally designed with the benefit of hindsight.

Actual performance results of accounts vary due to, for example, market factors (such as liquidity) and client-specific factors (such as investment vehicle selection, timing of contributions and withdrawals, restrictions and rebalancing schedules). Clients would not necessarily have obtained the performance results shown here if they had invested in accordance with any GIC Asset Allocation Model for the periods indicated.

Despite the limitations of hypothetical performance, these hypothetical performance results allow clients and Financial Advisors to obtain a sense of the risk/return trade-off of different asset allocation constructs. The hypothetical performance results in this report are calculated using the returns of benchmark indices for the asset classes, and not the returns of securities, fund or other investment products.

Performance of indices may be more or less volatile than any investment product. The risk of loss in value of a specific investment is not the same as the risk of loss in a broad market index. Therefore, the historical returns of an index will not be the same as the historical returns of a particular investment a client selects.

Models may contain allocations to Hedge Funds, Private Equity and Private Real Estate. The benchmark indices for these asset classes are not issued on a daily basis. When calculating model performance on a day for which no benchmark index data is issued, we have assumed straight line growth between the index levels issued before and after that date.

Fees reduce the performance of actual accounts
None of the fees or other expenses (e.g. commissions, mark-ups, mark-downs, fees) associated with actual trading or accounts are reflected in the GIC Asset Allocation Models. The GIC Asset Allocation Models and any model performance included in this presentation are intended as educational materials. A client to use these models in connection with investing, any investment decisions made would be subject to transaction and other costs which, when compounded over a period of years, would decrease returns.

Information regarding Morgan Stanley’s standard advisory fees is available in the Form ADV Part 2, which is available at www.morganstanley.com/adv. The following hypothetical illustrates the compound effect fees have on investment returns. For example, if a portfolio’s annual rate of return is 15% for 5 years and the account pays 50 basis points in fees per annum, the gross cumulative five-year return would be 101.1% and the five-year return net of fees would be 96.8%. Fees and/or expenses would apply to clients who invest in investments in an account based on these asset allocations, and would reduce clients’ returns. The impact of fees and/or expenses can be material.

INSURANCE PRODUCTS AND ETF DISCLOSURES
Morgan Stanley Smith Barney LLC offers insurance products in conjunction with its licensed insurance agency affiliates.

An investment in an exchange-traded fund involves risks similar to those of investing in a broadly based portfolio of equity securities traded on an exchange in the relevant securities market, such as market fluctuations caused by such factors as economic and political developments, changes in interest rates and perceived trends in stock and bond prices.

Variable annuities, mutual funds and ETFs are sold by prospectus only. The prospectus contains the investment objectives, risks, fees, charges and expenses, and other information regarding the variable annuity contract and the underlying investments, or the ETF, which should be considered carefully before investing. Prospectuses for both the variable annuity contract and the underlying investments, or the ETF, are available from your Financial Advisor. Please read the prospectus carefully before you invest.

Variable annuities are long-term investments designed for retirement purposes and may be subject to market fluctuations, investment risk, and possible loss of principal. All guarantees, including optional benefits, are based on the financial strength and claims-paying ability of the issuing insurance company and do not apply to the underlying investment options.

Optional riders may not be able to be purchased in combination and are available at an additional cost. Some optional riders must be elected at time of purchase. Optional riders may be subject to specific limitations, restrictions, holding periods, costs, and expenses as specified by the insurance company in the annuity contract.

If you are investing in a variable annuity through a tax-advantaged retirement plan such as an IRA, you will get no additional tax advantage from the variable annuity. Under these circumstances, you should only consider buying a variable annuity because of its other features, such as lifetime income payments and death benefits protection.

Taxable distributions (and certain deemed distributions) are subject to ordinary income tax and, if taken prior to age 59½, may be subject to a 10% federal income tax penalty. Early withdrawals will reduce the death benefit and cash surrender value.
Asset Class Risk Considerations

For index definitions to the indices referenced in this report please visit the following: [http://www.morganstanleyfa.com/public/projectfiles/id.pdf](http://www.morganstanleyfa.com/public/projectfiles/id.pdf)

Equity securities may fluctuate in response to news on companies, industries, market conditions and general economic environment.

Investing in foreign markets entails risks not typically associated with domestic markets, such as currency fluctuations and controls, restrictions on foreign investments, less governmental supervision and regulation, and the potential for political instability. These risks may be magnified in countries with emerging markets and frontier markets, since these countries may have relatively unstable governments and less established markets and economies.

Investing in small- to medium-sized companies entails special risks, such as limited product lines, markets and financial resources, and greater volatility than securities of larger, more established companies.

The value of fixed income securities will fluctuate and, upon a sale, may be worth more or less than their original cost or maturity value. Bonds are subject to interest rate risk, call risk, reinvestment risk, liquidity risk, and credit risk of the issuer.

High yield bonds (bonds rated below investment grade) may have speculative characteristics and present significant risks beyond those of other securities, including greater credit risk, price volatility, and limited liquidity in the secondary market. High yield bonds should comprise only a limited portion of a balanced portfolio.

Interest on municipal bonds is generally exempt from federal income tax; however, some bonds may be subject to the alternative minimum tax (AMT). Typically, state tax-exemption applies if securities are issued within one's state of residence and, if applicable, local tax-exemption applies if securities are issued within one's city of residence.

Treasury Inflation Protection Securities' (TIPS) coupon payments and underlying principal are automatically increased to compensate for inflation by tracking the consumer price index (CPI). While the real rate of return is guaranteed, TIPS tend to offer a low return. Because the return of TIPS is linked to inflation, TIPS may significantly underperform versus conventional U.S. Treasuries in times of low inflation.

Ultrashort-term fixed income asset class is comprised of fixed income securities with high quality, very short maturities. They are therefore subject to the risks associated with debt securities such as credit and interest rate risk.

Alternative investments may be either traditional alternative investment vehicles, such as hedge funds, fund of hedge funds, private equity, private real estate and managed futures or, non-traditional products such as mutual funds and exchange-traded funds that also seek alternative-like exposure but have significant differences from traditional alternative investments. The risks of traditional alternative investments may include: can be highly illiquid, speculative and not suitable for all investors, loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices, volatility of returns, restrictions on transferring interests in a fund, potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized, absence of information regarding valuations and pricing, complex tax structures and delays in tax reporting, less regulation and higher fees than open-end mutual funds, and risks associated with the operations, personnel and processes of the manager. Non-traditional alternative strategy products may employ various investment strategies and techniques for both hedging and speculative purposes such as short-selling, leverage, derivatives and options, which can increase volatility and the risk of investment loss. Master Limited Partnerships (MLPs) are publicly traded partnerships that have unique risks related to their structure. These include, but are not limited to, their reliance on the capital markets to fund growth, adverse ruling on the current tax treatment of distributions (typically mostly tax deferred), and commodity volume risk. The potential tax benefits from investing in MLPs depend on their being treated as partnerships for federal income tax purposes and, if the MLP is deemed to be a corporation, then its income would be subject to federal taxation at the entity level, reducing the amount of cash available for distribution to the fund which could result in a reduction of the fund's value. MLPs carry interest rate risk and may underperform in a rising interest rate environment. Investing in commodities entails significant risks. Commodity prices may be affected by a variety of factors at any time, including but not limited to, (i) changes in supply and demand relationships, (ii) governmental programs and policies, (iii) national and international political and economic events, war and terrorist events, (iv) changes in interest and exchange rates, (v) trading activities in commodities and related contracts, (vi) pestilence, technological change and weather, and (vii) the price volatility of a commodity. In addition, the commodities markets are subject to temporary distortions or other disruptions due to various factors, including lack of liquidity, participation of speculators and government intervention. Physical precious metals are non-regulated products. Precious metals are speculative investments, which may experience short-term and long term price volatility. The value of precious metals investments may fluctuate and may appreciate or decline, depending on market conditions. Unlike bonds and stocks, precious metals do not make interest or dividend payments. Therefore, precious metals may not be suitable for investors who require current income. Precious metals are commodities that should be safely stored, which may impose additional costs on the investor. REITs investing risks are similar to those associated with direct investments in real estate: property value fluctuations, lack of liquidity, limited diversification and sensitivity to economic factors such as interest rate changes and market recessions.

Investing in REITs or real estate investment trusts entails risks not typically associated with direct investments in real estate: property value fluctuations, lack of liquidity, limited diversification and sensitivity to economic factors such as interest rate changes and market recessions.

Investing in private real estate include: illiquidity; a long-term investment horizon with a limited or nonexistent secondary market; lack of transparency; volatility (risk of loss); and leverage.

Principal is returned on a monthly basis over the life of a mortgage-backed security. Principal prepayment can significantly affect the monthly income stream and the maturity of any type of MBS, including standard MBS, CMOs and Mortgage-backed securities generally decrease in value as a result of interest rate increases, but may benefit less than other fixed-income securities from declining interest rates, principally because of prepayments.
Asset Class Risk Considerations (cont’d)

Floating-rate securities The initial interest rate on a floating-rate security may be lower than that of a fixed-rate security of the same maturity because investors expect to receive additional income due to future increases in the floating security’s underlying reference rate. The reference rate could be an index or an interest rate. However, there can be no assurance that the reference rate will increase. Some floating-rate securities may be subject to call risk.

Yields are subject to change with economic conditions. Yield is only one factor that should be considered when making an investment decision.

Credit ratings are subject to change.

Companies paying dividends can reduce or cut payouts at any time.

Asset allocation and diversification do not assure a profit or protect against loss in declining financial markets.

The indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment.

The indices selected by Morgan Stanley Wealth Management to measure performance are representative of broad asset classes. Morgan Stanley Wealth Management retains the right to change representative indices at any time.

Because of their narrow focus, sector investments tend to be more volatile than investments that diversify across many sectors and companies.

Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations.

Value investing does not guarantee a profit or eliminate risk. Not all companies whose stocks are considered to be value stocks are able to turn their business around or successfully employ corrective strategies which would result in stock prices that do not rise as initially expected.

Rebalancing does not protect against a loss in declining financial markets. There may be a potential tax implication with a rebalancing strategy. Investors should consult with their tax advisor before implementing such a strategy.

Any type of continuous or periodic investment plan does not assure a profit and does not protect against loss in declining markets. Since such a plan involves continuous investment in securities regardless of fluctuating price levels of such securities, the investor should consider his financial ability to continue his purchases through periods of low price levels.

Duration, the most commonly used measure of bond risk, quantifies the effect of changes in interest rates on the price of a bond or bond portfolio. The longer the duration, the more sensitive the bond or portfolio would be to changes in interest rates.

Besides the general risk of holding securities that may decline in value, closed-end funds may have additional risks related to declining market prices relative to net asset values (NAVs), active manager underperformance, and potential leverage. Some funds also invest in foreign securities, which may involve currency risk.

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BACKGROUND:

The District’s Investment Trust is able to pay for all expenses relating to the reimbursement of retiree benefits for eligible participants and reasonable expenses for the management and operational duties of the Trust.

STATUS:

Withdrawals have been made from the District’s OPEB Investment Trust for period expenses related to the payment of reasonable expenses associated with GASB Statement 43/45 compliance protocols and the management/operational requirements of the Trust.

RECOMMENDATION:

The Retirement Board of Authority shall acknowledge and ratify the reasonable expenses profiled.
## DISBURSEMENT TRANSACTIONS

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<tr>
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**TOTAL FOR DISBURSEMENT**

($27,970.77)
BACKGROUND:

Paragraph 12, of GASB Statement 45, states that an Actuarial Valuation Study should be performed at least biannually. The Retirement Board of Authority should discuss and anticipate any need for obtaining an updated study.

STATUS:

The District’s current Actuarial Valuation Study has an effective date of July 1, 2014. The Retirement Board of Authority shall discuss the District’s liability (UAAL) as reflected in the current Actuarial Valuation Study and in light of the standards profiled in the Exposure Drafts issued by GASB.

RECOMMENDATION:

The Retirement Board of Authority shall hear and receive the information presented.
Sierra Joint Community College District
Actuarial Study of
Retiree Health Liabilities
As of July 1, 2014

Prepared by:
Total Compensation Systems, Inc.

Date: May 30, 2014
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Sierra Joint Community College District
Actuarial Study of Retiree Health Liabilities

PART I: EXECUTIVE SUMMARY

A. Introduction

Sierra Joint Community College District engaged Total Compensation Systems, Inc. (TCS) to analyze liabilities associated with its current retiree health program as of July 1, 2014 (the valuation date). The numbers in this report are based on the assumption that they will first be used to determine accounting entries for the fiscal year ending June 30, 2014. If the report will first be used for a different fiscal year, the numbers will need to be adjusted accordingly.

This report does not reflect any cash benefits paid unless the retiree is required to provide proof that the cash benefits are used to reimburse the retiree’s cost of health benefits. Costs and liabilities attributable to cash benefits paid to retirees are reportable under Governmental Accounting Standards Board (GASB) Standards 25/27.

This actuarial study is intended to serve the following purposes:

➢ To provide information to enable Sierra CCD to manage the costs and liabilities associated with its retiree health benefits.

➢ To provide information to enable Sierra CCD to communicate the financial implications of retiree health benefits to internal financial staff, the Board, employee groups and other affected parties.

➢ To provide information needed to comply with Governmental Accounting Standards Board Accounting Standards 43 and 45 related to "other postemployment benefits" (OPEB’s).

Because this report was prepared in compliance with GASB 43 and 45, as appropriate, Sierra CCD should not use this report for any other purpose without discussion with TCS. This means that any discussions with employee groups, governing Boards, etc. should be restricted to the implications of GASB 43 and 45 compliance.

This actuarial report includes several estimates for Sierra CCD’s retiree health program. In addition to the tables included in this report, we also performed cash flow adequacy tests as required under Actuarial Standard of Practice 6 (ASOP 6). Our cash flow adequacy testing covers a twenty-year period. We would be happy to make this cash flow adequacy test available to Sierra CCD in spreadsheet format upon request.

We calculated the following estimates separately for active employees and retirees. As requested, we also separated results by the following employee classifications: Certificated, Classified and Management. We estimated the following:

➢ the total liability created. (The actuarial present value of total projected benefits or APVTPB)

➢ the twenty five year "pay-as-you-go" cost to provide these benefits.

➢ the "actuarial accrued liability (AAL)." (The AAL is the portion of the APVTPB attributable to employees’ service prior to the valuation date.)
the amount necessary to amortize the UAAL over a period of 30 years.

the annual contribution required to fund retiree benefits over the working lifetime of eligible employees (the "normal cost").

The Annual Required Contribution (ARC) which is the basis of calculating the annual OPEB cost and net OPEB obligation under GASB 43 and 45.

We summarized the data used to perform this study in Appendix A. No effort was made to verify this information beyond brief tests for reasonableness and consistency.

All cost and liability figures contained in this study are estimates of future results. Future results can vary dramatically and the accuracy of estimates contained in this report depends on the actuarial assumptions used. Normal costs and liabilities could easily vary by 10 - 20% or more from estimates contained in this report.

B. General Findings

We estimate the "pay-as-you-go" cost of providing retiree health benefits in the year beginning July 1, 2014 to be $3,106,275 (see Section IV.A.). The “pay-as-you-go” cost is the cost of benefits for current retirees.

For current employees, the value of benefits "accrued" in the year beginning July 1, 2014 (the normal cost) is $203,343. This normal cost would increase each year based on covered payroll. Had Sierra CCD begun accruing retiree health benefits when each current employee and retiree was hired, a substantial liability would have accumulated. We estimate the amount that would have accumulated to be $43,316,701. This amount is called the "actuarial accrued liability" (AAL). The remaining unamortized balance of the initial unfunded AAL (UAAL) is $51,179,873. This leaves a “residual” AAL of negative $7,863,172.

Sierra CCD has established a GASB 43 trust for future OPEB benefits. The actuarial value of plan assets at June 30, 2014 was $9,570,738. This leaves a residual unfunded actuarial accrued liability (UAAL) of negative $17,433,910. We calculated the annual cost to amortize the residual unfunded actuarial accrued liability using a 7% discount rate. We used an open 30 year amortization period. The current year cost to amortize the residual unfunded actuarial accrued liability is negative $1,404,936.

Combining the normal cost with both the initial and residual UAAL amortization costs produces an annual required contribution (ARC) of $3,260,730. The ARC is used as the basis for determining expenses and liabilities under GASB 43/45. The ARC is used in lieu of (rather than in addition to) the “pay-as-you-go” cost.

We based all of the above estimates on employees as of May, 2014. Over time, liabilities and cash flow will vary based on the number and demographic characteristics of employees and retirees.

C. Description of Retiree Benefits

Following is a description of the current retiree benefit plan:
D. Recommendations

It is outside the scope of this report to make specific recommendations of actions Sierra CCD should take to manage the substantial liability created by the current retiree health program. Total Compensation Systems, Inc. can assist in identifying and evaluating options once this report has been studied. The following recommendations are intended only to allow the District to get more information from this and future studies. Because we have not conducted a comprehensive administrative audit of Sierra CCD’s practices, it is possible that Sierra CCD is already complying with some or all of our recommendations.

- We recommend that Sierra CCD inventory all benefits and services provided to retirees – whether contractually or not and whether retiree-paid or not. For each, Sierra CCD should determine whether the benefit is material and subject to GASB 43 and/or 45.

- We recommend that Sierra CCD conduct a study whenever events or contemplated actions significantly affect present or future liabilities, but no less frequently than every two years, as required under GASB 43/45.

- We recommend that the District communicate the magnitude of these costs to employees and include employees in discussions of options to control the costs.

- Under GASB 45, it is important to isolate the cost of retiree health benefits. Sierra CCD should have all premiums, claims and expenses for retirees separated from active employee premiums, claims, expenses, etc. To the extent any retiree benefits are made available to retirees over the age of 65 – even on a retiree-pay-all basis – all premiums, claims and expenses for post-65 retiree coverage should be segregated from those for pre-65 coverage. Furthermore, Sierra CCD should arrange for the rates or prices of all retiree benefits to be set on what is expected to be a self-sustaining basis.

- Sierra CCD should establish a way of designating employees as eligible or ineligible for future OPEB benefits. Ineligible employees can include those in ineligible job classes; those hired after a designated date restricting eligibility; those who, due to their age at hire cannot qualify for District-paid OPEB benefits; employees who exceed the termination age for OPEB benefits, etc.

- Several assumptions were made in estimating costs and liabilities under Sierra CCD’s retiree health program. Further studies may be desired to validate any assumptions where there is any doubt that the assumption is appropriate. (See Appendices B and C for a list of assumptions and concerns.) For example, Sierra CCD should maintain a retiree database...
that includes – in addition to date of birth, gender and employee classification – retirement date and (if applicable) dependent date of birth, relationship and gender. It will also be helpful for Sierra CCD to maintain employment termination information – namely, the number of OPEB-eligible employees in each employee class that terminate employment each year for reasons other than death, disability or retirement.

Respectfully submitted,

Geoffrey L. Kischuk, FSA, MAAA, FCA
Consultant
Total Compensation Systems, Inc.
(805) 496-1700
PART II: BACKGROUND

A. Summary

Accounting principles provide that the cost of retiree benefits should be “accrued” over employees' working lifetime. For this reason, the Governmental Accounting Standards Board (GASB) issued in 2004 Accounting Standards 43 and 45 for retiree health benefits. These standards apply to all public employers that pay any part of the cost of retiree health benefits for current or future retirees (including early retirees).

B. Actuarial Accrual

To actuarially accrue retiree health benefits requires determining the amount to expense each year so that the liability accumulated at retirement is, on average, sufficient (with interest) to cover all retiree health expenditures without the need for additional expenses. There are many different ways to determine the annual accrual amount. The calculation method used is called an “actuarial cost method.”

Under most actuarial cost methods, there are two components of actuarial cost - a “normal cost” and amortization of something called the “unfunded actuarial accrued liability.” Both accounting standards and actuarial standards usually address these two components separately (though alternative terminology is sometimes used).

The normal cost can be thought of as the value of the benefit earned each year if benefits are accrued during the working lifetime of employees. This report will not discuss differences between actuarial cost methods or their application. Instead, following is a description of a commonly used, generally accepted actuarial cost method that will be permitted under GASB 43 and 45. This actuarial cost method is called the “entry age normal” method.

Under the entry age normal cost method, the actuary determines the annual amount needing to be expensed from hire until retirement to fully accrue the cost of retiree health benefits. This amount is the normal cost. Under GASB 43 and 45, normal cost can be expressed either as a level dollar amount or a level percentage of payroll.

The normal cost is determined using several key assumptions:

- The current cost of retiree health benefits (often varying by age, Medicare status and/or dependent coverage). The higher the current cost of retiree benefits, the higher the normal cost.

- The “trend” rate at which retiree health benefits are expected to increase over time. A higher trend rate increases the normal cost. A “cap” on District contributions can reduce trend to zero once the cap is reached thereby dramatically reducing normal costs.

- Mortality rates varying by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce normal costs, the mortality assumption is not likely to vary from employer to employer.

- Employment termination rates have the same effect as mortality inasmuch as higher termination rates reduce normal costs. Employment termination can vary considerably between public agencies.

- The service requirement reflects years of service required to earn full or partial retiree benefits.
While a longer service requirement reduces costs, cost reductions are not usually substantial unless the service period exceeds 20 years of service.

- **Retirement rates** determine what proportion of employees retire at each age (assuming employees reach the requisite length of service). Retirement rates often vary by employee classification and implicitly reflect the minimum retirement age required for eligibility. Retirement rates also depend on the amount of pension benefits available. Higher retirement rates increase normal costs but, except for differences in minimum retirement age, retirement rates tend to be consistent between public agencies for each employee type.

- **Participation rates** indicate what proportion of retirees are expected to elect retiree health benefits if a significant retiree contribution is required. Higher participation rates increase costs.

- The **discount rate** estimates investment earnings for assets earmarked to cover retiree health benefit liabilities. The discount rate depends on the nature of underlying assets. For example, employer funds earning money market rates in the county treasury are likely to earn far less than an irrevocable trust containing a diversified asset portfolio including stocks, bonds, etc. A higher discount rate can dramatically lower normal costs. GASB 43 and 45 require the interest assumption to reflect likely long term investment return.

The assumptions listed above are not exhaustive, but are the most common assumptions used in actuarial cost calculations. The actuary selects the assumptions which - taken together - will yield reasonable results. It's not necessary (or even possible) to predict individual assumptions with complete accuracy.

If all actuarial assumptions are exactly met and an employer expensed the normal cost every year for all past and current employees and retirees, a sizeable liability would have accumulated (after adding interest and subtracting retiree benefit costs). The liability that would have accumulated is called the actuarial accrued liability or AAL. The excess of AAL over the actuarial value of plan assets is called the unfunded actuarial accrued liability (or UAAL). Under GASB 43 and 45, in order for assets to count toward offsetting the AAL, the assets have to be held in an irrevocable trust that is safe from creditors and can only be used to provide OPEB benefits to eligible participants.

The actuarial accrued liability (AAL) can arise in several ways. At inception of GASB 43 and 45, there is usually a substantial UAAL. Some portion of this amount can be established as the "transition obligation" subject to certain constraints. UAAL can also increase as the result of operation of a retiree health plan - e.g., as a result of plan changes or changes in actuarial assumptions. Finally, AAL can arise from actuarial gains and losses. Actuarial gains and losses result from differences between actuarial assumptions and actual plan experience.

Under GASB 43 and 45, employers have several options on how the UAAL can be amortized as follows:

- The employer can select an amortization period of 1 to 30 years. (For certain situations that result in a reduction of the AAL, the amortization period must be at least 10 years.)

- The employer may apply the same amortization period to the total combined UAAL or can apply different periods to different components of the UAAL.

- The employer may elect a “closed” or “open” amortization period.

- The employer may choose to amortize on a level dollar or level percentage of payroll method.
PART III: LIABILITIES AND COSTS FOR RETIREE BENEFITS

A. Introduction

We calculated the actuarial present value of projected benefits (APVPB) separately for each employee. We determined eligibility for retiree benefits based on information supplied by Sierra CCD. We then selected assumptions for the factors discussed in the above Section that, based on plan experience and our training and experience, represent our best prediction of future plan experience. For each employee, we applied the appropriate factors based on the employee's age, sex and length of service.

We summarized actuarial assumptions used for this study in Appendix C.

B. Medicare

The extent of Medicare coverage can affect projections of retiree health costs. The method of coordinating Medicare benefits with the retiree health plan’s benefits can have a substantial impact on retiree health costs. We will be happy to provide more information about Medicare integration methods if requested.

C. Liability for Retiree Benefits

For each employee, we projected future premium costs using an assumed trend rate (see Appendix C). To the extent Sierra CCD uses contribution caps, the influence of the trend factor is further reduced.

We multiplied each year's projected cost by the probability that premium will be paid; i.e. based on the probability that the employee is living, has not terminated employment and has retired. The probability that premium will be paid is zero if the employee is not eligible. The employee is not eligible if s/he has not met minimum service, minimum age or, if applicable, maximum age requirements.

The product of each year's premium cost and the probability that premium will be paid equals the expected cost for that year. We discounted the expected cost for each year to the valuation date July 1, 2014 at 7% interest.

Finally, we multiplied the above discounted expected cost figures by the probability that the retiree would elect coverage. A retiree may not elect to be covered if retiree health coverage is available less expensively from another source (e.g. Medicare risk contract) or the retiree is covered under a spouse's plan.

For any current retirees, the approach used was similar. The major difference is that the probability of payment for current retirees depends only on mortality and age restrictions (i.e. for retired employees the probability of being retired and of not being terminated are always both 1.0000).

We added the APVPB for all employees to get the actuarial present value of total projected benefits (APVTPB). The APVTPB is the estimated present value of all future retiree health benefits for all current employees and retirees. The APVTPB is the amount on July 1, 2014 that, if all actuarial assumptions are exactly right, would be sufficient to expense all promised benefits until the last current employee or retiree dies or reaches the maximum eligibility age.
The APVTPB should be accrued over the working lifetime of employees. At any time much of it has not been “earned” by employees. The APVTPB is used to develop expense and liability figures. To do so, the APVTFB is divided into two parts: the portions attributable to service rendered prior to the valuation date (the past service liability or actuarial accrued liability under GASB 43 and 45) and to service after the valuation date but prior to retirement (the future service liability).

The past service and future service liabilities are each funded in a different way. We will start with the future service liability which is funded by the normal cost.

D. Cost to Prefund Retiree Benefits

1. Normal Cost

The average hire age for eligible employees is 32. To accrue the liability by retirement, the District would accrue the retiree liability over a period of about 28 years (assuming an average retirement age of 60). We applied an "entry age normal" actuarial cost method to determine funding rates for active employees. The table below summarizes the calculated normal cost.

<table>
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<tr>
<th>Normal Cost Year Beginning July 1, 2014</th>
<th>Total</th>
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<th>Classified</th>
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<td># of Employees</td>
<td>66</td>
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<tr>
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<td>N/A</td>
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<td>$0</td>
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<td>First Year Normal Cost</td>
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<tr>
<td>Pre-65 Benefit</td>
<td>$75,909</td>
<td>$41,877</td>
<td>$29,106</td>
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<td>Post-65 Benefit</td>
<td>$127,434</td>
<td>$83,511</td>
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<tr>
<td>Total</td>
<td>$203,343</td>
<td>$125,388</td>
<td>$73,029</td>
<td>$4,926</td>
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Accruing retiree health benefit costs using normal costs levels out the cost of retiree health benefits over time and more fairly reflects the value of benefits "earned" each year by employees. This normal cost would increase each year based on covered payroll.
2. Amortization of Unfunded Actuarial Accrued Liability (UAAL)

If actuarial assumptions are borne out by experience, the District will fully accrue retiree benefits by expensing an amount each year that equals the normal cost. If no accruals had taken place in the past, there would be a shortfall of many years' accruals, accumulated interest and forfeitures for terminated or deceased employees. This shortfall is called the actuarial accrued liability (AAL). We calculated the AAL as the APVTPB minus the present value of future normal costs.

The initial UAAL was amortized using a closed amortization period of 30 years. The District can amortize the remaining or residual UAAL over many years. The table below shows the annual amount necessary to amortize the UAAL over a period of 30 years at 7% interest. (Thirty years is the longest amortization period allowable under GASB 43 and 45.) GASB 43 and 45 will allow amortizing the UAAL using either payments that stay the same as a dollar amount, or payments that are a flat percentage of covered payroll over time. The figures below reflect the level percentage of payroll method.

### Actuarial Accrued Liability as of July 1, 2014

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<th>Certificated</th>
<th>Classified</th>
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<td>$541,569</td>
<td>$1,006,103</td>
<td>$262,937</td>
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<td>Post-65</td>
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<td>$3,160,108</td>
<td>$2,922,551</td>
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<td>Subtotal</td>
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<td>$3,928,654</td>
<td>$897,801</td>
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<td>Retiree: Pre-65</td>
<td>$2,175,510</td>
<td>$899,739</td>
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<tr>
<td>Post-65</td>
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<td>$19,623,776</td>
<td>$12,989,283</td>
<td>$0</td>
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<td>Subtotal</td>
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<td>$20,523,515</td>
<td>$14,265,054</td>
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<td>Subtot Pre-65</td>
<td>$3,986,119</td>
<td>$1,441,308</td>
<td>$2,281,874</td>
<td>$262,937</td>
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<tr>
<td>Subtot Post-65</td>
<td>$39,330,582</td>
<td>$22,783,884</td>
<td>$15,911,834</td>
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<td>Grand Total</td>
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<td>Unamortized Initial UAAL</td>
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</tr>
<tr>
<td>Plan assets at 6/30/14</td>
<td>$9,570,738</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residual UAAL</td>
<td>($17,433,910)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residual UAAL Amortization at 7% over 30 Years</td>
<td>($1,404,936)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3. Annual Required Contributions (ARC)

If the District determines retiree health plan expenses in accordance with GASB 43 and 45, costs will include both normal cost and one or more components of UAAL amortization costs. The sum of normal cost and UAAL amortization costs is called the Annual Required Contribution (ARC) and is shown below.
Total Compensation Systems, Inc.

### Annual Required Contribution (ARC) Year Beginning July 1, 2014

<table>
<thead>
<tr>
<th>Total</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Normal Cost</td>
<td>$203,343</td>
</tr>
<tr>
<td>Initial UAAL Amortization</td>
<td>$4,462,323</td>
</tr>
<tr>
<td>Residual UAAL Amortization</td>
<td>($1,404,936)</td>
</tr>
<tr>
<td><strong>ARC</strong></td>
<td><strong>$3,260,730</strong></td>
</tr>
</tbody>
</table>

The normal cost remains as long as there are active employees who may some day qualify for District-paid retiree health benefits. This normal cost would increase each year based on covered payroll.

4. **Other Components of Annual OPEB Cost (AOC)**

Expense and liability amounts may include more components of cost than the normal cost plus amortization of the UAAL. This will apply to employers that don’t fully fund the Annual Required Cost (ARC) through an irrevocable trust.

- The annual OPEB cost (AOC) will include assumed interest on the net OPEB obligation (NOO). The annual OPEB cost will also include an amortization adjustment for the net OPEB obligation. (It should be noted that there is no NOO if the ARC is fully funded through a qualifying “plan.”)

- The net OPEB obligation will equal the accumulated differences between the (AOC) and qualifying “plan” contributions.
PART IV: "PAY AS YOU GO" FUNDING OF RETIREE BENEFITS

We used the actuarial assumptions shown in Appendix C to project twenty five year cash flow under the retiree health program. Because these cash flow estimates reflect average assumptions applied to a relatively small number of employees, estimates for individual years are certain to be inaccurate. However, these estimates show the size of cash outflow.

The following table shows a projection of annual amounts needed to pay the District share of retiree health premiums.

<table>
<thead>
<tr>
<th>Year Beginning July 1</th>
<th>Total</th>
<th>Certificated</th>
<th>Classified</th>
<th>Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$3,106,275</td>
<td>$1,824,606</td>
<td>$1,279,172</td>
<td>$2,497</td>
</tr>
<tr>
<td>2015</td>
<td>$3,150,002</td>
<td>$1,855,821</td>
<td>$1,289,187</td>
<td>$4,994</td>
</tr>
<tr>
<td>2016</td>
<td>$3,243,427</td>
<td>$1,915,586</td>
<td>$1,317,332</td>
<td>$10,509</td>
</tr>
<tr>
<td>2017</td>
<td>$3,322,539</td>
<td>$1,956,986</td>
<td>$1,347,740</td>
<td>$17,813</td>
</tr>
<tr>
<td>2018</td>
<td>$3,407,186</td>
<td>$1,996,323</td>
<td>$1,384,442</td>
<td>$26,421</td>
</tr>
<tr>
<td>2019</td>
<td>$3,469,362</td>
<td>$2,019,016</td>
<td>$1,413,080</td>
<td>$37,266</td>
</tr>
<tr>
<td>2020</td>
<td>$3,522,696</td>
<td>$2,033,010</td>
<td>$1,441,821</td>
<td>$47,865</td>
</tr>
<tr>
<td>2021</td>
<td>$3,553,899</td>
<td>$2,038,280</td>
<td>$1,457,440</td>
<td>$58,179</td>
</tr>
<tr>
<td>2022</td>
<td>$3,591,357</td>
<td>$2,041,921</td>
<td>$1,488,177</td>
<td>$61,259</td>
</tr>
<tr>
<td>2023</td>
<td>$3,604,240</td>
<td>$2,036,697</td>
<td>$1,496,086</td>
<td>$71,457</td>
</tr>
<tr>
<td>2024</td>
<td>$3,593,328</td>
<td>$2,017,096</td>
<td>$1,494,440</td>
<td>$81,792</td>
</tr>
<tr>
<td>2025</td>
<td>$3,562,481</td>
<td>$1,992,621</td>
<td>$1,483,683</td>
<td>$86,177</td>
</tr>
<tr>
<td>2026</td>
<td>$3,535,217</td>
<td>$1,958,985</td>
<td>$1,482,384</td>
<td>$93,848</td>
</tr>
<tr>
<td>2027</td>
<td>$3,481,377</td>
<td>$1,922,905</td>
<td>$1,462,320</td>
<td>$96,152</td>
</tr>
<tr>
<td>2028</td>
<td>$3,413,251</td>
<td>$1,868,580</td>
<td>$1,448,193</td>
<td>$96,478</td>
</tr>
<tr>
<td>2029</td>
<td>$3,348,451</td>
<td>$1,818,530</td>
<td>$1,428,766</td>
<td>$101,155</td>
</tr>
<tr>
<td>2030</td>
<td>$3,266,199</td>
<td>$1,762,054</td>
<td>$1,404,821</td>
<td>$99,324</td>
</tr>
<tr>
<td>2031</td>
<td>$3,185,953</td>
<td>$1,699,990</td>
<td>$1,383,271</td>
<td>$102,692</td>
</tr>
<tr>
<td>2032</td>
<td>$3,087,461</td>
<td>$1,632,377</td>
<td>$1,349,256</td>
<td>$105,828</td>
</tr>
<tr>
<td>2033</td>
<td>$2,986,966</td>
<td>$1,559,657</td>
<td>$1,318,610</td>
<td>$108,699</td>
</tr>
<tr>
<td>2034</td>
<td>$2,877,257</td>
<td>$1,482,472</td>
<td>$1,283,424</td>
<td>$111,361</td>
</tr>
<tr>
<td>2035</td>
<td>$2,759,347</td>
<td>$1,401,808</td>
<td>$1,243,760</td>
<td>$113,779</td>
</tr>
<tr>
<td>2036</td>
<td>$2,633,527</td>
<td>$1,317,998</td>
<td>$1,199,600</td>
<td>$115,929</td>
</tr>
<tr>
<td>2037</td>
<td>$2,500,742</td>
<td>$1,231,942</td>
<td>$1,151,003</td>
<td>$117,797</td>
</tr>
<tr>
<td>2038</td>
<td>$2,362,096</td>
<td>$1,144,692</td>
<td>$1,098,087</td>
<td>$119,317</td>
</tr>
</tbody>
</table>
PART V: RECOMMENDATIONS FOR FUTURE VALUATIONS

To effectively manage benefit costs, an employer must periodically examine the existing liability for retiree benefits as well as future annual expected premium costs. GASB 43/45 require biennial valuations. In addition, a valuation should be conducted whenever plan changes, changes in actuarial assumptions or other employer actions are likely to cause a material change in accrual costs and/or liabilities.

Following are examples of actions that could trigger a new valuation.

- An employer should perform a valuation whenever the employer considers or puts in place an early retirement incentive program.
- An employer should perform a valuation whenever the employer adopts a retiree benefit plan for some or all employees.
- An employer should perform a valuation whenever the employer considers or implements changes to retiree benefit provisions or eligibility requirements.
- An employer should perform a valuation whenever the employer introduces or changes retiree contributions.

We recommend Sierra CCD take the following actions to ease future valuations.

- We have used our training, experience and information available to us to establish the actuarial assumptions used in this valuation. We have no information to indicate that any of the assumptions do not reasonably reflect future plan experience. However, the District should review the actuarial assumptions in Appendix C carefully. If the District has any reason to believe that any of these assumptions do not reasonably represent the expected future experience of the retiree health plan, the District should engage in discussions or perform analyses to determine the best estimate of the assumption in question.
APPENDIX A: MATERIALS USED FOR THIS STUDY

We relied on the following materials to complete this study.

➢ We used paper reports and digital files containing employee demographic data from the District personnel records.

➢ We used relevant sections of collective bargaining agreements provided by the District.
APPENDIX B: EFFECT OF ASSUMPTIONS USED IN CALCULATIONS

While we believe the estimates in this study are reasonable overall, it was necessary for us to use assumptions which inevitably introduce errors. We believe that the errors caused by our assumptions will not materially affect study results. If the District wants more refined estimates for decision-making, we recommend additional investigation. Following is a brief summary of the impact of some of the more critical assumptions.

1. Where actuarial assumptions differ from expected experience, our estimates could be overstated or understated. One of the most critical assumptions is the medical trend rate. The District may want to commission further study to assess the sensitivity of liability estimates to our medical trend assumptions. For example, it may be helpful to know how liabilities would be affected by using a trend factor 1% higher than what was used in this study. There is an additional fee required to calculate the impact of alternative trend assumptions.

2. We used an "entry age normal" actuarial cost method to estimate the actuarial accrued liability and normal cost. GASB allows this as one of several permissible methods under GASB45. Using a different cost method could result in a somewhat different recognition pattern of costs and liabilities.
Following is a summary of actuarial assumptions and methods used in this study. The District should carefully review these assumptions and methods to make sure they reflect the District's assessment of its underlying experience. It is important for Sierra CCD to understand that the appropriateness of all selected actuarial assumptions and methods are Sierra CCD’s responsibility. Unless otherwise disclosed in this report, TCS believes that all methods and assumptions are within a reasonable range based on the provisions of GASB 43 and 45, applicable actuarial standards of practice, Sierra CCD’s actual historical experience, and TCS’s judgment based on experience and training.

**ACTUARIAL METHODS AND ASSUMPTIONS:**

**ACTUARIAL COST METHOD:** Entry age normal. The allocation of OPEB cost is based on years of service. We used the level percentage of payroll method to allocate OPEB cost over years of service.

Entry age is based on the age at hire for eligible employees. The attribution period is determined as the difference between the expected retirement age and the age at hire. The present value of future benefits and present value of future normal costs are determined on an employee by employee basis and then aggregated.

To the extent that different benefit formulas apply to different employees of the same class, the normal cost is based on the benefit plan applicable to the most recently hired employees (including future hires if a new benefit formula has been agreed to and communicated to employees).

**AMORTIZATION METHODS:** We used a level dollar, closed 30 year amortization period for the initial UAAL. We used a level dollar, open 30 year amortization period for any residual UAAL.

**SUBSTANTIVE PLAN:** As required under GASB 43 and 45, we based the valuation on the substantive plan. The formulation of the substantive plan was based on a review of written plan documents as well as historical information provided by Sierra CCD regarding practices with respect to employer and employee contributions and other relevant factors.
ECONOMIC ASSUMPTIONS:

Economic assumptions are set under the guidance of Actuarial Standard of Practice 27 (ASOP 27). Among other things, ASOP 27 provides that economic assumptions should reflect a consistent underlying rate of general inflation. For that reason, we show our assumed long-term inflation rate below.

**INFLATION:** We assumed 2.75% per year.

**INVESTMENT RETURN / DISCOUNT RATE:** We assumed 7% per year. This is based on assumed long-term return on plan assets assuming 100% funding through Futuris. We used the “Building Block Method” as described in ASOP 27 Paragraph 3.6.2.

**TREND:** We assumed 4% per year. Our long-term trend assumption is based on the conclusion that, while medical trend will continue to be cyclical, the average increase over time cannot continue to outstrip general inflation by a wide margin. Trend increases in excess of general inflation result in dramatic increases in unemployment, the number of uninsured and the number of underinsured. These effects are nearing a tipping point which will inevitably result in fundamental changes in health care finance and/or delivery which will bring increases in health care costs more closely in line with general inflation. We do not believe it is reasonable to project historical trend vs. inflation differences several decades into the future.

**PAYROLL INCREASE:** We assumed 2.75% per year. This assumption applies only to the extent that either or both of the normal cost and/or UAAL amortization use the level percentage of payroll method. For purposes of applying the level percentage of payroll method, payroll increase must not assume any increases in staff or merit increases.

**ACTUARIAL VALUE OF PLAN ASSETS (AVA):** We used asset values provided by Sierra CCD. We used a 5 year smoothing formula with a 20% corridor around market value.

The following are the calculations for the adjusted value of plan assets:

<table>
<thead>
<tr>
<th>Futuris - Portfolio 4.5</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Market value at 4/30/14</td>
<td>$9,847,641</td>
</tr>
<tr>
<td>(2) Accumulated contributions (disbursements) at 7%</td>
<td>$9,367,091</td>
</tr>
<tr>
<td>(3) Value in (2) + 1/5 of (1) minus (2)</td>
<td>$9,463,201</td>
</tr>
<tr>
<td>(4) Value in (3) adjusted to minimum or maximum*</td>
<td>$9,463,201</td>
</tr>
<tr>
<td>(5) AVA at 4/30/14 adjusted to valuation date at 7%</td>
<td>$9,570,738</td>
</tr>
</tbody>
</table>

* Minimum is 80% of market value; maximum is 120% of market value.
NON-ECONOMIC ASSUMPTIONS:

Economic assumptions are set under the guidance of Actuarial Standard of Practice 35 (ASOP 35).

MORTALITY

<table>
<thead>
<tr>
<th>Employee Type</th>
<th>Mortality Tables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificated</td>
<td>2009 CalSTRS Mortality</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>2009 CalPERS Mortality for Miscellaneous Employees</td>
</tr>
</tbody>
</table>

RETIREMENT RATES

<table>
<thead>
<tr>
<th>Employee Type</th>
<th>Retirement Rate Tables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificated</td>
<td>2009 CalSTRS Retirement Rates</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>2009 CalPERS Retirement Rates for School Employees</td>
</tr>
</tbody>
</table>

VESTING RATES

<table>
<thead>
<tr>
<th>Employee Type</th>
<th>Vesting Rate Tables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificated</td>
<td>100% at 12 Years of Service</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>100% at 12 Years of Service</td>
</tr>
</tbody>
</table>

COSTS FOR RETIREE COVERAGE

Retiree liabilities are based on actual retiree costs. Liabilities for active participants are based on the first year costs shown below. Subsequent years’ costs are based on first year costs adjusted for trend and limited by any District contribution caps.

<table>
<thead>
<tr>
<th>Employee Type</th>
<th>Future Retirees Pre-65</th>
<th>Future Retirees Post-65</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificated</td>
<td>$13,637</td>
<td>$10,094</td>
</tr>
<tr>
<td>Classified</td>
<td>$12,565</td>
<td>$8,326</td>
</tr>
<tr>
<td>Management</td>
<td>$13,637</td>
<td>$10,094</td>
</tr>
</tbody>
</table>

PARTICIPATION RATES

<table>
<thead>
<tr>
<th>Employee Type</th>
<th>&lt;65 Non-Medicare Participation %</th>
<th>65+ Medicare Participation %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificated</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

TURNOVER

<table>
<thead>
<tr>
<th>Employee Type</th>
<th>Turnover Rate Tables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificated</td>
<td>2009 CalSTRS Termination Rates</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>2009 CalPERS Termination Rates for School Employees</td>
</tr>
</tbody>
</table>

SPOUSE PREVALENCE

To the extent not provided and when needed to calculate benefit liabilities, 80% of retirees assumed to be married at retirement. After retirement, the percentage married is adjusted to reflect mortality.

SPOUSE AGES

To the extent spouse dates of birth are not provided and when needed to calculate benefit liabilities, female spouse assumed to be three years younger than male.
<table>
<thead>
<tr>
<th>Attained Age</th>
<th>Medical Annual Increases</th>
</tr>
</thead>
<tbody>
<tr>
<td>50-64</td>
<td>3.5%</td>
</tr>
<tr>
<td>65-69</td>
<td>3.0%</td>
</tr>
<tr>
<td>70-74</td>
<td>2.5%</td>
</tr>
<tr>
<td>75-79</td>
<td>1.5%</td>
</tr>
<tr>
<td>80-84</td>
<td>0.5%</td>
</tr>
<tr>
<td>85+</td>
<td>0.0%</td>
</tr>
</tbody>
</table>
### ELIGIBLE ACTIVE EMPLOYEES

<table>
<thead>
<tr>
<th>Age</th>
<th>Total</th>
<th>Certificated</th>
<th>Classified</th>
<th>Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 25</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>25-29</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>30-34</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>35-39</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>40-44</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>45-49</td>
<td>3</td>
<td>0</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>50-54</td>
<td>17</td>
<td>5</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>55-59</td>
<td>22</td>
<td>6</td>
<td>14</td>
<td>2</td>
</tr>
<tr>
<td>60-64</td>
<td>18</td>
<td>11</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td>65 and older</td>
<td>6</td>
<td>5</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>66</td>
<td>27</td>
<td>33</td>
<td>6</td>
</tr>
</tbody>
</table>

### ELIGIBLE RETIREES

<table>
<thead>
<tr>
<th>Age</th>
<th>Total</th>
<th>Certificated</th>
<th>Classified</th>
<th>Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 50</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>50-54</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>55-59</td>
<td>7</td>
<td>4</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>60-64</td>
<td>43</td>
<td>18</td>
<td>25</td>
<td>0</td>
</tr>
<tr>
<td>65-69</td>
<td>71</td>
<td>35</td>
<td>36</td>
<td>0</td>
</tr>
<tr>
<td>70-74</td>
<td>59</td>
<td>41</td>
<td>18</td>
<td>0</td>
</tr>
<tr>
<td>75-79</td>
<td>49</td>
<td>33</td>
<td>16</td>
<td>0</td>
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<tr>
<td>80-84</td>
<td>41</td>
<td>21</td>
<td>20</td>
<td>0</td>
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<tr>
<td>85-89</td>
<td>21</td>
<td>10</td>
<td>11</td>
<td>0</td>
</tr>
<tr>
<td>90 and older</td>
<td>13</td>
<td>8</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>308</td>
<td>171</td>
<td>137</td>
<td>0</td>
</tr>
</tbody>
</table>
APPENDIX E: CALCULATION OF GASB 43/45 ACCOUNTING ENTRIES

This report is to be used to calculate accounting entries rather than to provide the dollar amount of accounting entries. How the report is to be used to calculate accounting entries depends on several factors. Among them are:

1) The amount of prior accounting entries;

2) Whether individual components of the ARC are calculated as a level dollar amount or as a level percentage of payroll;

3) Whether the employer using a level percentage of payroll method elects to use for this purpose projected payroll, budgeted payroll or actual payroll;

4) Whether the employer chooses to adjust the numbers in the report to reflect the difference between the valuation date and the first fiscal year for which the numbers will be used.

To the extent the level percentage of payroll method is used, the employer should adjust the numbers in this report as appropriate to reflect the change in OPEB covered payroll. It should be noted that OPEB covered payroll should only reflect types of pay generating pension credits for plan participants. Please note that plan participants do not necessarily include all active employees eligible for health benefits for several reasons. Following are examples.

1) The number of hours worked or other eligibility criteria may differ for OPEB compared to active health benefits;

2) There may be active employees over the maximum age OPEB are paid through. For example, if an OPEB plan pays benefits only to Medicare age, any active employees currently over Medicare age are not plan participants;

3) Employees hired at an age where they will exceed the maximum age for benefits when the service requirement is met are also not plan participants.

Finally, GASB 43 and 45 require reporting covered payroll in RSI schedules regardless of whether any ARC component is based on the level percentage of payroll method. This report does not provide, nor should the actuary be relied on to report covered payroll.

GASB 45 Paragraph 26 specifies that the items presented as RSI "should be calculated in accordance with the parameters." The RSI items refer to Paragraph 25.c which includes annual covered payroll. Footnote 3 provides that when the ARC is based on covered payroll, the payroll measure may be the projected payroll, budgeted payroll or actual payroll. Footnote 3 further provides that comparisons between the ARC and contributions should be based on the same measure of covered payroll.

At the time the valuation is being done, the actuary may not know which payroll method will be used for reporting purposes. The actuary may not even know for which period the valuation will be used to determine the ARC. Furthermore, the actuary doesn’t know if the client will make adjustments to the ARC in order to use it for the first year of the biennial or triennial period. (GASB 45 is silent on this.) Even if the actuary were to know all of these things, it would be a rare situation that would result in me knowing the appropriate covered payroll.
number to report. For example, if the employer uses actual payroll, that number would not be known at the time
the valuation is done.

As a result, we believe the proper approach is to report the ARC components as a dollar amount. It is the client's
responsibility to turn this number into a percentage of payroll factor by using the dollar amount of the ARC
(adjusted, if desired) as a numerator and then calculating the appropriate amount of the denominator based on the
payroll determination method elected by the client for the appropriate fiscal year.

If we have been provided with payroll information, we are happy to use that information to help the employer
develop an estimate of covered payroll for reporting purposes. However, the validity of the covered payroll
remains the employer’s responsibility even if TCS assists the employer in calculating it.
APPENDIX F: GLOSSARY OF RETIREE HEALTH VALUATION TERMS

Note: The following definitions are intended to help a non-actuary understand concepts related to retiree health valuations. Therefore, the definitions may not be actuarially accurate.

**Actuarial Accrued Liability:** The amount of the actuarial present value of total projected benefits attributable to employees’ past service based on the actuarial cost method used.

**Actuarial Cost Method:** A mathematical model for allocating OPEB costs by year of service.

**Actuarial Present Value of Total Projected Benefits:** The projected amount of all OPEB benefits to be paid to current and future retirees discounted back to the valuation date.

**Actuarial Value of Assets:** Market-related value of assets which may include an unbiased formula for smoothing cyclical fluctuations in asset values.

**Annual OPEB Cost:** This is the amount employers must recognize as an expense each year. The annual OPEB expense is equal to the Annual Required Contribution plus interest on the Net OPEB obligation minus an adjustment to reflect the amortization of the net OPEB obligation.

**Annual Required Contribution:** The sum of the normal cost and an amount to amortize the unfunded actuarial accrued liability. This is the basis of the annual OPEB cost and net OPEB obligation.

**Closed Amortization Period:** An amortization approach where the original ending date for the amortization period remains the same. This would be similar to a conventional, 30-year mortgage, for example.

**Discount Rate:** Assumed investment return net of all investment expenses. Generally, a higher assumed interest rate leads to lower normal costs and actuarial accrued liability.

**Implicit Rate Subsidy:** The estimated amount by which retiree rates are understated in situations where, for rating purposes, retirees are combined with active employees.

**Mortality Rate:** Assumed proportion of people who die each year. Mortality rates always vary by age and often by sex. A mortality table should always be selected that is based on a similar “population” to the one being studied.

**Net OPEB Obligation:** The accumulated difference between the annual OPEB cost and amounts contributed to an irrevocable trust exclusively providing retiree OPEB benefits and protected from creditors.

**Normal Cost:** The dollar value of the “earned” portion of retiree health benefits if retiree health benefits are to be fully accrued at retirement.
**OPEB Benefits:** Other PostEmployment Benefits. Generally medical, dental, prescription drug, life, long-term care or other postemployment benefits that are not pension benefits.

**Open Amortization Period:** Under an open amortization period, the remaining unamortized balance is subject to a new amortization schedule each valuation. This would be similar, for example, to a homeowner refinancing a mortgage with a new 30-year conventional mortgage every two or three years.

**Participation Rate:** The proportion of retirees who elect to receive retiree benefits. A lower participation rate results in lower normal cost and actuarial accrued liability. The participation rate often is related to retiree contributions.

**Retirement Rate:** The proportion of active employees who retire each year. Retirement rates are usually based on age and/or length of service. (Retirement rates can be used in conjunction with vesting rates to reflect both age and length of service). The more likely employees are to retire early, the higher normal costs and actuarial accrued liability will be.

**Transition Obligation:** The amount of the unfunded actuarial accrued liability at the time actuarial accrual begins in accordance with an applicable accounting standard.

**Trend Rate:** The rate at which the cost of retiree benefits is expected to increase over time. The trend rate usually varies by type of benefit (e.g. medical, dental, vision, etc.) and may vary over time. A higher trend rate results in higher normal costs and actuarial accrued liability.

**Turnover Rate:** The rate at which employees cease employment due to reasons other than death, disability or retirement. Turnover rates usually vary based on length of service and may vary by other factors. Higher turnover rates reduce normal costs and actuarial accrued liability.

**Unfunded Actuarial Accrued Liability:** This is the excess of the actuarial accrued liability over assets irrevocably committed to provide retiree health benefits.

**Valuation Date:** The date as of which the OPEB obligation is determined. Under GASB 43 and 45, the valuation date does not have to coincide with the statement date.

**Vesting Rate:** The proportion of retiree benefits earned, based on length of service and, sometimes, age. (Vesting rates are often set in conjunction with retirement rates.) More rapid vesting increases normal costs and actuarial accrued liability.
BACKGROUND:

The District’s transfer of assets into the Investment Trust will be a tailored funding process. To meet the requirements of this funding process, the Retirement Board of Authority (RBOA) will provide asset transfer schedules related to the District’s Actuarial Determined Contribution (ADC).

STATUS:

The Retirement Board of Authority (RBOA) shall acknowledge recent deposits to the District’s Investment Trust and discuss anticipated transfer schedules for fiscal 2015/2016.

RECOMMENDATION:

The Retirement Board of Authority shall hear the presentation and file the information accordingly.
SIERRA JOINT COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO: Retirement Board of Authority

DATE: 04/27/2016

SUBJECT: Election of a Chairperson for the Retirement Board of Authority (RBOA)

ITEM #: 2015/2016-025
Enclosure: Yes
Action Item: Yes

Prepared by: Keenan Financial Services
Requested by: Retirement Board of Authority

BACKGROUND:

Sierra Joint Community College District Board of Trustees approved Board Resolutions authorizing the establishment of the District’s Public Entity Investment Trust Program and the creation of the Retirement Board of Authority that will manage the Investment Trust.

STATUS:

The Retirement Board of Authority has been duly appointed by the Governing Board of the Sierra Joint Community College District and as outlined in the Bylaws, will elect a Chairperson to facilitate the management duties of the Retirement Board of Authority.

RECOMMENDATION:

The formally designated Retirement Board of Authority members will take action to elect a Chairperson of the Retirement Board of Authority (RBOA).
SIERRA JOINT COMMUNITY COLLEGE DISTRICT
FUTURIS RETIREMENT BOARD OF AUTHORITY
BYLAWS

PREAMBLE

The objectives of SIERRA JOINT Community College District in establishing a Trust for the pre-funding of its OPEB liabilities is to comply with the requirements of GASB Statements No. 43 & No. 45 and to create a retirement system that complies with the California Constitution and Government Code provisions related to such systems with a Governing Board (referred to as the “Retirement Board of Authority”) consisting of officials of the SIERRA JOINT CCD.

The Trust is to be managed in accordance with the following principles:

- Trust assets are managed in accordance with all applicable laws, Trust documents, and a written Investment Policy Statement (IPS).
- Trust assets are diversified to a specific risk/return profile.
- A written Investment Policy Statement (IPS) contains the detail to define, implement, and monitor the Trust's investment strategy.
- Appropriate fiduciary standards are applied in the management of Trust assets and the supervision of persons hired to assist in the management of the Trust.
- Due diligence is documented.
- Control procedures are in place to monitor and account for Trust investment and administrative expenses.
- There are safeguards to avoid conflicts of interest, such as the use of funding instruments that are non-proprietary funds of any service provider to the Trust.

1: A Retirement Board of Authority

1.1: The SIERRA JOINT CCD governing body has established by resolution a Retirement Board of Authority (the “Board”) to supervise the Trust.

1.2: The Board has been established to manage, direct and control the Fiduciary, Trust Settlor and Administrative functions, such as Consultants, Actuaries, Auditors and Accountants, Legal Counsel, Financial Advisors of the Trust.

1.3: The Board will sign such documents as are necessary to adopt and maintain an irrevocable Trust which complies with the California Constitution, California Government Code, GASB No. 43 & No. 45 and Section 115 of the Internal Revenue Code.

1.4: As mandated by the California Government Code, the Board shall perform all its duties with the care, skill, and diligence that a Prudent Person would utilize.

1.5: The Board shall also act solely in the interest of plan participants and beneficiaries with the sole purpose of providing benefits to them and paying only necessary and reasonable expenses for administrating the Trust.

1.6: The Board shall oversee the operation of the Trust as outlined in the Trust Agreement. The Board shall delegate investment decision-making to a Trustee with a discretionary mandate and thereafter monitor the performance of the Discretionary Trustee. For the
management of the Trust's assets, an appropriate Registered Investment Advisor (RIA) shall be appointed and monitored by the Discretionary Trustee.

1.7: The Board shall adhere to the terms of the written documents governing the Trust and ensure that they comply with all applicable laws, rules and regulations that may impact the Trust.

1.8: The Board shall facilitate and oversee the preparation and centralized maintenance of the SIERRA JOINT CCD's Comprehensive Compliance Plan. To aid the SIERRA JOINT CCD in meeting its fiduciary requirements, the Substantive Plan, as described in GASB 43 and 45, will be set forth as an essential element in the development of a Comprehensive Compliance Plan.

1.9: The Board will have the exclusive authority to establish, execute and interpret the Trust's written Investment Policy Statement (IPS) which profiles the long-term investment objectives of the Trust.

1.10: The Board shall facilitate any efforts and processes necessary to ensure the SIERRA JOINT CCD executes applicable written agreements providing any required consent to compliance with the terms of the Trust.

1.11: The Board will require that compensation paid to the Trust's service providers is identifiable, transparent, and reasonable and adheres to the terms of the written documents governing the Trust.

2: Retirement Board of Authority – Member Appointments & Board Operations

2.1: The members of the Board are appointed by resolution of the governing body of the SIERRA JOINT CCD. Board members may be replaced or terminated by the governing body of the SIERRA JOINT CCD at any time as Board members serve at the pleasure of the SIERRA JOINT CCD.

2.2: Board members shall be appointed to the Board by the SIERRA JOINT CCD Board of Trustees. The Board will consist of three appointees of the district based solely on their titles, three members based solely on association affiliation with one from each of the following groups (FUSE, SCFA, SCMA), and one "Pre 94" retiree member that is elected by a two thirds majority vote of Retirement Board of Authority, excluding the sitting Retiree member. The Retirement Board of Authority will conduct an annual review of its Board member's titles and affiliation to assure that they coordinate with the titles and affiliation appointed by resolution of the governing body of the SIERRA JOINT CCD. If the title or affiliation of an existing Board member changes and that new title or affiliation is not one of the designated titles or affiliation included in the resolution of the governing body of the SIERRA JOINT CCD, the Board member will no longer be a Board member unless there is a new resolution from the governing body of the SIERRA JOINT CCD. If the governing body determines alternates are required, positions will be appointed by resolution.

2.3: The Board will designate one of its members by majority vote to serve as Chairperson and a second member as Vice Chairperson.

2.4 The Chairperson and Vice Chairperson will serve in this capacity for two years at which time the Board will act again to select a Chairperson and Vice Chairperson for a second term. The Chairperson and Vice Chairperson can serve multiple terms.
2.5: The Chairperson will act as the presiding officer for Board meetings.

2.6: Board meetings shall be conducted by the Chairperson. When the Chairperson is not present, the Vice Chairperson will conduct the meeting.

2.7: A majority of the Board members must be present or attend by teleconference, per the provisions of the Ralph M. Brown Act, in order to conduct a Board meeting and is considered a quorum. A vote, under the protocols of the Ralph M. Brown Act, of the majority of the Board members, shall be sufficient to transact business.

2.8: Each Board member shall have one vote in accordance with the protocols of the Ralph M. Brown Act. No proxy votes shall be permitted. If a member is attending by teleconference, all votes must be by roll-call.

2.9: A majority of any quorum is required for approval of an action, except a change in investment policy, which requires a majority of the Board.

2.10: In recognition of the importance of the work of the Board, regular attendance at Board meetings is expected from all members.

2.11: No Board member shall have the authority to bind the Board to any contract or endeavor without the approval of the Board.

2.12: No member serving on the Board will receive a salary or compensation from the Board.

2.13: The Board shall designate the SIERRA JOINT CCD, 5000 Rocklin Rd. Rocklin, CA 95677 as the location at which it will receive notices, correspondence, and other communications and shall designate the Chairperson of the Board as the officer for the purpose of receiving service on behalf of the Board.

3: Retirement Board of Authority – Meeting Agendas

3.1: All Board meeting agendas shall be prepared and posted in a public location, to comply with the Ralph M. Brown Act

3.2: The Board shall hold their meetings at a minimum of once a year, giving advanced notice to comply with the Ralph M. Brown Act.

3.3: The Board shall engage, at least annually, in analysis of any applicable modifications to the Investment Policy Statement (IPS) through meetings and consulting with the Trustee and Registered Investment Advisor (RIA), as applicable.

3.4: Full and complete minutes detailing records of deliberations and decisions from each meeting of the Board shall be maintained in compliance with the Ralph M. Brown Act.
4: Retirement Board of Authority – Actuarial, Contribution & Withdrawal Parameters

4.1: All Trust contributions must be presented to the Board as an information item for review. Such contributions and allocation instructions to shall be delivered in accordance with the Trust's written provisions and agreements.

4.2 The Board will acknowledge the amount of any withdrawal from the SIERRA JOINT CCD Futuris Public Entity Investment Trust. Based on the minimum number of signatures required therein and/or specific people required by the Board, authorizations for withdrawals, distributions, benefit payments and reasonable fees are restricted to individuals with specimen signatures listed on the Trust’s Signature Authorization Form. All expenditures of funds shall be subject to Board approval.

4.3: In accordance with GASB Statement No. 45 schedules, the Board will work with the SIERRA JOINT CCD's governing body in obtaining the necessary calculations to identify the “Actuarial Present Value of Total Projected Benefits” (APVTPB), the “Unfunded Actuarial Accrued Liability” (UAAL) and the “Annual Required Contribution” (ARC).

4.4: The Board will provide any necessary plan participant information to the Trustee on a timely basis. The Board shall provide a response to all information requested by the Discretionary Trustee in a timely fashion.

4.5: All Trust expenses must be presented to the Board for ratification.

5: Retirement Board of Authority -- Disclosure & Conflict of Interest

5.1: No Board member shall vote or participate in a determination of any matter in which a Board member has a legally recognized conflict of interest.

5.2: Board members have a duty of loyalty precluding them from being influenced by motives other than the accomplishment of the Trust's objectives.

5.3: Board members, in the performance of their duties, must act pursuant to the documents & instruments establishing and governing the Trust.

6: Retirement Board of Authority -- Rules of Order/Bylaws

6.1: Amendment of these Bylaws may be proposed by any member of the Board.

6.2: All amendments to the Bylaws must be approved by a majority vote of the Board members present, before the amendment shall become effective.

6.3: Such amendments shall be binding upon all members of the Board.

6.4: The effective date of any amendment shall be on the first day of the month following adoption, unless otherwise stated.
7: Retirement Board of Authority -- Appearance before the Board

7.1: All persons who wish to make appearances before the Board shall be scheduled in compliance with the provisions of the Ralph M. Brown Act.

7.2: Appearances before the Board may be in person or through a representative.

7.3: Communications with the Board may be in any form that complies with the provisions of the Ralph M. Brown Act.

8: Retirement Board of Authority – Fiduciary & Governance Parameters

8.1: The Trust will be structured so that the Board shall reduce its legal liability for investment risk by appropriately delegating investment decision-making.

8.2: The Board shall delegate investment decision-making to a Trustee with a discretionary mandate and thereafter monitor the performance of the Discretionary Trustee. For the management of the Trust's assets, an appropriate Registered Investment Advisor (RIA) shall be appointed and monitored by the Discretionary Trustee.

8.3: The Board will monitor the performance and acts of the Discretionary Trustee in accordance with the limits and constraints of applicable laws, Trust documents and the written Investment Policy Statement (IPS) as well as the Trust's investment goals, objectives, fees and expenses.

8.4: The Board shall monitor the Discretionary Trustee to determine that Trust assets are diversified as directed by the Investment Policy Statement (IPS) and applicable laws.

8.5: The Board through periodic reports will compare investment performance against appropriate indices, peer groups and Investment Policy Statement (IPS) objectives.

8.6: The Board will require that all service agreements and contracts are in writing, and do not contain provisions that conflict with fiduciary standards. Fees paid to each service provider shall be consistent with agreements, contracts and with all applicable laws.

9: Discretionary Trustee & Investment Management--Benefit Trust Company (BTC)

9.1: The agreement appointing the Discretionary Trustee shall require the discretionary Trustee to invest Trust assets in compliance with applicable laws, Trust documents, and the written Investment Policy Statement (IPS).

9.2: The agreement appointing the Discretionary Trustee shall require the Discretionary Trustee document the specific duties and requirements of the parties involved in the investment process.

9.3: The Board shall require the Discretionary Trustee to acknowledge, in writing, that it is a fiduciary to the Trust and to the SIERRA JOINT CCD.
9.4: The Board shall prohibit the Discretionary Trustee from investing Trust assets in its own proprietary investment products or those of its Registered Investment Adviser so as to avoid any potential conflicts of interest.

9.5: The Board shall require the Discretionary Trustee to manage Trust assets with the care, skill and diligence of a Prudent Person under California law.

**10: Registered Investment Advisor (RIA)-Morgan Stanley Wealth Management:**

10.1: The RIA engaged by the Discretionary Trustee must have the following qualifications and responsibilities:

   (a) It shall work with the Discretionary Trustee to establish a long-term, target net rate of return objective for the Trust, constructing an investment portfolio which gives due consideration to the SIERRA JOINT CCD’s time horizon of investment, as well as its attitudes and capacity for risk.

   (b) It shall recommend the appropriate combination of asset classes that optimizes the Trust’s return objectives, while minimizing risk consistent with the Trust's constraints.

   (c) It shall provide investment recommendations derived from a disciplined approach to investment selection; considering risk-adjusted performance comparable to managers with similar style; a long-term superior performance profile; an analysis of investment expenses with a preference for investments with no-load, no redemption charges, and no transaction fees or revenue-sharing schedules.

   (d) It shall have access to appropriate databases and external research, and shall be supported with adequate technology and report production tools.

**11: Program Coordinator – Keenan & Associates**

11.1: The Board has appointed a Program Coordinator with responsibility to assist the Board with the processes, procedures and protocols of the Trust’s fiduciary decision making.

11.2: The Board shall require the Program Coordinator to facilitate all aspects of the Board’s Fiduciary and Administrative mandates and work to assist the Board in ensuring that Trust assets are managed in accordance with all applicable laws, Trust documents and the written Investment Policy Statement (IPS).

11.3: The Board shall require the Program Coordinator to provide comprehensive assistance in conducting Board meetings and agendas in compliance with the provisions of the Ralph M. Brown Act.

11.4: The Program Coordinator will provide support to the Board in the preparation and centralized maintenance of the SIERRA JOINT CCD’s Comprehensive Compliance Plan, including the Substantive Plan.

Updated 04/09/14
12: Program Definitions:

12.1: “Actuarial Present Value of Total Projected Benefits” (APVTPB) shall mean the total projected costs to finance benefits payable in the future based on members’ service through the valuation date and their future service, discounted to reflect the expected effects of the time value of money. It is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay the total projected benefits when due.

12.2: “Annual Required Contribution” (ARC) is the actuarially-determined level of employer contribution that would be required on a sustained, ongoing basis to systematically fund the normal cost and to amortize the Unfunded Actuarial Accrued Liability (UAAL) attributed to past service over a period not to exceed thirty years. It is the amount needed to pay benefits as they come due plus amortize the UAAL. The ARC has two components: Normal cost and amortization of the UAAL for both active employees and retirees.

12.3: “Comprehensive Compliance Plan” shall mean a broad compliance and fiduciary process incorporating the SIERRA JOINT CCD's substantive plan obligations; the actuarial cost of those obligations; the plan for meeting those costs; the fiduciary strategies and steps in meeting plan requirements.

12.4: “Discretionary Trustee” shall mean a Trust structure whereby the Trustee will accept the delegation of investment duties and work as the sole authority in the selection, monitoring and disposition of Trust's assets.

12.5: “Investment Policy Statement” (IPS) shall mean a written statement that establishes the Futuris SIERRA JOINT CCD Investment Trust's investment related policies, goals, objectives and criteria for evaluating investment performance that are critical for the successful management of the Trust's investments.

12.6: “Quorum” shall mean the majority of the Board members as are required to conduct a Board meeting or to transact business on behalf of the Board.

12.7: “Registered Investment Advisor” (RIA) shall mean the investment entity charged with the responsibility for recommending comprehensive and continuous investment advice for the Futuris SIERRA JOINT CCD Investment Trust.

12.8: “Retirement Board of Authority” is established by the governing body of the SIERRA JOINT CCD and shall mean the entity charged with the discretion, responsibility and authority to oversee the management of the SIERRA JOINT CCD Investment Trust. Specifically, the Board shall determine the investment policy and strategy for the Trust and is empowered to inquire and resolve any matter it considers appropriate to carry out its responsibilities.

12.9: “Substantive Plan” shall mean the plan through which assets are accumulated and benefits are paid as they come due in accordance with the commitments or understandings between the employer, eligible employees and their beneficiaries.

12.10: “The Trust” shall mean the SIERRA JOINT CCD's Investment Trust established for the pre-funding of its OPEB liabilities and maintained in compliance with GASB Statement No. 43 & No. 45, the California Constitution and the California Government Code with a governing Board consisting of officials of the SIERRA JOINT CCD.
12.11: “Unfunded Actuarial Accrued Liability” (UAAL) shall mean the excess of the Actuarial Accrued Liability (AAL) over the Actuarial Value of Assets (AVA). The UAAL can derive from three sources: unfunded past Normal costs, actuarial gains and losses (differences between actuarial assumptions and actual experience), and changes to the level of benefits promised.

12.12: “Normal Costs” are the liabilities for current retirees (under pay-as-you-go accounting) plus the present value of future benefits earned by active employees during the year.
SIERRA JOINT COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO: Retirement Board of Authority

DATE: 04/27/2016

SUBJECT: Election of a Vice-Chairperson for the Retirement Board of Authority (RBOA)

ITEM #: 2015/2016-026

Enclosure: No

Action Item: Yes

Prepared by: Keenan Financial Services

Requested by: Retirement Board of Authority

BACKGROUND:

The Board of Trustees of Sierra Joint Community College District approved a Board Resolution authorizing the establishment of the District’s OPEB Investment Trust and the creation of the Retirement Board of Authority (RBOA) with a mandate to manage the District’s OPEB Investment Trust.

STATUS:

The Retirement Board of Authority (RBOA) has been duly appointed by the Governing Board of Sierra Joint Community College District and as outlined in the Bylaws, will elect a Vice-Chairperson to facilitate the management duties of the Retirement Board of Authority (RBOA) in the absence of the Chair.

RECOMMENDATION:

The formally designated Retirement Board of Authority shall take action to elect a Vice-Chairperson of the Retirement Board of Authority (RBOA).
BACKGROUND:

Each member may report about various matters involving the Retirement Board of Authority.

RECOMMENDATION:

There will be no Retirement Board of Authority discussion except to ask questions or refer matters
BACKGROUND:

The Program Coordinator may address the Board of Authority on any matter pertaining to the Retirement Board of Authority that is not on the agenda.

RECOMMENDATION:

There will be no Retirement Board of Authority discussion except to ask questions or refer matters to staff, and no action will be taken unless listed on a subsequent agenda.
PRESENTED TO: Retirement Board of Authority

DATE: 04/27/2016

SUBJECT: Date, Time and Agenda Items for Next Meeting

ITEM #: 2015/2016-029
Enclosure: No
Action Item: No

Prepared by: Keenan Financial Services
Requested by: Retirement Board of Authority

BACKGROUND:

Board members and visitors may suggest items for consideration at the next Retirement Board of Authority meeting.

RECOMMENDATION:

The Board will determine Agenda Items for the next meeting.