

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING**

PRESENTED TO: DATE: 05/12/2016
Retirement Board of Authority

SUBJECT: ITEM #: 2015/2016-039
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: DATE: 05/12/2016
Retirement Board of Authority

SUBJECT: ITEM #: 2015/2016-040
Approval of Agenda 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
MAY 12, 2016
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

RETIREMENT BOARD OF AUTHORITY (the “Board”) MEMBERS:

Executive Director Business Services
Vice President Human Resources
Board of Trustees Member

Diana Keelen
Mark Bryant
Michael Adams

PROGRAM COORDINATOR:

Senior Vice President
Senior Account Manager
Account Executive, Keenan & Associates

Gail Beal
Roslyn Washington
Sharen Stanek-Lowe

CONSULTANTS:

Benefit Trust Company (BTC)
Morgan Stanley Wealth Management (MS)
RPM Consultant Group (RPM)

Scott Rankin
Cary Allison
Chuck Thompson

OTHERS

None

III. PUBLIC COMMENTS

**Information
2015/2016-039**

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**
2015/2016-040

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**
2015/2016-041

The Retirement Board of Authority will review the Minutes from the previous meeting on February 18, 2016 for any adjustments and adoption.

PUBLIC COMMENTS:

BOARD CONSIDERATION:

VI. INVESTMENTS

PORTFOLIO PERFORMANCE REVIEW **Action**
2015/2016-042

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**
2015/2016-043

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

PUBLIC COMMENTS:

BOARD CONSIDERATION:

VII. ADMINISTRATION

DISBURSEMENT REPORT **Action**
2015/2016-044

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**
2015/2016-045

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:

VIII. INFORMATION

RETIREMENT BOARD OF AUTHORITY COMMENTS

**Information
2015/2016-046**

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
2015/2016-047**

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
2015/2016-048**

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:

Retirement Board of Authority

DATE:

05/12/2016

SUBJECT:

Approval of Minutes

ITEM #:

2015/2016-041

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 **February 18, 2016.**

RECOMMENDATION:

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

MINUTES

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING
FEBRUARY 18, 2016
1:00 PM–2:00 PM

I. CALL TO ORDER

1. The meeting was called to order at 1:00 PM by RBOA Chair Diana Keelen.

II. ROLL CALL

1. All Retirement Board of Authority (RBOA) members were present.
2. All Coordinators/Consultants were present.

III. PUBLIC COMMENTS

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

IV. APPROVAL OF AGENDA

1. Michael Adams Motioned to accept the Agenda as presented; Motion was seconded by Mark Bryant.

V. APPROVAL OF MINUTES

1. Michael Adams Motioned to accept the Minutes from January 12, 2016 as presented; Motion was seconded by Mark Bryant.

VI. ADMINISTRATION

1. Actuarial Valuation Study Update

Chuck Thompson discussed the difference between the September 20, 2015 and the January 19, 2016 studies. Overall there was a reduction in all numbers due to the discount rate increase. This item is information only.

2. Status of District's current OPEB Plan Independent Auditor's Report

The audit report was positive and showed no issues for the trust. However, Scott Rankin had some language changes which the RBOA agreed upon. Diana Keelan will submit to the auditor. This item is information only.

3. Annual Report to the Governing Board of Trustees

The RBOA membership shall discuss key elements of the Report presentation to the District's Board of Trustees. The presentation for the Board of Trustees was discussed based on some minor revisions which Chuck Thompson will take care of and send to Roslyn Washington for final edits. Diana Keelan would like the final presentation no later than Monday, February 22, 2016 to include in the packets. Michael Adams Motioned to approve the modifications; Motion was seconded by Mark Bryant.

VII. INFORMATION

1. Retirement Board of Authority Comments

No comments. This item is information only.

2. Program Coordinator/Consultant Comments

Chuck Thompson discussed new GASB guidelines that will be coming out in draft form. This will be a follow up to the accounting standards 74 & 75. While there are no details, the new draft will focus on fiduciary liability, fiduciary activities and education to manage the fiduciary liability. Chuck will bring additional information when the drafts are released. This item is information only.

3. Date, Time and Agenda Items for Next Meeting

Proposed is April 21, 2016, 1:00 PM-2:00 PM. Gail Beal will check the availability of the team and advise Diana Keelen. This item is for information only.

4. Adjournment

Meeting was adjourned at 1:35 PM.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING**

PRESENTED TO: DATE: 05/12/2016
Retirement Board of Authority

SUBJECT: ITEM #: 2015/2016-042
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.

BENEFIT TRUST COMPANY AS TRUSTEE FOR ANTELOPE VALLEY COMMUNITY COLLEGE D
 March 31, 2016

Change In Portfolio		Asset Allocation
Portfolio Value on 12-31-15	747,615.08	<p align="center">PORTFOLIO SUMMARY March 31, 2016</p> <p>PORTFOLIO SUMMARY Data:</p> <ul style="list-style-type: none"> CASH AND RECEIVABLES -0.01 FIXED INCOME FUNDS 297,900.89 DOMESTIC EQUITY FUNDS 298,234.86 INTERNATIONAL EQUITY FUNDS 158,624.22
Contributions	0.00	
Withdrawals	0.00	
Change in Market Value	6,726.26	
Income Received	2,607.90	
Portfolio Fees	-2,189.27	
Portfolio Value on 03-31-16	<hr/> 754,759.97 <hr/> 754,759.97	

Time Weighted Return - Gross of Fees

	Quarter To Date	Year To Date	Latest 1 Year	Annualized Latest 3 Year	Annualized Latest 5 Year	Inception To Date
Account	1.26	1.26	-	-	-	-2.09
S&P 500 TR	1.35	1.35	1.80	11.83	11.58	-0.57
MSCI EAFE	-3.01	-3.01	-8.27	2.23	2.29	-10.69
MSCI ACWI Ex US Net	-0.37	-0.37	-9.10	0.35	0.33	-9.32
Barclays Aggregate	3.04	3.04	1.99	2.51	3.79	3.02
Barclays Global Agg Bd Unhedged	5.90	5.90	4.56	0.87	1.79	5.58
50% MSCI ACWI/ 50% Barclays Agg	1.75	1.75	-0.91	4.21	4.77	-1.03

Time Weighted Return - Net of Fees

	Quarter To Date	Year To Date	Latest 1 Year	Annualized Latest 3 Year	Annualized Latest 5 Year	Inception To Date
Account	0.96	0.96	-	-	-	-2.84
S&P 500 TR	1.35	1.35	1.80	11.83	11.58	-0.57
MSCI EAFE	-3.01	-3.01	-8.27	2.23	2.29	-10.69
MSCI ACWI Ex US Net	-0.37	-0.37	-9.10	0.35	0.33	-9.32
Barclays Aggregate	3.04	3.04	1.99	2.51	3.79	3.02
Barclays Global Agg Bd Unhedged	5.90	5.90	4.56	0.87	1.79	5.58
50% MSCI ACWI/ 50% Barclays Agg	1.75	1.75	-0.91	4.21	4.77	-1.03

PORTFOLIO APPRAISAL

March 31, 2016

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		-0.01		-0.01	0.0	0.0
FIXED INC MUTUAL FUNDS								
Taxable Funds								
1,920.767	BLACKROCK STRATEGIC INCOME OPPS INSTL	BSIX	10.06	19,319.46	9.66	18,554.61	2.5	2.4
3,915.584	BLACKROCK TOTAL RETURN INSTL	MAHQ.X	11.75	45,994.47	11.72	45,890.64	6.1	2.9
4,372.494	DELAWARE DIVERSIFIED INC INSTL	DPFF.X	8.84	38,659.78	8.72	38,128.15	5.1	3.5
1,853.051	HARTFORD WORLD BOND I	HWDLX	10.42	19,308.34	10.29	19,067.89	2.5	1.1
2,050.043	LEGG MASON BW ALT	LMAM.X	10.23	20,971.93	9.34	19,147.40	2.5	5.5
2,274.526	LEGG MASON BW GLOBAL OPPTS BD IS	GOBS.X	10.28	23,389.10	10.57	24,041.74	3.2	1.4
3,218.350	PRUDENTIAL TOTAL RETURN BD FD	PTRQ.X	14.28	45,943.53	14.34	46,151.14	6.1	3.0
3,585.345	TEMPLETON GLOBAL BOND ADV	TGBA.X	12.01	43,070.78	11.44	41,016.35	5.4	3.4
3,946.945	WESTERN ASSET CORE PLUS BOND INSTL	WACP.X	11.55	45,593.59	11.63	45,902.97	6.1	3.2
				302,250.98		297,900.89	39.5	3.0
				302,250.98		297,900.89	39.5	3.0
DOMESTIC EQUITY FUNDS								
Taxable Funds								
904.535	VANGUARD INDEX FDS MD CP STK INST	VMCLX	34.81	31,484.14	33.16	29,994.38	4.0	1.7
Large Cap Funds								
2,145.103	ALGER FDS II SPECTRA FD Z	ASPZ.X	18.60	39,902.82	16.65	35,715.96	4.7	0.0
1,734.051	COLUMBIA FDS SER TR I	COFY.X	22.62	39,218.76	21.50	37,282.10	4.9	3.0
				79,121.58		72,998.06	9.7	1.5
Mid Cap Funds								
1,807.045	COHEN & STEERS REALTY INCOME I	CSDLX	14.89	26,914.09	15.11	27,304.45	3.6	2.6
1,081.361	HARTFORD MIDCAP Y	HMDY.X	30.42	32,892.06	27.56	29,802.31	3.9	0.0
1,137.676	OAKMARK SELECT I	OAKL.X	40.44	46,004.59	37.03	42,128.14	5.6	0.3
1,098.974	PRUDENTIAL GLOBAL REAL ESTATE	PGRQ.X	24.25	26,652.97	24.53	26,957.83	3.6	1.4
				132,463.72		126,192.73	16.7	1.0

PORTFOLIO APPRAISAL

March 31, 2016

Quantity	Security	Security Symbol	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Cur. Yield
Small Cap Funds								
536.510	UNDISCOVERED MANAGERS FDS BEHAVR VAL INS	UBVL.X	55.59	29,824.58	57.53	30,865.42	4.1	0.8
				272,894.02		260,050.60	34.5	1.2
INTERNATIONAL FUNDS								
Small Cap Funds								
1,464.473	BRANDES INTERNATIONAL SMALL CAP EQUITY I	BISM.X	13.25	19,402.26	13.19	19,316.40	2.6	1.9
International								
657.169	AMERICAN FUNDS NEW PERSPECTIVE F2	ANWF.X	38.28	25,158.45	35.06	23,040.35	3.1	1.0
300.155	AMERICAN FUNDS NEW WORLD F-2	NFFF.X	53.82	16,153.95	50.00	15,007.75	2.0	0.9
2,440.651	BRANDES INSTL INTERNATIONAL EQUITY	BIIE.X	16.93	41,330.27	15.29	37,317.55	4.9	2.4
1,208.876	CLEARBRIDGE INTERNATIONAL SMALL CAP I	LCOLX	16.59	20,050.20	15.20	18,374.92	2.4	1.3
2,162.554	HARTFORD INTERNATIONAL VALUE I	HILLX	15.20	32,866.71	13.31	28,783.59	3.8	1.7
				135,559.58		122,524.16	16.2	1.6
Emerging Markets								
2,318.186	BRANDES EMERGING MARKETS I	BEMIX	7.22	16,726.28	7.24	16,783.67	2.2	1.5
				171,688.11		158,624.22	21.0	1.6
BALANCED EQUITY FUNDS								
Balanced Funds								
1,988.764	THORNBURG INVESTMENT INCOME BUILDER I	TIBIX	21.14	42,049.79	19.20	38,184.27	5.1	4.6
				42,049.79		38,184.27	5.1	4.6
TOTAL PORTFOLIO				788,882.89		754,759.97	100.0	2.2

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING**

PRESENTED TO: DATE: 05/12/2016
Retirement Board of Authority

SUBJECT: ITEM #: 2015/2016-043
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 – 1st Quarter 2016

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

Morgan Stanley

MODEL PORTFOLIO ALLOCATIONS

	Fixed Income	Conservative	Moderate	Moderate Growth	Growth	Aggressive Growth
EQUITIES						
Large Cap Growth	0%	1%	3%	5%	5%	7%
Large Cap Value	0%	4%	7%	8%	11%	14%
Small/Mid Growth	0%	0%	1%	2%	4%	6%
Small/Mid Value	<u>0%</u>	<u>2%</u>	<u>3%</u>	<u>5%</u>	<u>8%</u>	<u>10%</u>
	0%	7%	14%	20%	28%	37%
International	0%	7%	15%	19%	26%	31%
REITs	0%	2%	4%	6%	7%	8%
Total Equities	0%	16%	33%	45%	61%	76%
FIXED INCOME						
Domestic Intermediate	79.5%	61.8%	47.5%	40.0%	26.8%	15.3%
International Intermediate	<u>20.5%</u>	<u>22.3%</u>	<u>19.5%</u>	<u>15.0%</u>	<u>12.3%</u>	<u>8.8%</u>
Total Fixed Income	100%	84%	67%	55%	39%	24%
Grand Total	100%	100%	100%	100%	100%	100%
PORTFOLIO STATISTICS						
Avg Annual Return	4.50%	5.00%	6.00%	6.99%	7.69%	8.46%
Standard Deviation (Risk)	3.94%	4.26%	6.09%	7.41%	9.48%	11.89%
Nominal Benchmarks						
MSCI ACWI (All County World Index)	0%	15%	30%	45%	60%	75%
Barclay's Aggregate Bond	100%	85%	70%	55%	40%	25%

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

MODEL PORTFOLIOS										
EQUITIES	Style	Ticker	Expenses	Fixed			Moderate		Aggressive	
				Income	Conservative	Moderate	Growth	Growth	Growth	
<i>Domestic Equities</i>										
<i>Large Cap Domestic Equities</i>										
Alger Spectra	Large Growth	ASPZX	0.97%	0%	1%	3%	5%	5%	7%	
Columbia Contrarian Core	Large Blend	COFYX	0.68%	0%	2%	3%	4%	5%	7%	
Oakmark Select	Large Value	OAKLX	0.95%	<u>0%</u> 0%	<u>2%</u> 5%	<u>4%</u> 10%	<u>4%</u> 13%	<u>6%</u> 16%	<u>7%</u> 21%	
<i>Small/Mid Cap Domestic Equities</i>										
Hartford Midcap	Mid Growth	HMDYX	0.76%	0%	0%	1%	2%	4%	6%	
Vanguard Mid Cap Index	Mid Blend	VMCIX	0.08%	0%	1%	2%	3%	4%	5%	
JP Morgan Undiscovered Managers	Small Blend	UBVSX	1.05%	<u>0%</u> 0%	<u>1%</u> 2%	<u>1%</u> 4%	<u>2%</u> 7%	<u>4%</u> 12%	<u>5%</u> 16%	
<i>Real Estate Investment Trusts</i>										
Cohen & Steers Realty Shares	Real Estate	CSDIX	0.95%	0%	1%	2%	3%	3.5%	4%	
Prudential Global Real Estate Q	Real Estate	PGRQX	0.83%	<u>0%</u> 0%	<u>1%</u> 2%	<u>2%</u> 4%	<u>3%</u> 6%	<u>3.5%</u> 7%	<u>4%</u> 8%	
<i>Total Domestic Equities & REITs</i>				0%	9%	18%	26%	35%	45%	
<i>International/Global Equities</i>										
Brandes International Small Cap	Int'l SMID	BISMX	1.15%	0%	1%	1.5%	2%	2.5%	3%	
Legg Mason ClearBridge International Small Cap	Int'l SMID	LCOIX	1.20%	0%	0%	1.5%	2%	2.5%	3%	
American Funds New Perspectives Fund	Global Growth	ANWFX	0.46%	0%	1%	2%	2%	3%	4%	
American Funds New World Fund	Emerging Markets	NFFFX	0.66%	0%	1%	1%	1.5%	2.0%	3%	
Brandes Emerging Markets Fund	Emerging Markets	BEMIX	1.12%	0%	0%	1%	1.5%	2.0%	3%	
Brandes International Equity	Int'l Value	BIEX	0.99%	0%	2%	3%	4%	5%	5%	
Hartford International Value	Int'l Value	HILIX	0.85%	0%	1%	2%	3%	4%	5%	
Thornburg Investment Income Builder	Global Blend	TIBIX	0.86%	<u>0%</u> 0%	<u>1%</u> 7%	<u>3%</u> 15%	<u>3%</u> 19%	<u>5%</u> 26%	<u>5%</u> 31%	
<i>Total Equities</i>				0%	16%	33%	45%	61%	76%	
FIXED INCOME										
BlackRock Total Return	Domestic Bond	MAHQX	0.53%	18%	13%	10%	8%	6%	3%	
Delaware Diversified Income	Domestic Bond	DPPFX	0.65%	18%	13%	10%	8%	5%	3%	
Prudential Total Return Bond Fund Q	Domestic Bond	PTRQX	0.49%	18%	13%	10%	9%	6%	4%	
Western Asset Core Plus Bond	Domestic Bond	WACPX	0.49%	18%	13%	10%	9%	6%	3%	
BlackRock Strategic Income Opps	Domestic Bond	BSIIX	0.60%	2%	6.5%	5.0%	4%	2.5%	1.5%	
Hartford World Bond Fund	Global Bond	HWDIX	0.74%	11%	6.5%	5.0%	4%	2.5%	1.5%	
Legg Mason Brandywine Global Opportunities Bond	Global Bond	GOBSX	0.58%	5%	6%	5%	4%	3%	2%	
Legg Mason Brandywine Alternative Credit	Global Bond	LMAMX	1.25%	3%	4%	4%	3%	2.5%	2.0%	
Templeton Global Bond Inst	Global Bond	TGBAX	0.64%	<u>7%</u>	<u>9%</u>	<u>8%</u>	<u>6%</u>	<u>5.5%</u>	<u>4.0%</u>	
<i>Total Bonds</i>				<i>Subtotals</i>	100%	84%	67%	55%	39%	24%
SUMMARY										
Total Equities				0%	16%	33%	45%	61%	76%	
Total Fixed Income				<u>100%</u>	<u>84%</u>	<u>67%</u>	<u>55%</u>	<u>39%</u>	<u>24%</u>	
Grand Total				100%	100%	100%	100%	100%	100%	
<i>Expense Ratio</i>				0.59%	0.63%	0.67%	0.69%	0.72%	0.74%	

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

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%
Annualized Returns						
1 Year	0.07%	-0.75%	-0.98%	-1.27%	-1.72%	-2.10%
2 Years	2.47%	1.86%	1.98%	2.04%	1.94%	1.79%
3 Years	2.48%	2.56%	3.53%	4.27%	5.08%	5.95%
4 Years	3.43%	3.73%	4.54%	5.07%	5.69%	6.31%
5 Years	4.08%	4.07%	4.46%	4.69%	4.91%	5.09%
6 Years	4.69%	4.85%	5.38%	5.71%	6.08%	6.49%
7 Years	7.08%	7.78%	8.91%	9.66%	10.58%	11.76%
8 Years	6.34%	6.08%	6.00%	5.87%	5.64%	5.16%
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 YTD	2.62%	2.10%	1.76%	1.64%	1.36%	1.05%

Investment Perspectives

From the Global Investment Committee



Capital Markets Overview: 1Q 2016

Introduction

As of 1Q 2016

- Global risk markets were highly volatile in the first quarter of 2016. The worst January in global stock market history gave way to a retracement in February and March, leaving US stockowners about even, and international positions down about 3% to 5% in US dollar terms. Investors grappled with fears of a global recession, ineffective central bank policy, a China-driven currency war and declining oil prices. For the quarter, gold, emerging market equities and REITs posted the strongest returns, while Japanese equities and Master Limited Partnerships (MLPs) registered the weakest performance among major asset classes. For the one-year period ended March 31, 2016, gold and global investment grade bonds were the top-performing asset classes.
- The Dow Jones Industrial Average increased 2.2% in the first quarter. The NASDAQ Composite Index was down 2.4% for the quarter. The S&P 500 Index increased 1.3% for the quarter.
- Eight of the 10 sectors within the S&P 500 generated positive returns in the first quarter of 2016. The top-performing sector was Telecom, which was up 16.6%. Utilities rose 15.6% and was also among the top-performing sectors. The biggest laggards were Health Care, which decreased 5.5%, and Financials, which fell 5.1%.
- Morgan Stanley & Co. economists expect U.S. real GDP will be 1.7% in 2016 and 1.6% in 2017. They forecast global GDP growth to be 3.0% in 2016 and 3.4% in 2017.
- Commodities registered modestly positive returns in the first quarter; the Bloomberg Commodity Index increased 0.4%. For the quarter, gold was one of the top-performing asset classes, registering a total return of 16.5%.
- For the first quarter of 2016, global mergers and acquisitions (M&A) deal volume was \$712 billion, compared to \$797 billion for the first quarter of 2015. Global M&A activity increased to \$4.3 trillion in 2015 from \$3.3 trillion in 2014.

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

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Capital Markets Overview: 1Q 2016

The US Economy

As of 1Q 2016

The Department of Commerce estimated that Gross Domestic Product increased at an annual rate of 1.4% in the fourth quarter of 2015, in comparison to a 2.0% increase in the third quarter of 2015. Morgan Stanley & Co. economists forecast U.S. Real GDP will be 1.7% in 2016 and 1.6% in 2017.

The seasonally adjusted unemployment rate for March 2016 was 5.0%, showing a 0.1% increase from its February level. Employment gains occurred in retail trade, construction, and health care, while job losses occurred in manufacturing and mining. The number of unemployed persons (8.0 million) was little changed in March. The number of long-term unemployed (those jobless for 27 weeks or more) was essentially unchanged at 2.2 million in March and has shown little movement since June. In March, these individuals accounted for 27.6 percent of the unemployed.

According to the most recent estimate from the Bureau of Economic Analysis, corporate profits decreased 7.8% between the third quarter of 2015 and the fourth quarter of 2015, and fell 11.5% between the fourth quarter of 2014 and the fourth quarter of 2015.

Inflation remained low in the U.S. According to the Bureau of Labor Statistics, the seasonally adjusted Consumer Price Index was flat in January and decreased 0.2% in February. Morgan Stanley & Co. economists forecast a 1.2% inflation rate for 2016 and 1.9% for 2017.

The Census Bureau reported that private-sector housing starts in February 2016 were at a seasonally adjusted annual rate of 1,178,000—31% above February 2015 housing starts. The rise in housing starts over the past several years indicates that despite some intermittent setbacks, the housing market is rebounding.

The Census Bureau also reported that seasonally adjusted retail and food services sales decreased 0.1% between January 2016 and February 2016, and increased 3.1% between February 2015 and February 2016.

In March, the Institute for Supply Management's Purchasing Managers' Index (PMI), a manufacturing sector index, increased as the PMI registered 51.8%, a 2.3 percentage point uptick from the February reading of 49.5%. This indicates an expansion in manufacturing for the third consecutive month, and its highest reading since July 2015 when the PMI registered 51.9%. Overall, PMI has been above 43 for 85 consecutive months. Generally speaking, a PMI or NMI (ISM Non-Manufacturing Index) over 50 indicates that the sector is expanding and a PMI below 50 but over 43 indicates that the sector is shrinking but the overall economy is expanding.

The NMI increased 1.1 points to 54.5 between February 2016 and March 2016. The index has now been above 50 for 73 consecutive months.

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

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Capital Markets Overview: 1Q 2016

US Equity Markets

As of 1Q 2016

The Dow Jones Industrial Average increased 2.2% in the first quarter. The NASDAQ Composite Index was down 2.4% for the quarter. The S&P 500 Index increased 1.3% for the quarter.

Eight of the 10 sectors within the S&P 500 generated positive returns in the first quarter of 2016. The top-performing sector was Telecom, which was up 16.6%. Utilities rose 15.6% and was also among the top-performing sectors. The biggest laggards were Health Care, which decreased 5.5%, and Financials, which fell 5.1%.

Growth-style stocks of large-cap companies increased during the first quarter. The large-cap Russell 1000 Growth Index rose 0.7%. The Russell 1000 Index, a large-cap index, increased 1.2% for the quarter.

The Russell 1000 Value Index, also a large-cap index, increased 1.6% for the quarter. The Russell Midcap Growth Index rose 0.6% for the quarter. The Russell Midcap Index also increased 2.2% for the quarter. The Russell Midcap Value Index increased 3.9% for the quarter. The Russell 2000 Growth Index, a small-cap index, decreased 4.7% for the quarter. The small-cap Russell 2000 Index fell 1.5% for the quarter. The Russell 2000 Value Index, also a small-cap index, increased 1.7% for the quarter.

Key US Stock Market Index Returns (%) for the Period Ending 3/31/2016				
INDEX IN USD	Quarter	12 Months	5-Years (Annualized)	7-Years (Annualized)
S&P 500	1.3%	1.8%	11.6%	17.0%
Dow Jones	2.2%	2.1%	10.3%	15.8%
Russell 2000	-1.5%	-9.8%	7.2%	16.4%
Russell Midcap	2.2%	-4.0%	10.3%	19.1%
Russell 1000	1.2%	0.5%	11.3%	17.1%

Source: FactSet, Bloomberg, Morgan Stanley Wealth Management GIC

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Capital Markets Overview: 1Q 2016

Global Equity Markets

As of 1Q 2016

In the first quarter, emerging markets (EM) generated positive returns while international developed regions were negative. The MSCI EAFE Index (a benchmark for international developed markets) decreased 2.9% for U.S.-currency investors and 6.4% for local-currency investors, as the U.S. dollar weakened in relation to the currencies of many nations in the index. In the fourth quarter of 2015, the MSCI EAFE Index rose 4.8% in U.S. dollar terms and 6.4% in local currency terms.

For the first quarter, the MSCI Emerging Markets Index increased 5.8% for U.S.-currency investors and 2.8% for local-currency investors, as the U.S. dollar weakened in relation to emerging-market currencies. In the previous quarter, the MSCI Emerging Markets Index increased 0.7% for U.S.-dollar-based investors and 1.6% for local-currency investors.

The MSCI Europe Index decreased 2.4% for U.S.-currency investors and 4.8% for local-currency investors during the first quarter of 2016. In the previous quarter, the MSCI Europe Index increased 2.5% for U.S.-dollar-based investors and 5.2% for local-currency investors.

The S&P 500 Index increased 1.3% for the quarter.

Emerging economy equity market indices were also up in the first quarter. The MSCI BRIC (Brazil, Russia, India and China) Index rose 1.4% for the quarter in U.S. dollar terms and fell 1.0% in terms of local currencies. In comparison, for the first quarter, the MSCI EM Asia Index was up 2.0% in U.S. dollar terms and 0.3% in local terms.

Key Global Equity Market Index Returns (%) for the Period Ending 3/31/2016				
INDEX IN USD	Quarter	12 Months	5-Years (Annualized)	7-Years (Annualized)
MSCI EAFE	-2.9%	-7.9%	2.8%	10.2%
MSCI EAFE Growth	-2.0%	-3.3%	4.1%	11.1%
MSCI EAFE Value	-3.8%	-12.4%	1.4%	9.3%
MSCI Europe	-2.4%	-8.0%	2.7%	10.6%
MSCI Japan	-6.4%	-6.8%	4.3%	8.1%
S&P 500	1.3%	1.8%	11.6%	17.0%
MSCI Emerging Markets	5.8%	-11.7%	-3.8%	8.6%

Source: FactSet, Bloomberg, Morgan Stanley Wealth Management GIC

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Capital Markets Overview: 1Q 2016

The US Bond Market

As of 1Q 2016

The bond market registered positive returns during the first quarter. The Barclays U.S. Aggregate Bond Index, a general measure of the bond market, increased 3.0% for the quarter.

Interest rates declined during the first quarter, as the yield on the 10-Year U.S. Treasury note fell to a quarter-end 1.77% from 2.27% at the end of the fourth quarter of 2015.

Riskier parts of the bond market such as U.S. High Yield debt increased in the first quarter. The Barclays Capital High Yield Index, a measure of lower-rated corporate bonds, rose 3.4%.

Mortgage-backed securities also posted positive returns during the first quarter. The Barclays Capital Mortgage Backed Index increased 2.0% for the quarter. During the first quarter, the municipal bond market increased. As a result, the Barclays Capital Muni Index generated a 1.7% return for the quarter.

Key US Bond Market Index Returns (%) for the Period Ending 3/31/2016				
INDEX IN USD	Quarter	12 Months	5-Years (Annualized)	7-Years (Annualized)
Barclays Capital US Aggregate	3.0%	2.0%	3.8%	4.5%
Barclays Capital High Yield	3.4%	-3.7%	4.9%	12.4%
Barclays Capital Government/Credit	3.4%	1.8%	4.0%	4.7%
Barclays Capital Government	3.2%	2.4%	3.6%	3.0%
Barclays Capital Intermediate Govt/Credit	2.4%	2.1%	3.0%	3.8%
Barclays Capital Long Govt/Credit	7.3%	0.4%	8.5%	8.7%
Barclays Capital Mortgage Backed Securities	2.0%	2.4%	3.2%	3.7%
Barclays Capital Muni	1.7%	4.0%	5.6%	5.6%

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

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Asset Allocation Models & Insurance Products Disclosures

GLOBAL INVESTMENT COMMITTEE (GIC) ASSET ALLOCATION MODELS

The Asset Allocation Models are created by Morgan Stanley Wealth Management's GIC.

CLIENTS TO CONSIDER THEIR OWN INVESTMENT NEEDS

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

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

HYPOTHETICAL MODEL PERFORMANCE (GROSS)

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

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

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

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

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

Fees reduce the performance of actual accounts None of the fees or other expenses (e.g. commissions, mark-ups, mark-downs, fees) associated with actual trading or accounts are reflected in the GIC Asset Allocation Models. The GIC Asset Allocation Models and any model performance included in this presentation are intended as educational materials. 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 AND ETF DISCLOSURES

Morgan Stanley Smith Barney LLC offers **insurance products** in conjunction with its licensed insurance agency affiliates.

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

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

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

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

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

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

Asset Class Risk Considerations

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

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

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

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

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

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

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

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

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

Alternative investments may be either traditional alternative investment vehicles, such as hedge funds, fund of hedge funds, private equity, private real estate and managed futures or, non-traditional products such as mutual funds and exchange-traded funds that also seek alternative-like exposure but have significant differences from traditional alternative investments. The risks of traditional alternative investments may include: can be highly illiquid, speculative and not suitable for all investors, loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices, volatility of returns, restrictions on transferring interests in a fund, potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized, absence of information regarding valuations and pricing, complex tax structures and delays in tax reporting, less regulation and higher fees than open-end mutual funds, and risks associated with the operations, personnel and processes of the manager. Non-traditional alternative strategy products may employ various investment strategies and techniques for both hedging and more speculative purposes such as short-selling, leverage, derivatives and options, which can increase volatility and the risk of investment loss. **Master Limited Partnerships (MLPs)** Individual 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.

Before engaging in the purchase or sale of **options**, potential clients should understand the nature of and extent of their rights and obligations and be aware of the risks involved, including, without limitation, the risks pertaining to the business and financial condition of the issuer of the underlying security or instrument. Options investing, like other forms of investing, involves tax considerations, transaction costs and margin requirements that can significantly affect the profit and loss of buying and writing options. The transaction costs of options investing consist primarily of commissions (which are imposed in opening, closing, exercise and assignment transactions), but may also include margin and interest costs in particular transactions. Transaction costs are especially significant in options strategies calling for multiple purchases and sales of options, such as multiple leg strategies, including spreads, straddles and collars. If you are considering options as part of your investment plan, your Morgan Stanley Financial Advisor or Private Wealth Advisor is required to provide you with the "Characteristics and Risks of Standardized Options" booklet from the Options Clearing Corporation. Clients should not enter into options transactions until they have read and understood the Disclosure Document, as options are not suitable for everyone, and discuss transaction costs with their Financial Advisor or Investment Representative. Please ask your Financial Advisor, Private Wealth Advisor for a copy of the Characteristics and Risks of Standardized Options booklet. A copy of the ODD is also available online at: <http://theocc.com/publications/risks/riskchap1.jsp>.

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 Class Risk Considerations (cont'd)

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.

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

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

Credit ratings are subject to change.

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

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

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

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

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

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

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

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

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

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

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

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**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING**

PRESENTED TO: DATE: 05/12/2016
Retirement Board of Authority

SUBJECT: ITEM #: 2015/2016-044
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.

Antelope Valley CCD Disbursements 01/01/2016 to 05/01/2016

DISBURSEMENT TRANSACTIONS

01/14/2016	MONTHLY FEE TO BENEFIT TRUST COMPANY DECEMBER 2015	(\$187.10)
01/14/2016	MONTHLY FEE TO MORGAN STANLEY DECEMBER 2015	(\$109.03)
01/14/2016	MONTHLY FEE TO KEENAN AND ASSOCIATES DECEMBER 2015	(\$448.89)
02/09/2016	MONTHLY FEE TO BENEFIT TRUST COMPANY JANUARY 2016	(\$182.67)
02/09/2016	MONTHLY FEE TO MORGAN STANLEY JANUARY 2016	(\$105.15)
02/09/2016	MONTHLY FEE TO KEENAN AND ASSOCIATES JANUARY 2016	(\$436.48)
03/11/2016	MONTHLY FEE TO BENEFIT TRUST COMPANY FEBRUARY 2016	(\$181.74)
03/11/2016	MONTHLY FEE TO KEENAN AND ASSOCIATES FEBRUARY 2016	(\$433.87)
03/11/2016	MONTHLY FEE TO MORGAN STANLEY FEBRUARY 2016	(\$104.34)
04/08/2016	MONTHLY FEE TO BENEFIT TRUST COMPANY MARCH 2016	(\$188.29)
04/08/2016	MONTHLY FEE TO KEENAN AND ASSOCIATES MARCH 2016	(\$452.22)
04/08/2016	MONTHLY FEE TO MORGAN STANLEY MARCH 2016	(\$110.07)
TOTAL FOR DISBURSEMENT		(\$2,939.85)

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING**

PRESENTED TO: DATE: 05/12/2016
Retirement Board of Authority

SUBJECT: ITEM #: 2015/2016-045
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: Retirement Board of Authority

DATE: 05/12/2016

SUBJECT: Retirement Board of Authority Comments

ITEM #: 2015/2016-046

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:	DATE:	05/12/2016
Retirement Board of Authority		

SUBJECT:	ITEM #:	<u>2015/2016-047</u>
Program Coordinator/Consultant Comments	Enclosure:	<u>No</u>
	Action Item	<u>No</u>

Prepared by:	<u>Keenan Financial Services</u>
Requested by:	<u>Retirement Board of Authority</u>

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: 05/12/2016
Retirement Board of Authority

SUBJECT: ITEM #: 2015/2016-048
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.