SIERRA JOINT COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO: Retirement Board of Authority

DATE: 11/18/2015

SUBJECT: Public Comments

ITEM #: 2015/2016-001

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.
SIERRA JOINT COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO: Retirement Board of Authority

DATE: 11/18/2015

SUBJECT: Approval of Agenda

ITEM #: 2015/2016-002

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.
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
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

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.

Information
2015/2016-001
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 April 22, 2015 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:

INVESTMENT POLICY STATEMENT REVIEW

The Retirement Board of Authority shall, with the assistance of Benefit Trust Company and Morgan Stanley Wealth Management, adopt an Investment Policy Statement (IPS) setting forth the investment objectives for the Trust. Key to this process is a review of the Board's time horizon for investment, short-term liquidity needs, attitudes as well as the capacity to accept investment risk as measured through the completion of Morgan Stanley's Institutional Questionnaire, and the expected rate of return of the Board taking into account the discount rate and assumptions contained in the most recent Actuarial Valuation Study, as well as any other information the Board Members feel pertinent to the discussion.

PUBLIC COMMENTS:
BOARD CONSIDERATION:
VII. EDUCATION

Information 2015/2016-007

The Retirement Board of Authority (RBOA) membership shall analyze the results of Benefit Trusts Company’s (BTC) due diligence meeting with Morgan Stanley in New York-June 2015.

PUBLIC COMMENTS:
BOARD CONSIDERATION:

VIII. ADMINISTRATION

DESIGNATION OF A NEW MEMBER TO THE RETIREMENT BOARD OF AUTHORITY

Action 2015/2016-008

The Retirement Board of Authority (RBOA) has been duly appointed by the Sierra Joint Community College District Board of Trustees and will welcome Greg Van De Bogart, representing the Federation of United School Employees (FUSE) to RBOA membership.

PUBLIC COMMENTS:
BOARD CONSIDERATION:

ANNUAL REPORTING ON THE STATUS OF THE TRUST

Action 2015/2016-009

California Government Code 53216.4 requires an annual reporting of the funds held in the Trust to beneficiaries and potential beneficiaries. The current Annual Report will reflect the Status of the District’s OPEB Trust for fiscal year ending June 30, 2014.

PUBLIC COMMENTS:
BOARD CONSIDERATION:

DISBURSEMENT REPORT

Action 2015/2016-010

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:

STATUS OF UPDATING THE COMPREHENSIVE COMPLIANCE PLAN INCLUDING THE “SUBSTANTIVE PLAN”

Information 2015/2016-011

The Comprehensive Compliance Plan is a summary of regulatory mandates and protocols applicable to the District’s Public Entity Investment Trust Program. Within this framework, creating the “Substantive Plan” is a process which requires annual reviews to incorporate modifications/affirmations to the District’s Retiree Healthcare provisions. The RBOA membership shall discuss schedules for updating the “Substantive Plan” for fiscal year ended June 30, 2015.

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:

GASB ISSUES FINAL OPEB STATEMENTS

The Governmental Accounting Standards Board (GASB) has issued two final Statements detailing how state and local governments should account for and report postemployment benefits other than pensions (OPEB). Statement No. 74, Financial Reporting for Postemployment Benefits Other than Pension Plans addresses financial reporting by plans that administer OPEB benefits and replaces the Statement No. 43. Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans other than Pension Plans, addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for accounting and financial reporting by governments that provide OPEB to their employees or employees of other governmental units and replaces Statement No. 45.

PUBLIC COMMENTS:
BOARD CONSIDERATION:

IX. INFORMATION REPORTS

RETRIEVAL 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.

X. 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:

XI. 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.

Keenan & Associates License No. 0451271
SIERRA JOINT COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:                        DATE:          11/18/2015
Retirement Board of Authority

SUBJECT:                             ITEM #:          2015/2016-003
Approval of Minutes

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.
I. CALL TO ORDER

The Retirement Board of Authority (RBOA) meeting was called to order at 1.04 PM by Roslyn Washington, Account Manager, Keenan Financial Services (KFS).

Roll-call was conducted with all members of the Retirement Board of Authority (RBOA) reporting their presence. All Service Organization representatives also indicated their presence at the meeting.

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)                         Arlene Goff
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
Account Manager, Keenan Financial Services (KFS)                   Roslyn Washington

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

GUESTS
None

OTHER
None
III. PUBLIC COMMENTS

There were no public comments or inquiries.

IV. APPROVAL OF AGENDA

A motion was made by RBOA Vice-Chair Todd Jensen to approve the Agenda as presented. The motion was seconded by RBOA member Mandy Davies and was unanimously carried by a roll-call of the RBOA membership present.

V. APPROVAL OF MINUTES

A motion was made by RBOA Chair Chris Yatooma to approve the Minutes as presented. The motion was seconded by RBOA Cameron Abbott and was unanimously carried by a roll call of the RBOA membership present. RBOA members Mandy Davies and Adele Hamlett abstained from voting as they were not in attendance at the previous RBOA Meeting on October 3, 2014.

VI. INVESTMENTS

PORTFOLIO PERFORMANCE REVIEW

Cary Allison of Morgan Stanley Wealth Management (MS), provided an overview of the District’s Public Entity Investment Trust Account Change in Portfolio, Asset Allocation, and Time Weighted Return (Gross and Net of Fees) for period ending March 31, 2015. As of March 31, 2015 the District’s Investment Trust portfolio had an allocation of 54.1% in fixed income funds and 45.9% in equity funds (equity funds comprised 26.8% in domestic equity and 19.1% in international equity). The value of the portfolio as of December 31, 2014 was $10,062,010.90 and with contributions of $32,987.30, the value of the portfolio as of March 31, 2015 is $10,310,623.67. The March 31, 2015 portfolio value represents an annualized inception to date net rate of return of 6.04% compared to the Barclays Aggregate of 4.70%; the Barclays Global Agg Bd Unhedged of 2.31%; the MSCI EAFE of 1.55%; the MSCI ACWI Ex US Net of 1.23%; the S&P 500 Adj for Divs of 8.95% and the 50% MSCI ACWI/50% Barclays Agg of 5.06%. The investment results for the last year show a net increase of 4.56% versus the Barclays Aggregate of 5.70%; the Barclays Global Agg Bd Unhedged of -3.66%; the MSCI EAFE of -0.92%; the MSCI ACWI Ex US Net of -1.05%; the S&P 500 Adj for Divs of 12.74% and the 50% MSCI ACWI/50% Barclays Agg of 5.66%. The annualized latest three year (3) results reflect a net increase of 6.53% versus the Barclays Aggregate of 3.11%; the Barclays Global Agg Bd Unhedged of -0.20%; the MSCI EAFE of 9.02%; the MSCI ACWI Ex US Net of 6.40%; the S&P 500 Adj for Divs of 16.11% and the 50% MSCI ACWI/50% Barclays Agg of 7.03%. The annualized latest five year (5) results reflect a net increase of 6.38% versus the Barclays Aggregate of 4.42%; the Barclays Global Agg Bd Unhedged of 2.29%; the MSCI EAFE of 6.16%; the MSCI ACWI Ex US Net of 4.81%; the S&P 500 Adj for Divs of 14.47% and the 50% MSCI ACWI/50% Barclays Agg of 6.99%. The current dividend yield on the District’s Investment Trust portfolio fixed income investments was 4.0% while the current dividend yield on the aggregated portfolio was 2.9%.

Cary also provided an overview of the Public Entity Model Portfolio Asset-Allocations and Mutual Fund changes/adjustments as of March 31, 2015. He advised the RBOA membership of the following Fund modifications in the District’s Investment Trust Equity & Fixed Income platforms:
Domestic Equity Changes:

- Alger Spectra Z Fund (ASPZX) replaces Hartford Appreciation Fund (HCAYX).
- Oakmark Select Fund (OAKLX) replaces John Hancock Classic Value Fund (JCVIX).
- Columbian Contrarian Core Fund (COFYX) replaces Blackrock Equity Dividend Fund (MADVX).
- Vanguard Mid-Cap Index Fund (NVORX) replaces Noveen Tradewinds Value Opportunities Fund (VMCIX).

Fixed Income Adjustments:

- Blackrock Total Return Fund (MAHQX) replaces Metropolitan West Total Return Bond Fund (MWTIX).
- Move half of Hartford World Bond Fund (HWDIX) position to Blackrock Strategic Income Fund (BSIIX).
- Replace a small portion of Templeton Global Bond Fund (TGBAX) with Legg Mason Brandywine Alternative Credit (LMAMX).

A motion was made by RBOA member Mandy Davies to accept the Portfolio Performance Review as presented. The motion was seconded by RBOA member Cameron Abbott and was unanimously carried by a roll call of the RBOA membership present.

MARKET OVERVIEW

While noting that the District’s Investment Trust portfolio maintains a balanced asset-allocation strategy with global diversification, Cary provided an overview of current economic conditions for the capital markets. He explained that in the last few years, the Federal Reserve and other central banks have kept interest rates extraordinarily low to try to revive their respective economies. Nonetheless, he added that while the U.S. economy is getting stronger, other regions, such as Europe, are still struggling. In this connection, he pointed to the out-performance of the S&P 500 over the MSCI EAFE and the MSCI ACWI Ex US Net indices during the past 1 year, 3 year and 5 year periods. The result is that central banks are now beginning to take divergent paths with the Fed setting a course for higher interest rates while the European Central Bank (ECB) and Bank of Japan (JBP) doing the opposite. Cary continued by identifying some anticipated economic take-aways from central bank divergence.

Central Bank Divergence: As the Fed moves away from “easy money” policies in the U.S., the central banks of Europe and Japan have set their sights on measures to stimulate their flagging economies, Cary anticipates that central bank action to lower rates in Europe and Japan will increase demand for long-term U.S. bonds offering more attractive yields – however, higher rates in the U.S. means a stronger dollar and that has implications for markets vis-à-vis downward pressure on commodities. In this connection, he pointed to oil trading in the mid-40s at Christmas and currently trading in the mid 50s a barrel – however, he anticipates that oil will fall back to around $70.00 a barrel by the end of the year.

Raise in Interest Rates: Cary anticipates that in the U.S, the Fed will raise Short-Term rates gradually with an uptick of perhaps .5% in the third quarter of 2015 calendar year but he expects Long-Term rates to stay low for some time to come. He believes that the Trust’s portfolio current balanced position is well suited for anticipated interest rate hikes.
Inflation: Cary advised that U.S. gross domestic product (GDP) should be in the range of 2.0% to 2.5% growth and he anticipates that inflation will stay low for now. In this connection, he advised that there is little to no wage growth in the economy.

A Bumpier Road for Stocks: The past few years have been characterized by unusual calm for stocks. Cary advised that 2015 is likely to be marked by a return to more typical levels of volatility for stocks. However, he explained that the good news is that current conditions are broadly supportive of stocks and any corrections that volatility brings are not likely to be severe.

Stocks Preferred Over Bonds: Cary observed that an uptick in stock market volatility can be unnerving and corrections are always painful. While explaining that the economic and monetary environment remains supportive of equities, Cary advised that Morgan Stanley analysts continue to prefer stocks over bonds for long-term growth. Relative to developed markets (DM), he noted stock market bargains in Japan while stock friendly actions by the European Central Bank (ECB) will support attractive valuations in the region for 2015. Cary indicated that stock market opportunities are also becoming more evident in emerging markets (EM), particularly in China and other parts of Asia.

VII. ADMINISTRATION

DESIGNATION OF NEW MEMBERS TO THE RETIREMENT BOARD OF AUTHORITY

The Retirement Board of Authority (RBOA) has been duly appointed by the Governing Board of Sierra Joint Community College District and welcomed Donna Brazil-Bloche, representing Sierra College Management Association (SCMA) and Adele Hamlett, representing “Pre 94” Retirees of Sierra Joint Community College District as new members of the RBOA.

A motion was made by RBOA Chair Chris Yatooma to acknowledge and welcome Donna Brazil-Bloche, representing Sierra College Management Association (SCMA) and Adele Hamlett, representing “Pre 94” Retirees of Sierra Joint Community College District as RBOA members. The motion was seconded by RBOA member Cameron Abbott and was unanimously carried by a roll-call of the RBOA membership present.

DISBURSEMENT REPORT

Roslyn Washington of Keenan Financial Services presented the RBOA membership with the Disbursement Report which reflecting fees by each Service Organization pursuant to maintaining GASB/Regulatory compliance and the Management/Operation of the District’s Investment Trust for the period October 10, 2014 through April 7, 2015.

A motion was made by RBOA Vice-Chair Todd ratifying the fees associated with GASB/Regulatory compliance and the Management/Operation of the District’s OPEB Investment Trust for the period of October 2014 through April 2015. The motion was seconded by RBOA Chair Chris Yatooma and was unanimously carried by a roll call of the RBOA membership present.

FUTURE TRANSFER OF ASSETS INTO THE TRUST

Roslyn Washington of Keenan Financial Services advised that the District has been depositing $8,200.00 approximately via a dollar-cost averaging monthly schedule to the Investment Trust. The RBOA membership
advised that the District will continue the same deposit schedule during the coming year.

VIII. INFORMATION REPORTS

RETIREMENT BOARD OF AUTHORITY COMMENTS

Arlene Goff, FUSE Representative announced that she would be retiring from the District soon and that FUSE would appoint a new RBOA representative and advise Keenan as soon as possible. She thanked all for allowing her to serve on this Board.

PROGRAM COORDINATOR/CONSULTANT COMMENT

There were not any additional comments from the Program Coordinator/Consultants.

IX. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING

The next Retirement Board of Authority (RBOA) meeting is scheduled as follows:

- November 18, 2015: 1:00 PM- 3:00 PM.

X. ADJOURNMENT

There being no further business to conduct, a motion was made to adjourn the RBOA Meeting at 1:32 PM by Board member Adele Hamlett. The motion was seconded by RBOA member Mandy Davies and was unanimously carried by a roll-call of the RBOA membership present.

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.
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.
Change In Portfolio

<table>
<thead>
<tr>
<th>Portfolio Value on 12-31-14</th>
<th>10,062,010.90</th>
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<tbody>
<tr>
<td>Contributions</td>
<td>69,442.52</td>
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<tr>
<td>Withdrawals</td>
<td>0.00</td>
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<tr>
<td>Change in Market Value</td>
<td>-464,462.01</td>
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<tr>
<td>Income Received</td>
<td>218,564.94</td>
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<tr>
<td>Portfolio Fees</td>
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<tr>
<td>Portfolio Value on 09-30-15</td>
<td>9,841,601.01</td>
</tr>
</tbody>
</table>

Asset Allocation

PORTFOLIO SUMMARY
September 30, 2015

- CASH AND RECEIVABLES: 0.50%
- FIXED INCOME FUNDS: 5,622,416.07 (57.1%)
- DOMESTIC EQUITY FUNDS: 2,775,920.06 (28.2%)
- INTERNATIONAL EQUITY FUNDS: 1,443,264.37 (14.7%)

Time Weighted Return - Gross of Fees

<table>
<thead>
<tr>
<th>Month</th>
<th>Quarter</th>
<th>Year</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>
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<td>-1.51</td>
<td>4.71</td>
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<tr>
<td>S&amp;P 500 Adj for Divs</td>
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<td>-0.60</td>
<td>12.41</td>
<td>13.34</td>
<td>7.41</td>
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<tr>
<td>MSCI EAFE</td>
<td>-5.08</td>
<td>-8.66</td>
<td>5.63</td>
<td>3.98</td>
<td>0.08</td>
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</tr>
<tr>
<td>MSCI ACWI Ex US Net</td>
<td>-4.64</td>
<td>-12.17</td>
<td>-2.87</td>
<td>4.44</td>
<td>5.19</td>
<td>4.03</td>
</tr>
<tr>
<td>Barclays Aggregate</td>
<td>0.51</td>
<td>-2.26</td>
<td>-1.59</td>
<td>0.80</td>
<td>2.11</td>
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<tr>
<td>Barclays Global Agg Bd Unhedged</td>
<td>-1.47</td>
<td>-2.87</td>
<td>-1.80</td>
<td>4.44</td>
<td>5.19</td>
<td>4.03</td>
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</table>

Time Weighted Return - Net of Fees

<table>
<thead>
<tr>
<th>Month</th>
<th>Quarter</th>
<th>Year</th>
<th>Latest 1 Year</th>
<th>Annualized Latest 3 Year</th>
<th>Annualized Latest 5 Year</th>
<th>Annualized Inception To Date</th>
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</thead>
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<td>Account</td>
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<td>-1.80</td>
<td>4.44</td>
<td>5.19</td>
<td>4.03</td>
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</tbody>
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PORTFOLIO SUMMARY
September 30, 2015
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<tbody>
<tr>
<td><strong>CASH AND RECEIVABLES</strong></td>
<td>NORTHERN INSTL FUNDS</td>
<td>BGSX.X</td>
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<td>0.50</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td></td>
</tr>
</tbody>
</table>

| **FIXED INC MUTUAL FUNDS** | |
| **Taxable Funds** | |
| 41,269.717 | BLACKROCK STRATEGIC INCOME OPPS INSTL | BSILX | 10.17 | 419,665.19 | 9.93 | 409,808.29 | 4.2 | 2.2 |
| 71,045.088 | BLACKROCK TOTAL RETURN INSTL | MAHQ.X | 11.85 | 841,798.90 | 11.71 | 831,937.98 | 8.5 | 3.0 |
| 94,076.517 | DELAWARE DIVERSIFIED INC | DPFF.X | 8.84 | 831,766.73 | 8.74 | 822,228.76 | 8.4 | 3.9 |
| 39,850.020 | HARTFORD WORLD BOND I | HWDLX | 10.65 | 424,586.46 | 10.45 | 416,432.71 | 4.2 | 3.9 |
| 29,653.510 | LEGG MASON BW ALT | LMAM.X | 10.58 | 315,535.98 | 9.99 | 298,056.74 | 3.0 | 5.9 |
| 39,421.712 | LEGG MASON BW GLOBAL OPPS BD IS | GOBS.X | 10.78 | 425,068.00 | 9.87 | 389,092.30 | 4.0 | 4.1 |
| 65,866.119 | PRUDENTIAL TOTAL RETURN BD FD TEMPLETON GLOBAL BOND ADV | TGBA.X | 12.85 | 654,358.84 | 11.37 | 579,043.94 | 5.9 | 3.4 |
| 81,669.491 | WESTERN ASSET CORE PLUS BOND INSTL | WACP.X | 10.03 | 819,049.19 | 11.50 | 939,199.15 | 9.5 | 3.1 |

| **DOMESTIC EQUITY FUNDS** | |
| **Taxable Funds** | |
| 8,911.830 | VANGUARD INDEX FDS MD CP STK INST | VMCLX | 35.34 | 314,970.99 | 31.92 | 284,465.61 | 2.9 | 1.4 |
| 28,007.398 | ALGER FDS II | ASPZ.X | 18.58 | 520,381.24 | 17.27 | 483,687.76 | 4.9 | 0.0 |
| 18,322.985 | COLUMBIA FDS SER TR I | COFY.X | 22.72 | 416,296.67 | 21.01 | 384,965.91 | 3.9 | 0.9 |

| **Mid Cap Funds** | |
| 22,218.384 | COHEN & STEERS REALTY INCOME I | CSDLX | 15.05 | 334,312.80 | 13.84 | 307,502.43 | 3.1 | 3.0 |
| 6,795.495 | HARTFORD MIDCAP Y | HMDY.X | 21.25 | 144,383.71 | 28.64 | 194,622.98 | 2.0 | 0.0 |
| 10,014.207 | OAKMARK SELECT I | OAKL.X | 41.57 | 416,279.55 | 36.79 | 368,422.68 | 3.7 | 0.0 |
| 12,564.196 | PRUDENTIAL GLOBAL REAL ESTATE | PGRQ.X | 25.78 | 323,954.95 | 23.39 | 293,876.54 | 3.0 | 2.9 |

| **Small Cap Funds** | |
| 9,116.687 | ROYCE SPECIAL EQUITY INSTL | RSEL.X | 21.48 | 195,817.71 | 20.05 | 182,789.57 | 1.9 | 0.7 |

| 2,666,397.61 | 2,500,333.50 | 25.4 | 1.1 |
## PORTFOLIO APPRAISAL
*September 30, 2015*

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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.
Asset Allocation and Portfolio Updates

Cary M. Allison, CIMA®
Senior Institutional Consultant
September 30, 2015
<table>
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<tr>
<th></th>
<th>Fixed Income</th>
<th>Conservative</th>
<th>Moderate</th>
<th>Moderate Growth</th>
<th>Growth</th>
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NOTE: The Futuris portfolios listed above are sample representations only and may be altered from time to time at the discretion of the Trustee.
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<th>Moderate</th>
<th>Moderate Growth</th>
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<td>Global Bond</td>
<td>HWDIX</td>
<td>0.74%</td>
<td>11.0%</td>
<td>6.5%</td>
<td>5.0%</td>
<td>4%</td>
<td>2.5%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Legg Mason Brandywine Global Opportunities Bond</td>
<td>Global Bond</td>
<td>GOBSX</td>
<td>0.58%</td>
<td>5%</td>
<td>6%</td>
<td>5%</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Legg Mason Brandywine Alternative Credit</td>
<td>Global Bond</td>
<td>LMAMX</td>
<td>1.25%</td>
<td>3%</td>
<td>4%</td>
<td>4%</td>
<td>3%</td>
<td>2.5%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Templeton Global Bond Inst</td>
<td>Global Bond</td>
<td>TGMAX</td>
<td>0.64%</td>
<td>7%</td>
<td>9%</td>
<td>8%</td>
<td>6%</td>
<td>5.5%</td>
</tr>
<tr>
<td></td>
<td>Total Bonds</td>
<td>Subtotals</td>
<td>100%</td>
<td>84%</td>
<td>67%</td>
<td>55%</td>
<td>39%</td>
<td>24%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**SUMMARY**

|                  | Total Equities | 0% | 16% | 33% | 45% | 61% | 76% |
|                  | Total Fixed Income | 100% | 84% | 67% | 55% | 39% | 24% |
|                  | Grand Total | 100% | 100% | 100% | 100% | 100% | 100% |
|                  | Expense Ratio | 0.59% | 0.63% | 0.67% | 0.69% | 0.72% | 0.74% |

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

Prepared by Cary M. Allison, CIMA
Senior Institutional Consultant
# Portfolio Returns

*As of September 30th, 2015*

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>3 Mo</th>
<th>1-Yr</th>
<th>3-Yr</th>
<th>5-Yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Income</td>
<td>-0.38%</td>
<td>0.26%</td>
<td>1.94%</td>
<td>3.88%</td>
</tr>
<tr>
<td>Benchmark (Barclay’s Aggregate)</td>
<td>1.23%</td>
<td>2.94%</td>
<td>1.71%</td>
<td>3.10%</td>
</tr>
<tr>
<td>Conservative</td>
<td>-1.97%</td>
<td>-1.19%</td>
<td>2.49%</td>
<td>4.11%</td>
</tr>
<tr>
<td>Benchmark (85% BC Ag / 15% ACWI)</td>
<td>-0.43%</td>
<td>1.60%</td>
<td>2.58%</td>
<td>3.80%</td>
</tr>
<tr>
<td>Moderate</td>
<td>-3.16%</td>
<td>-1.46%</td>
<td>3.69%</td>
<td>4.76%</td>
</tr>
<tr>
<td>Benchmark (70% BC Ag /30% ACWI)</td>
<td>-2.09%</td>
<td>0.25%</td>
<td>3.44%</td>
<td>4.46%</td>
</tr>
<tr>
<td>Moderate Growth</td>
<td>-3.99%</td>
<td>-1.63%</td>
<td>4.52%</td>
<td>5.19%</td>
</tr>
<tr>
<td>Benchmark (55% BC Ag /45% ACWI)</td>
<td>-3.72%</td>
<td>-1.12%</td>
<td>4.28%</td>
<td>5.08%</td>
</tr>
<tr>
<td>Growth</td>
<td>-5.19%</td>
<td>-2.08%</td>
<td>5.52%</td>
<td>5.70%</td>
</tr>
<tr>
<td>Benchmark (40% BC Ag / 60% ACWI)</td>
<td>-5.35%</td>
<td>-2.50%</td>
<td>5.10%</td>
<td>5.66%</td>
</tr>
<tr>
<td>Aggressive Growth</td>
<td>-6.33%</td>
<td>-2.75%</td>
<td>6.57%</td>
<td>6.25%</td>
</tr>
<tr>
<td>Benchmark (25% BC Ag / 75% ACWI)</td>
<td>-6.96%</td>
<td>-3.89%</td>
<td>5.91%</td>
<td>6.19%</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.
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<thead>
<tr>
<th>Quarter</th>
<th>Fixed Income</th>
<th>Conservative</th>
<th>Moderate</th>
<th>Moderate Growth</th>
<th>Growth</th>
<th>Aggressive Growth</th>
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<td>3/31/2008</td>
<td>0.72%</td>
<td>-0.37%</td>
<td>1.49%</td>
<td>-3.40%</td>
<td>-5.13%</td>
<td>-6.50%</td>
</tr>
<tr>
<td>6/30/2008</td>
<td>-1.51%</td>
<td>-1.76%</td>
<td>1.17%</td>
<td>-1.47%</td>
<td>-2.15%</td>
<td>-0.97%</td>
</tr>
<tr>
<td>9/30/2008</td>
<td>-3.19%</td>
<td>-4.12%</td>
<td>-5.53%</td>
<td>-7.08%</td>
<td>-8.88%</td>
<td>-11.99%</td>
</tr>
<tr>
<td>12/31/2008</td>
<td>0.28%</td>
<td>-2.90%</td>
<td>6.17%</td>
<td>-6.76%</td>
<td>-9.65%</td>
<td>-13.11%</td>
</tr>
<tr>
<td>3/31/2009</td>
<td>-0.34%</td>
<td>-2.21%</td>
<td>-4.38%</td>
<td>-5.50%</td>
<td>-7.11%</td>
<td>-9.17%</td>
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<td>9.64%</td>
<td>12.08%</td>
<td>13.79%</td>
<td>15.91%</td>
<td>19.16%</td>
</tr>
<tr>
<td>9/30/2009</td>
<td>8.04%</td>
<td>9.48%</td>
<td>11.18%</td>
<td>12.23%</td>
<td>13.84%</td>
<td>15.75%</td>
</tr>
<tr>
<td>12/31/2009</td>
<td>2.06%</td>
<td>2.26%</td>
<td>2.60%</td>
<td>2.90%</td>
<td>3.18%</td>
<td>3.67%</td>
</tr>
<tr>
<td>3/31/2010</td>
<td>3.31%</td>
<td>3.59%</td>
<td>3.83%</td>
<td>3.97%</td>
<td>4.23%</td>
<td>4.46%</td>
</tr>
<tr>
<td>6/30/2010</td>
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<td>-2.38%</td>
<td>-3.89%</td>
<td>-5.73%</td>
<td>-7.85%</td>
</tr>
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<td>8.68%</td>
<td>9.87%</td>
<td>11.45%</td>
</tr>
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<td>2.45%</td>
<td>3.57%</td>
<td>5.03%</td>
<td>6.92%</td>
</tr>
<tr>
<td>3/31/2011</td>
<td>1.50%</td>
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<td>2.26%</td>
<td>2.58%</td>
<td>3.09%</td>
<td>3.58%</td>
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<td>1.28%</td>
<td>0.91%</td>
<td>0.49%</td>
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<td>2.35%</td>
<td>3.30%</td>
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<td>4.96%</td>
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<tr>
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<td>4.06%</td>
<td>5.37%</td>
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<td>7.62%</td>
<td>9.09%</td>
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<tr>
<td>6/30/2012</td>
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<td>-1.62%</td>
<td>-2.93%</td>
<td>-4.29%</td>
</tr>
<tr>
<td>9/30/2012</td>
<td>3.75%</td>
<td>4.14%</td>
<td>4.37%</td>
<td>4.57%</td>
<td>4.92%</td>
<td>5.18%</td>
</tr>
<tr>
<td>12/31/2012</td>
<td>1.52%</td>
<td>1.89%</td>
<td>2.22%</td>
<td>2.39%</td>
<td>2.63%</td>
<td>2.83%</td>
</tr>
<tr>
<td>3/31/2013</td>
<td>0.60%</td>
<td>1.47%</td>
<td>2.55%</td>
<td>3.32%</td>
<td>4.37%</td>
<td>5.57%</td>
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<tr>
<td>6/30/2013</td>
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<td>-2.48%</td>
<td>-1.80%</td>
<td>-1.36%</td>
<td>-0.74%</td>
<td>-0.09%</td>
</tr>
<tr>
<td>9/30/2013</td>
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<td>1.64%</td>
<td>2.58%</td>
<td>3.30%</td>
<td>4.29%</td>
<td>5.24%</td>
</tr>
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<td>2.85%</td>
<td>3.43%</td>
<td>4.36%</td>
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<td>3/31/2014</td>
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<td>1.97%</td>
<td>2.05%</td>
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<td>2.87%</td>
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<tr>
<td>9/30/2014</td>
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<td>12/31/2014</td>
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<tr>
<td>3/31/2015</td>
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<tr>
<td>6/30/2015</td>
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<td>-0.87%</td>
<td>-0.60%</td>
<td>-0.30%</td>
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<td>-3.99%</td>
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<td>-6.33%</td>
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### Annualized Returns

<p>| | | | | | | |</p>
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<tbody>
<tr>
<td>1 Year</td>
<td>0.26%</td>
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<td>-1.46%</td>
<td>-1.63%</td>
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<td>-2.75%</td>
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<tr>
<td>2 Years</td>
<td>2.92%</td>
<td>2.50%</td>
<td>2.75%</td>
<td>2.93%</td>
<td>2.94%</td>
<td>2.98%</td>
</tr>
<tr>
<td>3 Years</td>
<td>1.94%</td>
<td>2.49%</td>
<td>3.69%</td>
<td>4.52%</td>
<td>5.52%</td>
<td>6.57%</td>
</tr>
<tr>
<td>4 Years</td>
<td>3.96%</td>
<td>4.68%</td>
<td>5.91%</td>
<td>6.74%</td>
<td>7.82%</td>
<td>8.97%</td>
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<tr>
<td>5 Years</td>
<td>3.88%</td>
<td>4.11%</td>
<td>4.76%</td>
<td>5.19%</td>
<td>5.70%</td>
<td>6.25%</td>
</tr>
<tr>
<td>6 Years</td>
<td>5.24%</td>
<td>5.40%</td>
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<td>6.62%</td>
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<tr>
<td>7 Years</td>
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<td>6.58%</td>
<td>6.64%</td>
<td>6.65%</td>
<td>6.61%</td>
<td>6.52%</td>
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### Annual Returns

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<td>2008</td>
<td>-3.70%</td>
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<td>-14.75%</td>
<td>-20.09%</td>
<td>-25.83%</td>
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<tr>
<td>2009</td>
<td>18.28%</td>
<td>20.03%</td>
<td>22.25%</td>
<td>24.18%</td>
<td>26.47%</td>
<td>29.88%</td>
</tr>
<tr>
<td>2010</td>
<td>9.71%</td>
<td>10.70%</td>
<td>11.74%</td>
<td>12.48%</td>
<td>13.39%</td>
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</tr>
<tr>
<td>2011</td>
<td>5.44%</td>
<td>3.21%</td>
<td>1.10%</td>
<td>-0.38%</td>
<td>-2.47%</td>
<td>-4.71%</td>
</tr>
<tr>
<td>2012</td>
<td>10.27%</td>
<td>11.05%</td>
<td>11.67%</td>
<td>11.94%</td>
<td>12.49%</td>
<td>12.93%</td>
</tr>
<tr>
<td>2013</td>
<td>-0.56%</td>
<td>2.49%</td>
<td>6.25%</td>
<td>8.89%</td>
<td>12.75%</td>
<td>16.92%</td>
</tr>
<tr>
<td>2014</td>
<td>5.54%</td>
<td>4.95%</td>
<td>5.11%</td>
<td>5.35%</td>
<td>5.24%</td>
<td>5.19%</td>
</tr>
<tr>
<td>2015 YTD</td>
<td>-0.57%</td>
<td>-1.77%</td>
<td>-2.35%</td>
<td>-2.78%</td>
<td>-3.53%</td>
<td>-4.29%</td>
</tr>
</tbody>
</table>
SIERRA JOINT COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO: Retirement Board of Authority

DATE: 11/18/2015

SUBJECT: Investment Policy Statement (IPS) Review

ITEM #: 2015/2016-006

Enclosure: Yes
Action Item: Yes

Prepared by: Benefit Trust Company and Morgan Stanley Wealth Management

Requested by: Retirement Board of Authority

BACKGROUND:

Before assets are deposited to the Trust, an Investment Policy Statement (IPS) must be adopted which reflects the investment parameters and objectives of the Retirement Board of Authority. Once adopted, the Investment Policy Statement (IPS) governs the actions of the Discretionary Trustee and its Advisor in the selection and monitoring of investments for the Trust.

STATUS:

The members of the Retirement Board of Authority, with the assistance of Benefit Trust Company (BTC) and Morgan Stanley Wealth Management (MS) will review the provisions of the Investment Policy Statement. A key to this process may be a review of the Board’s risk attitude as well as the capacity to accept investment risk as measured through the completion of a Risk Tolerance Questionnaire.

RECOMMENDATION:

Discuss the information received and modify the Investment Policy Statement for the investment of Trust assets if needed, or otherwise affirm it in its present form.
INVESTMENT POLICY STATEMENT

Sierra College

The purpose of this Investment Policy Statement is to establish a comprehensive strategy for the acceptance and accumulation of invested assets under the Futuris Public Entity Investment Trust (the "Trust"), which has been adopted for use by Sierra College (the "Employer") for, among other things, to assist the Employer in meeting applicable funding requirements for the payment of future retiree health and welfare obligations and other post-employment benefit obligations (generally referred to as "OPEB Liability"), but may also be used to fund other purposes related to excess funds of the Employer as allowable under applicable law.

This Investment Policy Statement shall be consistent with the governing law, including the Internal Revenue Code of 1986 as amended from time to time (the "Code"), applicable provisions of Governmental Accounting Standards Board Statement Nos. 43 and 45, California laws, including applicable provisions of the California Government Code.

TRUST FUNDING STATEMENT

The purpose of the Trust is to provide a uniform method of investing contributions and earnings of all contributed amounts between funds deposited within the Trust Fund, as such term is defined within the Trust. The Trust shall be funded primarily by irrevocable contributions made by the Employer, but may also include other contributions made by any Participant as determined necessary and appropriate under applicable circumstances and in compliance with underlying legal requirements. These contributions shall be remitted to the Trust on a discretionary basis, as determined by and through the direction of the Employer, or such delegated Trust.

BOARD OF AUTHORITY

The Board of Authority (the "BOA") is directly responsible for the implementation and oversight of this Investment Policy Statement. This responsibility includes the selection and ongoing evaluation of investments and/or investment managers in accordance with applicable laws and regulations. However, these investment responsibilities may be delegated to an authorized third-party trustee. In this case, the BOA has appointed Benefit Trust Company ("BTC") as Discretionary Trustee and Trust Fund custodian, who may further designate and delegate any corresponding Investment Manager responsibilities as set forth below. On behalf of the Trust, and as approved by the BOA, BTC shall administer the assets of the Trust in such a manner that the investments are:

- Prudent; in consideration of the stated purpose of the Trust, any underlying Plan and in accordance with Article 16, Section 17 of the California Constitution creating a Retirement System, and California Government Code Sections 53620 through 53622, as applicable;
- Diversified; among a broad range of investment alternatives;
- Permitted; in accordance with the terms of the Trust, any applicable Plan document and
in accordance with California Government Code Sections 53620 through 53622 and other applicable requirements;

- Selected; for the exclusive benefit of the Plan participants as it relates to the funding of retiree health and welfare benefits, or as otherwise deemed appropriate for the purposes set forth by the Trust.

The above notwithstanding, the BOA retains the responsibility to oversee the management of the Trust, including BTC’s, or any successor trustee’s, requirement that investments and assets held within the Trust continually adhere to the requirements of California Government Code.

INVESTMENT OBJECTIVES

The Trust authorizes the use of a broad range of investment choices that have distinctly different risk and return characteristics. In general, assets held in the Trust Fund will be for the primary purpose of meeting present and future OPEB Liability obligations and may be invested in accordance with California Government Code Sections 53600 through 53622 that subject to applicable legal requirements may provide greater latitude to increase purchasing power and capital growth potential if deemed prudent to do so.

Though investment responsibilities are delegated to the Trustee, the BOA determines the target return that is applicable for this Trust as it relates to those assets held in the Trust Fund. Attachment A of this Investment Policy details the target return selected by the BOA. The target return may be modified from time to time by amending the Appendix. Related to the investments and the holding of investments themselves, the Trustee may cause any or all of the assets of the Trust to be commingled, to the extent such investment and the issuance thereof would be exempt under the provisions of Sections 2(a)(36), 3(b)(1) or 3(c)(11) of the Investment Company Act of 1940 or Section 3(a)(2) of the Securities Act of 1933, with the assets of trusts created by others, causing such money to be invested as part of a common and/or collective trust fund.

PERIODIC ANALYSIS AND EVALUATION

The BOA and/or its designees shall periodically meet with the Trustee to review investment performance reports that analyze the performance of the managers selected in each market sector that take into consideration:

- adherence to applicable legal constraints on investment prudence;
- consistency and adherence to stated investment management style and discipline;
- risk adjusted performance relative to managers with similar style;
- long-term investment performance relative to appropriate benchmarks; and
- changes in investment personnel managing the portfolio
ETHICS AND CONFLICT OF INTEREST

Officers, employees, and agents involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions. Officers, employees, and agents involved in the investment process shall abide by the California Government Code Section 1090 et seq. and the California Political Reform Act (California Government Code Section 81000 et seq.)

AMENDMENT

The BOA shall have the right to amend this Policy, in whole or in part, at any time and from time to time.

ADOPTION

The BOA hereby adopts the provisions of this Investment Policy Statement as of this 3rd day of October, 2014.

By: Chris Yatooma, Vice President, Administrative Services

By: Cameron Abbott, Director of Human Resources

By: Arlene Goff, Federation of United School Employees (FUSE)

By: Todd Jensen, Sierra College Faculty Association (SCFA)

By: Sierra College Management Association (SCMA)

By: Mandy Davies, Vice President of Student Services
Subject to the ability of the Board of Authority and Trustee to deviate from these guidelines as set forth under the heading "Investment Objectives" in the Statement, the Board of Authority has determined after due consideration to the time horizon of the trust, trust liquidity needs, and the District’s risk tolerance and capacity for risk, that the Trust Fund shall be invested with the objective of achieving a target net return of 6%, as well as an additional 1% to cover the costs of trust administration, GASB 43 and GASB 45 compliance.

In accordance with Article 16 Section 17 of the California Constitution creating a retirement system and California Government Code sections 53620 through 53622, the Board of Authority has the authority to invest or reinvest funds intended for the payment of employee retiree health benefits under a prudent investor standard and shall diversify investments so as to minimize the risk of loss and to maximize the rate of return. The Trustee shall establish investment portfolios on a discretionary basis to meet the diverse needs of the Trust and its applicable purposes. Applicable provisions and requirements of, in particular, the California Government Code (specifically provisions under Sections 53216.1, 53216.5 and 53216.6, as applicable) shall be examined before selecting the investment portfolios to achieve the targets stated above.

The Trustee shall manage the Trust investments on a discretionary basis such that the total allocation among various investment styles, capitalizations, fund managers and securities is established and re-balanced from time-to-time so as to meet the Trust’s overall target return objectives with the least amount of risk. The Trust assets shall not be invested in any proprietary investment vehicles of the Trustee or any of its affiliates or advisors.

**Equity Investments**

The purpose of the aggregate equity allocation within the Trust is to provide a total return consisting primarily of appreciation, with dividend income a secondary consideration. In order to maximize return opportunity while minimizing risk, the Trustee shall, in its discretion, allocate the Trust’s equity allocation among a diverse group of equity fund managers, taking into consideration such factors as investment style (value, growth, international, etc.) as well as the capitalization (large, mid, small, etc.) of the investment.

Permitted equity investments shall include:

- Publicly traded common stocks, preferred stocks, securities convertible into common stocks, and securities which carry the right to buy common stocks, listed on a major United States stock exchange, including stocks traded through the NASDAQ Stock Market;
- American Depository Receipts ("ADRs");
- SEC-registered open-end mutual funds and Bank, Insurance Company or Trust Company commingled funds which invest primarily in stocks and other instruments which are allowable securities under these policies and objectives;
Closed-end SEC-registered mutual funds which invest primarily in stocks and other instruments which are allowable securities under these policies and objectives; and

Exchange Traded Funds ("ETFs") which invest primarily in stocks and other instruments which are allowable securities under these policies and objectives.

In managing the equity portfolio, the Trustee shall not do any of the following:

- buy equity securities on margin;
- short-sell equity securities;
- buy or sell futures contracts in any form, except that the Trustee is authorized to buy or sell such contracts specifically for purposes of, and only for purposes of, a hedge against portfolio loss;
- buy or sell put or call options on stocks, indexes or futures contracts;
- buy or sell foreign securities not registered through an SEC filing or not denominated in U.S. dollars; or
- buy or sell any securities which are not publicly traded.

However, all of the above restrictions shall be permitted in open-end or closed-end mutual funds, commingled funds, or ETFs, if in the opinion of the Trustee these activities are consistent with fund objectives and prudent management, and the investments provide for daily liquidity.

Additionally, certain securities may not be held directly, but only in open-end or closed-end mutual funds, commingled funds, or ETFs. These include common stocks, preferred stocks, and securities convertible into common stocks and securities that carry the right to purchase common stocks of non-U.S. companies traded on global exchanges, traded in any currency, as well as restricted securities of U.S. and non-U.S. companies, including securities issued through private offerings, and forward currency contracts or currency futures contracts to hedge foreign currency exposure.

Not more than 5% of the Trust assets shall be invested in any single equity security. The foregoing limitation is not intended to apply to the percentage of Trust assets invested in a single diversified mutual fund.

Both an investment fund manager’s performance and the performance of individual securities, if purchased, will be compared to the following benchmarks based upon the particular investment style and capitalization range:

- Domestic Equities: S&P 500
- International Equities: MSCI EAFE and ACWI ex.U.S.

The Trustee shall pay particular attention to rolling 3 and 5 year time frames as well as shorter periods should the situation warrant. In addition, the Trustee shall measure and compare the exposure to risk of the Trust’s equity portfolio with benchmarks appropriate for the investment style and capitalization range of each such investment.
**Fixed Income Investments**

The purpose of the aggregate fixed income allocation within the Trust is to provide a total return consisting of income and appreciation, while preserving capital by investing in a diversified portfolio of high quality fixed income securities. The investment objective of the fixed income portfolio is to achieve a total return commensurate with the overall bond market as measured by the Barclay's Aggregate Bond Index for domestic securities, and the Barclay's Global Bond Index for international securities, with attention given to rolling 3 and 5 year time frames as well as shorter periods should the situation warrant. In addition, the Trustee shall measure and compare the exposure to risk of the Trust’s fixed income portfolio with benchmarks appropriate for the investment style and capitalization range of each such investment.

Permitted securities shall include:

- Obligations of the U.S. Government and its agencies;
- Bonds issued by U.S. Corporations or U.S. subsidiaries of foreign companies that are incorporated within the U.S. and carry a minimum BBB rating;
- Certificates of Deposit issued by banks or savings and loans of sound financial condition under FDIC management, with never more than $100,000 (including interest) in any single institution;
- Money market funds and money market instruments of an investment grade commonly held in money market funds such as repurchase agreements, banker’s acceptances, commercial paper, etc.
- SEC-registered open-end mutual funds and Bank, Insurance Company and Trust Company commingled funds which invest primarily in bonds and other instruments which are allowable securities under these policies and objectives;
- Closed-end SEC registered mutual funds which invest primarily in bonds and other instruments which are allowable securities under these policies and objectives;
- Exchange Traded Funds (“ETFs”) which invest primarily in bonds and other instruments which are allowable securities under these policies and objectives;
- Investment grade foreign government or corporate bonds carrying a minimum BBB rating, whether or not denominated in U.S currency, and whether or not hedged for foreign currency risk;
- Securities backed by pools of consumer or corporate receivables other than mortgages (“Asset-backed Securities”), provided that these securities have been registered with the SEC for public offering and that they meet the requirements of these policies and objectives and carry a minimum BBB rating; and
- U.S. Agency mortgage-backed pass-through securities.
In managing the fixed income portion of the Trust assets, the Trustee shall not do any of the following:

- buy fixed income securities on margin;
- short-sell fixed income securities;
- buy or sell futures contracts in any form, except that the Trustee is authorized to buy or sell such contracts specifically for purposes of, and only for purposes of, a hedge against portfolio loss;
- buy or sell put or call options on bonds, indexes or futures contracts;
- buy or sell foreign securities not registered through an SEC filing or not denominated in U.S. dollars; or
- buy or sell any securities which are not publicly traded except U.S. Government or agency-backed mortgages.

However, all of the above restrictions shall be permitted only in open-end or closed-end mutual funds, commingled funds, or ETFs, if in the opinion of the Trustee these activities are consistent with fund objectives, prudent management, risk mitigation, and the investments provide for daily liquidity. In addition, investment in non-investment grade bonds or loans by such funds shall be permitted so long as the average aggregate rating of the funds are investment grade, and in the opinion of the Trustee the proportion of non-investment grade bonds to investment grade bonds in the portfolio is prudent.

Not more than 5% of the Trust assets shall be invested in any single debt security. The foregoing limitation is not intended to apply to the percentage of Trust assets invested in a single diversified mutual fund, nor does the limitation apply to obligations of the U.S. Government and its agencies, U.S. agency mortgage-backed pass-through securities or to a mutual fund that invests in such obligations or securities.

**Use of Mutual Funds**

The Board of Authority envisions that the Trustee will invest predominantly in open and closed-end mutual funds. The Board recognizes that the limitations and restrictions set forth in this Statement cannot be imposed on the managers of such mutual funds and that mutual funds held by the Trust may be managed outside of the requirements of this Statement. Nonetheless, the Trustee shall seek to identify mutual funds that comply as closely as possible to these guidelines and shall diligently monitor for prompt removal and replacement of those that do not.

**Performance Review**

In the execution of its fiduciary responsibilities, the Trustee shall review, on a regular basis, the performance of the various investments and fund managers employed by the Trust to determine if assets are being properly managed according to the stated objectives and policies set forth in the Trust Agreement and in this Statement. The Trustee shall view performance and investment risk on the basis of a full 3 to 5-year market cycle, though the stated objectives and policies of the Trustee may result in the prompt sale of a security or dismissal of a fund manager based upon shorter term results. In addition, any deviation or change in the structure, management or
investment style of any fund manager employed shall precipitate a review by the Trustee to determine whether or not that manager should be retained.

**Change of Target Return**

The Board of Authority may, from time to time, discuss with Trustee the need to change target investment returns for the trust or any portion thereof as conditions or characteristics of the Trust, or applicable Fund requirements change. In the event a change is made, a new Appendix A will be adopted by the Board of Authority to reflect the change.
SIERRA JOINT COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO: Retirement Board of Authority

DATE: 11/18/2015


ITEM #: 2015/2016-007

Enclosure: Yes

Action Item: No

Prepared by: Benefit Trust Company (BTC)

Requested by: Retirement Board of Authority

BACKGROUND:

The Morgan Stanley’s Consulting Group Investment Advisor Research (CG IAR) process scours a universe of over 14,000 stand-alone mutual funds, separately managed accounts and ETFs and through selection and monitoring disciplines developed and refined over four decades narrows the universe to a menu of high quality mutual funds suitable for client fiduciary objectives. In this connection, CG IAR provides continual oversight of the investment managers on the CG IAR platform in an effort to ensure that their strategies meet high investment, business and operations/compliance oversight standards. This selection and monitoring framework facilitates the CG IAR mutual fund platform in maintaining the highest conviction strategies that CG IAR believe can outperform appropriate indices and peers over a full market cycle.

STATUS:

The Retirement Board of Authority (RBOA) members shall analyze the results of Benefit Trust Company’s Due Diligence Meeting with Morgan Stanley in New York -- June 2015.

RECOMMENDATION:

The Retirement Board of Authority shall received the information presented and file accordingly.
## BRIEFING AGENDA

**FRIDAY, JUNE 5, 2015**

**GUESTS**

- Scott Rankin, Senior Vice President
  Benefit Trust Company
- Glenn Coyle, Senior Vice President
  Benefit Trust Company
- Gail Beal, Senior Vice President
  Keenan & Associates

**HOST**

- Cary Allison, Senior Vice President
  Roseville, CA
  Morgan Stanley Wealth Management

### TIME | TOPICS | PRESENTERS
---|---|---
9:00 AM – 10:00 AM | Market Update  
**Breakfast** | Lisa Shalett, Managing Director  
Head of Investment & Portfolio Strategies  
Global Investment Committee Member  
Morgan Stanley Wealth Management

10:00 AM – 10:15 AM | **Break** | 

10:15 AM – 11:00 AM | Global Market & Fixed Income Update | Jon Mackay, Managing Director  
Senior Markets Strategist  
Morgan Stanley Wealth Management

11:00 AM – 11:45 AM | CG Due Diligence | Paul Ricciardelli, Executive Director  
Co-head of Global Investment Manager Analysis  
Morgan Stanley Wealth Management

11:45 PM – 12:00 PM | **Break** | 

12:00 PM – 1:00 PM | **Lunch** |
Consulting Group Investment Advisor Research: Manager Selection Process

SUMMARY

- Given the considerable number of investment choices available and the increasingly complex market environment facing investors today, the importance of a sound investment manager selection process becomes abundantly clear.

- Consulting Group Investment Advisor Research (CG IAR) provides comprehensive manager research on a wide range of investment strategies, including separately managed accounts (SMAs), mutual funds and exchange-traded funds (ETFs) in the equity, fixed income and alternative investment spaces.

- By continually analyzing and monitoring the investment strategies on our platform and scouring the investment universe for new products, our goal is to offer clients a menu of high quality investments suitable for their objectives. And through our Focus List, we provide clients with our highest conviction strategies that we believe can outperform appropriate indexes and/or peers over a full market cycle.

- The following paper details CG IAR’s manager selection process and the related resources available to Financial Advisor by focusing on the following topics:
  - The CG IAR Value Proposition: Why It Pays To Have A Manager Research Process
  - The CG IAR Investment Process
  - What Does CG IAR Look For In A Manager?
  - Active Versus Passive
  - Adverse Active AlphaSM Manager Ranking and Screening Tool
  - How To Pick A Manager
  - Available Resources and Where To Find Them

This report is only to be used in connection with investment advisory programs and not brokerage accounts.

Before investing, consider the fund’s investment objectives, risks, charges and expenses. Contact your Financial Advisor or Private Wealth Advisor for a prospectus containing this and other information about the fund. Read it carefully before investing.

This is not a "research report" as defined by FINRA Rule 2711 and was not prepared by the Research Departments of Morgan Stanley Smith Barney LLC or its affiliates.

INVESTMENT PRODUCTS: NOT FDIC INSURED*NO BANK GUARANTEE*MAY LOSE VALUE
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INTRODUCTION

Given the thousands of separate accounts, mutual funds and ETFs available in the marketplace, investors can be excused for feeling a bit overwhelmed. In addition, the vast and varied securities markets and financial instruments make it more difficult for investors to anticipate actions that could affect the health of their holdings. With this backdrop in place, the importance of a sound investment manager selection process becomes all the more imperative and the benefit of utilizing a proven leader in managed money services such as Consulting Group is clear.

CG IAR’s Value Proposition: Why It Pays To Have A Manager Research Process Versus Throwing Darts

Consulting Group has a long history of providing investors with high quality products and resources while delivering unbiased, objective investment advice to clients. In fact, Consulting Group celebrated its 40th anniversary in 2013. Looking back over the past 40 years, the number of investment options available has grown dramatically along with the complexity of the global financial system and the proliferation of investment advice by various financial intermediaries.

Forty years ago, there were only about 360 mutual funds in existence compared to today’s 6,000+ and ETFs, which now number over 1,400, did not exist. In total, there are now more than 6,100 unique stand-alone mutual funds, more than 6,400 separately managed accounts and more than 1,400 ETFs from which investors can choose in the U.S.7

Given this backdrop, the importance of partnering with a proven leader in managed money services such as Consulting Group is evident, as is the importance of a sound investment manager selection process. Consulting Group Investment Advisor Research (CG IAR) continues to believe that active management plays an important role in investment management and that the added value afforded through sound manager selection can better help investors reach their goals.

CG IAR narrows down the list of more than 14,000 separately managed accounts, mutual funds and ETFs to about 1,100 approved for use in our advisory programs. We also offer a more concentrated Focus List of our highest conviction strategies to further help advisors with manager selection.

Using a manager search, selection and monitoring process that CG IAR has developed over decades and refined as necessary, we provide continual oversight of the investment managers on the Consulting Group platform in an effort to ensure that the strategies meet high investment, business and operations/compliance oversight standards. We also continually search for high conviction investment options among the thousands available in the investment universe. Additionally, our Focus List provides clients with our highest conviction strategies that we believe can outperform appropriate indexes and peers over a full market cycle.

We also provide investors with ongoing analysis of each investment strategy on our platform through written research reports and quarterly performance updates. In this way, investors will always know where we stand in relation to our opinion of a manager.

In case you wonder whether our decades of experience in the investment business make us complacent, we would suggest just the opposite. Our extensive experience allows us to make appropriate and timely changes to our investment process as necessary. As times change and the investment landscape evolves, our manager research process will evolve in response.
The CG IAR Investment Process

CG IAR has a comprehensive manager research process incorporating a long history of researching investment managers to find high quality investment options.

Although CG IAR has a robust list of researched investment products, we may initiate a manager search or otherwise add a manager to the platform for various reasons including product closures or a desire to increase exposure in a certain asset class. We may also decide to add to our lineup because we find a compelling strategy that we believe offers the potential to add value for clients. Potential strategy additions may come from managers we already cover, our knowledge of the existing or new entrants in an asset class and/or screening of the various investment universe categories.

Manager Search

Once CG IAR decides to evaluate an investment strategy, we perform a comprehensive review that may span up to 40 hours or more and includes multiple touch points with the firm under review. The first step is to obtain a completed request for proposal (RFP) from the investment manager. The RFP questionnaire includes a great deal of qualitative and quantitative information about the manager, such as the firm’s assets under management, details of the manager’s investment process, firm personnel and ownership details, legal and compliance procedures and issues and composite performance and dispersion information.

Although receiving a completed RFP is an important step in the search process, CG IAR analyzes many other factors when deciding on the merits of an investment strategy. As detailed below, we spend a considerable amount of time deconstructing the investment process, always trying to decipher which strategies have proven, consistent and repeatable processes with the ability to outperform in a variety of market environments. The ultimate goal is to find strategies which we believe have the ability to outperform over a full market cycle. At the same time, we look for investment firms with business strength and established operational and compliance controls. We also prefer firms with strong investment cultures and incentives for professionals to deliver above-average investment performance.

One of CG IAR’s competitive strengths is that due to our size and status in the industry, we have exceptional access to investment management firms throughout the industry. In researching possible additions to our platform, CG IAR has multiple points of contact with the candidates. Interactions include conference calls to review managers’ investment personnel, processes, investment management competitive strengths, business and operational procedures, performance and attribution. Additionally, we conduct comprehensive on-site visits with potential Focus List candidates. All along the way, CG IAR has access to the primary decision makers and business leaders at each of the firms.

Once CG IAR completes a review, investment strategies may receive one of three statuses: Not Approved, Approved List or Focus List. Not Approved managers do not meet our overall investment standards. Investment strategies that qualify for the Approved List or Focus List are approved for advisor use and are placed on the appropriate Consulting Group advisory platform. Additionally, the Tactical Opportunities List further identifies investment products that may benefit from shorter-term market trends.

Focus List

The Focus List includes investment products where CG IAR has a high degree of conviction in the overall investment strategy and its ability to outperform its market benchmark and/or peer group category over a full market cycle. While there is no overall quantitative formula for determining which managers make it to the Focus List, CG IAR typically only includes managers on this list when there is a high degree of confidence in the strategy’s personnel, investment process, business fundamentals and ability to outperform appropriate benchmarks over the long term.

Prior to a manager being placed on the Focus List, CG IAR normally performs an on-site visit at the manager’s office. The on-site visit consists of detailed meetings with a firm’s investment, business, trading, operations and compliance personnel.

On the investment side, we meet with lead portfolio manager(s) for each strategy, as well as supporting analysts and traders in order to gain a thorough understanding regarding the firm’s investment process and assess the skills of the investment personnel.
From a business perspective, we typically meet with a firm's CEO or an individual in a similar leadership position and/or other appropriate business representatives in order to assess the health of the organization and the investment culture the firm fosters. We also meet with key operations and compliance personnel, including the firm's chief compliance officer.

Once CG IAR places a manager on the Focus List, we commit to a higher level of on-going due diligence whereby our analysts typically conduct an annual on-site visit, prepare a detailed research report highlighting our opinion of the manager, perform quarterly attribution focusing on short- and long-term performance and portfolio characteristics and have frequent contact with the manager to ensure the strategy continues to meet our standards.

**Focus List**
The Focus List is our high conviction list of managers approved for use in advisory programs. Focus List status indicates CG IAR's high confidence level in the overall quality of the investment option and its ability to outperform applicable benchmarks over a full market cycle.

**Approved List**
Approved List managers meet an acceptable due diligence standard based upon CG IAR’s evaluation and are approved for use in advisory programs. There is a fairly wide range included on the list from those managers meeting minimum standards up to managers that CG IAR considers close to Focus List quality.

**Tactical Opportunities List**
Draws from the Focus List and the Approved List and looks for managers that may benefit from expected market trends, such as outperformance by a particular style, factor, or asset class over a somewhat shorter time period – typically defined as one to three years.

**Approved List**
The Approved List identifies investment products that meet acceptable CG IAR research standards and thus qualify as suitable investments for advisory clients. Although managers on the Approved List are considered acceptable for use by investors, there is a fairly wide band included on the list from managers meeting what we consider minimum standards up to managers that CG IAR considers as potential upgrades to Focus List status.

CG IAR typically has multiple points of contact with firms whose strategies are on the Approved List and we formally conduct an annual due diligence conference call or on-site visit and prepare a written report. As part of our manager review, CG IAR may also utilize a proprietary algorithm that ranks investment strategies based on quantitative and qualitative information obtained from the investment managers.

**Tactical Opportunities List**
The Tactical Opportunities List (TOL) identifies investment products that Consulting Group Investment Advisor Research (CG IAR) believes may benefit from expected market trends, such as outperformance by a particular asset class, style, sector or factor. The products typically are sourced from the Focus List, but may also come from the Approved List. These investment products are added to the Tactical Opportunities List, indicating that CG IAR believes they may deliver above-average relative performance over a shorter period, typically defined as a term of one to three years. CG IAR considers the views and tactical asset allocation of the Morgan Stanley Wealth Management Global Investment Committee (GIC) as well as Alpha Driver analysis (factor analysis) from Global Investment Solutions (GIS) in creating the TOL.

Traditional manager research opinions are formulated with time horizons that last at least a full market cycle with an expectation of outperformance and reflect a view on the manager's qualitative strength. The TOL provides an additional layer of advice beyond the Focus List and Approved List by overlaying an opinion about current and expected market conditions to the traditional research qualitative strength analysis.

The TOL is designed to improve client returns by expanding the manager hire/fire decisions beyond historical performance. Historical manager returns relative to benchmarks and peers are driven by three main factors – skill, luck and favorable or unfavorable market conditions for the manager's investment philosophy. Manager hiring/firing decisions based on historical "alpha" may attribute excess returns to skill. The role played by luck and favorable or unfavorable market conditions are far too often ignored but may be more important than skill over shorter time-periods. With the TOL, we try to answer the following questions:

- "Are the market conditions we expect likely to create tailwinds for a manager?"
- "Who should I hire now?"
- "Should I continue to hold manager XYZ who has underperformed?"
TOL PHILOSOPHY

- Manager investment strategies come in and out of favor.
- Manager selection and client returns can be greatly improved by selecting managers that have exposures to factors or styles that are in favor or likely to “come into favor.”
- The probability of discovering a factor or management style that is likely to be rewarded can be greatly enhanced by focusing on relative valuation metrics and relative strength.
- GIC tactical asset allocation advice, outlook and views can be used to help find attractive tactical opportunities and enhance manager selection within investment styles.

TOL INVESTMENT PROCESS

The goal of the TOL is to highlight products with outsized exposures to favorable factors, asset classes, sectors or styles that are in favor or expected to come into favor. The two key inputs are the Alpha Driver analysis (factor analysis) from GIS and the views and tactical asset allocation advice from the GIC.

The Alpha Drivers identify and model factors that drive portfolio returns. These Alpha Drivers include items such as quality, beta, dividend yield, value and momentum. In each case, GIS determines the current attractiveness of each specific Alpha Driver using a valuation composite of value-oriented factors, relative strength analysis and an analysis of growth prospects. Alpha Driver analysis is a key input for domestic equity product selection along with the views and tactical positioning of the GIC. The GIC’s tactical asset allocation advice and outlook are key inputs in global equity and global fixed income TOL product selection.

CG JAR reviews the outlook and views of the GIC and determines manager portfolio positioning. For example, GIC advice regarding regional preferences in global equity, style and sector preferences in U.S. equity and sector preferences in global fixed income are often key inputs to TOL product selection.

STYLES AND SUB-STYLES

We also want to understand how investment products should perform in various market environments so that we have appropriate performance expectations. To this end, we assign each Focus List investment strategy to an investment style. For equity strategies, we also assign sub styles. Equity styles and sub styles are primarily based on an evaluation of a strategy’s investment process, as well as historical holdings, investment characteristics and performance patterns. These classifications can assist advisors in making portfolio asset allocation decisions and in determining the most appropriate strategies for specific client needs.

DOMESTIC EQUITY INVESTMENT STYLES AND SUB STYLES

<table>
<thead>
<tr>
<th>Style</th>
<th>Growth</th>
<th>Core</th>
<th>Value</th>
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<tbody>
<tr>
<td>Capitalization</td>
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<td>Multi</td>
<td>Conservative</td>
<td>Value Oriented</td>
<td>Discount</td>
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<td>Large</td>
<td>Traditional</td>
<td>Blend</td>
<td>Traditional</td>
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<tr>
<td>Mid</td>
<td>Aggressive</td>
<td>Growth Oriented</td>
<td>Relative</td>
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<td>Small</td>
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</table>
**INTERNATIONAL EQUITY INVESTMENT STYLES AND SUB STYLES**

<table>
<thead>
<tr>
<th>VALUE-</th>
<th>BLEND</th>
<th>GROWTH-</th>
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<tr>
<td>ORIENTED</td>
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<td>ORIENTED</td>
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- International Equity
- International Small/Mid Cap
- Global Equity
- Global Small/Mid Cap
- Emerging Markets

**FIXED INCOME INVESTMENT STYLES**

<table>
<thead>
<tr>
<th>SHORT</th>
<th>INTERMEDIATE</th>
<th>LONG</th>
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<tr>
<td>Cash Management</td>
<td>Corporate</td>
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<tr>
<td>Stable Value</td>
<td>Absolute Return</td>
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<tr>
<td>Bank Loan</td>
<td>Opportunistic</td>
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<td>Inflation Linked</td>
<td>High Yield</td>
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<td>Mortgage Backed</td>
<td>Municipal High Yield</td>
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<td>Global</td>
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<td>Municipal</td>
<td>International</td>
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<td>Core</td>
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<td>Core Plus</td>
<td>Emerging Markets</td>
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Given the different investment characteristics of the international and global markets, the investment styles are broken down somewhat differently from those of the domestic strategies. However, the categorizations are still primarily based on an evaluation of a strategy's investment process, as well as historical holdings, investment characteristics and performance patterns, as well as whether or not the products invest internationally or globally, or in emerging markets. Additionally, the small and mid capitalization categories are combined and include small cap, mid cap and small/mid cap strategies.

Fixed income strategies receive a style designation primarily based on the types of securities held and the duration and credit quality of the portfolios. Given the myriad types of fixed income securities, the strategies do not receive a sub style, but instead receive a specific style – as noted in the table above – that identifies the type of bonds in which the product invests.
WHAT DOES CG IAR LOOK FOR IN A MANAGER?

Investment strategies vary widely based on numerous factors and one process is not appropriate for every manager. Therefore, although CG IAR does not have one blueprint that we think each Focus List manager should adhere to, we do have preferred attributes that we like to see in an investment strategy. The table below lists some of these attributes.

<table>
<thead>
<tr>
<th>CG IAR PREFERRED ATTRIBUTES FOR ACTIVE STRATEGIES</th>
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<tbody>
<tr>
<td>Talented and Deep Investment Team</td>
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<td>Clearly Articulated Process</td>
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<td>Repeatable and Consistent Process</td>
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<td>Strong Security/Credit Selection</td>
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<td>High Active Share</td>
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<td>High Conviction Portfolio</td>
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<td>Additive Top Down Process</td>
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<td>Strong Risk Controls</td>
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<td>Duration and Yield Curve Management</td>
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<td>Disciplined Buy &amp; Sell Process</td>
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<td>Strong Relative &amp; Risk Adjusted Performance</td>
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<td>Outperformance Driven by Security Selection</td>
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<td>Style and Performance Pattern Consistency</td>
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<td>Equitable Distribution of Employee Ownership</td>
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<td>Strong Business Leadership</td>
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<td>Strong Investment Culture</td>
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<td>Low Personnel Turnover</td>
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<td>Reasonable Succession Planning</td>
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<td>Diversified, Stable Asset Base</td>
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<td>Extensive Resources</td>
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<td>Investment Professional Incentives</td>
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<td>Investment Professional Contracts</td>
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<td>Alignment of Interests with Clients</td>
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INVESTMENT PROCESS

As one might expect, CG IAR spends a great deal of time examining the investment processes of the managers and prospective managers on our platform. Our ultimate goal is to find high conviction strategies with the ability to outperform over a full market cycle. However, we also want to understand how each investment strategy will perform in various market environments and in which investment style the strategy belongs.

Money managers' investment processes vary considerably across the spectrum of investment products. And so while one process does not fit all, we generally like to find managers with well defined, proven, consistent and repeatable investment processes that can outperform in a variety of market environments. Repeatable processes more often than not are fundamentally based and produce results that our analysts can quantify as to their efficacy by looking at how and why a manager selects the investments in its portfolio. However, we also realize that different managers may have different types of investment processes that are successful.

While CG IAR does include certain managers with a top-down focus on our Focus List, equity money managers that rely more on top-down forecasts may not be as likely to have a consistently repeatable investment process and they run the risk that their forecasts could be wrong. Top-down managers also often make large factor bets, such as placing a large percentage of assets in one or two sectors. While these types of bets can be successful, oftentimes the success of large factor bets is reversed in subsequent periods, which leads to disappointing relative performance.

Successful equity managers often emphasize fundamental investment characteristics such as return on equity or return on capital and often emphasize companies with strong competitive advantages and clean balance sheets. A strong valuation discipline is also typically associated with the managers on our platform. At the same time, many successful money managers additionally have a top-down overlay as an additive part of their process.

On the fixed income side, we also look for well-defined, repeatable investment processes with the ability to perform well in various environments. Additionally, many successful fixed income managers possess a strong top-down component based on longer-term secular trends that inform the investment decision making process. Generally, we prefer fixed income managers with the ability to add alpha through multiple sources, including duration and yield curve positioning, sector rotation, security selection and currency management. This is viewed positively because the use of multiple sources may reduce the possibility of any single source dragging down performance.
**RISK MANAGEMENT**

In both the equity and fixed income arenas, we additionally seek managers with both strong risk management skills and a record of generating attractive risk-adjusted returns. For equity managers, risk management often takes the form of appropriate sector, industry and individual stock weighting constraints, as well as style consistency and strong buy and sell disciplines.

For fixed income managers, risk management is also about appropriate position sizing, but incorporates additional factors such as duration, yield curve, credit selection, counterparty risk and, if applicable, currency risk. Successful fixed income managers should have devoted resources to evaluate risk measures at both the individual security level and the portfolio level. Often, these quantitative tools are used to assess market risk factors, conduct stress test scenarios and help manage credit risk.

**PAST PERFORMANCE**

CG IAR believes that it is important to examine past performance of active managers. However, blindly looking at past performance can be dangerous because managers that outperformed in the past often are not the same managers that outperform in the future. In fact, manager relative returns often experience a reversion to the mean in which outperformers become the average performers or underperformers going forward. Thus, when examining performance track records, CG IAR prefers managers with a long record of consistency.

One way to determine performance consistency is to look at historical annual returns. Another method CG IAR prefers is to look at rolling three- and five-year returns. In this way, we are able to determine performance consistency over longer time periods that span different and changing market conditions.

Additionally, as discussed in the Active Versus Passive section below, CG IAR looks at performance track records in the context of varying market environments and how difficult it can be to outperform during given time periods. In this way, we search for managers that have outperformed in a variety of market environments as evidence of investment skill rather than luck.

**ACTIVE SHARE**

As believers in active management, CG IAR generally prefers managers that are truly active in terms of managing portfolios that look different from the index. After all, in order to outperform an index, a manager must have holdings and/or weightings that are different from the benchmark. One way to measure how different a manager’s portfolio is from a given index is called “active share.”

Active share is a concept that has gained considerable attention as a potential predictor of outperformance. Active share quantifies the degree of active management in a portfolio by measuring the percentage a portfolio differs from a passive benchmark. The formula sums the absolute values of each portfolio holding weight minus the benchmark weight and divides by two. This measure is a useful indicator of how active a portfolio is compared to an index. If an investment manager endeavors to beat an index, it must take bets against it.

CG IAR believes that the concept has merit, although as with many investment concepts, we believe that it should be used in conjunction with other information. Additionally, although active share can be a useful tool, it does not lessen the importance of our qualitative and quantitative manager research process.

While we believe that active share is useful, we also believe that the measure should be used along with other quantitative data, such as tracking error. Tracking error measures how closely a portfolio follows its benchmark index. CG IAR believes that if active share and tracking error are both high, it could be an indication that a manager is making large factor bets, such as concentrated sector bets or macro calls on the market that might be excessively risky in the short run and over time. It may be more difficult to verify the predictability and reliability of top-down investment processes because they can be based on infrequent events and/or more subjective investment criteria. CG IAR looks for managers with high active share and moderate to low tracking error indicators believing that these managers have a greater potential to outperform over the long run.

**ACTIVE VERSUS PASSIVE**

CG IAR believes that active management plays an important role in investment management and that it is possible to outperform passive market indexes over time. The active versus passive discussion has important implications for investors—not just as a theoretical concept, but as a determinant in portfolio construction and how portfolios perform over time.

The ability of an active manager to outperform ebbs and flows over shorter time frames with varying percentages of managers outperforming from year to year. Active management goes through periods when it is more difficult to outperform due to a variety of reasons, which inevitably prompts some investors to question the value of active management.

Admittedly, only a relatively small percentage of managers outperform for years, but in other years a large percentage outperform. The percentage is highly variable over shorter periods. Often, investors focus too narrowly on short-term, one- or two-year relative performance. Over longer time periods, active managers have a better track record.
According to research conducted by CG IAR, on average, between 50% and 60% of active large cap growth and large cap value SMA managers outperformed their respective benchmarks on a calendar-year basis before fees. However, if we expand the time frame to incorporate more of a full market cycle — say five years — the percentage of managers that outperformed increases. As can be seen in the table below, a similar story holds for small cap and international managers as well.

### PERCENTAGE OF SMA ACTIVE MANAGERS THAT OUTPERFORMED

Calendar Years 1999 Through 2013, Gross of Fees

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<thead>
<tr>
<th>Style</th>
<th>Calendar Year Average</th>
<th>Five-Year Average</th>
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<tr>
<td>Large Growth</td>
<td>61%</td>
<td>71%</td>
</tr>
<tr>
<td>Large Value</td>
<td>56%</td>
<td>73%</td>
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<tr>
<td>Small Growth</td>
<td>62%</td>
<td>72%</td>
</tr>
<tr>
<td>Small Value</td>
<td>64%</td>
<td>80%</td>
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<tr>
<td>International</td>
<td>59%</td>
<td>60%</td>
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Source: CG IAR, FactSet and Morningstar.

While CG IAR believes it is important to analyze short-term performance, we are continually focused on finding managers that can outperform over a full market cycle.

### ADVERSE ACTIVE ALPHA℠

In 2013, CG IAR introduced the proprietary Adverse Active Alpha℠ manager screening and scoring tool, which was subsequently granted a patent from the United States Patent and Trademark Office. The tool attempts to identify active equity money managers with strong stock picking skills and the ability to outperform indices and peers. CG IAR believes the tool points toward managers with characteristics indicating a greater likelihood of outperformance.

**ACTIVE SHARE.** Adverse Active Alpha builds upon academic and industry research that indicates higher active-share managers outperform lower active-share managers over time. Active share measures how different a portfolio looks from its benchmark based on its security weightings, so one component of the tool looks for managers with high active share relative to peers.

Managers with low-to-moderate tracking error also score more favorably. Tracking error measures how closely a portfolio’s return follows its index return. By limiting tracking error, we attempt to find managers that are not seeking to outperform based on factor bets such as large overweight positions in particular sectors or industries, such as a 30% allocation to a sector that makes up 15% of the benchmark index. While such trades may at times be profitable, they tend to be more unpredictable and can often turn around quickly. Additionally, we find that processes emphasizing factor bets are often less repeatable.

**MAKING BETS.** Of course, it only makes sense that a manager must make bets against an index in order to outperform it, but simply looking different does not improve the likelihood of strong results. The bets must be profitable. As such, the screening tool awards higher scores to managers with demonstrated stock-picking skill relative to peers. The difficulty is how to measure stock-selection skill — as past performance does not guarantee future results and managers with strong performance often trail going forward as returns eventually revert to the mean.

Intuitively, one would imagine that managers able to outperform when the majority of their peers are struggling likely possess investment skill. With this in mind, the “adverse” component of the screening tool awards managers that performed well in markets that were difficult for active managers, such as periods when the majority of managers underperformed. We do this by breaking down track records into snapshots of time and scoring each period based on factors indicative of how difficult the environment made it for active managers to outperform, such as correlation, the relative performance of small-cap stocks, the relative performance of growth and value stocks and market volatility. By scoring a manager’s ability to outperform his/her peers based on the degree of difficulty, the rankings reward managers able to rise to the top in adverse environments.
HOW TO PICK A MANAGER

So now you have learned about how we pick managers, but how do you go about picking a manager suitable for your circumstances? Luckily, we can help with that as well.

Each strategy on our platform is assigned to an asset class and a style category. Additionally, each of the Focus List equity managers is assigned a sub style. These categorizations can help with selecting the appropriate manager either as a standalone strategy or as part of a diversified portfolio.

Once you have honed in on a specific asset class and/or style, we have a number of reports available to help you decide which managers to utilize. The main documents we publish for nearly every individual strategy are the research report and performance summary. We also publish sector summaries, status lists and performance exhibits that organize strategies by style category.

RESEARCH REPORTS

The research report provides detailed information about each strategy's investment process, performance expectations, personnel, business structure and performance composite, as well as our analysts' opinions about the strategy.

RESEARCH REPORT SECTIONS

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ADDITIONAL ANALYST COMMENTS

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INVESTMENT CAPABILITIES OVERVIEW

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Focus List research reports generally are updated twice a year, while Approved List research reports generally are updated on an annual basis. Additionally, Focus List and Approved List research reports can be updated at any time if a significant event occurs.
We publish performance summaries on a quarterly basis for most strategies. Performance summaries include detailed performance analysis, portfolio characteristics and risk statistics. They also include attribution information showing areas that added or detracted value, as well as performance commentary and portfolio positioning commentary from the analyst for Focus List strategies.

**SECTOR SUMMARIES**

We also provide quarterly sector summaries for each of the major capitalization and style categories that we cover across the domestic and international traditional asset classes — for example, large cap growth, large cap value, international, fixed income, etc. The sector summary includes performance analysis detailing the major factors affecting performance over the past quarter, as well as year-to-date and longer time periods when relevant. The sector summary also includes a performance, risk statistics and investment characteristics comparison of the strategies included on our Focus List. In this way, the sector summary can be utilized as a “one stop shop” for comparing and contrasting all of the Focus List managers within each style category.

**WHITE PAPERS**

To help advisors and their clients better utilize our manager research and assist with manager and portfolio selection, CG IAR provides timely thought leadership white papers centered on relevant investment topics and actionable ideas.

CG IAR’s white papers are typically written by research analysts that specialize in certain asset classes and/or asset categories (i.e., growth or value equity) and therefore have detailed knowledge of the subject matter and know which topics are most relevant. Some of the white paper topics thus far have included factors affecting active manager relative returns, alternative mutual funds, diversifying portfolios with low correlation assets, the relative attractiveness of stocks versus bonds, emerging market debt, value managers taking advantage of changing market conditions, managers finding opportunities in financials and a primer on MLPs.
STATUS LISTS

Status lists are comprehensive directories of all investment products within their respective categories for our Focus List, Approved List, Not Approved List and Tactical Opportunities List. These lists are updated on an as-needed basis when there is a status change for one of the products on our platform.

PERFORMANCE EXHIBITS

Monthly performance exhibits provide return information for all of our Focus and Approved List strategies, as well as volatility statistics and risk-adjusted return data. Additionally, the Tactical Opportunities Monthly Research performance exhibit provides a review of current tactical positioning based on the Morgan Stanley Wealth Management Global Investment Committee outlook and the relative positioning of the alpha drivers.
CG IAR ANALYST TEAMS

CG IAR’s published resources equip you to make much more informed investment decisions. Additionally, our dedicated team of research analysts that specialize in each asset class is also available to answer money manager related questions. Each research analyst is assigned to one of the following teams, allowing for specialized knowledge in a specific asset class and also enabling analysts to more effectively assist clients with style- or asset class category-specific questions.

- U.S. Growth Equity
- U.S. Value Equity
- International Equity
- Commodities and Quantitative
- Fixed Income

2 Source: Morningstar Direct, excluding money market mutual funds.
SUB-STYLE DEFINITIONS

Sub-Styles: Subjective classifications designed to assist with manager selection and performance evaluation based on Consulting Group Investment Advisor Research ("CG IAR") understanding of a manager's long-term investment philosophy and portfolio structuring biases and techniques. At points in time managers may display attributes of other sub-style classifications, and these classifications may change due to changes in the capital markets, evolution of performance benchmarks, industry trends, or changes involving a manager's personnel or process.

Conservative Growth: Managers that generally follow a more valuation-sensitive approach and focus on more established companies that frequently have longer earnings histories and greater visibility and perceived sustainability in earnings. Portfolios may display lower valuation levels and lower exposure to the highest growth and more speculative companies and performance may display lower volatility than the benchmark and peers.

Aggressive Growth: Generally seek higher growth-rate companies, may place less emphasis on valuations and more emphasis on shorter-term and possibly momentum factors, and may demonstrate a greater willingness to invest in more speculative companies. Valuations are generally at a premium to the growth benchmark and volatility and turnover are frequently higher than peers.

Discount Value: Tend to search for companies that are trading at a substantial discount to estimates of intrinsic value and may demonstrate a longer average holding period to realize the value of an investment. These managers may hold more turnaround stories and names that are generally perceived as deeper value stocks that may have suffered some form of business impairment. Portfolio valuations may at times appear high due to investments in companies with depressed earnings in expectation of a cyclical recovery. Performance can go through long spells of underperformance and could at times be more volatile than peers.

Traditional Value: Tend to search for what they believe to be undervalued companies based on traditional valuation measures such as P/E ("Price/Earnings"), PCF ("Price/Cash Flow") and P/B ("Price/Book") and typically have a greater awareness of trend correlation to the benchmark although not necessarily strict constraints.

Relative Value: Generally search for companies based on analysis relative to the market, industry and historical norms leading to portfolios that may at times maintain broader market exposure to more growth-oriented names and may appear to have higher volatilities using traditional valuation metrics.

Value-Oriented: Tend to have a more value-oriented investment philosophy and portfolio orientation often placing valuation concerns above either benchmark structure or growth characteristics and may exhibit less volatility than peers.

Blend: Flexible managers that may invest in a blend of growth and value stocks at different times and in differing proportions due to a lack of a significant long-term bias in either style direction, and may have benchmark-constraints and tracking error guidelines such that performance and characteristics are similar to the respective benchmark.

Growth-Oriented: Tend to have a more growth-oriented investment philosophy and portfolio orientation often placing growth concerns above those associated with either benchmark structure or value characteristics and may exhibit more volatility than peers.

TOL DEFINITIONS

Benchmark-Relative Value Composite - The Composite is constructed using factors that correlate with 12-month forward excess returns.

Relative Momentum - The Relative Momentum indicator is constructed using excess returns to judge trends in relative returns between an Alpha Driver (for example: High Price to Book) and universe of 3000 (or 1200) largest US Stocks.

Growth Indicators - Represents the ratio of Fiscal Year 1 analyst upgrades to total ratings (upgrades + downgrades) changes. A higher number indicates that for a given stock there are more upgrades than downgrades.

High Beta - 1st and 2nd decile stocks ranked by trailing 52 week beta of 1200 largest US Equity Stocks for US Alpha Drivers.
Low Beta - 9th and 10th decile stocks ranked by trailing 52 week beta of 1200 largest US Equity Stocks for US Alpha Drivers.

High Dividend Yield - 1st and 2nd decile stocks ranked by dividend yield of 1200 largest US Equity Stocks for US Alpha Drivers.

High Book to Price - 1st and 2nd decile stocks ranked by Book to Price of 1200 largest US Equity Stocks for US Alpha Drivers.


Low Volatility - 9th and 10th decile stocks ranked by Consulting Group's Volatility Score of 1200 largest US Equity Stocks for US Alpha Drivers.

Glossary of Terms

ADR - American Depositary Receipts are U.S. dollar denominated forms of equity ownership in non-U.S. companies. These shares are issued against the local market shares held in the home market. ADRs are typically listed on U.S. exchanges such as NYSE, AMEX and NASDAQ.

Beta - measures a portfolio's volatility relative to its benchmark. A portfolio with a Beta higher than 1.0 has historically been more volatile than the benchmark, while a portfolio with a Beta lower than 1.0 has been less volatile. The accuracy of the Beta is dependent on R-Squared.

Credit Quality Rating - weighted average of the assessments of credit worthiness given by credit rating agencies such as Standard & Poor's Ratings Services, Moody's Investors Service, and Fitch Ratings to bonds in the portfolio. Credit rating agencies evaluate issuers and assign ratings based on their opinions of the issuer's ability to pay interest and principal as scheduled.

Dividend Yield - annual dividend per share divided by price per share. Dividend Yield for the portfolio is a weighted average of the results for the individual stocks in the portfolio.
Effective Duration – a duration calculation for bonds with embedded options. Effective duration takes into account that expected cash flows will fluctuate as interest rates change.

EPS Growth – Forecast – a measure of one year earnings (cash flow or dividends) per share growth from the prior fiscal year (FY0) to the current fiscal year (FY1) using analyst consensus forecasts. Growth is expressed as a percent. The FY1 EPS (earnings per share) growth rate for the portfolio is a weighted average of the forecasts for the individual stocks in the portfolio.

EPS Growth – 5 Year Historical – The weighted average annualized earnings per share growth for a portfolio over the past five years.

Excess Return – represents the average quarterly total return of the portfolio relative to its benchmark. A portfolio with a positive Excess Return has on average outperformed its benchmark on a quarterly basis. This statistic is obtained by subtracting the benchmark return from the portfolio’s return.

Historical EPS Growth – calculated by regressing over time the quarterly earnings per share for the past 20 quarters to determine the share's historical growth rate in earnings. The quarterly historical growth rate for each share is then annualized and the Historical EPS Growth shown in this report is the weighted average of these results.

Market Cap (SM) – the average portfolio market capitalization (market price multiplied by shares outstanding), weighted by the proportion of the portfolio’s assets invested in each stock.

Maturity – the weighted average portfolio length of time until the principal amount of a bond must be repaid.

Median Cap by Portfolio Weight – the midpoint of market capitalization (market price multiplied by shares outstanding) of a portfolio’s stock holdings, weighted by the proportion of the portfolio’s assets invested in each stock. Stocks representing half of the portfolio’s holdings are above the median, while the rest are below it.

Modified Adjusted Duration – measures the sensitivity of the percentage change in the price of a bond portfolio for a given change in yield, shown as a number of years to maturity. This figure is calculated as the weighted average of the durations of the securities in the portfolio.

Mortgage-backed securities (MBS) – securities backed by a mortgage loan or a pool of mortgage loans secured by real property. Investors receive payments of interest and principal that are derived from payments received on the underlying mortgage loans.

Pass-Through Security – security backed by a package of assets. A servicing intermediary collects the monthly payments from issuers and, after deducting a fee, remits or passes them through to the holders of the pass-through security.

P/E - Forecast 12-Mo. – The price/earnings ratio for the stock based on the most recent closing price divided by the annual mean expected earnings for the current fiscal year (FY1 EPS forecast). P/E for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

P/E - Trailing 12-Mo. – the current price of a stock divided by the most recent 12 months trailing earnings per share. P/E for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Price-to-Book – price per share divided by book value per share. Price-to-Book for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Quality – Based upon per-share earnings and dividend records of the most recent 10 years, this ranking system attempts to capture the growth and stability of earnings and dividends for individual stocks. For a portfolio, the quality ranking is a weighted average. The quality rankings classification is as follows: A+ (highest), A (high), A- (above avg.), B+ (average), B (below avg.), B- (lower), C (lowest), D (in reorganization), and LIQ (liquidation).

R-Squared (R²) – represents the percentage of the volatility of returns that is attributable to movements of the benchmark. It is a measure of "co-movement" between portfolio returns and benchmark returns. The closer the portfolio’s R² is to 100%, the more closely the portfolio correlates to, or follows, the benchmark. Generally, highly diversified portfolios have higher R² percentages.

Standard Deviation – quantifies the volatility associated with a portfolio’s returns. The statistic measures the variation in returns around the mean return. Unlike Beta, which measures volatility relative to the aggregate market, Standard Deviation measures the absolute volatility of a portfolio’s return.

Tracking Error – represents the Standard Deviation of the Excess Return. This provides a historical measure of the variability of the portfolio’s returns relative to its benchmark. A portfolio with a low Tracking Error would have quarterly Excess Returns that have exhibited very low volatility.

VIX Index the Chicago Board Options Exchange (CBOE) Volatility Index expresses the market's expectation of 30-day volatility and is constructed using implied volatilities of a wide range of S&P 500 index options. This volatility is meant to be forward looking and is calculated from both calls and puts. The VIX is a widely used measure of market risk.

IMPORTANT DISCLOSURES

Report for Use Only in Investment Advisory Programs

This report is only to be used in Morgan Stanley Smith Barney LLC investment advisory programs and not in connection with brokerage accounts.

CG IAR Services Only Apply to Certain Investment Advisory Programs

CG IAR evaluates certain investment products for the purposes of some – but not all – of Morgan Stanley Smith Barney LLC’s investment advisory programs (as described in more detail in the applicable Form ADV Disclosure Document for Morgan Stanley Smith Barney LLC). If you do not invest through one of these investment advisory programs, Morgan Stanley Smith Barney LLC is not obligated to provide you notice of any CG IAR status changes even though it may give notice to clients in other programs.

Focus List, Approved List and Tactical Opportunities List: Watch Policy

CG IAR uses two methods to evaluate investment products in applicable advisory programs: Opinion Research (and investment products meeting this research standard are described as being on the Focus List) and Access Research (and investment products meeting this research standard are described as being on the Approved List). In general, Opinion Research entails a more thorough evaluation of an investment product than Access Research. Sometimes an investment product may be evaluated using the Opinion Research process but then placed on the Approved List instead of the Focus List.
Investment products may move from the Focus List to the Approved List, or vice versa. CG IAR may also determine that an investment product no longer meets the criteria under either research process and will no longer be recommended in investment advisory programs (in which case the investment product is given a "Not Approved" status).

CG IAR has a "Watch" policy and may describe a Focus List or Approved List investment product as being on "Watch" if CG IAR identifies specific areas that (a) merit further evaluation by CG IAR and (b) may, but are not certain to, result in the investment product becoming "Not Approved." The Watch period depends on the length of time needed for CG IAR to conduct its evaluation and for the investment manager or fund to address any concerns. CG IAR may, but is not obligated to, note the Watch status in this report with a "W" or "Watch" next to the "Status" on the cover page.

Certain investment products on either the Focus List or Approved List may also be recommended for the Tactical Opportunities List based in part on tactical opportunities existing at a given time. The investment products on the Tactical Opportunities List change over time.

For more information on the Focus List, Approved List, Tactical Opportunities List and Watch processes, please see the applicable Form ADV Disclosure Document for Morgan Stanley Smith Barney LLC. Your Financial Advisor, Private Wealth Advisor or Private Banker can also provide upon request a copy of a paper entitled "Manager Research and Selection: A Disciplined Process."

No Obligation to Update
Morgan Stanley Smith Barney LLC has no obligation to update you when any information or opinion in this report changes.

Strategy May Be Available in a Separately Managed Account or Mutual Fund
Strategies are sometimes available in Morgan Stanley Smith Barney LLC investment advisory programs both in the form of a separately managed account ("SMA") and a mutual fund. These may have different expenses and investment minimums. Your Financial Advisor, Private Wealth Advisor or Private Banker can provide more information on whether any particular strategy is available in more than one form in a particular investment advisory program.

Consider Your Own Investment Needs
This report is not intended to be a client-specific suitability analysis or recommendation, an offer to participate in any investment, or a recommendation to buy, hold or sell securities (includes securities of Citigroup, Morgan Stanley, and/or their affiliates if shown in this report). Do not use this report as the sole basis for investment decisions. Do not select an asset class or investment product based on performance alone. Consider all relevant information, including your existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon.

Performance and Other Portfolio Information

General
Past performance does not guarantee future results. There is no guarantee that this investment strategy will work under all market conditions. As a result of recent market activity, current performance may vary from the performance referenced in this report.

For mutual funds, the investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. To obtain performance information, current to the most recent month-end, please contact the fund directly at the website set out on the cover page of this report.

Benchmark index
Depending on the composition of your account and your investment objectives, any indices shown in this report may not be an appropriate measure for comparison purposes and are therefore presented for illustration only.

Indices are unmanaged. They do not reflect any management, custody, transaction or other expenses, and generally assume reinvestment of dividends, accrued income and capital gains. Past performance of indices does not guarantee future results. You cannot invest directly in an index.

Performance of indices may be more or less volatile than any investment product. The risk of loss in value of a specific investment (such as with an investment manager or in a fund) 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 product.

Other data
Portfolio analysis may be based on information on less than all of the securities held in the portfolio. For equity portfolios, the analysis typically reflects securities representing at least 95% of portfolio assets. This may differ for other strategies, including those in the fixed income and specialty asset classes, due to availability of portfolio information.

Other data in this report is accurate as of the date this report was prepared unless stated otherwise. Data in this report may be calculated by the investment manager, Morgan Stanley Smith Barney LLC or a third party service provider, and may be based on a representative account or a composite of accounts.

Securities holdings
Holdings are subject to change daily, so any securities discussed in this report may or may not be included in your portfolio if you invest in this investment product. Your portfolio may also include other securities in addition to or instead of any securities discussed in this report. Do not assume that any holdings mentioned were, or will be, profitable.
Sources of Data
Material in this report has been obtained from sources that we believe to be reliable, but we do not guarantee its accuracy, completeness or timeliness. Third party data providers make no warranties or representations relating to the accuracy, completeness or timeliness of the data they provide and are not liable for any damages relating to this data.

Asset Class and Other Risks
Investing in stocks, mutual funds and exchange-traded funds (“ETFs”) entails the risks of market volatility. The value of all types of investments may increase or decrease over varying time periods.

Nondiversification: For a portfolio that holds a concentrated or limited number of securities, a decline in the value of these investments would cause the portfolio’s overall value to decline to a greater degree than a less concentrated portfolio. Portfolios that invest a large percentage of assets in only one industry sector (or in only a few sectors) are more vulnerable to price fluctuation than those that diversify among a broad range of sectors.

Value and growth investing also carry risks. Value investing involves the risk that the market may not recognize that securities are undervalued and they may not appreciate as anticipated. 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.

International securities may carry additional risks, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes and differences in financial and accounting standards. International investing may not be for everyone. These risks may be magnified in emerging markets.

Small- and mid-capitalization companies may lack the financial resources, product diversification and competitive strengths of larger companies. The securities of small capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies.

Bonds are subject to interest rate risk. When interest rates rise, bond prices fall; generally the longer a bond’s maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which allows the issuer to redeem the bond, before the scheduled maturity date. Proceeds from sales prior to maturity may be more or less than originally invested due to changes in market conditions or changes in the credit quality of the issuer.

Ultra-short bond funds generally invest in fixed income securities with very short maturities, typically less than one year. They are not money market funds. While money market funds attempt to maintain a stable net asset value, an ultra-short bond fund’s net asset value will fluctuate, which may result in the loss of the principal amount invested. They are therefore subject to the risks associated with debt securities such as credit and interest rate risk.

High yield bonds are subject to additional risks such as increased risk of default and greater volatility because of the lower credit quality of the issues.

Real estate investments: property values can fall due to environmental, economic or other reasons, and changes in interest rates can negatively impact the performance of real estate companies.

Derivatives, in general, involve special risks and costs that may result in losses. The successful use of derivatives requires sophisticated management, in order to manage and analyze derivatives transactions. The prices of derivatives may move in unexpected ways, especially in abnormal market conditions. In addition, correlation between the particular derivative and an asset or liability of the manager may not be what the investment manager expected. Some derivatives are "leveraged" and therefore may magnify or otherwise increase investment losses. Other risks include the potential inability to terminate or sell derivative positions, as a result of counterparty failure to settle or other reasons.

Mortgage-backed securities ("MBS”), which include collateralized mortgage obligations ("CMOs"), also referred to as real estate mortgage investment conduits ("REMICs"), may not be suitable for all investors. There is the possibility of early return of principal due to mortgage prepayments, which can reduce expected yield and result in reinvestment risk. Conversely, return of principal may be slower than initial prepayment speed assumptions, extending the average life of the security up to its listed maturity date (also referred to as extension risk). Additionally, the underlying collateral supporting MBS may default on principal and interest payments. Investments in subordinated MBS involve greater credit risk of default than the senior classes of the same issue. MBS are also sensitive to interest rate changes which can negatively impact the market value of the security. During times of heightened volatility, MBS can experience greater levels of illiquidity and larger price movements.

Commodities: The commodities markets may fluctuate widely based on a variety of factors including, but not limited to, changes in supply and demand relationships; governmental programs and policies; national and international political and economic events, war and terrorist events; changes in interest and exchange rates; trading activities in commodities and related contracts; pestilence, technological change and weather; and the price volatility of a commodity.

Alternative/leveraged strategies may use various investment strategies and techniques for both hedging and more speculative purposes such as short selling, leverage, derivatives and options, which can increase volatility and the risk of investment loss. Alternative/leveraged strategies are not appropriate for all investors. A short sales strategy includes the risk of loss due to an increase in the market value of borrowed securities. Such a strategy may be combined with purchasing long positions in an attempt to improve portfolio performance. A short sales strategy may result in greater losses or lower positive returns than if the portfolio held only long positions, and the portfolio’s loss on a short sale is potentially unlimited. The use of leverage can magnify the impact of adverse issuer, political, regulatory, market, or economic developments on a company. A decrease in the credit quality of a highly leveraged company can lead to a significant decrease in the value of the company’s securities. In a liquidation or bankruptcy, a company’s creditors take precedence over the company’s stockholders.

Bank loans are generally rated below investment-grade by rating agencies, and entail greater credit risk than higher quality, investment-grade securities such as U.S. Treasuries. In the event a borrower stops paying interest or principal on a loan, the collateral used to secure the loan may not be entirely sufficient to satisfy the borrower's obligations and, in some cases, may be difficult to liquidate on a timely basis. While bank loans offer higher interest income when interest rates rise, they also will generate less income when interest rates decline.
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.

Investments in securities of MLPs involve risks that differ from an investment in common stock. MLPs are controlled by their general partners, which generally have conflicts of interest and limited fiduciary duties to the MLP, which may permit the general partner to favor its own interests over the MLPs. The potential return of MLPs depends largely on the MLPs being treated as partnerships for federal income tax purposes. As a partnership, an MLP has no federal income tax liability at the entity level. Therefore, treatment of one or more MLPs as a corporation for federal income tax purposes could affect the portfolio’s ability to meet its investment objective and would reduce the amount of cash available to pay or distribute to you. Legislative, judicial, or administrative changes and differing interpretations, possibly on a retroactive basis, could negatively impact the value of an investment in MLPs and therefore the value of your investment.

No Tax Advice
Morgan Stanley Smith Barney LLC and its affiliates do not render advice on tax and tax accounting matters to clients. This material was not intended or written to be used, and it cannot be used or relied upon by any recipient, for any purpose, including the purpose of avoiding penalties that may be imposed on the taxpayer under U.S. federal tax laws.

If any investments in this report are described as “tax free”, the income from these investments may be subject to state and local taxes and (if applicable) the federal Alternative Minimum Tax. Realized capital gains on these investments may be subject to federal, state and local capital gains tax.

Please consult your personal tax and/or legal advisor to learn about any potential tax or other implications that may result from acting on a particular recommendation.

Conflicts of Interest
CG IAR’s goal is to provide professional, objective evaluations in support of the Morgan Stanley Smith Barney LLC investment advisory programs. We have policies and procedures to help us meet this goal. However, our business is subject to various conflicts of interest. For example, ideas and suggestions for which investment products should be evaluated by CG IAR come from a variety of sources, including our Morgan Stanley Financial Advisors and their direct or indirect managers, and other business persons within Morgan Stanley Smith Barney LLC or its affiliates. Such persons may have an ongoing business relationship with certain investment managers or mutual fund companies whereby they, Morgan Stanley Smith Barney LLC or its affiliates receive compensation from, or otherwise related to, those investment managers or mutual funds. For example, a Financial Advisor may suggest that CG IAR evaluates an investment manager or fund in which a portion of his or her clients’ assets are already invested. While such a recommendation is permissible, CG IAR is responsible for the opinions expressed by CG IAR. See the conflicts of interest section in the applicable Form ADV Disclosure Document for Morgan Stanley Smith Barney LLC for a discussion of other types of conflicts that may be relevant to CG IAR’s evaluation of managers and funds.

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SIERRA JOINT COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO: Retirement Board of Authority

DATE: 11/18/2015

SUBJECT: Designation of a New Member to the Retirement Board of Authority

ITEM #: 2015/2016-008

Enclosure: No
Action Item: Yes

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

BACKGROUND:

Sierra Joint Community College Board of Trustees authorized the creation of the Retirement Board of Authority to manage the District’s Public Entity Investment Trust.

STATUS:

The Retirement Board of Authority (RBOA) has been duly appointed by the Sierra Joint Community College District Board of Trustees and will welcome Greg Van De Bogart, representing the Federation of United School Employees (FUSE), to RBOA membership.

RECOMMENDATION:

The Retirement Board of Authority shall receive the information and take appropriate action as necessary.
PRESENTED TO: Retirement Board of Authority

DATE: 11/18/2015

SUBJECT: Annual Reporting on the Status of the Trust

ITEM #: 2015/2016-009

Enclosure: Yes
Action Item: Yes

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

BACKGROUND:

The Retirement Board of Authority approved the method of how the reporting on the status of funds held in trust will be made in compliance with California Government Code 53216.4 which requires an annual reporting of the funds held in the Investment Trust to participants and their beneficiaries.

STATUS:

The Retirement Board of Authority shall acknowledge and ratify promulgation of the Annual Report to the District’s OPEB Plan beneficiaries for fiscal year ended June 30, 2015.

RECOMMENDATION:

The Retirement Board of Authority has established Annual Report promulgation protocols which should be ratified by the RBOA membership.
The Sierra Joint Community College District has established the Futuris Public Entity Investment Trust. This Trust is an IRS Section 115 Trust that is used for the purposes of investment and disbursement of funds irrevocably designated by the District for the payment of its obligations to eligible employees (and former employees) of the District and their eligible dependents and beneficiaries for life, sick, hospitalization, major medical, accident, disability, dental and other similar benefits (sometimes referred to as “other post-employment benefits,” or “OPEB”), in compliance with governmental Accounting Statement Nos. 43 and 45.

The Governmental Accounting Standards Board (GASB) adopted Statements 43 and 45 for public sector employers to identify and report their Other Post-Employment Benefits (OPEB) liabilities. GASB Statements 43 and 45 establish uniform financial reporting standards for OPEB and improve relevance and usefulness of the reporting. In particular, the statements require systematic, accrual-based measurement and recognition of OPEB expenses over the employees’ years of service as well as providing information regarding the progress being made toward funding the plan.

GASB 43 establishes uniform financial reporting standards for OPEB Plans, while GASB 45 establishes uniform financial reporting standards for Employers. Both of these standards provide instructions for calculating expenses and liabilities as well as requiring supplementary information schedules to be added to the year-end financial reports.

The District has created a Retirement Board of Authority consisting of District personnel to oversee and run the Futuris Trust. Benefit Trust Company is the qualified Discretionary Trustee for asset and fiduciary management and investment policy development. Keenan & Associates is the Program Coordinator for the Futuris Trust providing oversight of the Futuris program and guidance to the District.

Attached to this notice is the most recent annual statement for the Trust. This statement shows (as of the date of the statement); the total assets in the Trust, the market value, the book value, all contribution and distribution activity (including all fees and expenses associated with the Trust), income activity, purchase activity, sale activity, and realized gains and losses. Please note that the Trust is not itself an employee benefit plan. Rather, the assets in the Trust are irrevocably designated for the funding of employee benefit plans. You are being provided this information pursuant to California Government Code Section 53216.4.

For more information regarding the Futuris Public Entity Investment Trust, please contact Chris Yatooma, Vice President, Administrative Services at (916) 660-7600 with the Sierra Joint Community College District.
SIERRA JOINT COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO: Retirement Board of Authority

DATE: 11/18/2015

SUBJECT: Disbursement Report

ITEM #: 2015/2016-010

Enclosure: Yes

Action Item: Yes

Prepared by: Keenan Financial Services

Requested by: Retirement Board of Authority

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.
### DISSBURSEMENT TRANSACTIONS

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<tr>
<th>Date</th>
<th>Description</th>
<th>Amount</th>
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<td>08/03/2015</td>
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<th>Cash</th>
<th>Price</th>
<th>Units</th>
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</thead>
<tbody>
<tr>
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<td>MONTHLY FEE TO MORGAN STANLEY SEPTEMBER 2015</td>
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<td>$(1,435.23)</td>
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</table>

**TOTAL FOR DISBURSEMENT** $(528,287.05)
SIERRA JOINT COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO: Retirement Board of Authority

DATE: 11/18/2015

SUBJECT: Status of updating the Comprehensive Compliance Plan including the “Substantive Plan”

ITEM #: 2015/2016-011

Enclosure: Yes
Action Item: No

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

BACKGROUND:

Under the District’s Public Entity Investment program, Keenan Financial Services prepares a written summary of the “Substantive Plan”, as part of an overall Comprehensive Compliance Plan, which acts as both a road map and a record of the Retirement Board of Authority’s compliance with its governance and fiduciary duties.

STATUS:

The Retirement Board of Authority membership shall discuss schedules for updating the Comprehensive Compliance Plan including the “Substantive Plan” for fiscal 2015 and identify dates for delivery of the “e-Library” format to the District.

RECOMMENDATION:

The Retirement Board of Authority shall hear the presentation and file the information accordingly.
Ongoing OPEB Questionnaire & Due Diligence

PUBLIC ENTITY EMPLOYER NAME: SIERRA JOINT COMMUNITY COLLEGE DISTRICT

PLAN YEAR: July 1, 2014 – June 30, 2015

To help us understand & determine ongoing Other Post Employment Benefits (OPEB) provided for retirees of the Public Entity Employer, please complete the following questionnaire.

1. To determine OPEB ongoing liabilities, has a current Actuarial Valuation Report been produced & updated per GASB mandates?  
   Date of most current Actuarial Valuation Report: July 1, 2014

2. Who is the Actuary that completed the Valuation Report?  
   Total Compensation Systems, Inc.

3. Have there been any changes/modifications to Bargaining Agreements recently (within this past year) that affect Retirees OPEB?  
   - Certificated  
     Date of most current Bargaining Agreement: 06/30/2015
   - Classified  
     Date of most current Bargaining Agreement: 09/17/2015
   - Management  
     Date of most current Bargaining Agreement: 06/30/2015
   - Other  
     Date of most current Bargaining Agreement

4. Have there been modifications of program provisions or changes in insurance carriers of the Health Benefits Program provided to Retirees of the Employer in the past year?  
   If the answer to No. 4 is Yes, please list any changes below or on a separate page.

   ____________________________________________________________
   ____________________________________________________________
   ____________________________________________________________
Ongoing OPEB Questionnaire & Due Diligence

5 Are Spouses, Domestic Partners or Dependents covered under the Health Benefits provided to Retirees of the Employer?  
- Yes ☑  - No ☐

6 Have there been modifications of program provisions or changes in insurance carriers of the Dental Benefits provided to Retirees of the Employer?  
- Yes ☐  - No ☑

   If the answer to No.6 is Yes, please list the changes below:
   ____________________________________________________________
   ____________________________________________________________
   ____________________________________________________________

7 Are Spouses, Domestic Partners or Dependents covered under Dental Benefits provided to Retirees of the Employer?  
- Yes ☑  - No ☐

8 Have there been any modifications of any separate Prescription Drug Plan provided for Retirees of the Employer (including benefits for dependents)?  
- Yes ☐  - No ☑

   If the answer to No.8 is Yes, please indicate all changes below or on a separate page.
   ____________________________________________________________
   ____________________________________________________________
   ____________________________________________________________

9 Are Long Term Care Benefits provided for Retirees of the Employer?  
- Yes ☐  - No ☑
Ongoing OPEB Questionnaire & Due Diligence

10 Are there any changes to other insurance coverage provided for Retirees of the Employer, including their dependents? (i.e., Life Insurance, change of carriers, changes regarding how much of the premium is paid by the Employer versus the Retiree, etc.)

   Yes ☑ No

If the answer to No.10 is Yes, please list additional insurance coverage and any changes below or on a separate page:

   Rx Carrier change for Blue Shield Plans G, G w/Rx Ded, and K from Express Scripts to Navitus Health Solutions effective 4/1/14 (note: there was no impact to rates, thus the answer to #10 may really be "no").

11 Within the past year, have there been changes to any other arrangements or commitments for the Employer to pay for the cost of any post retirement benefits (other than pension benefits). This would be applicable to any employee or employee contract or bargaining agreement that may be in place between the employee(s), the bargaining unit and the Employer.

   Yes ☐ No ☑

12 Within the past year, have there been changes to any other arrangements or commitments for the Employer to pay for the costs of any dependent of a retired Employee of the Employer?

   Yes ☐ No ☑

If the answer to No. 12 is Yes, please list additional costs, benefits, etc. below or on a separate page

13 There are NO updates required at this time.

QUESTIONNAIRE COMPLETED BY: Cameron Abbott

PUBLIC ENTITY
EMPLOYER
ACKNOWLEDGEMENT:

DATE: 09/14/2015
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: 11/18/2015

SUBJECT: GASB Issues Final OPEB Statements No. 74 and No. 75.

ITEM #: 2015/2016-013

Enclosure: Yes

Action Item: No

Prepared by: Keenan Financial Services (KFS)

Requested by: Retirement Board of Authority

BACKGROUND:
In 2004, the Governmental Accounting Standards Board (GASB) issued Statement No 43 and No 45, which established standards for OPEB accounting. These statements covered postemployment healthcare benefits as well as other forms of benefits such as life insurance and disability benefits, if such benefits were provided outside of a defined benefit pension plan. In May 2014, GASB issued two Exposure Drafts that would change the OPEB standards to parallel the changes that had been made for pension plans. In June 2015, GASB issued Statement No. 74 which will replace Statement No. 43 and effective for periods beginning after June 15, 2016 (effective date noted in the Exposure Draft was December 15, 2015) and Statement No. 75 which will replace Statement No 45 and effective for fiscal years beginning after June 15, 2017 (effective date noted in the Exposure Draft was December 15, 2016).

STATUS:
Implications: 1. Discount Rate - Projected benefits expected to be provided through trust assets are to be discounted at long-term expected rate of return. Projected benefits not expected to be covered by trust assets are to be discounted at a 20-year tax exempt, high quality municipal bond index rate. 2. Actuarial Cost Method - Entry age normal cost method is mandated for all plans. 3. Balance Sheet Liability - The unfunded actuarial liability moves from the financial statement notes to the balance sheet. 4. Annual Required Contribution (ARC) - Eliminated and replaced with OPEB expense which will be determined by using shorter amortized periods for actuarial gains/losses and changes in actuarial assumptions.

RECOMMENDATION:
The Retirement Board of Authority shall received the information presented and file accordingly.
GASB: NEW STANDARDS REGARDING ACCOUNTING AND REPORTING OF OPEB

In June of 2015, the Government Accounting Standards Board (GASB) finalized two new standards affecting the financial accounting and reporting of other postemployment benefits (OPEB) for state and local agencies. These new standards are intended to supersede prior guidance and bring OPEB accounting and reporting in line with the standards GASB issued for public pensions in 2012.

- **GASB Statement No. 74**, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,” will replace the requirements of GASB standard No. 43, updating the accounting standards to be used by OPEB plans in their financial reporting.

- **GASB Statement No. 75**, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,” will replace the requirements of GASB Standard No. 45 and GASB Statement No. 57, updating guidance for financial reporting by agencies that provide OPEB to their employees.

Together, these new standards will change how governmental employers calculate and report the costs and obligations associated with OPEB.

**FREQUENCY OF ACTUARIAL VALUATION**

Actuarial valuations will be more frequent under the new Statements. Under both Statements every plan, regardless of size, will have to conduct an actuarial valuation (or a calculation based on the alternative measurement method for employers with fewer than 100 employees) at least every two years.

**RECOGNIZING OPEB LIABILITY**

In one of the most important changes from GASB Statement No. 45, Statement No. 75 will require a local agency to recognize its OPEB liability on the face of its financial statements.

If the agency provides OPEB through a plan that is administered through a GASB-qualifying trust (with irrevocable contributions, assets dedicated to providing OPEB in accordance with benefit terms, and assets protected from creditors), then it may report its “net OPEB liability”—its total liability net of the OPEB plan fiduciary’s net position available for paying benefits. If, however, the agency does not have a trust meeting the requirements above, it is required to report its total OPEB liability.

**MEASURING OPEB LIABILITY**

Statement No. 74 makes several changes to the process for calculating net OPEB liability including:

- The projection of future benefit payments will include discretionary ad hoc benefit changes and COLAs, to the extent such changes are made regularly, and they also will include certain taxes or other assessments expected to be imposed on the benefit payment.
The discount rate used to discount future payments to present value will be the long-term expected rate of return in cases where plan assets meet the qualifications for a GASB-qualified trust, relate to current employees (and their beneficiaries), and are projected to be sufficient to make projected benefit payments. Otherwise, the agency must use a discount rate based on a tax-exempt, AA or higher, 20-year general obligation municipal bond yield or index rate, which would typically be much lower than the long-term expected rate of return.

For allocating the present value over past and future periods of employee service, the GASB will require all agencies to use the same method—the entry age actuarial cost method to allocate present value as a level percentage of payroll.

**Calculating OPEB Expense**

Statement No. 75 will change the time horizon over which certain factors are incorporated into the calculation of OPEB expense. The time horizons for inclusion of factors into the calculation of OPEB expense are summarized in the chart below.

Factors Included in OPEB Expense

<table>
<thead>
<tr>
<th>Immediately</th>
<th>Over average remaining years of employment</th>
<th>Over 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees working and earning additional benefits.</td>
<td>Actual economic and demographic changes differing from assumptions.</td>
<td>Changes in the measurement of plan net position due to the difference between expectations and actual investment earnings.</td>
</tr>
<tr>
<td>Interest on outstanding liability.</td>
<td>Changes in the assumptions about economic and demographic factors.</td>
<td></td>
</tr>
<tr>
<td>Changes in the measurement of plan net position due to expected investment earnings.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in the terms of OPEB benefits.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effects other than investment earnings.</td>
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<td></td>
</tr>
</tbody>
</table>

**Note Disclosures and Required Supplementary Information**

Both Statements will require governmental employers to present much more extensive note disclosure and Required Supplementary Information (RSI) about their OPEB liabilities. Some of the requirements will differ depending on what type of OPEB plan the agency participates in.
EFFECTIVE DATES

The new Statements will become effective as follows, although the GASB encourages earlier compliance:

- **GASB 74**: Effective for financial statements for fiscal years beginning after June 15, 2016. This means that for most California public agencies, this standard will go into effect on July 1, 2016.

- **GASB 75**: Effective for fiscal years beginning after June 15, 2017. This means that for most California public agencies, this standard will go into effect on July 1, 2017.

The requirements of these Statements will make it more important than ever to have a plan to prefund your OPEB obligation through a GASB-qualified trust. For more information on OPEB planning, please contact your Keenan Account Manager.

Keenan & Associates is not a law firm and no opinion, suggestion, or recommendation of the firm or its employees shall constitute legal advice. Clients are advised to consult with their own attorney for a determination of their legal rights, responsibilities and liabilities, including the interpretation of any statute or regulation, or its application to the clients’ business activities.
SIERRA JOINT COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO: Retirement Board of Authority

DATE: 11/18/2015

SUBJECT: Retirement Board of Authority Comments
ITEM #: 2015/2016-014
Enclosure: No
Action Item: No

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

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 to staff, and no action will be taken unless listed on a subsequent agenda.
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.
### SUBJECT:
Date, Time and Agenda Items for Next Meeting

<table>
<thead>
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<th>ITEM #</th>
<th>2015/2016-016</th>
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<tbody>
<tr>
<td>Enclosure:</td>
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</tr>
<tr>
<td>Action Item</td>
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</tr>
</tbody>
</table>

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.