ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:		DATE:	3/14/2017
Retirement Board of Authority			
SUBJECT:		ITEM #:	2016/2017-014
Public Comments		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 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.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:	Retirement Board of Authority	DATE:	3/14/2017
SUBJECT:	Approval of Agenda	ITEM #:	2016/2017-015
		Enclosure:	Yes
		Action Item	Yes

Prepared by: Keenan Financial Services

Requested by: Retirement Board of Authority

BACKGROUND:

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

STATUS:

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

RECOMMENDATION:

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

AGENDA

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING
MARCH 14, 2017
1:00 PM–3:00 PM

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
ADMINISTRATION BUILDING, ROOM A140
3041 WEST AVENUE K
LANCASTER, CA 93536
PHONE (661) 722-6300

I. CALL TO ORDER

II. ROLL CALL

<u>RETIREMENT BOARD OF AUTHORITY (the "Board") MEMBERS</u>:

Executive Director Business Services	Diana Keelen
Vice President Human Resources	Mark Bryant
Board of Trustees Member	Michael Adams

<u>PROGRAM COORDINATOR</u>:

Senior Vice President, Keenan Financial Services	Gail Beal
Senior Account Manager, Keenan Financial Services	Roslyn Washington
Account Executive, Keenan & Associates	Sharen Stanek-Lowe

<u>CONSULTANTS:</u>

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

<u>OTHERS</u>
None

III. PUBLIC COMMENTS

Information
2016/2017-014

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

IV. APPROVAL OF AGENDA

Action
2016/2017-015

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 of Authority 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

Action
2016/2017-016

The Retirement Board of Authority will review the Minutes from the previous meeting on November 9, 2016 for any adjustments and adoption.
PUBLIC COMMENTS:
BOARD CONSIDERATION:

VI. INVESTMENTS

PORTFOLIO PERFORMANCE REVIEW

Action
2016/2017-017

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

Information
2016/2017-018

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

VII. ADMINISTRATION

STATUS OF DISTRICT'S CURRENT OPEB PLAN INDEPENDENT AUDITOR'S REPORT

Information
2016/2017-019

The Independent Auditors Report provides the District's OPEB Plan with an Independent Auditor's certification of GASB accounting and financial reporting standards for OPEB expenses, OPEB liabilities, Note disclosures and Required Supplementary Information (RSI).
PUBLIC COMMENTS:
BOARD CONSIDERATION:

DISBURSEMENT REPORT

Action
2016/2017-020

The Retirement Board of Authority members will acknowledge and ratify all reasonable expenses associated with the compliance, management and operational duties of the District's OPEB Investment Trust.
PUBLIC COMMENTS:
BOARD CONSIDERATIONS:

TRANSFER OF ASSETS INTO THE TRUST **Information 2016/2017-021**

The District's asset transfers into the Investment Trust may require a tailored funding procedure. To meet the possible tailored funding procedure, the Retirement Board of Authority (RBOA) will discuss recent transfers to the Investment Trust and provide timing and asset transfer schedules related to the District's Annual Required Contribution (ARC) and Pay-As-You-Go funding strategies.
PUBLIC COMMENTS:
BOARD CONSIDERATION:

ANNUAL REPORT TO THE GOVERNING BOARD OF TRUSTEES **Information 2016/2017-022**

The Retirement Board of Authority membership anticipates a presentation as to the status of the District's OPEB Trust to the Antelope Valley CCD Governing Board of Trustees on **April 10, 2017**. Schedules for the preparation of presentation materials should be identified and accepted by the RBOA.
PUBLIC COMMENTS:
BOARD CONSIDERATION:

VIII. INFORMATION

RETIREMENT BOARD OF AUTHORITY COMMENTS **Information 2016/2017-023**

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

PROGRAM COORDINATOR/CONSULTANT COMMENTS **Information 2016/2017-024**

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

IX. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING **Information 2016/2017-025**

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

X. ADJOURNMENT

Americans with Disabilities Act: The Antelope Valley Community College District 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 modifications or accommodation, in order to participate in a public meeting of the Antelope Valley Community College District Retirement Board of Authority, shall be made to: Diana Keelen, Executive Director Business Services, Antelope Valley Community College District, 3041 West Avenue K, Lancaster, Ca 93536: Phone (661) 722-6300.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:		DATE:	3/14/2017
Retirement Board of Authority			
SUBJECT:		ITEM #:	2016/2017-016
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 meeting on **November 9, 2016.**

RECOMMENDATION:

Subject to changes or corrections, the minutes are to be approved.

MINUTES

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING
November 9, 2016
1:00 PM–3:00 PM

I. CALL TO ORDER

1. The meeting was called to order by Diana Keelen at 1:03 PM.

II. ROLL CALL

1. All Retirement Board of Authority (RBOA) members were present:
   Diane Keelen, Executive Director, Business Services
   Mark Bryant, Vice President, Human Resources
   Michael Adams, Board of Trustees Member
2. All Coordinators/Consultants were present except Gail Beal and Chuck Thompson:
   Roslyn Washington, Senior Account Manager, Keenan Financial Services
   Sharen Stanek-Lowe, Account Executive, Keenan & Associates
   Cary Allison, Senior Vice President, Morgan Stanley Wealth Management
   Scott Rankin, Senior Vice President, Benefit Trust Company

III. PUBLIC COMMENTS

1. There were no public comments.
2. This item is information only.

IV. APPROVAL OF AGENDA

1. Michael Adams Motioned to approve the Agenda as presented; Motion was seconded by Mark Bryant and was unanimously approved by all of the Retirement Board of Authority members present.

V. APPROVAL OF MINUTES

1. Mark Bryant Motioned to approve the Minutes as presented; Motion was seconded by Michael Adams and was unanimously approved by all of the Retirement Board of Authority members present.

VI. INVESTMENTS

1. Portfolio Performance Review

   a. Cary Allison of Morgan Stanley Wealth Management (MS) reviewed the performance of the Trust's accounts as of October 31, 2016. He also mentioned how well the September 30, 2016 report was. September was a really good month.
   b. The Portfolio Value as of October 31, 2016 was **$783,147.35.**

Time weighted return net of fees

Month to Date	Quarter to Date	Year to Date	Latest 1 Year	Annualized latest 3 Year	Annualized latest 5 Year	Annualized Inception to Date
-1.43	-1.43	4.75	2.81	-	-	0.65

c. Two Guggenheim Bond Funds were added and Black Rock and Templeton Bond Funds were removed.
d. Diana Keelen asked what the Undiscovered Manager Behavioral Fund is. Cary said it's actually a JP Morgan fund and they are based out of San Mateo. They use behavioral analysis of stock buyers to choose the funds. This was added in December 2015 and it's been one of the best funds this year.
e. Mark Bryant Motioned to approve the Portfolio Performance Review as presented; Motion was seconded by Michael Adams and was unanimously approved by all of the Retirement Board of Authority members present.

2. **Market Overview**
   a. Cary Allison gave an overview of the Markets since the last RBOA meeting.
   b. We started with the worse two weeks in history. Fast forward to September, we were at our mark and were over 6%, October had a correction.
   c. MS thinks Feds will raise short term rates in December or January. Today long term interest rates are at 2.07%. We haven't been over 2% in a long time.
   d. Cary said people ask why we are growing. We really don't know because earnings follow growth and we really have not had any real earnings growth in 2-3 years. Also, economic data has gotten better. We think the US is consistently still in the 1.5-2.0% growth.
   e. This quarter is going to be better than the last.
   f. Risk Markets emerged from June's historic Brexit vote with a vengeance, surging to new highs in the beginning of July and holding those gains through the end of the third quarter. Japanese and emerging market equities were the top performers across asset classes, registering returns more than double that of the S&P 500. The laggards for the quarter included commodities and managed futures. For the one-year period ended September 30, 2016, Global REITs and emerging market debt and equities generated the strongest returns.
   g. With the relatively quiet third quarter, the market is now gearing up for the uncertainty that the US Presidential election and the US Federal Reserve meeting may bring. While there may be some short-term market volatility surrounding these events, the GIC does not believe they will derail the gains risk markets have made year to date.
   h. The Dow Jones Industrial Average increased 2.8% in the third quarter. The NASDAQ Composite Index was up 10% for the quarter. The S&P 500 Index increased 3.9% for the quarter.
   i. Seven of the 10 sectors within the S&P 500 generated positive returns in the third quarter of 2016. The top-performing sector was Technology, which was up 12.9%. Financials rose 4.6% and was also among the top-performing sectors. The biggest laggards were Utilities, which decreased 5.9%, and

Telecom, which fell 5.6%.

j. In the third quarter, emerging markets and international developed regions both delivered positive returns.
k. The bond market registered positive returns during the third quarter.
l. MS economists expect U.S. real GDP will be 1.7% in 2016 and 1.5% in 2017. They forecast global GDP growth to be 2.9% in 2016 and 3.2% in 2017.
m. After posting strong second quarter returns, commodities registered negative returns in the third quarter.
n. This item is information only.

3. Investment Policy Statement Review

a. Scott Rankin said we look at the Investment Policy Statement annually.
b. Diana Keelen said enrollments are flat. We are still in an accumulation phase. Is there actuarial that covers incremental growth? No.
c. We are at approximately $500K per year.
d. Michael Adams Motioned to accept the Investment Policy Statement as presented; Motion was seconded by Mark Bryant and was unanimously approved by all of the Retirement Board members present.

VII. ADMINISTRATION

1. Annual Reporting on the Status of the Trust

a. Roslyn Washington presented the Annual Report on the Status of the Trust.
b. Mark Bryant Motioned to ratify the Annual Report on the Status of the Trust; Motion was seconded by Michael Adams and was unanimously approved by all of the Retirement Board of Authority members present.

2. Disbursement Report

a. Roslyn Washington presented a Trust disbursement report reflecting fiduciary withdrawals and fees paid to Keenan, BTC & Morgan Stanley for the period May 1, 2016-November 1, 2016.
b. Mark Bryant Motioned to ratify the Disbursement Report for the period as presented, Motion was seconded by Michael Adams and was unanimously approved by all of the Retirement Board of Authority members present.

3. Update of the Comprehensive Compliance including the "Substantive Plan"

a. Roslyn Washington addressed the RBOA and advised that the Service Rep. worked with the District to gather information to update the Substantive Plan for the fiscal year ended June 30, 2016.
b. This item is information only.

4. Transfer of Assets into the Trust

a. $387,113 will be transferred into the Trust in 30 days.
b. This item is information only.

VIII. INFORMATION REPORTS

1. Retirement Board of Authority Comments

a. Chuck Thompson of RPM Consulting Group contract expires December 31, 2016. The District will not renew his contract.

b. Michael Adams asked about the cost of containment.
c. This item is information only.

2. **Program Coordinator/Consultant Comments**
   a. No comments.
   b. This item is information only.

IX. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING

a. March 16, 2017 1:00 PM-3:00 PM.
b. This item is information only.

X. ADJOURNMENT

a. The meeting was adjourned by Diana Keelen at 1:32 PM.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:		DATE:	3/14/2017
Retirement Board of Authority			
SUBJECT:		ITEM #:	2016/2017-017
Portfolio Performance Review		Enclosure:	Yes
		Action Item	Yes

Prepared by:	Morgan Stanley Wealth Management (MS)
Requested by:	Retirement Board of Authority

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 fiduciary responsibility, 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:

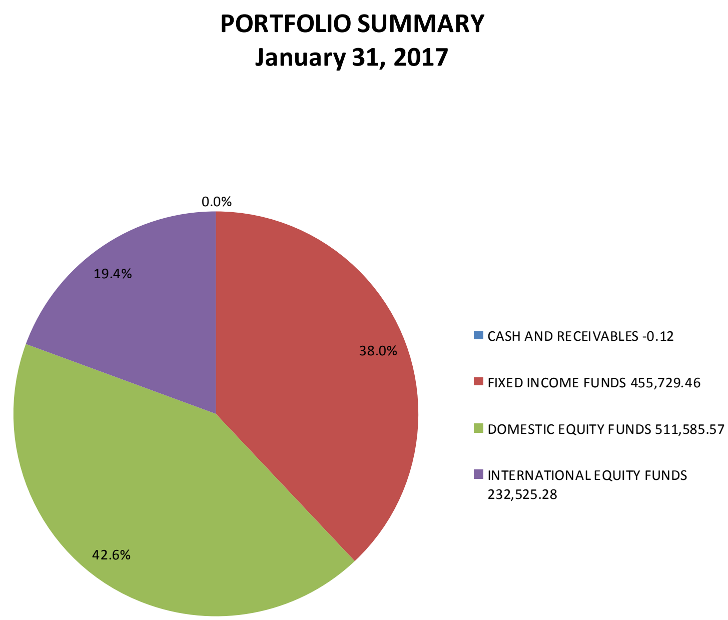
The Retirement Board of Authority should review and accept the District's Investment Trust Portfolio Performance Report and file as appropriate.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
BENEFIT TRUST COMPANY, TRUSTEE
January 31, 2017

Change In Portfolio

Portfolio Value on 12-31-16	1,179,682.87
Contributions	0.00
Withdrawals	0.00
Change in Market Value	20,229.64
Income Received	1,009.35
Portfolio Fees	-1,081.67
Portfolio Value on 01-31-17	1,199,840.20
	1,199,840.20

Asset Allocation



Time Weighted Return - Gross of Fees

	Month To Date	Quarter To Date	Year To Date	Latest 1 Year	Annualized Latest 3 Year	Annualized Latest 5 Year	Annualized Inception To Date
Account	1.80	1.80	1.80	12.91	-	-	3.56
S&P 500 TR	1.90	1.90	1.90	20.06	10.86	14.10	7.80
MSCI EAFE	2.90	2.90	2.90	12.03	0.71	6.04	-2.88
MSCI ACWI Ex US Net	3.54	3.54	3.54	16.09	0.95	4.38	-1.01
Barclays Aggregate	0.20	0.20	0.20	1.46	2.60	2.10	1.88
Barclays Global Agg Bd Unhedged	1.13	1.13	1.13	2.34	-0.17	0.08	1.93
50% MSCI ACWI/ 50% Barclays Agg	1.46	1.46	1.46	9.50	4.20	5.54	2.66

Time Weighted Return - Net of Fees

	Month To Date	Quarter To Date	Year To Date	Latest 1 Year	Annualized Latest 3 Year	Annualized Latest 5 Year	Annualized Inception To Date
Account	1.71	1.71	1.71	11.62	-	-	2.38
S&P 500 TR	1.90	1.90	1.90	20.06	10.86	14.10	7.80
MSCI EAFE	2.90	2.90	2.90	12.03	0.71	6.04	-2.88
MSCI ACWI Ex US Net	3.54	3.54	3.54	16.09	0.95	4.38	-1.01
Barclays Aggregate	0.20	0.20	0.20	1.46	2.60	2.10	1.88
Barclays Global Agg Bd Unhedged	1.13	1.13	1.13	2.34	-0.17	0.08	1.93
50% MSCI ACWI/ 50% Barclays Agg	1.46	1.46	1.46	9.50	4.20	5.54	2.66

PORTFOLIO APPRAISAL

January 31, 2017

Quantity	Security	Security Symbol	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Cur. Yield
CASH AND RECEIVABLES								
	NORTHERN INSTL FUNDS GOVERNMENT SELECT	BGSX.X		-0.12		-0.12	0.0	-0.2
FIXED INC MUTUAL FUNDS								
Taxable Funds								
5,998.744	BLACKROCK TOTAL RETURN FD BD FD BLKRK CL	MPHQ.X	11.82	70,924.19	11.58	69,465.46	5.8	2.9
4,517.054	GUGGENHEIM FDS TR INVT GD BD INSTL	GIUS.X	18.25	82,452.11	18.15	81,984.53	6.8	3.8
1,810.479	GUGGENHEIM MACRO OPPORTUNITIES INSTL	GIOI.X	26.16	47,370.12	26.53	48,032.01	4.0	5.1
3,389.813	HARTFORD WORLD BOND Y	HWDY.X	10.34	35,048.36	10.32	34,982.87	2.9	0.2
2,381.427	LEGG MASON BW ALT	LMAM.X	10.05	23,941.52	10.14	24,147.67	2.0	3.7
3,360.794	LEGG MASON BW GLOBAL OPPS BD IS	GOBS.X	10.31	34,654.27	10.30	34,616.18	2.9	0.0
5,736.740	PRUDENTIAL TOTAL RETURN BD FD	PTRQ.X	14.31	82,090.20	14.15	81,174.87	6.8	3.0
7,102.697	WESTERN ASSET FDS INC	WAPS.X	11.75	83,454.76	11.45	81,325.88	6.8	4.8
				459,935.53		455,729.46	38.0	3.3
				459,935.53		455,729.46	38.0	3.3
DOMESTIC EQUITY FUNDS								
Large Cap Funds								
3,428.233	ALGER FDS II SPECTRA FD Z	ASPZ.X	18.09	62,011.18	17.88	61,296.81	5.1	0.0
3,997.881	COHEN & STEERS RLTY INCM NEW SHS CL Z	CSZI.X	15.38	61,496.50	14.84	59,328.55	4.9	2.9
2,608.208	COLUMBIA FDS SER TR I	COFY.X	22.83	59,550.96	23.27	60,693.00	5.1	1.0
1,743.944	OAKMARK SELECT I	OAKL.X	41.29	72,013.87	43.31	75,530.21	6.3	0.9
				255,072.50		256,848.57	21.4	1.2
Mid Cap Funds								
1,621.674	HARTFORD MIDCAP Y	HMDY.X	30.56	49,563.76	30.80	49,947.56	4.2	0.0
2,052.135	PRUDENTIAL GLOBAL REAL ESTATE	PGRQ.X	23.85	48,938.26	22.86	46,911.81	3.9	2.5
				98,502.02		96,859.37	8.1	1.2
Small Cap Funds								
3,830.293	ALGER FDS SMALL CP FOCUS Z	AGOZ.X	11.42	43,746.33	12.54	48,031.87	4.0	0.0
766.406	UNDISCOVERED MANAGERS FDS BEHAVR VAL R6	UBVF.X	60.27	46,192.25	65.34	50,076.97	4.2	1.1
				89,938.58		98,108.84	8.2	0.5
				443,513.10		451,816.78	37.7	1.1

PORTFOLIO APPRAISAL

January 31, 2017

Quantity	Security	Security Symbol	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Cur. Yield
INTERNATIONAL FUNDS								
Large Cap Funds								
2,956.427	BRANDES EMERGING MARKETS VALUE R6	BEMR.X	7.99	23,607.64	8.29	24,508.78	2.0	1.3
Small Cap Funds								
2,263.926	BRANDES INTERNATIONAL SMALL CAP R6	BISR.X	13.32	30,155.13	13.57	30,721.48	2.6	2.7
International								
994.145	AMERICAN FUNDS NEW PERSPECTIVE F2	ANWF.X	37.70	37,482.85	36.76	36,544.77	3.0	1.0
2,257.067	BRANDES INVT TR INT EQTY FD R6	BIER.X	15.27	34,472.09	16.23	36,632.20	3.1	3.5
3,181.731	HARTFORD INTERNATIONAL VALUE Y	HILY.X	14.32	45,569.15	15.72	50,016.81	4.2	2.2
1,940.544	LEGG MASON PARTNERS EQUITY TR CLEARBDG IN IS	CBIS.X	14.77	28,669.67	15.55	30,175.46	2.5	2.3
				146,193.76		153,369.24	12.8	2.3
Emerging Markets								
443.563	AMERICAN FUNDS NEW WORLD F-2	NFFF.X	53.23	23,609.29	53.94	23,925.79	2.0	1.2
				223,565.81		232,525.28	19.4	2.1
BALANCED EQUITY FUNDS								
Balanced Funds								
2,972.093	THORNBURG INVESTMENT INCOME BUILDER I	TIBI.X	20.80	61,807.71	20.11	59,768.79	5.0	4.1
				61,807.71		59,768.79	5.0	4.1
TOTAL PORTFOLIO				**1,188,822.02**		**1,199,840.20**	**100.0**	**2.2**

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:		DATE:	3/14/2017
Retirement Board of Authority			
SUBJECT:		ITEM #:	2016/2017-018
Market Overview		Enclosure:	Yes
		Action Item	No

Prepared by: Morgan Stanley
Wealth Management (MS)

Requested by: Retirement Board of Authority

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 current global capital market conditions on the assets in the trust.

STATUS:

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

RECOMMENDATION:

The Retirement Board of Authority shall hear and receive the information provided.

Portfolio Update – 4th Quarter 2016

Cary M. Allison, CIMA®
Senior Institutional Consultant
Government Entity Specialist

Morgan Stanley

MODEL PORTFOLIOS									
EQUITIES	Style	Ticker	Expenses	Fixed Income	Conservative	Moderate	Moderate Growth	Growth	Aggressive Growth
Domestic Equities									
Large Cap Domestic Equities									
Alger Spectra	Large Growth	ASPZX	0.89%	0%	1%	3%	5%	5%	7%
Columbia Contrarian Core	Large Blend	COFYX	0.66%	0%	2%	3%	4%	5%	7%
Oakmark Select	Large Value	OAKLX	0.95%	0%	2%	4%	4%	6%	7%
				0%	5%	10%	13%	16%	21%
Small/Mid Cap Domestic Equities									
Hartford Midcap	Mid Growth	HMDYX	0.76%	0%	0%	1%	2%	4%	6%
Alger Small Cap Focus	Small Growth	AGOZX	1.01%	0%	1%	2%	3%	4%	5%
Undiscovered Managers Behavioral Value	Small Blend	UBVFX	0.79%	0%	1%	1%	2%	4%	5%
				0%	2%	4%	7%	12%	16%
Real Estate Investment Trusts									
Cohen & Steers Real Estate Securities	Real Estate	CSZIX	0.88%	0%	2%	3%	4%	5.0%	6%
Prudential Global Real Estate	Real Estate	PGRQX	0.80%	0%	1%	2%	3%	4.0%	5%
				0%	3%	5%	7%	9%	11%
Total Domestic Equities & REITs				0%	10%	19%	27%	37%	48%
International/Global Equities									
Brandes International Small Cap	Int'l SMID	BISRX	1.00%	0%	1%	1.5%	2%	2.5%	3%
ClearBridge International Small Cap	Int'l SMID	CBISX	1.01%	0%	0%	1.5%	2%	2.5%	3%
American Funds New Perspectives Fund	Global Growth	ANWFX	0.55%	0%	1%	2%	2%	3%	4%
American Funds New World Fund	Emerging Markets	NFFFX	0.76%	0%	1%	1%	1.5%	2.0%	3%
Brandes Emerging Markets Fund	Emerging Markets	BEMRX	0.97%	0%	0%	1%	1.5%	2.0%	3%
Brandes International Equity	Int'l Value	BIERX	0.82%	0%	1%	2%	3%	3%	3%
Hartford International Value	Int'l Value	HILYX	0.91%	0%	1%	2%	3%	4%	4%
Thornburg Investment Income Builder	Global Blend	TIBIX	0.85%	0%	1%	3%	3%	5%	5%
				0%	6%	14%	18%	24%	28%
Total Equities				*0%*	*16%*	*33%*	*45%*	*61%*	*76%*
FIXED INCOME									
BlackRock Total Return	Domestic Bond	MPHQX	0.39%	18.0%	15.0%	12.0%	10.0%	6.0%	4.0%
Guggenheim Investment Grade Bond	Domestic Bond	GIUSX	0.75%	18.0%	15.0%	12.0%	10.0%	7.0%	4.0%
Prudential Total Return Bond	Domestic Bond	PTRQX	0.46%	18.0%	15.0%	12.0%	10.0%	7.0%	4.0%
Western Asset Core Plus Bond	Domestic Bond	WAPSX	0.42%	18.0%	15.0%	12.0%	10.0%	7.0%	4.0%
Guggenheim Macro Opportunities	Domestic Bond	GIOIX	0.97%	9.0%	8.0%	6.0%	5.0%	4.0%	3.0%
Hartford World Bond	Global Bond	HWDYX	0.67%	8.0%	7.0%	5.0%	4.0%	3.0%	2.0%
Legg Mason Brandywine Global Opportunities Bond	Global Bond	GOBSX	0.56%	6.0%	5.0%	5.0%	3.0%	3.0%	1.5%
Legg Mason Brandywine Alternative Credit	Global Bond	LMAMX	1.25%	5.0%	4.0%	3.0%	3.0%	2.0%	1.5%
Total Bonds			*Subtotals*	*100.0%*	*84.0%*	*67.0%*	*55.0%*	*39.0%*	*24.0%*
SUMMARY									
Total Equities				0.0%	16.0%	33.0%	45.0%	61.0%	76.0%
Total Fixed Income				100.0%	84.0%	67.0%	55.0%	39.0%	24.0%
Grand Total				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Expense Ratio				0.60%	0.64%	0.68%	0.72%	0.76%	0.79%
NOMINAL BENCHMARKS									
MSCI ACWI (All County World Index)				0%	15%	30%	45%	60%	75%
Barclay's Aggregate Bond				100%	85%	70%	55%	40%	25%
STATISTICS									
Avg Annual Return				4.52%	5.00%	6.00%	6.99%	7.69%	8.46%
Standard Deviation (Risk)				3.19%	4.26%	6.09%	7.41%	9.48%	11.89%

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

Quarter	Fixed Income	Conservative	Moderate	Moderate Growth	Growth	Aggressive Growth
Quarterly Returns						
3/31/2008	0.72%	-0.37%	-1.49%	-3.40%	-5.13%	-6.50%
6/30/2008	-1.51%	-1.76%	-1.75%	-1.47%	-1.25%	-0.97%
9/30/2008	-3.19%	-4.12%	-5.53%	-7.08%	-8.88%	-11.99%
12/31/2008	0.28%	-2.90%	-6.76%	-9.65%	-13.11%	-17.53%
3/31/2009	-0.34%	-2.21%	-4.38%	-5.50%	-7.11%	-9.17%
6/30/2009	7.63%	9.64%	12.08%	13.79%	15.91%	19.16%
9/30/2009	8.04%	9.48%	11.18%	12.23%	13.84%	15.75%
12/31/2009	2.06%	2.26%	2.60%	2.90%	3.18%	3.67%
3/31/2010	3.31%	3.59%	3.83%	3.97%	4.23%	4.46%
6/30/2010	1.74%	-0.35%	-2.38%	-3.89%	-5.73%	-7.85%
9/30/2010	4.69%	6.20%	7.61%	8.68%	9.87%	11.45%
12/31/2010	-0.30%	0.98%	2.45%	3.57%	5.03%	6.92%
3/31/2011	1.50%	1.88%	2.26%	2.58%	3.09%	3.58%
6/30/2011	2.15%	1.93%	1.61%	1.28%	0.91%	0.49%
9/30/2011	0.17%	-2.89%	-5.81%	-7.78%	-10.68%	-13.70%
12/31/2011	1.52%	2.35%	3.30%	3.98%	4.96%	6.08%
3/31/2012	2.75%	4.06%	5.37%	6.27%	7.62%	9.09%
6/30/2012	1.89%	0.57%	-0.66%	-1.62%	-2.93%	-4.29%
9/30/2012	3.75%	4.14%	4.37%	4.57%	4.92%	5.18%
12/31/2012	1.52%	1.89%	2.22%	2.39%	2.63%	2.83%
3/31/2013	0.60%	1.47%	2.55%	3.32%	4.37%	5.57%
6/30/2013	-2.99%	-2.48%	-1.80%	-1.36%	-0.74%	-0.09%
9/30/2013	0.94%	1.64%	2.58%	3.30%	4.29%	5.24%
12/31/2013	0.94%	1.90%	2.85%	3.43%	4.36%	5.33%
3/31/2014	2.14%	2.04%	1.97%	2.05%	1.89%	1.85%
6/30/2014	2.52%	2.87%	3.30%	3.65%	4.02%	4.37%
9/30/2014	-0.04%	-0.60%	-1.11%	-1.56%	-2.17%	-2.61%
12/31/2014	0.83%	0.59%	0.91%	1.18%	1.50%	1.61%
3/31/2015	1.54%	1.63%	1.89%	2.15%	2.37%	2.48%
6/30/2015	-1.70%	-1.40%	-1.03%	-0.87%	-0.60%	-0.30%
9/30/2015	-0.38%	-1.97%	-3.16%	-3.99%	-5.19%	-6.33%
12/31/2015	-0.42%	0.57%	1.53%	2.06%	2.89%	3.74%
3/31/2016	2.62%	2.10%	1.76%	1.64%	1.36%	1.05%
6/30/2016	2.26%	1.92%	1.75%	1.68%	1.54%	1.42%
9/30/2016	1.27%	2.05%	2.89%	3.48%	4.27%	5.05%
12/31/2016	-1.78%	-1.20%	-0.85%	-0.55%	0.08%	0.47%
Annualized Returns						
1 Year	4.38%	4.92%	5.63%	6.36%	7.40%	8.17%
2 Years	1.66%	1.81%	2.34%	2.73%	3.25%	3.63%
3 Years	2.94%	2.85%	3.25%	3.60%	3.91%	4.15%
4 Years	2.05%	2.76%	3.99%	4.89%	6.05%	7.20%
5 Years	3.65%	4.36%	5.49%	6.27%	7.31%	8.32%
6 Years	3.94%	4.17%	4.74%	5.13%	5.61%	6.03%
7 Years	4.75%	5.08%	5.72%	6.15%	6.69%	7.23%
8 Years	6.35%	6.84%	7.65%	8.25%	8.98%	9.83%
9 Years	5.18%	4.97%	4.90%	4.66%	4.42%	4.00%
Annual Returns						
2008	-3.70%	-8.88%	-14.75%	-20.09%	-25.83%	-32.79%
2009	18.28%	20.03%	22.25%	24.18%	26.47%	29.88%
2010	9.71%	10.70%	11.74%	12.48%	13.39%	14.71%
2011	5.44%	3.21%	1.10%	-0.38%	-2.47%	-4.71%
2012	10.27%	11.05%	11.67%	11.94%	12.49%	12.93%
2013	-0.56%	2.49%	6.25%	8.89%	12.75%	16.92%
2014	5.54%	4.95%	5.11%	5.35%	5.24%	5.19%
2015	-0.98%	-1.21%	-0.85%	-0.78%	-0.74%	-0.72%
2016	4.38%	4.92%	5.63%	6.36%	7.40%	8.17%

Wealth Management Perspectives

Capital Markets Overview: 4Q 2016

Introduction

As of 4Q 2016

- The election of Donald Trump as the next U.S. President sent markets surging to new highs during the 4th quarter of 2016. Trump's pro-growth agenda focusing on infrastructure spending, tax reform, and deregulation fueled markets into the so-called "Trump Rally." Along with the election, all eyes were on the Federal Open Market Committee as the US reported improving inflation expectations and employment numbers, giving the Fed a green light to hike in December. With expectations fully priced in, markets reacted calmly when the Fed raised their target rate by 25 basis points and signaled three further hikes in 2017.

- For the quarter, US equities posted strong performance, especially the Financials sector of the S&P 500, which returned 21.1%. REITs and long-term US Treasuries lagged on the back of increasing inflation expectations and rising real interest rates. For the one-year period ending December 31, 2016, MLPs, US high yield corporate bonds, US equities and emerging market equities led the pack with double-digit returns. Managed futures and munis were the laggards for the year.

- The Dow Jones Industrial Average increased 8.7% in the fourth quarter. The NASDAQ Composite Index was up 1.7% for the quarter. The S&P 500 Index increased 3.8% for the quarter.

- Eight of the 11 sectors within the S&P 500 generated positive returns in the fourth quarter of 2016. The top-performing sector was Financials, which was up 21.1%. Energy and Industrials rose 7.3% and 7.2%, respectively, and were also among the top-performing sectors. The biggest laggards were Real Estate, which decreased 4.4%, and HealthCare, which fell 4.0%.

- The bond market registered negative returns during the fourth quarter. The Bloomberg U.S. Aggregate Bond Index, a general measure of the bond market, decreased 3.0% for the quarter.

- Morgan Stanley & Co. economists expect U.S. real GDP will be 1.6% in 2016 and 2.0% in 2017. They forecast global GDP growth to be 3.0% in 2016 and 3.4% in 2017.

- After posting negative third quarter returns, commodities registered positive returns in the fourth quarter; the Bloomberg Commodity Index increased 2.7%.

- For the fourth quarter of 2016, global mergers and acquisitions (M&A) deal volume was $1,200 billion, compared to $813 billion for the third quarter of 2016. Global M&A activity decreased to $3.6 trillion in 2016 from $4.3 trillion in 2015.

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

Capital Markets Overview: 4Q 2016

The US Economy

As of 4Q 2016

The Department of Commerce estimated that Gross Domestic Product increased at an annual rate of 1.7% in the third quarter of 2016, in comparison to a 1.3% increase in the second quarter of 2016. Morgan Stanley & Co. economists forecast U.S. Real GDP growth will be 2.0% in 2017.

The seasonally adjusted unemployment rate for November 2016 was 4.6%, down from 4.9% in August. Employment increased most in professional and business services and in health care. The number of unemployed declined to 7.4 million from 7.9 million last quarter. The number of long-term unemployed (those jobless for 27 weeks or more) was little changed at 1.9 million. These individuals accounted for 24.8% of the unemployed.

According to the most recent estimate from the Bureau of Economic Analysis, corporate profits increased 5.8% between the second and third quarters of 2016, and rose 2.0% between the third quarter of 2015 and the third quarter of 2016.

Inflation increased in the US. according to the Bureau of Labor Statistics. The year-over-year Consumer Price Index was 1.1% in August and increased to 1.7% in November, a level last recorded in 2014. Morgan Stanley & Co. economists forecast a 2.4% inflation rate for 2017.

The Census Bureau reported that private-sector housing starts in November 2016 were at a seasonally adjusted annual rate of 1,090,000—6.9% below November 2015 housing starts.

The Census Bureau also reported that seasonally adjusted retail and food services sales increased 1.7% between August 2016 and November 2016, the majority of the 2.2% increase between November 2015 and November 2016. Consumer confidence spiked the fourth quarter, with Conference Board Consumer Confidence reading 113.70, the highest level since August 2001.

In December, the Institute for Supply Management's Purchasing Managers' Index (PMI), a manufacturing sector index, increased as the PMI registered 54.7%, a 3.2-percentage-point uptick from the September reading of 51.5%. Generally speaking, a PMI or NMI (ISM Non-Manufacturing Index) over 50 indicates that the sector is expanding and a PMI below 50 but over 43 indicates that the sector is shrinking but the overall economy is expanding. PMI has registered above 50 for 9 out of the 10 last months, indicating an expansion in manufacturing since March 2016. Overall, PMI has been above 43 for 91 consecutive months, indicating overall economic recovery and expansion since June 2009.

The NMI is up 0.1 points to 57.2 since Q3. The index has now been above 50 for 83 consecutive months, indicating non-manufacturing expansion since February 2010.

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

Capital Markets Overview: 4Q 2016

US Equity Markets

As of 4Q 2016

The Dow Jones Industrial Average increased 8.7% in the fourth quarter. The NASDAQ Composite Index was up 1.7% for the quarter. The S&P 500 Index increased 3.8% for the quarter.

Eight of the 11 sectors within the S&P 500 generated positive returns in the fourth quarter of 2016. The top-performing sector was Financials, which was up 21.1%. Energy and Industrials rose 7.3% and 7.2%, respectively, and were also among the top-performing sectors. The biggest laggards were Real Estate, which decreased 4.4%, and Health Care, which fell 4.0%.

Growth-style stocks of large-cap companies increased during the fourth quarter. The large-cap Russell 1000 Growth Index rose 1.0%. The Russell 1000 Index, a large-cap index, increased 3.8% for the quarter. The Russell 1000 Value Index, also a large-cap index, increased 6.7% for the quarter.

The Russell Midcap Growth Index rose 0.5% for the quarter. The Russell Midcap Index increased 3.2% for the quarter. The Russell Midcap Value Index increased 5.5% for the quarter. The Russell 2000 Growth Index, a small-cap index, increased 3.6% for the quarter. The small-cap Russell 2000 Index rose 8.8% for the quarter. The Russell 2000 Value Index, also a small-cap index, increased 14.1% for the quarter.

Key US Stock Market Index Returns (%) for the Period Ending 12/31/2016

INDEX IN USD	Quarter	12 Months	5-Years (Annualized)	7-Years (Annualized
S&P 500	3.8%	12.0%	14.7%	12.8%
Dow Jones	8.7%	16.5%	12.9%	12.4%
Russell 2000	8.8%	21.3%	14.5%	13.2%
Russell Midcap	3.2%	13.8%	14.7%	13.7%
Russell 1000	3.8%	12.1%	14.7%	12.9%

Source: FactSet, Bloomberg, Morgan Stanley Wealth Management GIC

Capital Markets Overview: 4Q 2016

Global Equity Markets

As of 4Q 2016

In the fourth quarter, emerging markets (EM) and international developed regions both delivered negative returns (in USD). The MSCI EAFE Index (a benchmark for international developed markets) decreased 0.7% for U.S.-currency investors and increased 7.1% for local-currency investors, as the U.S. dollar significantly appreciated in relation to the currencies of many nations in the index.

For the fourth quarter, the MSCI Emerging Markets Index decreased 4.1% for US-currency investors and 1.4% for local-currency investors, as the US dollar appreciated in relation to the currencies of the nations in the index. The MSCI Europe Index decreased 0.4% for US-currency investors and increased 5.5% for local-currency investors during the fourth quarter of 2016.

The S&P 500 Index increased 3.8% for the quarter.

Emerging economy equity market indices were down in the fourth quarter. The MSCI BRIC (Brazil, Russia, India and China) Index fell 3.8% for the quarter in US dollar terms and 3.7% in terms of local currencies. For the fourth quarter, the MSCI EM Asia Index was down 6.0% in US dollar terms and 3.0% in local terms.

Key Global Equity Market Index Returns (%) for the Period Ending 12/31/2016

INDEX IN USD	Quarter	12 Months	5-Years (Annualized)	7-Years (Annualized)
MSCI EAFE	-0.7%	1.5%	6.9%	4.3%
MSCI EAFE Growth	-5.5%	-2.7%	6.9%	4.9%
MSCI EAFE Value	4.2%	5.7%	6.7%	3.6%
MSCI Europe	-0.4%	0.2%	6.7%	3.9%
MSCI Japan	-0.1%	2.7%	8.4%	5.8%
S&P 500	3.8%	12.0%	14.7%	12.8%
MSCI Emerging Markets	-4.1%	11.6%	1.6%	0.8%

Source: FactSet, Bloomberg, Morgan Stanley Wealth Management GIC

Capital Markets Overview: 4Q 2016

The US Bond Market

As of 4Q 2016

The bond market registered negative returns during the fourth quarter. The Bloomberg U.S. Aggregate Bond Index, a general measure of the bond market, decreased 3.0% for the quarter.

Interest rates increased during the fourth quarter, as the yield on the 10-year U.S. Treasury note rose to a quarter-end 2.44% from 1.59% at the end of the 3Q 2016. This came out to a dramatic 53.3% increase in rates for the quarter.

Riskier parts of the bond market such as US high yield debt increased in the fourth quarter. The Bloomberg Barclays Capital High Yield Index, a measure of lower-rated corporate bonds, rose 1.8%.

Mortgage-backed securities posted negative returns during the fourth quarter. The Bloomberg Barclays Capital Mortgage Backed Index decreased 2.0% for the quarter. During the fourth quarter, the municipal bond market also decreased. As a result, the Bloomberg Barclays Capital Muni Index generated a negative 3.6% return for the quarter.

Key US Bond Market Index Returns (%) for the Period Ending 12/31/2016

INDEX IN USD	Quarter	12 Months	5-Years (Annualized)	7-Years (Annualized)
Barclays Capital US Aggregate	-3.0%	2.6%	2.2%	3.6%
Barclays Capital High Yield	1.8%	17.1%	7.4%	8.1%
Barclays Capital Government/Credit	-3.4%	3.0%	2.3%	3.8%
Barclays Capital Government	-3.8%	1.0%	1.2%	3.1%
Barclays Capital Intermediate Govt/Credit	-2.1%	2.1%	1.8%	3.0%
Barclays Capital Long Govt/Credit	-7.8%	6.7%	4.1%	7.4%
Barclays Capital Mortgage Backed Securities	-2.0%	1.7%	2.1%	3.1%
Barclays Capital Muni	-3.6%	0.2%	3.3%	4.2%

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

Capital Markets Overview:4Q 2016

Hedge Funds

As of 4Q 2016

HFRX Equity Hedge Index: 4Q = 0.79%

- Equity Hedge managers posted positive returns during the quarter, as markets rallied in November following the unexpected outcome of the election. Cautious positioning going into the election limited the extent of the participation on the upside for some managers as hedges and shorts offset positive performance in the long book.
- There was a significant rotation into Financials and cyclicals while defensive and yield-sensitive stocks performed poorly. From a factor standpoint, value did well while quality, momentum and low beta struggled during the period.

HFRX Event-Driven Index: 4Q = 3.65%

- Event Driven strategies were the strongest performing group in 4Q; specifically, Distressed Credit, Special Situations and Merger Arbitrage posted strong returns.
- Soft catalyst and Special Situation strategies helped drive returns on expectations that a friendlier regulatory environment would be beneficial to shareholders.

HFRX Macro/CTA Index: 4Q = -1.79%

- Macro/CTA strategies delivered negative returns in 4Q, with the biggest losses coming in fixed income and commodities for systematic trend-following strategies. Discretionary Macro strategies with short positioning in rates, long USD, long equities had a strong finish to the quarter.

HFRX Relative Value Arbitrage Index: 4Q = 1.29%

- Relative Value managers were positive in 4Q, as fixed income managers generally benefitted from the increase in interest rate volatility and changes across interest rate curves.

HFRX Global Hedge Fund Index: 4Q = 1.16%

- Global hedge fund performance was positive during the fourth quarter; Event Driven, Distressed, and other long/short equity strategies delivered strong performance during the period.

Source: HFRX Hedge Fund Indices; Morgan Stanley Wealth Management GIC

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Capital Markets Overview:3Q 2016

Private Equity and Real Estate

As of 3Q 2016

Buyout[1]

- Aggregate deal value totaled $90 billion in Q3 2016, which is up year over year from $86 billion driven by an increase in US activity. Asian deal value reached its lowest level since Q1 2012.
- Q3 had 408 exits accounting for $81 billion in value, which is down from the 462 exits totaling $122 billion in Q3 2015. Total exit value has been on a decline since Q2 2014.

Venture Capital[1]

- In Q3 2016, there were 2,050 deals accounting for $26 billion in value, which is down from 2,769 deals accounting for $43 billion in value in Q3 2015.
- Aggregate deal value is at its lowest level since Q3 2014.

Real Estate[2]

- 31 real estate funds closed in Q3, raising a total of $18.5 billion. This is the lowest amount of capital raised in a quarter since Q1 2013. Real estate debt funds accounted for the most capital raised with $5 billion.
- Real estate dry powder continues to set new highs with $225 billion at the end of Q3.

Private Debt[3]

- In Q3, 24 private debt funds closed on $11 billion in capital. North American-focused funds were the primary contributors, raising $8.6 billion. Additionally, distressed debt and mezzanine funds raised the most capital with $4.2 billion and $3.9 billion, respectively.
- Since rising from $124.7 billion in 2012 to $178.8 billion in 2013, private debt dry powder has increased to $199 billion at the end of Q3 2016.

Source: (1) Preqin, "Preqin Quarterly Update: Private Equity, Q3 2016" October (2) Preqin, "Preqin Quarterly Update: Real Estate, Q3 2016" October 2016 (3) Preqin, "Preqin Quarterly Update: Private Debt, Q3 2016" October 2016

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Stanley Wealth Management, MS & Co., managers and their affiliates provide a variety of services (including research, brokerage, asset management, trading, lending and investment banking services) for each other and for various clients, including issuers of securities that may be recommended for purchase or sale by clients or are otherwise held in client accounts, and managers in various advisory programs. Morgan Stanley Wealth Management, managers, MS & Co., and their affiliates receive compensation and fees in connection with these services. Morgan Stanley Wealth Management believes that the nature and range of clients to which such services are rendered is such that it would be inadvisable to exclude categorically all of these companies from an account.

Consider Your Own Investment Needs: The model portfolios and strategies discussed in the material are formulated based on general client characteristics including risk tolerance. This material is not intended to be a client-specific suitability analysis or recommendation, or offer to participate in any investment. Therefore, clients should not use this profile as the sole basis for investment decisions. They should consider all relevant information, including their existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon. Such a suitability determination may lead to asset allocation results that are materially different from the asset allocation shown in this profile. Talk to your Financial Advisor about what would be a suitable asset allocation for you, whether CGCM is a suitable program for you.

No obligation to notify – Morgan Stanley Wealth Management has no obligation to notify you when the model portfolios, strategies, or any other information, in this material changes.

Please consider the investment objectives, risks, fees, and charges and expenses of mutual funds, ETFs, closed end funds, unit investment trusts, and variable insurance products carefully before investing. The prospectus contains this and other information about each fund. To obtain a prospectus, contact your Financial Advisor or Private Wealth Advisor or visit the Morgan Stanley website at www.morganstanley.com. Please read it carefully before investing.

An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the fund.

The type of mutual funds and ETFs discussed in this presentation utilizes nontraditional or complex investment strategies and/or derivatives. Examples of these types of funds include those that utilize one or more of the below noted investment strategies or categories or which seek exposure to the following markets: (1) commodities (e.g., agricultural, energy and metals), currency, precious metals; (2) managed futures; (3) leveraged, inverse or inverse leveraged; (4) bear market, hedging, long-short equity, market neutral; (5) real estate; (6) volatility (seeking exposure to the CBOE VIX Index). Investors should keep in mind that while mutual funds and ETFs may, at times, utilize nontraditional investment options and strategies, they should not be equated with unregistered privately offered alternative investments. Because of regulatory limitations, mutual funds and ETFs that seek alternative-like investment exposure must utilize a more limited investment universe. As a result, investment returns and portfolio characteristics of alternative mutual funds and ETFs may vary from traditional hedge funds pursuing similar investment objectives. Moreover, traditional hedge funds have limited liquidity with long "lock-up" periods allowing them to pursue investment strategies without having to factor in the need to meet client redemptions and ETFs trade on an exchange. On the other hand, mutual funds typically must meet daily client redemptions. This differing liquidity profile can have a material impact on the investment returns generated by a mutual or ETF pursuing an alternative investing strategy compared with a traditional hedge fund pursuing the same strategy.

Nontraditional investment options and strategies are often employed by a portfolio manager to further a fund's investment objective and to help offset market risks. However, these features may be complex, making it more difficult to understand the fund's essential characteristics and risks, and how it will perform in different market environments and over various periods of time. They may also expose the fund to increased volatility and unanticipated risks particularly when used in complex combinations and/or accompanied by the use of borrowing or "leverage."

KEY ASSET CLASS CONSIDERATIONS AND OTHER RISKS

Investing in the markets entails the risk of market volatility. The value of all types of investments, including stocks, mutual funds, exchange-traded funds ("ETFs"), closed-end funds, and unit investment trusts, may increase or decrease over varying time periods. To the extent the investments depicted herein represent **international securities**, you should be aware that there may be additional risks associated with international investing, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes, and differences in financial and accounting standards. These risks may be magnified in **emerging markets and frontier markets**. **Small- and mid-capitalization companies** may lack the financial resources, product diversification and competitive strengths of larger companies. In addition, the securities of small- and mid-capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies. The value of **fixed income securities** will fluctuate and, upon a sale, may be worth more or less than their original cost or maturity value. Bonds are subject to interest rate risk, call risk, reinvestment risk, liquidity risk, and credit risk of the issuer. **High yield bonds** are subject to additional risks such as increased risk of default and greater volatility because of the lower credit quality of the issues. In the case of **municipal bonds**, income is generally exempt from federal income taxes. Some income may be subject to state and local taxes and to the federal alternative minimum tax. Capital gains, if any, are subject to tax. **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. There is no guarantee that investors will receive par if TIPS are sold prior to maturity. The returns on a portfolio consisting primarily of **environmental, social, and governance-aware investments ("ESG")** may be lower or higher than a portfolio that is more diversified or where decisions are based solely on investment considerations. Because ESG criteria exclude some investments, investors may not be able to take advantage of the same opportunities or market trends as investors that do not use such criteria. The companies identified and investment examples are for illustrative purposes only and should not be deemed a recommendation to purchase, hold or sell any securities or investment products. They are intended to demonstrate the approaches taken by managers who focus on ESG criteria in their investment strategy. There can be no guarantee that a client's account will be managed as described herein. As regards **Securities Based Lending**, you need to understand that: (1) Sufficient collateral must be maintained to support your loan(s) and to take future advances; (2) You may have to deposit additional cash or eligible securities on short notice; (3) Some or all of your securities may be sold without prior notice in order to maintain account equity at required maintenance levels. You will not be entitled to choose the securities that will be sold. These actions may interrupt your long-term investment strategy and may result in adverse tax consequences or in additional fees being assessed; (4) Morgan Stanley Bank, N.A., Morgan Stanley Private Bank, National Association or Morgan Stanley Smith Barney LLC (collectively referred to as "Morgan Stanley") reserves the right not to fund any advance request due to insufficient collateral or for any other reason except for any portion of a securities based loan that is identified as a committed facility; (5) Morgan Stanley reserves the right to increase your collateral maintenance requirements at any time without notice; and (6) Morgan Stanley reserves the right to call securities based loans at any time and for any reason. **Options** and margin trading involve substantial risk and are not suitable for all investors. Besides the general investment risk of holding securities that may decline in value and the possible loss of principal invested, **closed-end funds** may have additional risks related to declining market prices relative to net asset values (NAVs), active manager underperformance and potential leverage. Closed-end funds, unlike open-end funds, are not continuously offered. There is a one-time public offering and once issued, shares of closed-end funds are sold in the open market through a stock exchange. NAV is total assets less total liabilities divided by the number of shares outstanding. At the time an investor purchases shares of a closed-end fund, shares may have a market price that is above or below NAV.

Alternative investments often are speculative and include a high degree of risk. Investors could lose all or a substantial amount of their investment. Alternative investments are suitable only for eligible, long-term investors who are willing to forgo liquidity and put capital at risk for an indefinite period of time. They may be highly illiquid and can engage in leverage and other speculative practices that may increase the volatility and risk of loss. Alternative Investments typically have higher fees than traditional investments. Investors should carefully review and consider potential risks before investing. Certain of these risks may include but are not limited to: Loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices; Lack of liquidity in that there may be no secondary market for a fund; Volatility of returns; Restrictions on transferring interests in a fund; Potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized; Absence of information regarding valuations and pricing; Complex tax structures and delays in tax reporting; Less regulation and higher fees than mutual funds; and Risks associated with the operations, personnel, and processes of the manager. As a diversified global financial services firm, Morgan Stanley Wealth Management engages in a broad spectrum of activities including financial advisory services, investment management activities, sponsoring and managing private investment funds, engaging in broker-dealer transactions and principal securities, commodities and foreign exchange transactions, research publication, and other activities. In the ordinary course of its business, Morgan Stanley Wealth Management therefore engages in activities where Morgan Stanley Wealth Management's interests may conflict with the interests of its clients, including the private investment funds it manages. Morgan Stanley Wealth Management can give no assurance that conflicts of interest will be resolved in favor of its clients or any such fund. All expressions of opinion are subject to change without notice and are not intended to be a forecast of future events or results. Further, opinions regarding Alternative Investments expressed herein may differ from the opinions expressed by Morgan Stanley Wealth Management and/or other businesses/affiliates of Morgan Stanley Wealth Management. This is not a "research report" as defined by NASD Conduct Rule 2711 and was not prepared by the Research Departments of Morgan Stanley Smith Barney LLC or Morgan Stanley & Co. LLC or its affiliates. Certain information contained herein may constitute forward-looking statements. Due to various risks and uncertainties, actual events, results or the performance of a fund may differ materially from those reflected or contemplated in such forward-looking statements. Clients should carefully consider the investment objectives, risks, charges, and expenses of a fund before investing. While the HFRI indices are frequently used, they have limitations (some of which are typical of other widely used indices). These limitations include survivorship bias (the returns of the indices may not be representative of all the hedge funds in the universe because of the tendency of lower performing funds to leave the index); heterogeneity (not all hedge funds are alike or comparable to one another, and the index may not accurately reflect the performance of a described style); and limited data (many hedge funds do not report to indices, and the index may omit funds, the inclusion of which might significantly affect the performance shown. The HFRI indices are based on information self-reported by hedge fund managers that decide on their own, at any time, whether or not they want to provide, or continue to provide, information to HFR Asset Management, L.L.C. Results for funds that go out of business are included in the index until the date that they cease operations. Therefore, these indices may not be complete or accurate representations of the hedge fund universe, and may be biased in several ways. Composite index results are shown for illustrative purposes and do not represent the performance of a specific investment. Individual funds have specific tax risks related to their investment programs that will vary from fund to fund. Clients should consult their own tax and legal advisors as Morgan Stanley Wealth Management does not provide tax or legal advice. Interests in alternative investment products are offered pursuant to the terms of the applicable offering memorandum, are distributed by Morgan Stanley Smith Barney LLC and certain of its affiliates, and (1) are not FDIC-insured, (2) are not deposits or other obligations of Morgan Stanley or any of its affiliates, (3) are not guaranteed by Morgan Stanley and its affiliates, and (4) involve investment risks, including possible loss of principal. Morgan Stanley Smith Barney LLC is a registered broker-dealer, not a bank. This material is not to be reproduced or distributed to any other persons (other than professional advisors of the investors or prospective investors, as applicable, receiving this material) and is intended solely for the use of the persons to whom it has been delivered. This material is not for distribution to the general public. Past performance is no guarantee of future results. Actual results may vary. SIPC insurance does not apply to precious metals, other commodities, or traditional alternative investments. Interests in alternative investment products are offered pursuant to the terms of the applicable offering memorandum, are distributed by Morgan Stanley Smith Barney LLC and certain of its affiliates, and (1) are not FDIC-insured, (2) are not deposits or other obligations of Morgan Stanley or any of its affiliates, (3) are not guaranteed by Morgan Stanley and its affiliates, and (4) involve investment risks, including possible loss of principal. Morgan Stanley Smith Barney LLC is a registered broker-dealer, not a bank. In Consulting Group's advisory programs, alternative investments are limited to US-registered mutual funds, separate account strategies and exchange-traded funds (ETFs) that seek to pursue alternative investment strategies or returns utilizing publicly traded securities. Investment products in this category may employ 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 investments are not suitable for all investors. As a diversified global financial services firm, Morgan Stanley Wealth Management engages in a broad spectrum of activities including financial advisory services, investment management activities, sponsoring and managing private investment funds, engaging in broker-dealer transactions and principal securities, commodities and foreign exchange transactions, research publication, and other activities. In the ordinary course of its business, Morgan Stanley Wealth Management therefore engages in activities where Morgan Stanley Wealth Management's interests may conflict with the interests of its clients, including the private investment funds it manages. Morgan Stanley Wealth Management can give no assurance that conflicts of interest will be resolved in favor of its clients or any such fund. Alternative investments involve complex tax structures, tax inefficient investing, and delays in distributing important tax information. Individual funds have specific risks related to their investment programs that will vary from fund to fund. Clients should consult their own tax and legal advisors as Morgan Stanley Wealth Management does not provide tax or legal advice.

While the HFRI indices are frequently used, they have limitations (some of which are typical of other widely used indices). These limitations include survivorship bias (the returns of the indices may not be representative of all the hedge funds in the universe because of the tendency of lower performing funds to leave the index); heterogeneity (not all hedge funds are alike or comparable to one another, and the index may not accurately reflect the performance of a described style); and limited data (many hedge funds do not report to indices, and the index may omit funds, the inclusion of which might significantly affect the performance shown. The HFRI indices are based on information self-reported by hedge fund managers that decide on their own, at any time, whether or not they want to provide, or continue to provide, information to HFR Asset Management, L.L.C. Results for funds that go out of business are included in the index until the date that they cease operations. Therefore, these indices may not be complete or accurate representations of the hedge fund universe, and may be biased in several ways.

It should be noted that the majority of hedge fund indexes are comprised of hedge fund manager returns. This is in contrast to traditional indexes, which are comprised of individual securities in the various market segments they represent and offer complete transparency as to membership and construction methodology. As such, some believe that hedge fund index returns have certain biases that are not present in traditional indexes. Some of these biases inflate index performance, while others may skew performance negatively. However, many studies indicate that overall hedge fund index performance has been biased to the upside. Some studies suggest performance has been inflated by up to 260 basis points or more annually depending on the types of biases included and the time period studied. Although there are numerous potential biases that could affect hedge fund returns, we identify some of the more common ones throughout this paper.

Self-selection bias results when certain manager returns are not included in the index returns and may result in performance being skewed up or down. Because hedge funds are private placements, hedge fund managers are able to decide which fund returns they want to report and are able to opt out of reporting to the various databases. Certain hedge fund managers may choose only to report returns for funds with strong returns and opt out of reporting returns for weak performers. Other hedge funds that close may decide to stop reporting in order to retain secrecy, which may cause a downward bias in returns.

Survivorship bias results when certain constituents are removed from an index. This often results from the closure of funds due to poor performance, "blow ups," or other such events. As such, this bias typically results in performance being skewed higher. As noted, hedge fund index performance biases can result in positive or negative skew. However, it would appear that the skew is more often positive. While it is difficult to quantify the effects precisely, investors should be aware that idiosyncratic factors may be giving hedge fund index returns an artificial "lift" or upwards bias.

Hedge Funds of Funds and many funds of funds are private investment vehicles restricted to certain qualified private and institutional investors. They are often speculative and include a high degree of risk. Investors can lose all or a substantial amount of their investment. They may be highly illiquid, can engage in leverage and other speculative practices that may increase volatility and the risk of loss, and may be subject to large investment minimums and initial lockups. They involve complex tax structures, tax-inefficient investing and delays in distributing important tax information. Categorically, hedge funds and funds of funds have higher fees and expenses than traditional investments, and such fees and expenses can lower the returns achieved by investors. Funds of funds have an additional layer of fees over and above hedge fund fees that will offset returns. An investment in an **exchange-traded fund** involves risks similar to those of investing in a broadly based portfolio of equity securities traded on an exchange in the relevant securities market, such as market fluctuations caused by such factors as economic and political developments, changes in interest rates and perceived trends in stock and bond prices. An investment in a **target date portfolio** is subject to the risks attendant to the underlying funds in which it invests, in these portfolios the funds are the Consulting Group Capital Market funds. A target date portfolio is geared to investors who will retire and/or require income at an approximate year. The portfolio is managed to meet the investor's goals by the pre-established year or "target date." A target date portfolio will transition its invested assets from a more aggressive portfolio to a more conservative portfolio as the target date draws closer. An investment in the target date portfolio is not guaranteed at any time, including, before or after the target date is reached. **Managed futures** investments are speculative, involve a high degree of risk, use significant leverage, are generally illiquid, have substantial charges, subject investors to conflicts of interest, and are suitable only for the risk capital portion of an investor's portfolio. Managed futures investments do not replace equities or bonds but rather may act as a complement in a well diversified portfolio. Managed Futures are complex and not appropriate for all investors. **Rebalancing** does not protect against a loss in declining financial markets. There may be a potential tax implication with a rebalancing strategy. **Asset allocation and diversification** do not assure a profit or protect against loss in declining financial markets. Past performance is no guarantee of future results. Actual results may vary.

Tax laws are complex and subject to change. Morgan Stanley Smith Barney LLC ("Morgan Stanley"), its affiliates and Morgan Stanley Financial Advisors and private Wealth Advisors do not provide tax or legal advice and are not "fiduciaries" (under ERISA, the Internal Revenue Code or otherwise) with respect to the services or activities described herein except as otherwise provided in writing by Morgan Stanley. Individuals are encouraged to consult their tax and legal advisors (a) before establishing a retirement plan or account, and (b) regarding any potential tax, ERISA and related consequences of any investments made under such plan or account.

Insurance products are offered in conjunction with Morgan Stanley Smith Barney LLC's licensed insurance agency affiliates.

Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustration purposes only and do not show the performance of any specific investment. Reference to an index does not imply that the portfolio will achieve return, volatility or other results similar to the index. The composition of an index may not reflect the manner in which a portfolio is constructed in relation to expected or achieved returns, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility, or tracking error target, all of which are subject to change over time.

This material is not a financial plan and does not create an investment advisory relationship between you and your Morgan Stanley Financial Advisor. We are not your fiduciary either under the

Employee Retirement Income Security Act of 1974 (ERISA) or the Internal Revenue Code of 1986, and any information in this report is not intended to form the primary basis for any investment decision by you, or an investment advice or recommendation for either ERISA or Internal Revenue Code purposes. Morgan Stanley Private Wealth Management will only prepare a financial plan at your specific request using Private Wealth Management approved financial planning signature.
We may act in the capacity of a broker or that of an advisor. As your broker, we are not your fiduciary and our interests may not always be identical to yours. Please consult with your Private Wealth Advisor to discuss our obligations to disclose to you any conflicts we may from time to time have and our duty to act in your best interest. We may be paid both by you and by others who compensate us based on what you buy. Our compensation, including that of your Private Wealth Advisor, may vary by product and over time.
Investment and services offered through Morgan Stanley Private Wealth Management, a division of Morgan Stanley Smith Barney LLC, Member SIPC.
Investment, insurance and annuity products offered through Morgan Stanley Smith Barney LLC are: NOT FDIC INSURED | MAY LOSE VALUE | NOT BANK GUARANTEED | NOT A BANK DEPOSIT | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY
For index, indicator and survey definitions referenced in this report please visit the following: http://www.morganstanleyfa.com/public/projectfiles/id.pdf

Global Investment Committee (GIC) Asset Allocation Models: The Asset Allocation Models are created by Morgan Stanley Wealth Management's GIC. **HYPOTHETICAL MODEL PERFORMANCE (GROSS):** Hypothetical model performance results do not reflect the investment or performance of an actual portfolio following a GIC Strategy, but simply reflect actual historical performance of selected indices on a real-time basis over the specified period of time representing the GIC's strategic and tactical allocations as of the date of this report. The past performance shown here is simulated performance based on benchmark indices, not investment results from an actual portfolio or actual trading. There can be large differences between hypothetical and actual performance results achieved by a particular asset allocation or trading strategy. Hypothetical performance results do not represent actual trading and are generally designed with the benefit of hindsight. Actual performance results of accounts vary due to, for example, market factors (such as liquidity) and client-specific factors (such as investment vehicle selection, timing of contributions and withdrawals, restrictions and rebalancing schedules). Clients would not necessarily have obtained the performance results shown here if they had invested in accordance with any GIC Asset Allocation Model for the periods indicated. Despite the limitations of hypothetical performance, these hypothetical performance results allow clients and Financial Advisors to obtain a sense of the risk /return trade-off of different asset allocation constructs. The hypothetical performance results in this report are calculated using the returns of benchmark indices for the asset classes, and not the returns of securities, fund or other investment products. Models may contain allocations to Hedge Funds, Private Equity and Private Real Estate. The benchmark indices for these asset classes are not issued on a daily basis. When calculating model performance on a day for which no benchmark index data is issued, we have assumed straight line growth between the index levels issued before and after that date. **FEES REDUCE THE PERFORMANCE OF ACTUAL ACCOUNTS:** None of the fees or other expenses (e.g. commissions, mark-ups, mark-downs, fees) associated with actual trading or accounts are reflected in the GIC Asset Allocation Models. The GIC Asset Allocation Models and any model performance included in this presentation are intended as educational materials. Were a client to use these models in connection with investing, any investment decisions made would be subject to transaction and other costs which, when compounded over a period of years, would decrease returns. Information regarding Morgan Stanley's standard advisory fees is available in the Form ADV Part 2, which is available at www.morganstanley.com/adv. The following hypothetical illustrates the compound effect fees have on investment returns: For example, if a portfolio's annual rate of return is 15% for 5 years and the account pays 50 basis points in fees per annum, the gross cumulative five-year return would be 101.1% and the five-year return net of fees would be 96.8%. Fees and/or expenses would apply to clients who invest in investments in an account based on these asset allocations, and would reduce clients' returns. The impact of fees and/or expenses can be material. **insurance products disclosures: Variable annuities** are long-term investments designed for retirement purposes and may be subject to market fluctuations, investment risk, and possible loss of principal. All guarantees, including optional benefits, are based on the financial strength and claims-paying ability of the issuing insurance company and do not apply to the underlying investment options. Optional riders may not be able to be purchased in combination and are available at an additional cost. Some optional riders must be elected at time of purchase. Optional riders may be subject to specific limitations, restrictions, holding periods, costs, and expenses as specified by the insurance company in the annuity contract. If you are investing in a **variable annuity** through a tax-advantaged retirement plan such as an IRA, you will get no additional tax advantage from the variable annuity. Under these circumstances, you should only consider buying a variable annuity because of its other features, such as lifetime income payments and death benefits protection. Taxable distributions (and certain deemed distributions) are subject to ordinary income tax and, if taken prior to age 59½, may be subject to a 10% federal income tax penalty. Early withdrawals will reduce the death benefit and cash surrender value. **Equity securities** may fluctuate in response to news on companies, industries, market conditions and general economic environment. **Ultrashort-term fixed income** asset class is comprised of fixed income securities with high quality, very short maturities. They are therefore subject to the risks associated with debt securities such as credit and interest rate risk. **Master Limited Partnerships (MLPs): I**ndividual MLPs are publicly traded partnerships that have unique risks related to their structure. These include, but are not limited to, their reliance on the capital markets to fund growth, adverse ruling on the current tax treatment of distributions (typically mostly tax deferred), and commodity volume risk. The potential tax benefits from investing in MLPs depend on their being treated as partnerships for federal income tax purposes and, if the MLP is deemed to be a corporation, then its income would be subject to federal taxation at the entity level, reducing the amount of cash available for distribution to the fund which could result in a reduction of the fund's value. MLPs carry interest rate risk and may underperform in a rising interest rate environment. **Investing in commodities** entails significant risks. Commodity prices may be affected by a variety of factors at any time, including but not limited to, (i) changes in supply and demand relationships, (ii) governmental programs and policies, (iii) national and international political and economic events, war and terrorist events, (iv) changes in interest and exchange rates, (v) trading activities in commodities and related contracts, (vi) pestilence, technological change and weather, and (vii) the price volatility of a commodity. In addition, the commodities markets are subject to temporary distortions or other disruptions due to various factors, including lack of liquidity, participation of speculators and government intervention. **Physical precious metals** are non-regulated products.

Precious metals are speculative investments, which may experience short-term and long term price volatility. The value of precious metals investments may fluctuate and may appreciate or decline, depending on market conditions. Unlike bonds and stocks, precious metals do not make interest or dividend payments. Therefore, precious metals may not be suitable for investors who require current income. Precious metals are commodities that should be safely stored, which may impose additional costs on the investor. **REITs** investing risks are similar to those associated with direct investments in real estate: property value fluctuations, lack of liquidity, limited diversification and sensitivity to economic factors such as interest rate changes and market recessions. Risks of **private real estate** include: illiquidity; a long-term investment horizon with a limited or nonexistent secondary market; lack of transparency; volatility (risk of loss); and leverage. Principal is returned on a monthly basis over the life of a **mortgage-backed security.** Principal prepayment can significantly affect the monthly income stream and the maturity of any type of MBS, including standard MBS, CMOs and Lottery Bonds.

Asset-backed securities generally decrease in value as a result of interest rate increases, but may benefit less than other fixed-income securities from declining interest rates, principally because of prepayments. **Yields** are subject to change with economic conditions. Yield is only one factor that should be considered when making an investment decision. **Credit ratings** are subject to change. **Floating-rate securities.** The initial interest rate on a floating-rate security may be lower than that of a fixed-rate security of the same maturity because investors expect to receive additional income due to future increases in the floating security's underlying reference rate. The reference rate could be an index or an interest rate. However, there can be no assurance that the reference rate will increase. Some floating-rate securities may be subject to call risk. Companies paying **dividends** can reduce or cut payouts at any time. **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. The **indices selected by Morgan Stanley Wealth Management** to measure performance are representative of broad asset classes. Morgan Stanley Wealth Management retains the right to change representative indices at any time. Because of their narrow focus, **sector investments** tend to be more volatile than investments that diversify across many sectors and companies. **Growth investing** does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations. **Value investing** does not guarantee a profit or eliminate risk. Not all companies whose stocks are considered to be value stocks are able to turn their business around or successfully employ corrective strategies which would result in stock prices that do not rise as initially expected. Any type of **continuous or periodic investment plan** does not assure a profit and does not protect against loss in declining markets. Since such a plan involves continuous investment in securities regardless of fluctuating price levels of such securities, the investor should consider his financial ability to continue his purchases through periods of low price levels. **Duration**, the most commonly used measure of bond risk, quantifies the effect of changes in interest rates on the price of a bond or bond portfolio. The longer the duration, the more sensitive the bond or portfolio would be to changes in interest rates. This material is disseminated in the United States of America by Morgan Stanley Smith Barney LLC. Morgan Stanley Wealth Management is not acting as a municipal advisor to any municipal entity or obligated person within the meaning of Section 15B of the Securities Exchange Act (the "Municipal Advisor Rule") and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of the Municipal Advisor Rule. This material, or any portion thereof, may not be reprinted, sold or redistributed without the written consent of Morgan Stanley Smith Barney LLC.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:		DATE:	03/14/2017
Retirement Board of Authority			
SUBJECT:		ITEM #:	2016/2017-019
Status of the District's Current OPEB Trust Independent Auditor's Report		Enclosure:	Yes
		Action Item	No

Prepared by: Crowe Horwath, LLP

Requested by: Retirement Board of Authority

BACKGROUND:

The Independent Auditors Report provides the District's OPEB Trust with an independent third party compliance certification relative to GASB accounting standards, financial reporting for OPEB expenses, OPEB liabilities, Note disclosures and Required Supplemental Information (RSI).

STATUS:

The Retirement Board of Authority will review and discuss the status of the current Independent Auditor's certification relative to the District's OPEB Trust compliance with GASB 74/75 protocols and applicable Regulatory standards.

RECOMMENDATION:

The Retirement Board of Authority will accept the information provided and file accordingly.

ANTELOPE VALLEY
COMMUNITY COLLEGE DISTRICT

PUBLIC ENTITY INVESTMENT
TRUST FINANCIAL STATEMENTS
June 30, 2016

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
PUBLIC ENTITY INVESTMENT TRUST

FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Antelope Valley Community College District
Lancaster, California

Report on the Financial Statements

We have audited the accompanying financial statements of Antelope Valley Community College District Public Entity Investment Trust (the "Trust"), a fiduciary fund of Antelope Valley Community College District (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Trust's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Antelope Valley Community College District Public Entity Investment Trust, a fiduciary fund of Antelope Valley Community College District, as of June 30, 2016 and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the District's Trust and do not purport to, and do not, present fairly the financial position of the Antelope Valley Community College District as of June 30, 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information, such as the Schedule of Funding Progress and Schedule of Employer Contributions on pages __be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2016 on our consideration of the District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the Trust. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance for the Trust. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Antelope Valley Community College District's internal control over financial reporting and compliance for the Trust.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 21, 2016

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
PUBLIC ENTITY INVESTMENT TRUST
STATEMENT OF TRUST NET POSITION
June 30, 2016

ASSETS	
Cash	$ 1,523
Investments:	
Mutual funds – equity	415,784
Mutual funds – fixed income	294,503
Mutual funds – real estate	53,529
Total assets	765,339
LIABILITIES	
Accounts payable	$ 1,433
NET POSITION	
Net position held in trust for other postemployment benefits	$ 763,906

See accompanying notes to financial statements.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
PUBLIC ENTITY INVESTMENT TRUST
STATEMENT OF CHANGE IN TRUST NET POSITION
For the Year Ended June 30, 2016

Additions	
Employer contributions	$ 947,879
Net investment income:	
Dividends and other income	28,530
Realized and unrealized losses, net	(31,213)
Investment fees	(7,637)
Total additions	937,559
Deductions	
Retiree benefits	560,766
Net increase	376,793
Net position held in trust for other postemployment benefits:	
Net position, July 1, 2015	387,113
Net position, June 30, 2016	$ 763,906

See accompanying notes to financial statements.

NOTE 1 – DESCRIPTION OF PLAN

The following information of the Antelope Valley Community College District Public Entity Investment Trust (the "Trust"), a fiduciary fund of the Antelope Valley Community College District (the "District"), provides only general information of the Trust's provisions. Readers should refer to the Trust agreement for a more complete description. These financial statements include only the resources of the Trust and are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

General: The District administers the Trust, a contributory single-employer defined benefit healthcare plan through a third-party. The Trust provides postemployment medical, dental, vision and life insurance premiums to eligible retirees by paying member premiums. Benefit provisions are established and amended through contract negotiations with labor unions and must be approved by the District's Board of Trustees. Membership consists of 37 retirees currently eligible to receive benefits, and 37 eligible active plan members.

Contributions: Contributions to the Trust are funded entirely by the employer. The Trust was established and may be amended by the Retirement Board of Authority. During the year ended June 30, 2016, the District transferred $387,113 into the trust from unrestricted District funds. Contributions are not required and any additional contributions by the District would be discretionary. Retiree benefits and administrative expenses are funded from the contribution and investment earnings.

Funded Status and Funding Progress: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the Trust and the annual required contributions of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of trust assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

As of July 1, 2015, the most recent actuarial valuation date, the plan was partially funded. The actuarial accrued liability for benefits at the time of the actuarial valuation date was $9,093,980 and the actuarial value of assets was $387,846, resulting in an unfunded actuarial accrued liability (UAAL) of $8,706,134. As of the latest actuarial, the covered payroll (annual payroll of active employees covered by the Plan) was $28,900,000, and the ratio of the UAAL to the covered payroll was 30 percent.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 6.5 percent investment rate of return (net of administrative expenses), which is the expected long-term investment return on the employer's own assets calculated based on the funded level of the plan on the valuation date and an annual healthcare cost trend rate of 4 percent. Both rates include a 2.75 percent inflation assumption.

(Continued)

NOTE 1 – DESCRIPTION OF PLAN (Continued)

Investment Options: As appointed by the Retirement Board of Authority, Benefit Trust Company, the Asset Custodian, maintains the Trust's investments in various mutual funds, and is the record keeper and Morgan Stanley Wealth Management is the investment advisor. Funds allocated to the Asset Custodian are invested as directed by the Retirement Board of Authority in a combination of equity and fixed income investments.

Plan Termination: In the event of Plan termination, the net position of the Trust would be allocated as prescribed in the Trust agreement Section 11.2., generally to pay in the order indicated below:

- District's remaining retiree medical benefit liabilities.
- Reasonable expenses of administering the Trust.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The accompanying financial statements are presented on the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due, pursuant to formal commitments as well as statutory or contractual commitments. Retiree benefits are recognized when due and payable.

The financial statements of the Trust have been prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America. In the U.S. the Governmental Accounting Standards Board (GASB) is the established and recognized standard-setting body for governmental accounting and financial reporting. The financial statements have been prepared consistent with GASB Codification P50, *Postemployment Benefit Plans Other than Pension Plans.*

Investment Valuation: Investments are reported at fair value based upon market prices, when available, or estimates of fair value, and unrealized and realized gains and losses are included in the Statement of Change in Trust Net Position.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Trust to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

(Continued)

NOTE 3 – INVESTMENTS

The Trust has adopted an internally developed investment policy that authorizes the use of a broad range of investment choices that have distinctly different risks and return characteristics. In general, investments held in the Trust are 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. Generally the investment policy directs the Trust Custodian to invest the funds of the Trust in open-ended mutual funds consisting of fixed income and equity securities.

The fair value of the Trust's individual investments at June 30, 2016 are as follows:

Mutual funds – equity	$ 415,784
Mutual funds – fixed income	294,503
Mutual funds – real estate	53,529
Total investments	$ 763,816

During the fiscal year ended June 30, 2016, the Trust's investments (including gains and losses on investments bought and sold as well as held during the year) appreciated as follows:

Dividend and other	$ 28,530
Realized losses, net	(16,741)
Unrealized losses, net	(14,472)
Investment fees	(7,637)
Total investment loss	$ (10,320)

Custodial Credit Risk: The California Government Code requires California banks and savings and loan associations to secure the Trust's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the Trust. All cash held by financial institutions is entirely insured or collateralized.

Credit Risk: The Trust's investment policy requires all fixed income investments to be of investment grade quality or higher at purchase; that is, at the time of purchases, rated no lower than "BBB" by Standard and Poor's. The Retirement Board of Authority, at their discretion, may impose a higher standard on an individual investment manager basis as circumstances or investment objectives dictate. At June 30, 2016, the Trust investments consisted of open-end mutual funds, therefore there are no credit ratings to disclose.

Interest Rate Risk: The Trust does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2016, the Trust had no significant interest rate risk related to investments held.

NOTE 4 - FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments: The following methods and assumptions were used by the Trust to estimate the fair value of its financial instruments at June 30, 2016.

Fair Value Hierarchy: Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets Recorded at Fair Value: The following table presents information about the Trust's assets measured at fair value on a recurring basis as of June 30, 2016:

	Total	Level 1	Level 2	Level 3
Investments:				
Mutual funds - equity	$ 415,784	$ 415,784	$ -	$ -
Mutual funds – fixed income	294,503	294,503	-	-
Mutual funds – real estate	53,529	53,529	-	-
Total	$ 763,816	$ 763,816	$ -	$ -

Mutual funds were valued at closing prices from securities exchanges and are classified as Level 1 investments.

During the year ended June 30, 2016, there were no significant transfers in or out of Level 1.

There were no assets or liabilities measured at fair value on a non-recurring basis at June 30, 2016.

REQUIRED SUPPLEMENTARY INFORMATION

I. – SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
May 1, 2006	$ -	$ 7,974,678	$ 7,974,678	0%	$ 46,200,000	17.26%
March 1, 2009	$ -	$ 7,848,063	$ 7,848,063	0%	$ 46,200,000	16.99%
March 1, 2011	$ -	$ 7,600,837	$ 7,600,837	0%	$ 29,338,000	25.91%
July 1, 2013	$ -	$ 8,143,893	$ 8,143,893	0%	$ 25,432,000	32.02%
July 1, 2015	$ 387,846	$ 9,093,980	$ 8,706,134	4%	$ 28,900,000	30.13%

II. – SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended	Annual Required Contribution (ARC)	Contributions	Percentage of ARC Contributed
June 30, 2009	$ 1,119,675	$ 457,848	40.89%
June 30, 2010	$ 1,013,533	$ 604,150	59.61%
June 30, 2011	$ 1,013,533	$ 522,456	51.55%
June 30, 2012	$ 2,150,896	$ 453,565	21.09%
June 30, 2013	$ 686,280	$ 405,793	59.13%
June 30, 2014	$ 686,280	$ 613,700	89.42%
June 30, 2015	$ 889,069	$ 948,704	106.71%
June 30, 2016	$ 1,190,259	$ 947,879	79.64%

III. – NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Antelope Valley Community College District
Lancaster, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of Antelope Valley Community College District Benefit Trust (the "Trust"), a fiduciary fund of Antelope Valley Community College District (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over the Trust's financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting for the Trust.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's Trust financial statements are free of material misstatement, we performed tests of the Trust's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance for the Trust. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance for the Trust. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 21, 2016

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:		DATE:	3/14/2017
Retirement Board of Authority			
SUBJECT:		ITEM #:	2016/2017-020
Disbursement Report		Enclosure:	Yes
		Action Item	Yes

Prepared by: Keenan Financial Services

Requested by: Retirement Board of Authority

BACKGROUND:

The District's OPEB Investment Trust is able to pay for all expenses relating to the reimbursement of Retiree Benefits for eligible participants and the reasonable fees associated with the compliance, management and operational duties of the Trust.

STATUS:

The Retirement Board of Authority (RBOA) members shall ratify all reasonable expenses associated with compliance, management and operational duties of the District's OPEB Trust since the last RBOA meeting.

RECOMMENDATION:

The Retirement Board of Authority should ratify the payment of reasonable fees expenses as profiled.

Posting Date	Trade Date	Description	CUSIP	Cash	Price	Units
		DISBURSEMENT TRANSACTIONS				
05/12/2016		MONTHLY FEE TO BENEFIT TRUST COMPANY APRIL 2016		($189.47)		
05/12/2016		MONTHLY FEE TO KEENAN AND ASSOCIATES APRIL 2016		($455.51)		
05/12/2016		MONTHLY FEE TO MORGAN STANLEY APRIL 2016		($111.10)		
06/10/2016		MONTHLY FEE TO BENEFIT TRUST COMPANY MAY 2016		($189.60)		
06/10/2016		MONTHLY FEE TO KEENAN AND ASSOCIATES MAY 2016		($455.88)		
06/10/2016		MONTHLY FEE TO MORGAN STANLEY MAY 2016		($111.21)		
07/13/2016		MONTHLY FEE TO BENEFIT TRUST COMPANY JUNE 2016		($111.40)		
07/13/2016		MONTHLY FEE TO KEENAN AND ASSOCIATES JUNE 2016		($456.49)		
07/13/2016		MONTHLY FEE TO MORGAN STANLEY JUNE 2016		($189.82)		
08/11/2016		MONTHLY FEE TO BENEFIT TRUST COMPANY JULY 2016		($193.61)		
08/11/2016		MONTHLY FEE TO KEENAN AND ASSOCIATES JULY 2016		($467.11)		
08/11/2016		MONTHLY FEE TO MORGAN STANLEY JULY 2016		($114.72)		
09/14/2016		MONTHLY FEE TO BENEFIT TRUST COMPANY AUGUST 2016		($194.37)		
09/14/2016		MONTHLY FEE TO KEENAN AND ASSOCIATES AUGUST 2016		($469.24)		
09/14/2016		MONTHLY FEE TO MORGAN STANLEY AUGUST 2016		($115.39)		
10/12/2016		MONTHLY FEE TO BENEFIT TRUST COMPANY SEPTEMBER 2016		($194.92)		

Posting Date	Trade Date	Description	CUSIP	Cash	Price	Units
10/12/2016		MONTHLY FEE TO KEENAN AND ASSOCIATES SEPTEMBER 2016		($470.78)		
10/12/2016		MONTHLY FEE TO MORGAN STANLEY SEPTEMBER 2016		($115.87)		
11/16/2016		MONTHLY FEE TO BENEFIT TRUST COMPANY OCTOBER 2016		($193.02)		
11/16/2016		MONTHLY FEE TO KEENAN AND ASSOCIATES OCTOBER 2016		($465.47)		
11/16/2016		MONTHLY FEE TO MORGAN STANLEY OCTOBER 2016		($114.21)		
12/15/2016		MONTHLY FEE TO BENEFIT TRUST COMPANY NOVEMBER 2016		($193.10)		
12/15/2016		MONTHLY FEE TO KEENAN AND ASSOCIATES NOVEMBER 2016		($465.69)		
12/15/2016		MONTHLY FEE TO MORGAN STANLEY NOVEMBER 2016		($114.28)		
01/19/2017		MONTHLY FEE TO KEENAN AND ASSOCIATES DECEMBER 2016		($650.52)		
01/19/2017		MONTHLY FEE TO MORGAN STANLEY EFFECTIVE 01/18/2017 DECEMBER 2016		($172.04)		
01/19/2017		MONTHLY FEE TO BENEFIT TRUST COMPANY EFFECTIVE 01/18/2017 DECEMBER 2016		($259.11)		
02/09/2017		MONTHLY FEE TO BENEFIT TRUST COMPANY JANUARY 2017		($262.47)		
02/09/2017		MONTHLY FEE TO KEENAN AND ASSOCIATES JANUARY 2017		($659.93)		
02/09/2017		MONTHLY FEE TO MORGAN STANLEY JANUARY 2017		($174.98)		
		TOTAL FOR DISBURSEMENT		**($8,331.31)**		

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:		DATE:	3/14/2017
Retirement Board of Authority			
SUBJECT:		ITEM #:	2016/2017-021
Future Transfer of Assets into the Trust		Enclosure:	No
		Action Item	No

Prepared by: Keenan Financial Services

Requested by: Retirement Board of Authority

BACKGROUND:

The District's Investment Trust was created for the exclusive purpose of prefunding unfunded retiree OPEB liabilities.

STATUS:

The Retirement Board of Authority will acknowledge previous District transfers to the Trust and provide updates for anticipated prefunding transfers for the current fiscal year.

RECOMMENDATION:

The Retirement Board of Authority shall hear the discussion and file the information accordingly.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:		DATE:	03/14/2017
Retirement Board of Authority			
SUBJECT:		ITEM #:	2016/2017-022
Annual Report to the Governing Board of Trustees Update		Enclosure:	Yes (Separate)
		Action Item	No

Prepared by: Keenan Financial Services

Requested by: Retirement Board of Authority

BACKGROUND:

The current status of the District's OPEB Investment Trust is periodically presented to the Antelope Valley Community College District Board of Trustees.

STATUS:

An Annual Report presentation regarding the current status of the District's OPEB Investment Trust will be made to the Antelope Valley Community College District Board of Trustees. Cary Allison of Morgan Stanley Wealth Management will provide an update to the RBOA membership as to the information that will be given in the Annual Report to the Board of Trustees.

RECOMMENDATION:

The Retirement Board of Authority shall receive the information presented and file accordingly.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:	Retirement Board of Authority	DATE:	3/14/2017
SUBJECT:	Retirement Board of Authority Comments	ITEM #:	2016/2017-023
		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.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO: Retirement Board of Authority

DATE: 3/14/2017

SUBJECT: Program Coordinator/Consultant Comments

ITEM #: 2016/2017-024

Enclosure: No

Action Item: No

Prepared by: Keenan Financial Services

Requested by: Retirement Board of Authority

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.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:		DATE:	3/14/2017
Retirement Board of Authority			

SUBJECT:		ITEM #:	2016/2017-025
Date, Time and Agenda Items for Next Meeting		Enclosure:	No
		Action Item	No

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

BACKGROUND:

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

RECOMMENDATION:

The Board will determine Agenda Items for the next meeting.