SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:		DATE:	04/23/2025
Retirement Board of Authority			
SUBJECT:		ITEM #:	2024/2025-001
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.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:		DATE:	04/23/2025
Retirement Board of Authority			
SUBJECT:		ITEM #:	2024/2025-002
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 Retirement Board of Authority will review the minutes from the previous meeting **November 20, 2024.**

RECOMMENDATION:

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

MINUTES

SAN JOSE / EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING
November 20, 2024
1:30 PM–3:00 PM

I. CALL TO ORDER

a. The meeting was called to order at 2:02 PM by Dan Hawkins, RBOA Chairperson.

II. ROLL CALL

1. **All Retirement Board of Authority (RBOA) members were present: Except Joseph Chesmore and Maria Holguin.**
   Edwin Chandrasekar, Vice Chancellor, Administrative Services
   Joseph Chesmore, Executive Director of Fiscal Services
   Dio Shipp, Vice Chancellor, Human Resources
   Dan Hawkins, Staff and Member, CSEA Chapter 363 **(RBOA Chair)**
   Maria Holguin, Staff and Member CSEA, Chapter 363
   Arlene Amelia, Retired Staff and Former Member CSEA, Chapter 363
   Jessica Breheny, Faculty & Member of AFT 6157 **(RBOA Vice-Chairperson)**
   David Yancey, Retired Faculty & Member of AFT 6157R
   Patrick Butler, Retired Faculty & Member of AFT 6157R

2. **All Coordinators/Consultants were present:**
   Roslyn Washington, Assistant VP, Keenan Financial Services
   Gail Beal, Sr. Vice President Analyst, Keenan Financial Services
   Alden Yi, Assistant VP, Keenan Financial Services
   Scott Rankin, Senior Vice President, Benefit Trust Company
   Dan Tichenor, Consultant, Morgan Stanley, Investment Consultant to BTC

3. **Guests:** None

III. PUBLIC COMMENTS

1. David Yancey addressed the RBOA with the following information:
   a. David stated he did not receive a copy of the draft minutes for the April 17, 2024, RBOA meeting via email like everyone else. Jessica Breheny suggested that Keenan send the draft agenda and minutes to all RBOA members with a Read/Receipt confirmation included.
   b. All other members confirmed receipt of the Minutes 1 month after the April 17, 2024, meeting concluded.
   c. David suggested we move “Approval of the Minutes” ahead of “Approval of the Agenda” for this meeting and all future RBOA meetings.
   d. The RBOA
2. This item is information only.

IV. APPROVAL OF MINUTES

a. Edwin Chandrasekar Moved to approve the Minutes from **April 17, 2024**, with suggested changes; Motion was seconded by Jessica Breheny.
b. Patrick further requested to have the Minutes sent to ALL RBOA members in advance (within 45 days of the next meeting) with a "Read/Receipt" for review and editing.
c. 7 in favor/0 opposed. Motion Caries.

V. APPROVAL OF AGENDA

a. Jessica Breheny Moved to approve the agenda with a change moving the order of Approval of Minutes listed prior to Approval of Agenda; Motion was seconded by David Yancey and was unanimously approved by all the Retirement Board of Authority members present.
7 in favor/0 opposed. Motion Carries.

VI. INVESTMENTS

1. **Portfolio Performance Review**
   a. Scott Rankin, BTC reviewed the performance of the accounts as of **October 31, 2024.**
   b. The Portfolio Value as of October 31, 2024, was **$39,434,655.27**
   c. Today's value is $39,603,917.00.
   d. This is an information item only.

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 latest 10 year	Annualized Inception to Date
-2.39	-2.39	7.76	20.75	-0.97	4.17	4.87	7.14

2. **Market Overview** (provided by Dan Tichenor, Morgan Stanley Consultant to BTC)

Economy:

- Despite the Federal Reserve cutting interest rates in late 2024, yields moved higher as expectations lowered on the pace of rate cutting in 2025
  - The market is pricing in 1-2 rate cuts for 2025
  - Higher than expected inflation readings also caused the Federal Reserve to reconsider their rate cutting pace

Capital Markets:

- International Equities and Emerging Market valuations are inexpensive both historically and relative to US Equities
  - After a strong two-year run, the Magnificent 7 looks poised to mean revert and track more closely with broader US Equities
  - Morgan Stanley Global Investment Office is still pricing in 10-15% in earnings growth for 2025

- Fixed Income remains attractive compared to Equities with the equity risk premium sitting one standard deviation below historical averages
  - Despite Fixed Income's poor performance in the final quarter of 2024, yields sit at attractive levels

3. Investment Policy Statement Review

a. Scott Rankin presented the Investment Policy Statement.
b. There are no additional language changes recommended by BTC at this time.
c. Scott Rankin stated the original asset mix was 61% equities, 39% Fixed Income. In April 2018, the RBOA voted to change the asset allocation to the current position of 45% Equities, 55% Fixed Income.
d. David Yancey suggested to have the equity exposure increased.
e. Dio Ship moved to reaffirm the IPS; Motion was seconded by Jessica Breheny and unanimously approved by majority vote of all members present.
6 in favor/1 opposed, motion caries.

VII. <u>ADMINISTRATION</u>

1. Designation of new Retirement Board of Authority (RBOA) member

a. The RBOA would like to welcome Dio Shipp, Vice Chancellor of Human Resources.
b. This item is information only.

2. Annual Reporting on the Status of the Trust

a. Roslyn Washington, Keenan presented the cover page of the annual notice advising the RBOA that the report was posted to the district's website July 2024.
b. This item is information only.

3. Updating the Comprehensive Compliance/Substantive Plan

a. Roslyn Washington of Keenan presented the signed OPEB Questionnaire. There were no changes to the retiree health benefits that were different than the prior year.
b. The completed Substantive Plan has been delivered to the district office.
c. This item is information only.

4. Disbursement Report

a. Roslyn Washington of Keenan presented the disbursement report highlighting all fees paid to Keenan & Benefit Trust Company from the beginning of the fiscal year (July 2024 thru October 2024). Morgan Stanley fees are paid by BTC directly.
b. This item is information only.

5. Retiree Health Benefit Reimbursement Expenses

a. The Retirement Board of Authority was provided a list of withdrawal request the district submitted to Benefit Trust Company to cover OPEB expenses from **April 2024 – October 2024**

b. Roslyn Washington of Keenan advised the Board of Authority that the reimbursement request require 3 signatures (1 Mgmt, 1 AFT, & 1 CSEA member) before BTC will process the request sending funds back to the district. BTC does not require an itemized listing of the actual expenses from the district.
c. David Yancey motioned to approve the Reimbursement Expenses; Motion was seconded by Edwin Chandrasekar and unanimously approved by all board members present.

7 in favor/0 opposed. Motion Carries

6. **Actuarial Valuation Study**
    a. Edwin Chandrasekar presented the new Actuarial Study. The total liability for fiscal year end June 2024 was $30,988,890. The assets under management were $37,881,824. This leaves a "Net OPEB Liability" $6,892,934.
    b. The study shows 594 Active Participants, and 195 Retirees.
    c. The discount rate the actuary used was 5.10%
    d. The Trust is now funded at a ratio of 122%.

7. **Independent Audit Report**
    a. Edwin Chanderasekar advised the board that the June 30, 2024, audit report will not be available until Spring of 2025.
    b. We can present the report at the next Board of Authority meeting in April 2025.
    c. This item is information only.

8. **Retiree Benefit Cost Data for Fiscal Year 2024-2025**
    a. A report detailing health care cost for active employees & retirees was provided by the district's benefit specialist Michelle McKay. This report contained health and dental cost information from each carrier for fiscal year 2024-2025.
    b. The district is currently enrolled in Self Insured Schools of California (SISC).
    c. This is an information item only.

9. **Futuris Fee Schedule**
    a. Scott Rankin, Benefit Trust presented the current Fee Schedule to all RBOA members.
    b. The fees are based on end of month asset values.
    c. This item is information only.

VIII. <u>INFORMATION REPORTS</u>

1. **Retirement Board of Authority Comments**
    a. The RBOA excused the consultants and continued with further internal discussion about the facilitation of the trust.

2. **Program Coordinator/Consultant Comments**
    a. No comments.

IX. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING

a. April 23, 2025, 2:00pm – 3:30pm

X. ADJOURNMENT

a. Meeting was adjourned at 3:45 pm by Danny Hawkins, RBOA Chair.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:		DATE:	04/23/2025
Retirement Board of Authority			
SUBJECT:		ITEM #:	2024/2025-003
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

SAN JOSE / EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

April 23, 2025
2:00 PM–3:30 PM
SJECCD District Office
40 S. Market Street
Room #CR112
San Jose, CA 95113
(408) 274-6700

Remote Location:
David Yancey
817 S. 31st Place
Springfield, OR 97478

Join Zoom Meeting
https://zoom.us/j/93769214761?pwd=9u1WExWMrxLtDbeU97bYnt6DiGsGR5.1
Meeting ID: 937 6921 4761
Passcode: 527912

I. CALL TO ORDER

II. ROLL CALL

RETIREMENT BOARD OF AUTHORITY (“Board”) MEMBERS

Vice Chancellor, Administrative Services	Edwin Chandrasekar
Vice Chancellor, Human Resources	Dio Shipp
Executive Director, Fiscal Services	Joseph Chesmore
Faculty and Member, AFT 6157 (RBOA Vice-Chairperson)	Jessica Breheny
Retired Faculty and Member, AFT 6157	Patrick Butler
Retired Faculty and Member, AFT 6157	David Yancey
Staff and Member CSEA, Chapter 363 (RBOA Chairperson)	Dan Hawkins
Staff and Member CSEA, Chapter 363	Maria Holguin
Retired Staff and Member CSEA, Chapter 363	Arlene Amelia

PROGRAM COORDINATOR

Keenan Financial Services	Roslyn Washington
Keenan Financial Services	Gail Beal

CONSULTANTS

Benefit Trust Company, Inc. (BTC)	Scott Rankin
Morgan Stanley – Investment Consultant to BTC	Dan Tichenor

GUESTS

III. PUBLIC COMMENTS **Information**
2024/2025-001

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

IV. APPROVAL OF MINUTES **Action**
2024/2025-002

The Retirement Board of Authority will review the Minutes from the previous meeting on **November 20, 2024,** for any adjustments and adoption.

V. APPROVAL OF AGENDA **Action**
2024/2025-003

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

VI. INVESTMENTS

PORTFOLIO PERFORMANCE REVIEW **Information**
2024/2025-004

Benefit Trust Company, Inc. (BTC) will review the portfolio's fund construction and the portfolio performance of the District's Public Entity Investment Trust (the "Trust"). The RBOA will review Performance report.

MARKET OVERVIEW **Information**
2024/2025-005

Morgan Stanley (MS), Investment Consultant to BTC, will provide an analysis of global capital market conditions since the last Retirement Board of Authority meeting.

VII. ADMINISTRATION

ELECTION OF A RETIREMENT BOARD OF AUTHORITY (RBOA) CHAIRPERSON
Action
2024/2025-006

The Retirement Board of Authority (RBOA) has been duly appointed by the San Jose/Evergreen Community College District Board of Trustees and will elect a chairperson to facilitate the management duties of the Retirement Board of Authority.

ELECTION OF A RETIREMENT BOARD OF AUTHORITY (RBOA) VICE-CHAIR
Action
2024/2025-007

The Retirement Board of Authority (RBOA) has been duly appointed by the San Jose/Evergreen Community College District Board of Trustees and will elect a Vice-Chairperson to facilitate the management duties of the Retirement Board of Authority in the absence of the Chairperson.

DISBURSEMENT REPORT — **Information 2024/2025-008**

The Retirement Board of Authority (RBOA) members shall review the expenses and fiduciary governance fees associated with GASB 74/75 compliance and the Management/Operation of the District's OPEB Investment Trust.

RETIREE HEALTH BENEFITS REIMBURSEMENT EXPENSES — **Information 2024/2025-009**

The Retirement Board of Authority (RBOA) members shall review a list of itemized reimbursements associated with Retiree Health Benefits in relation with GASB 74/75 compliance and the Management/Operation of the District's OPEB Investment Trust for Plan Year October 2024 thru March 2025.

INDEPENDENT OPEB AUDIT REPORT — **Information 2024/2025-010**

The Independent OPEB Audit Report with an effective date of **June 30, 2024**, will be presented to the Retirement Board of Authority (RBOA).

VIII. INFORMATION REPORTS

RETIREMENT BOARD OF AUTHORITY COMMENTS — **Information 2024/2025-011**

Each member may report about various matters involving the Retirement Board of Authority (RBOA). Items discussed under Information Reports may be added to subsequent agendas.

PROGRAM COORDINATOR/BTC CONSULTANT COMMENTS — **Information 2024/2025-012**

The Program Coordinator and Benefit Trust Company Consultant will report to the Board about various matters involving the Retirement Board of Authority.

IX. DATE, TIME, AGENDA ITEMS FOR NEXT MEETING — **Information 2024/2025-013**

The Agenda Items for the next meeting will be discussed. RBOA members have the authority to add additional action or information items to subsequent RBOA meeting agendas.

X. ADJOURNMENT

Americans with Disabilities Act: The San Jose/Evergreen 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 modification or accommodation, in order to participate in a public meeting of the San Jose/Evergreen Community College District Retirement Board of Authority meeting, shall be made to: RBOA Chair, Dan Hawkins, San Jose/Evergreen Community College District, 40 S. Market Street, 2nd Floor, San Jose, CA 95135.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:		DATE:	04/23/2025
Retirement Board of Authority			
SUBJECT:		ITEM #:	2024/2025-004
Portfolio Performance Review		Enclosure:	Yes
		Action Item	No

Prepared by: Benefit Trust Company, Inc. (BTC)

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. As part of fulfilling your fiduciary responsibility, it is important to periodically review the Portfolio.

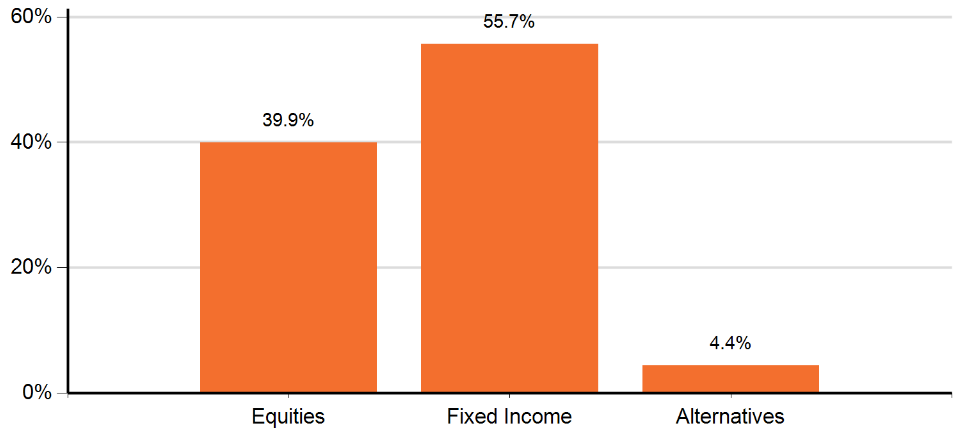
STATUS:

Benefit Trust Company, Inc. (BTC) will provide a review of the District's Investment Trust Performance Report.

RECOMMENDATION:

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

Asset Allocation



Portfolio Summary

		Year to Date
Beginning Value	$	38,949,526.70
Net Withdrawals		(429,418.80)
Interest		-
Dividends		151,614.17
Change in Market Value		1,009,702.57
Management Fees		(33,799.28)
Ending Value	$	39,647,625.36

YTD: 12/31/2024 - 2/28/2025

Performance

	Market Value	Current Yield	Month to Date	Quarter to Date	Year to Date	Last 12 Months	Last 3 Years	Last 5 Years	Last 10 Years	Inception* to Date
Fixed Income	22,078,640.41	4.0	2.14	2.71	2.71	5.92	-0.39	-0.04	1.76	3.84
Equities	15,829,588.76	2.1	-0.23	3.15	3.15	14.74	8.03	12.35	9.05	10.82
Alternatives	1,739,396.19	2.7	3.51	4.82	4.82	13.47	1.34	5.81	-	-
Total Account	**39,647,625.36**	**3.2**	**1.24**	**2.99**	**2.99**	**9.90**	**3.14**	**5.14**	**5.45**	**7.72**
Total Account (Net of Fees)		**3.2**	**1.20**	**2.90**	**2.90**	**9.34**	**2.61**	**4.50**	**4.86**	**7.17**
S&P 500 TR			*-1.30*	*1.44*	*1.44*	*18.39*	*12.54*	*16.85*	*12.98*	*15.08*
MSCI EAFE			*1.95*	*7.31*	*7.31*	*9.32*	*6.97*	*9.07*	*5.45*	*7.60*
MSCI ACWI Ex US Net			*1.39*	*5.48*	*5.48*	*9.64*	*4.62*	*7.54*	*4.84*	*7.01*
BBG Agg (US)			*2.20*	*2.74*	*2.74*	*5.82*	*-0.43*	*-0.52*	*1.51*	*2.76*
BBG Global Agg			*1.43*	*2.01*	*2.01*	*2.98*	*-2.83*	*-1.94*	*0.45*	*1.63*
CPI+3%			*0.69*	*1.59*	*1.59*	*5.83*	*7.03*	*7.34*	*6.14*	*5.57*

* Inception date: 4/30/2009

Performance for periods greater than one year are annualized.

PORTFOLIO APPRAISAL

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DIST FUTURIS PUB ENTITY INV TR BENEFIT TRUST ACCOUNT 0223

February 28, 2025

Quantity	Security	Security Symbol	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Cur. Yield
FIXED INC MUTUAL FUNDS								
TAXABLE BOND FUND								
347,784.286	COMMUNITY CAPITAL TR COM ACT INV INST	CRAN.X	9.30	3,232,729.79	9.50	3,303,950.72	8.3	3.4
714,749.117	NORTHERN BOND INDEX	NOBO.X	9.17	6,551,347.75	9.25	6,611,429.33	16.7	3.7
693,829.820	TARGET PIGM CORE BOND R6	TPCQ.X	8.72	6,053,083.07	8.76	6,077,949.22	15.3	4.4
547,240.210	WELLS FARGO FDS TR WF CORE BOND R6	WTRI.X	11.08	6,064,894.75	11.12	6,085,311.14	15.3	4.4
				21,902,055.36		22,078,640.41	55.7	4.0
				21,902,055.36		22,078,640.41	55.7	4.0
DOMESTIC EQUITY MUTUAL FUNDS								
LARGE CAP FUND								
85,246.239	COLUMBIA FDS SER TR I	COFY.X	28.24	2,406,945.40	37.00	3,154,110.84	8.0	0.7
23,879.545	STATE STR INSTL INVT TR GBL ALCP EQ K	SSGL.X	108.31	2,586,483.24	107.78	2,573,737.36	6.5	3.0
7,916.881	STATE STREET INST INV TR EQUITY 500 INDEX A	SSSY.X	347.92	2,754,423.89	445.26	3,525,070.43	8.9	1.6
				7,747,852.52		9,252,918.64	23.3	1.7
SMALL CAP FUNDS								
32,903.830	ALGER FDS SMALL CP FOCUS Z	AGOZ.X	15.41	507,124.44	19.47	640,637.57	1.6	0.0
8,090.116	UNDISCOVERED MANAGERS FDS BEHAVR VAL R6	UBVF.X	66.04	534,264.29	83.88	678,598.93	1.7	2.0
				1,041,388.73		1,319,236.50	3.3	1.0
				8,789,241.25		10,572,155.14	26.7	1.6
INTERNATIONAL MUTUAL FUNDS								
INTERNATIONAL EMERGING MARKET FUND								
8,895.863	AMERICAN FUNDS NEW WORLD F-2	NFFF.X	69.15	615,116.17	78.57	698,947.96	1.8	1.2
INTERNATIONAL FUND								
16,676.172	AMERICAN FUNDS NEW PERSPECTIVE F2	ANWF.X	45.92	765,814.64	63.90	1,065,607.39	2.7	0.8
54,078.805	HARTFORD INTERNATIONAL VALUE Y	HILY.X	15.38	831,921.59	19.74	1,067,515.61	2.7	3.1

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PORTFOLIO APPRAISAL

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DIST FUTURIS PUB ENTITY INV TR BENEFIT TRUST ACCOUNT 0223

February 28, 2025

Quantity	Security	Security Symbol	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Cur. Yield
87,939.183	THORNBURG INVESTMENT INCOME BUILDER	TIBO.X	22.52	1,980,279.45	27.58	2,425,362.67	6.1	4.6
				3,578,015.68		4,558,485.67	11.5	3.3
				4,193,131.85		5,257,433.62	13.3	3.0
ALTERNATIVE INVESTMENT FUNDS								
ALTERNATIVE FUND								
67,428.461	COHEN & STEERS RLTY INCM NEW SHS CL Z	CSZI.X	17.05	1,149,451.54	18.19	1,226,523.71	3.1	2.7
25,579.675	PRUDENTIAL GLOBAL REAL ESTATE	PGRQ.X	23.81	608,997.81	20.05	512,872.48	1.3	2.7
				1,758,449.36		1,739,396.19	4.4	2.7
				1,758,449.36		1,739,396.19	4.4	2.7
TOTAL PORTFOLIO				**36,642,877.81**		**39,647,625.36**	**100.0**	**3.2**

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SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:		DATE:	04/23/2025
Retirement Board of Authority			
SUBJECT:		ITEM #:	2024/2025-005
Market Overview		Enclosure:	Yes
		Action Item	No

Prepared by: Benefit Trust Company, Inc.

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. In fulfilling your fiduciary responsibility, it is important to understand the impact of market conditions on the assets in the trust.

STATUS:

Morgan Stanley (MS), the Investment Consultant to BTC, will provide an overview of current global capital market conditions.

RECOMMENDATION:

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

Wealth Management Perspectives

Current Indicators: Equity Valuation

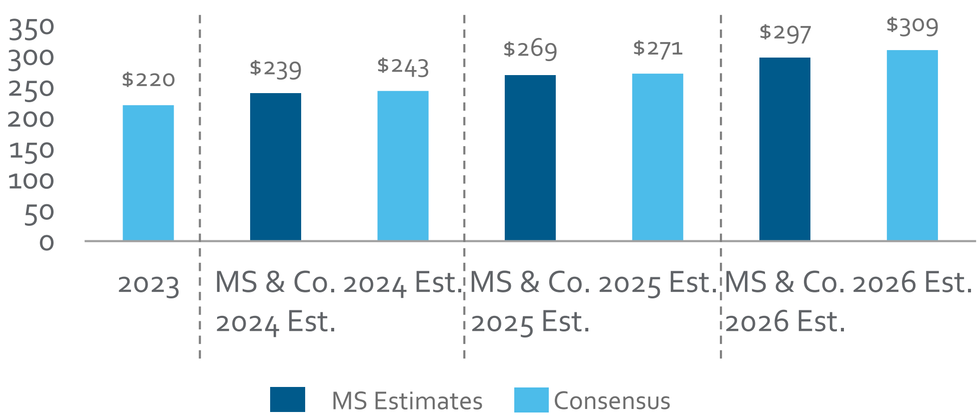
Morgan Stanley & Co. S&P 500 Year-End 2025 Forecasts

As of March 7, 2025

EPS Landscape	MS & Co. 2026 EPS Est.	Multiple	Price Target	Upside / (Downside)
Bull Case	$329	22.49	7,400	28.2%
Base Case	$303	21.45	6,500	12.6%
Bear Case	$248	18.55	4,600	(20.3%)
Current S&P 500 Price			5,770	

Morgan Stanley & Co. and Consensus S&P 500 Earnings Estimates

As of March 7, 2025



S&P 500 Current and Historical Valuation

As of March 7, 2025

	Mar 7, 2025	Tech Bubble	Financial Crisis	20-Year Average	Current Relative to Average
S&P 500 Trailing P/E	**24.3**	28.9	12.1	18.8	1.30
S&P 500 Forward P/E	**21.2**	26.6	11.2	15.8	1.34
Technology	**35.5**	64.3	12.4	24.1	1.47
Consumer Discretionary	**25.0**	28.5	29.3	20.9	1.20
Communication Services	**19.2**	28.6	11.4	16.3	1.18
Industrials	**22.3**	20.1	8.6	17.6	1.27
Real Estate	**37.6**	-	-	-	-
Financials	**16.6**	12.9	7.8	14.2	1.17
Consumer Staples	**22.6**	19.6	11.5	18.1	1.25
Energy	**14.2**	25.2	11.6	21.4	0.67
Utilities	**17.3**	14.8	9.8	14.9	1.17
Materials	**21.5**	13.8	13.9	18.1	1.19
Health Care	**18.3**	24.5	9.3	18.2	1.01

Source: FactSet, Bloomberg, Morgan Stanley Wealth Management GIC

MSCI US Equity Size and Style Performance Monthly

As of February 28, 2025

Monthly Performance

	Value	Blend	Growth
Large	1.7%	-1.4%	-3.8%
Mid	-2.0%	-2.8%	-4.9%
Small	-3.5%	-5.0%	-6.3%

2025 YTD Performance

	Value	Blend	Growth
Large	6.5%	1.4%	-2.4%
Mid	1.5%	1.6%	1.7%
Small	-0.4%	-1.5%	-2.6%

Current Fwd. P/E Vs. 10-year Avg. P/E

	Value	Blend	Growth
Large	17.2	22.5	29.8
	Avg.: 15.1	*Avg.: 18.9*	*Avg.: 24.9*
Mid	16.4	18.9	33.0
	Avg.: 15.2	*Avg.: 18.6*	*Avg.: 26.2*
Small	14.9	19.3	27.5
	Avg.: 16.8	*Avg.: 21.2*	*Avg.: 29.2*

Expensive: Above +1 Std. Dev.

Neutral

Cheap: Below -1 Std. Dev.

Performance Since Previous Peak (Jan. 2022)

	Value	Blend	Growth
Large	26.1%	31.9%	33.5%
Mid	9.9%	10.9%	12.5%
Small	12.7%	7.4%	1.1%

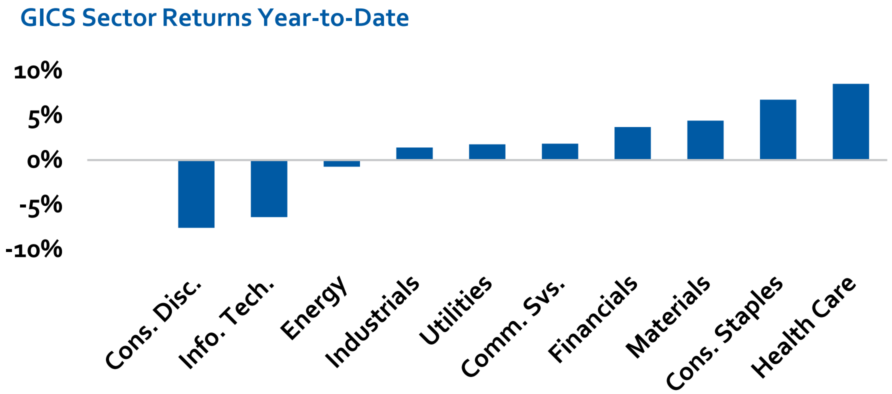
Performance Since Market Low (Oct. 2022)

	Value	Blend	Growth
Large	50.2%	77.2%	103.2%
Mid	39.1%	47.1%	62.9%
Small	35.9%	39.0%	41.6%

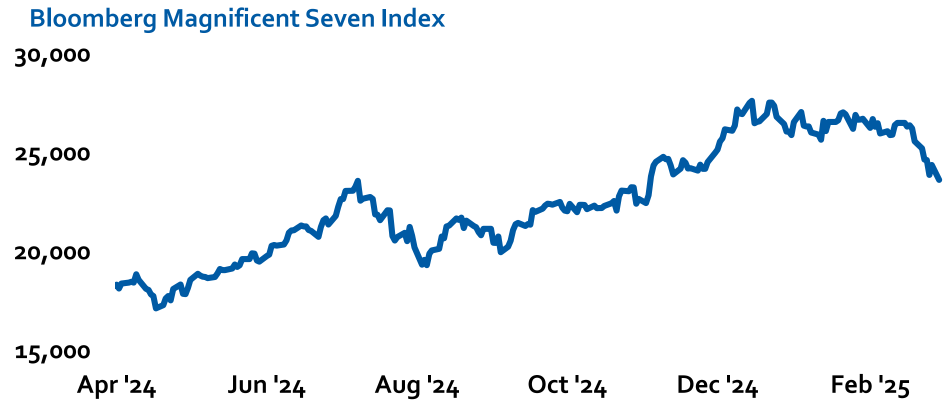
Source: FactSet, Morgan Stanley Wealth Management GIO. Indices used for this analysis include: MSCI US Large Value, MSCI US Large, MSCI US Large Growth, MSCI US Mid Value, MSCI Mid, MSCI Mid Growth, MSCI Small Value, MSCI Small, and MSCI Small Growth. Standard deviation (volatility) is a measure of the dispersion of a set of data from its mean.

Charts in Focus: Technical Takeaways

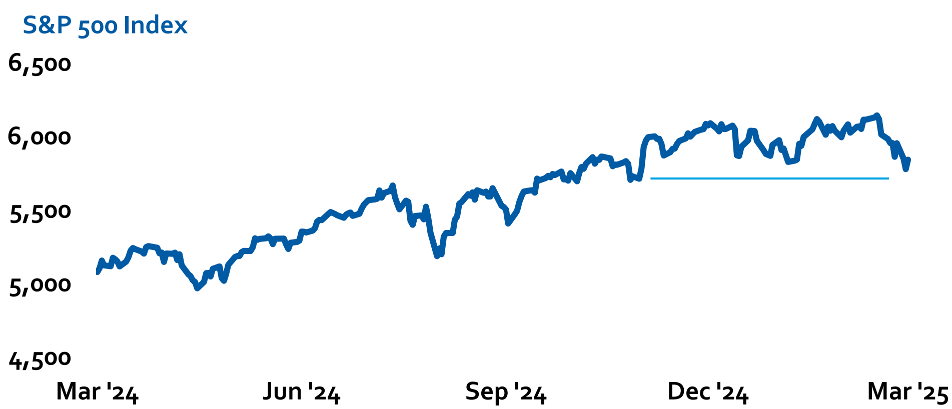
The Leading Sectors in 2023 and 2024 Are Down Year to Date
As of March 5, 2025



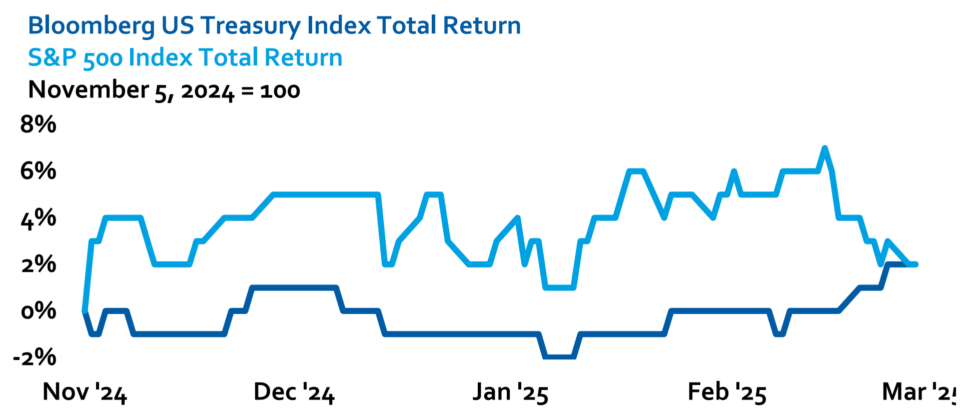
Magnificent Seven Slides to Lowest Level Since November
As of March 3, 2025



S&P 500 Erases Post-Election Gains
As of March 5, 2025



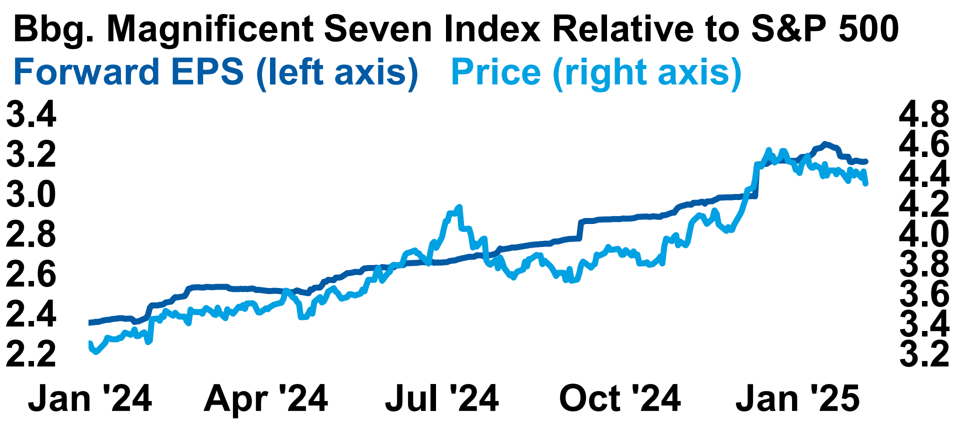
US Treasuries Outperform Equities Since Election Day
As of March 4, 2025



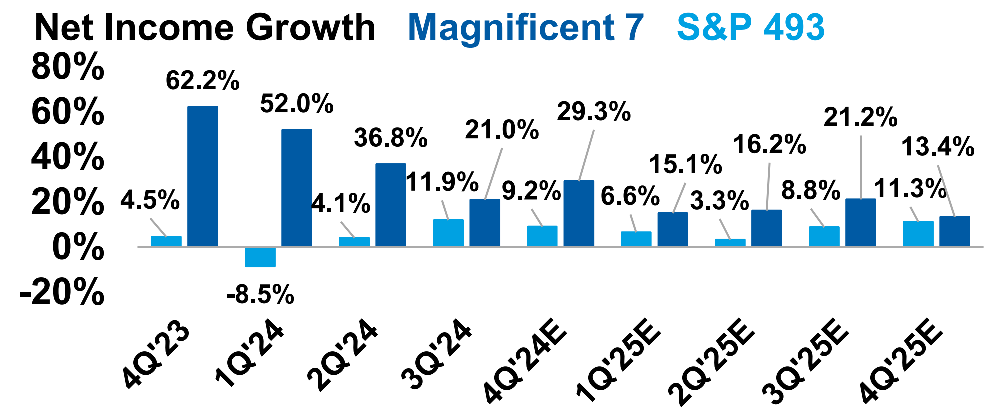
Source: Morgan Stanley Wealth Management GIC, Bloomberg

Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

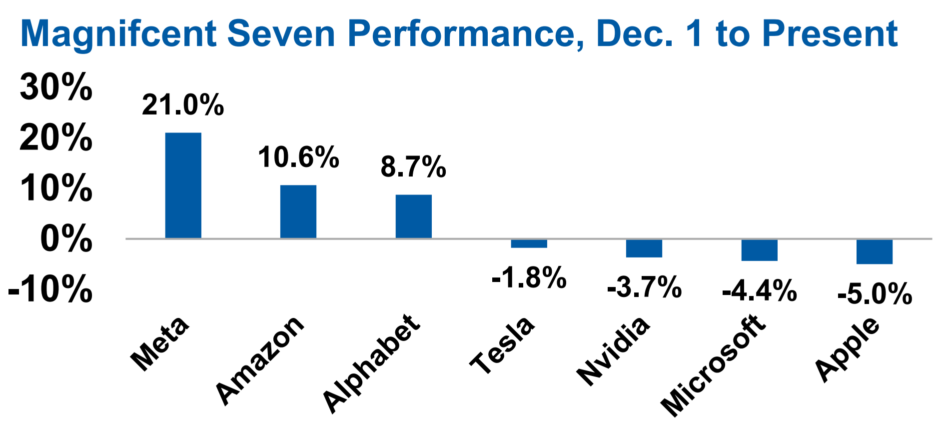
Magnificent Seven Have Begun to De-Concentrate

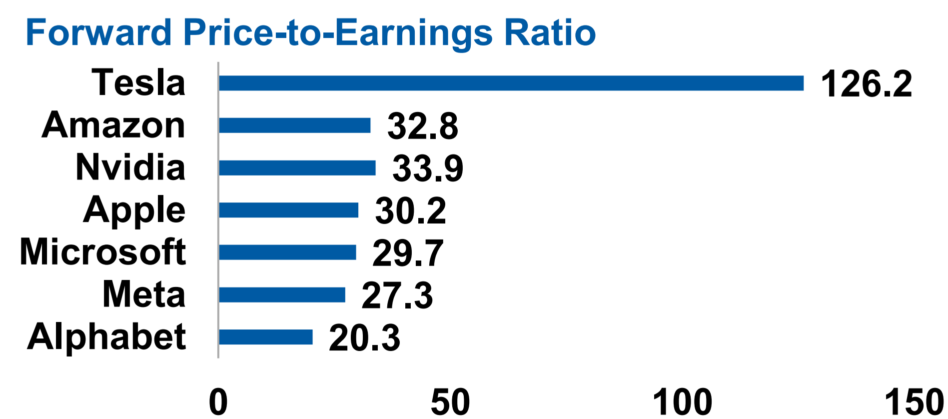


Source: Morgan Stanley Wealth Management GIC, Bloomberg as of February 5, 2025



Source: Morgan Stanley Wealth Management GIC, Bloomberg as of February 11, 2024





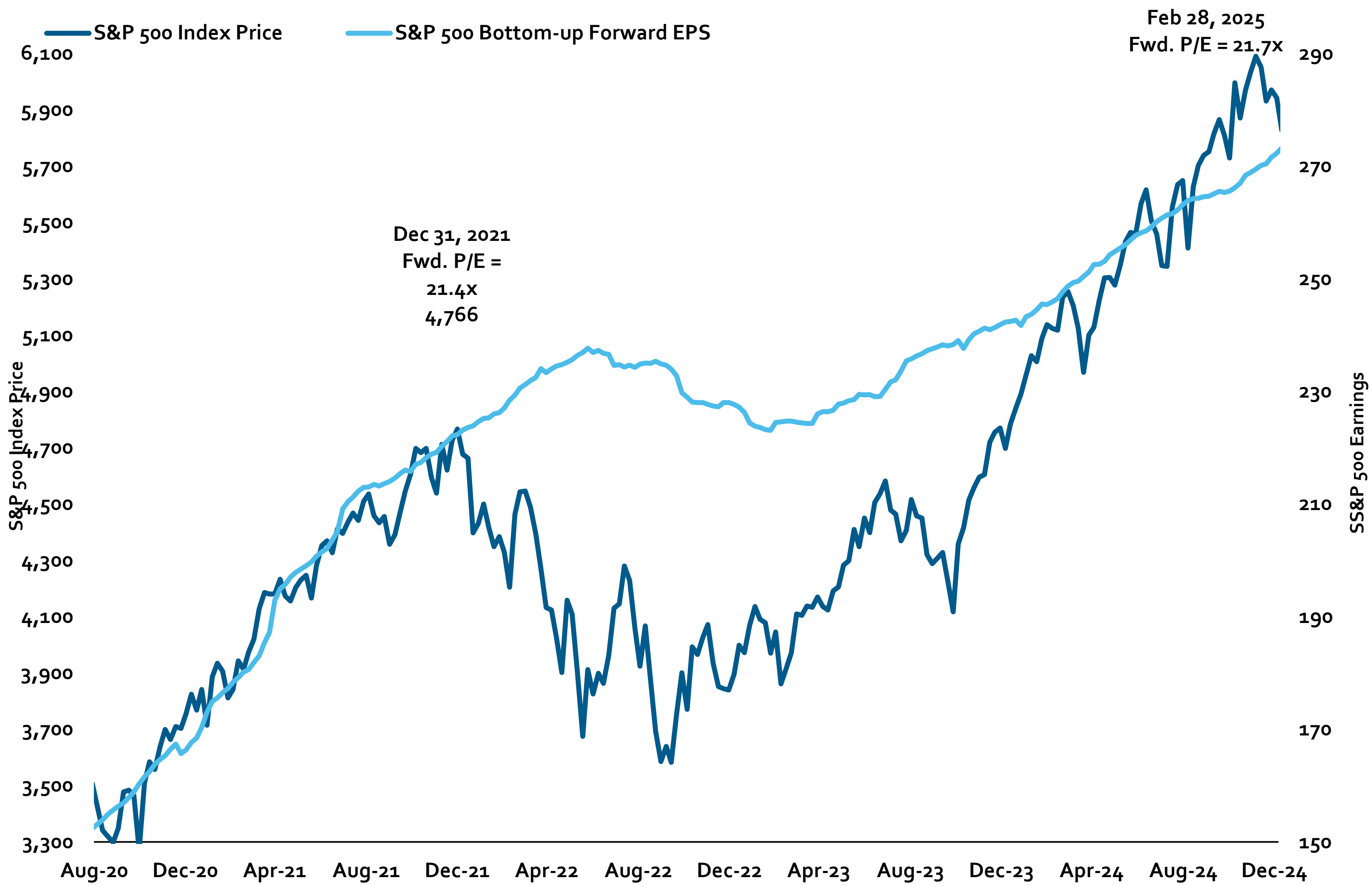
Source: Morgan Stanley Wealth Management GIC, Bloomberg as of February 10, 2025

Source: Morgan Stanley Wealth Management GIC, Bloomberg as of February 5, 2025. Forward PEs are Bloomberg consensus.

S&P 500 Price vs. Earnings Performance since July 2020

S&P 500 Index Level vs. Bottom-Up Forward S&P 500 Operating Earnings

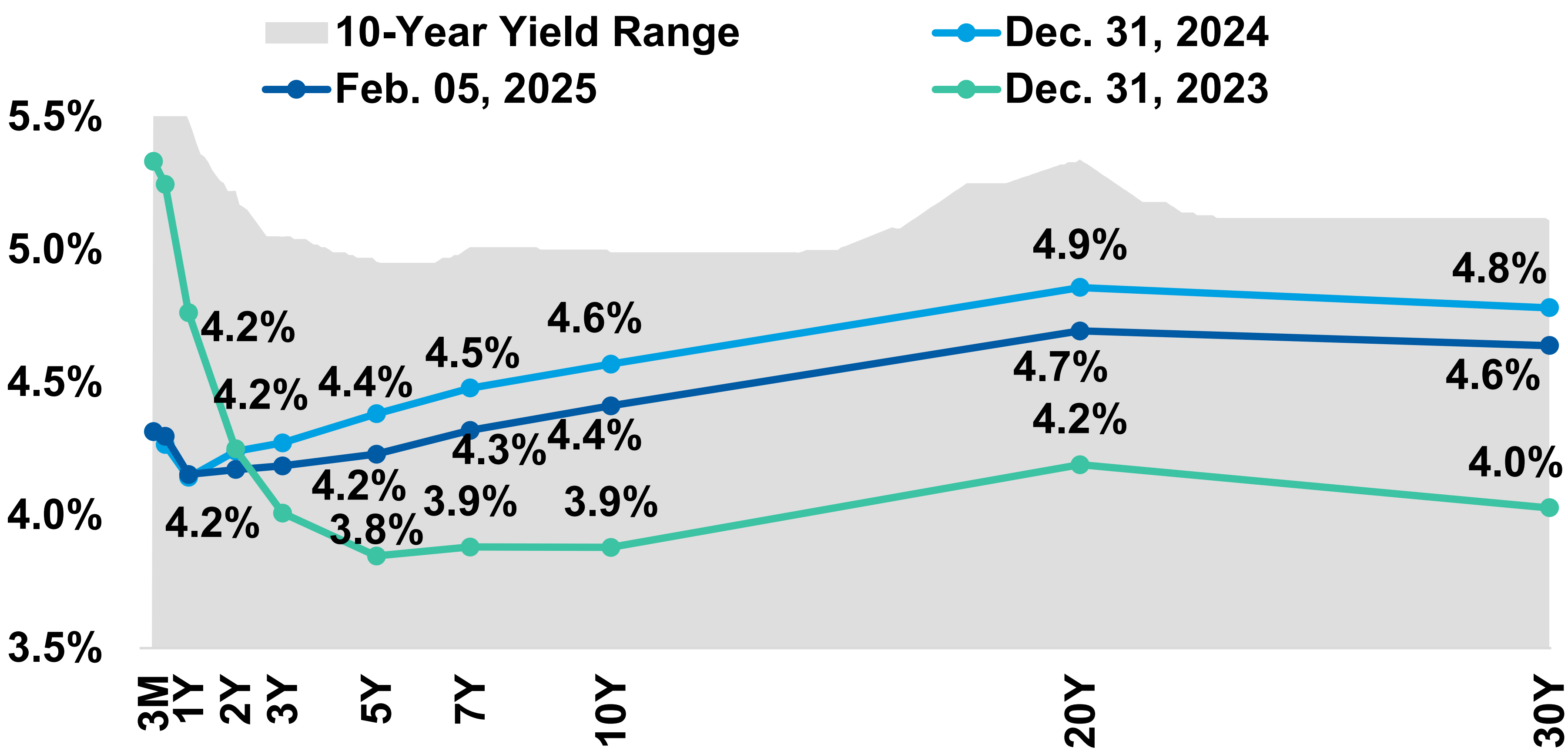
Weekly S&P 500 Price and Operating Earnings as of February 28, 2025



Source: Bloomberg and Morgan Stanley Wealth Management GIO. Stocks Overvalued = equity performance outpaces earnings performance. Stocks Undervalued = earnings performance outpaces equity performance. Fairly Valued = stock performance and earnings performance are in line with one another.

US Yield Curve

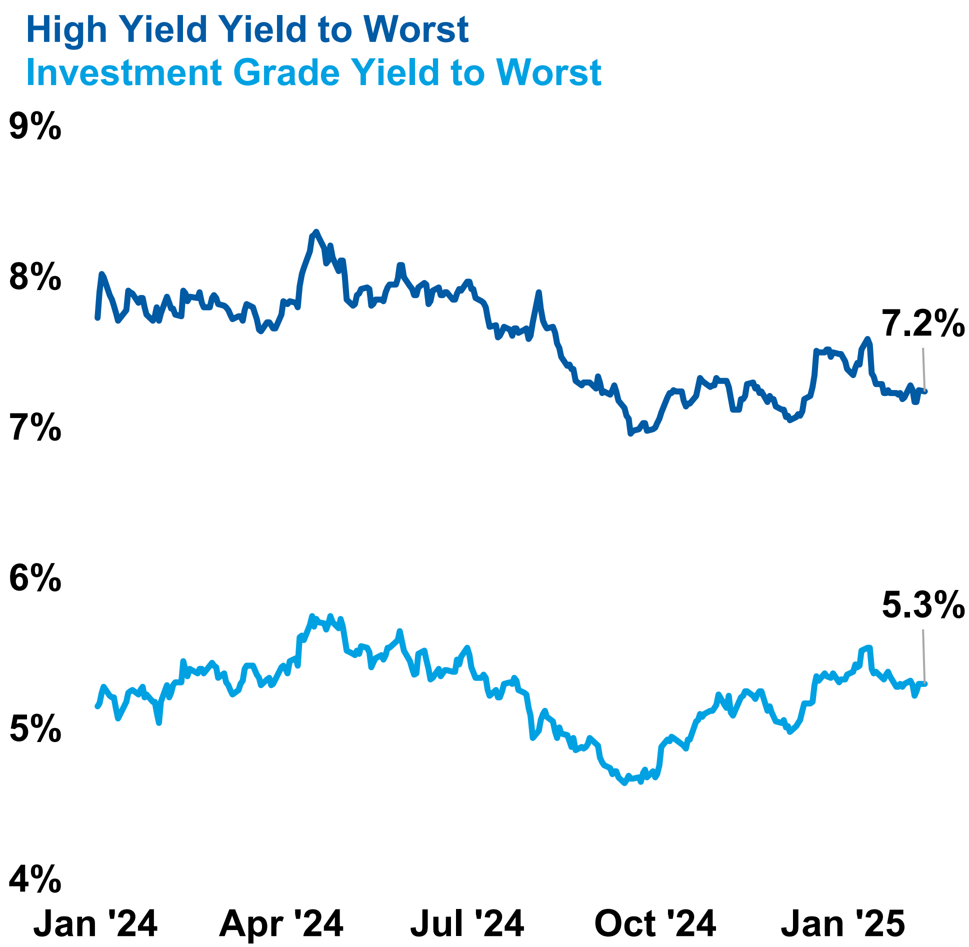
As of January 31, 2025



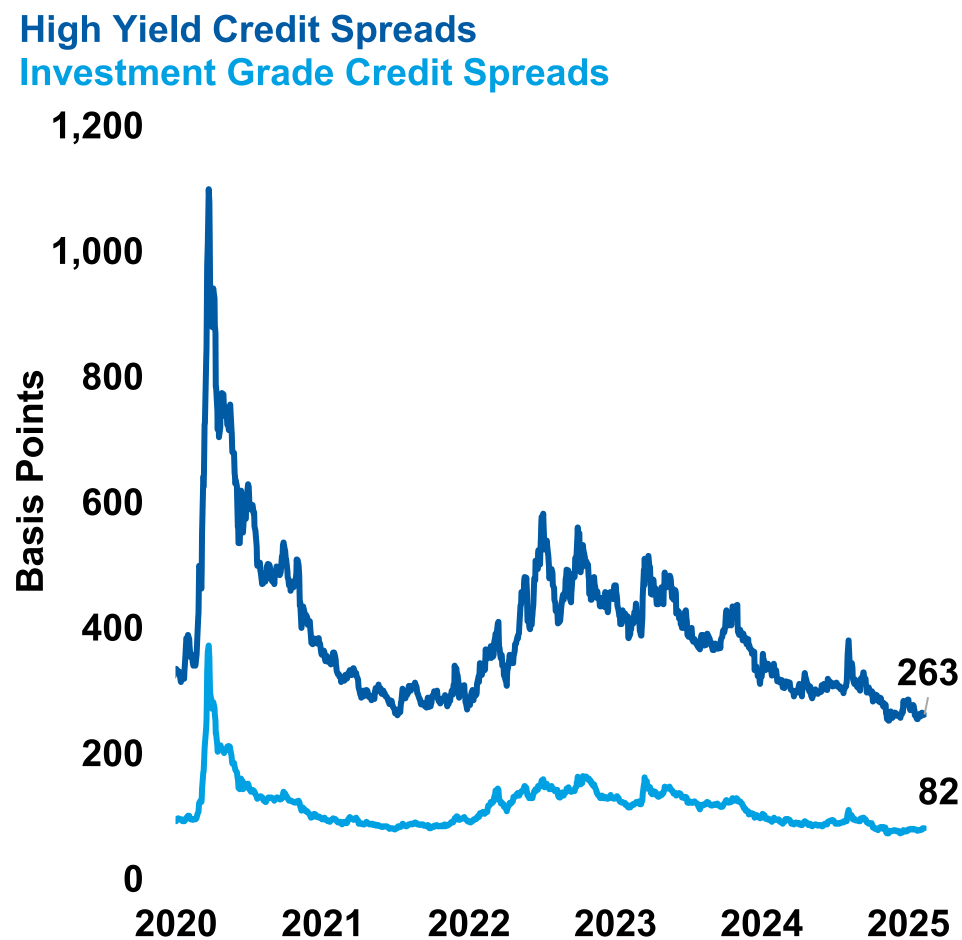
Source: Morgan Stanley Wealth Management GIC, Bloomberg

Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

If Stocks Can Grind Out Only 5-7%; Rather Own Credit



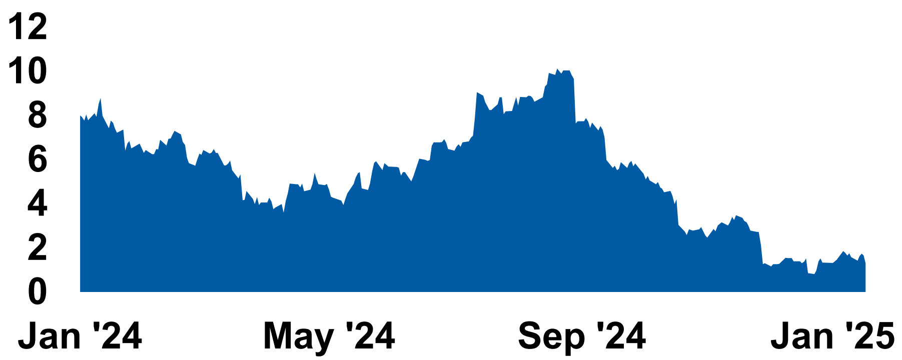
Source: Morgan Stanley Wealth Management GIC, Bloomberg as of February 10, 2025



Source: Morgan Stanley Wealth Management GIC, Bloomberg as of February 10, 2025

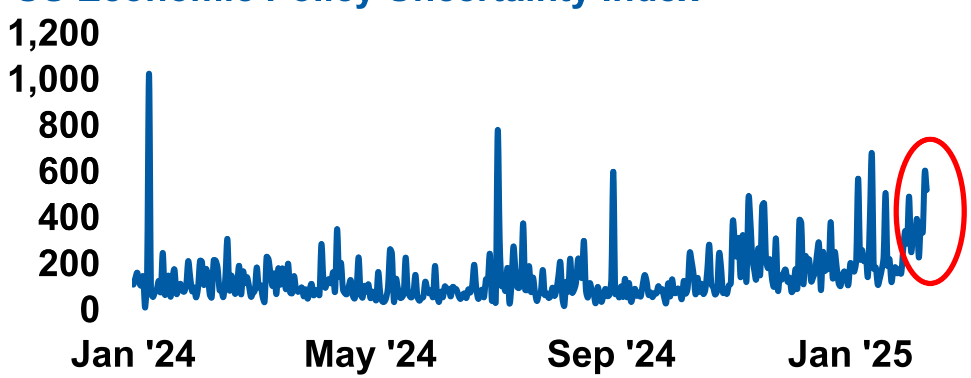
Fed Expectations Have Shifted Radically; Policy Uncertainty Soaring

Rate Cuts Priced Through December 2025



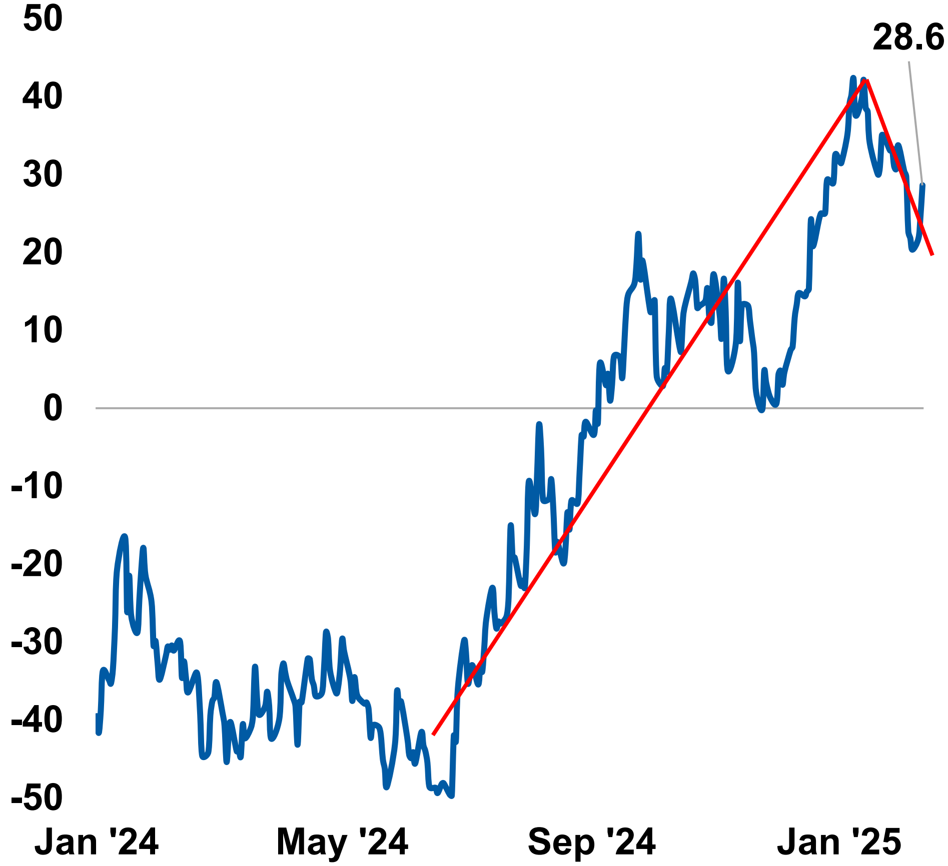
Source: Morgan Stanley Wealth Management GIC, Bloomberg as of February 10, 2025

US Economic Policy Uncertainty Index



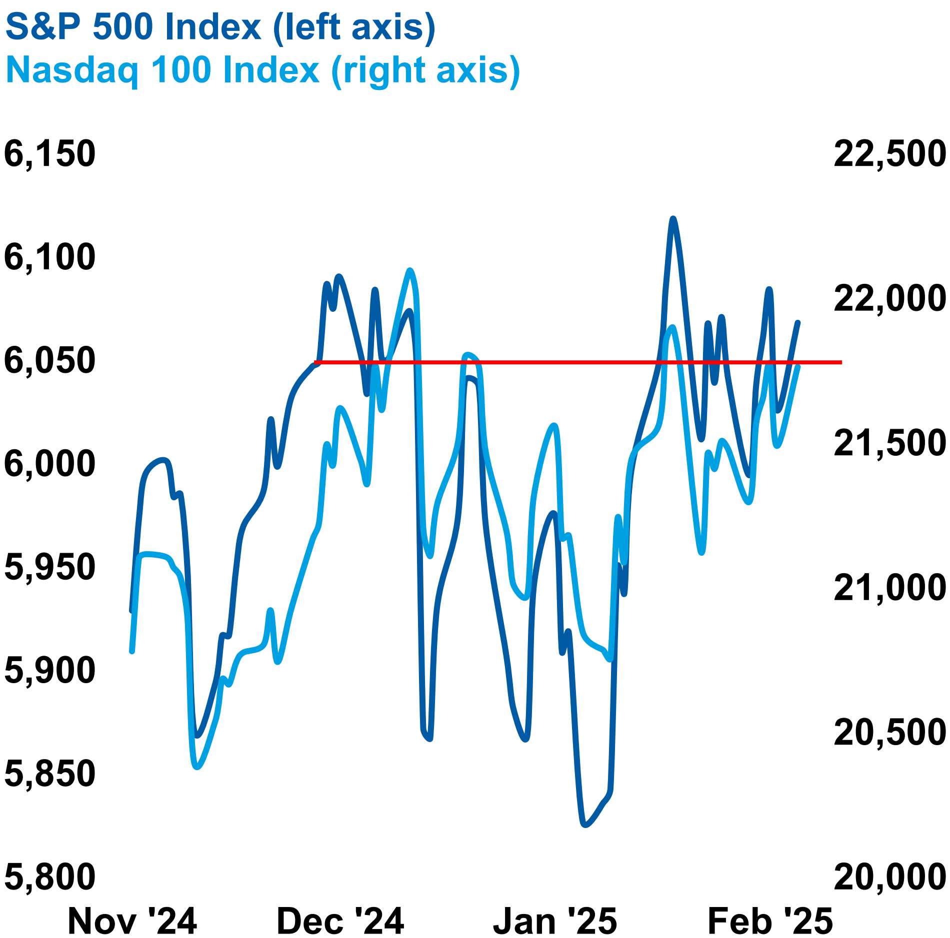
Source: Morgan Stanley Wealth Management GIC, Bloomberg as of February 10, 2025

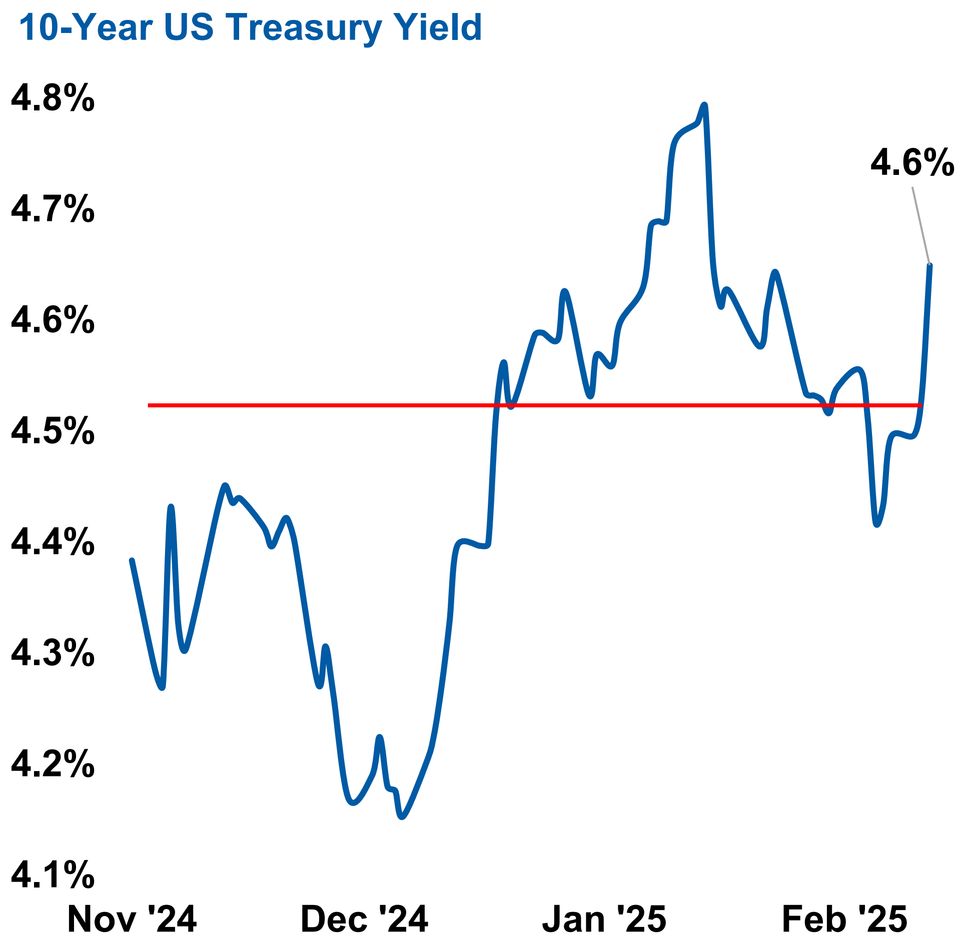
Two-Year/10-Year US Treasury Yield Curve



Source: Morgan Stanley Wealth Management GIC, Bloomberg as of February 12, 2025

Since the Election, Stocks and Yields Are Basically Range-Bound





Source: Morgan Stanley Wealth Management GIC, Bloomberg as of February 10, 2025

Source: Morgan Stanley Wealth Management GIC, Bloomberg as of February 12, 2025

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Morgan Stanley's investment advisory programs may require a minimum asset level and, depending on your specific investment objectives and financial position, may not be appropriate for you. Please see the Morgan Stanley Smith Barney LLC program disclosure brochure (the "Morgan Stanley ADV") for more information in the investment advisory programs available. The Morgan Stanley ADV is available at www.morganstanley.com/ADV.

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Global Investment Manager Analysis (GIMA) Focus List, Approved List and Tactical Opportunities List; Watch Policy. GIMA uses two methods to evaluate investment products in applicable advisory programs: **Focus** (and investment products meeting this standard are described as being on the Focus List) and **Approved** (and investment products meeting this standard are described as being on the Approved List). In general, Focus entails a more thorough evaluation of an investment product than Approved. Sometimes an investment product may be evaluated using the Focus List process but then placed on the Approved List instead of the Focus List. Investment products may move from the Focus List to the Approved List, or vice versa. GIMA may also determine that an investment product no longer meets the criteria under either process and will no longer be recommended in investment advisory programs (in which case the investment product is given a "Not Approved" status). GIMA has a '**Watch**" policy and may describe a Focus List or Approved List investment product as being on "Watch" if GIMA identifies specific areas that (a) merit further evaluation by GIMA and (b) may, but are not certain to, result in the investment product becoming "Not Approved." The Watch period depends on the length of time needed for GIMA to conduct its evaluation and for the investment manager or fund to address any concerns. Certain investment products on either the Focus List or Approved List may also be recommended for the **Tactical Opportunities List** based in part on tactical opportunities existing at a given time. The investment products on the Tactical Opportunities List change over time. For more information on the Focus List, Approved List, Tactical Opportunities List and Watch processes, please see the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management. Your Financial Advisor or Private Wealth Advisor can also provide upon request a copy of a publication entitled "Manager Selection Process."

The **Global Investment Committee** is a group of seasoned investment professionals who meet regularly to discuss the global economy and markets. The committee determines the investment outlook that guides our advice to clients. They continually monitor developing economic and market conditions, review tactical outlooks and recommend model portfolio weightings, as well as produce a suite of strategy, analysis, commentary, portfolio positioning suggestions and other reports and broadcasts.

The GIC Asset Allocation Models are not available to be directly implemented as part of an investment advisory service and should not be regarded as a recommendation of any Morgan Stanley investment advisory service. The GIC Asset Allocation Models do not represent actual trading or any type of account or any type of investment strategies and none of the fees or other expenses (e.g. commissions, mark-ups, mark-downs, advisory fees, fund expenses) associated with actual trading or accounts are reflected in the GIC Asset Allocation Models which, when compounded over a period of years, would decrease returns.

Adverse Active AlphaSM 2.0 is a patented screening and scoring process designed to help identify high-quality equity and fixed income managers with characteristics that may lead to future outperformance relative to index and peers. While highly ranked managers performed well as a group in our Adverse Active Alpha model back tests, not all of the managers will outperform. Please note that this data may be derived from back-testing, which has the benefit of hindsight. In addition, highly ranked managers can have differing risk profiles that might not be appropriate for all investors.

Our view is that Adverse Active Alpha is a good starting point and should be used in conjunction with other information. Morgan Stanley Wealth Management's qualitative and quantitative investment manager due diligence process are equally important factors for investors when considering managers for use through an investment advisory program. Factors including, but not limited to, manager turnover and changes to investment process can partially or fully negate a positive Adverse Active Alpha ranking. Additionally, highly ranked managers can have differing risk profiles that might not be appropriate for all investors.

The proprietary **Value Score** methodology considers an active investment strategies' value proposition relative to its costs. From a historical quantitative study of several quantitative markers, Value Score measures perceived forward-looking benefit and computes (1) "fair value" expense ratios for most traditional investment managers across 40 categories and (2) managers' perceived "excess value" by comparing the fair value expense ratios to actual expense ratios. Managers are then ranked within each category by their excess value to assign a Value Score. Our analysis suggests that greater levels of excess value have historically corresponded to attractive subsequent performance.

For more information on the ranking models, please see Adverse Active AlphaSM 2.0: Scoring Active Managers According to Potential Alpha and Value Score: Scoring Fee Efficiency by Comparing Managers' "Fair Value" and Actual Expense Ratios. The whitepapers are available from your Financial Advisor or Private Wealth Advisor. ADVERSE ACTIVE ALPHA is a registered service mark of Morgan Stanley and/or its affiliates. U.S. Pat. No. 8,756,098 applies to the Adverse Active Alpha system and/or methodology.

Additionally, highly ranked managers can have differing risk profiles that might not be appropriate for all investors. For more information on AAA, please see the Adverse Active Alpha Ranking Model and Selecting Managers with Adverse Active Alpha whitepapers. The whitepaper are available from your Financial Advisor or Private Wealth Advisor. ADVERSE ACTIVE ALPHA is a registered service mark of Morgan Stanley and/or its affiliates. U.S. Pat. No. 8,756,098 applies to the Adverse Active Alpha system and/or methodology.

The Global Investment Manager Analysis (GIMA) Services Only Apply to Certain Investment Advisory Programs GIMA evaluates certain investment products for the purposes of some – but not all – of Morgan Stanley Smith Barney LLC's investment advisory programs (as described in more detail in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management). If you do not invest through one of these investment advisory programs, Morgan Stanley Wealth Management is not obligated to provide you notice of any GIMA Status changes even though it may give notice to clients in other programs.

Strategy May Be Available as a Separately Managed Account or Mutual Fund Strategies are sometimes available in Morgan Stanley Wealth Management investment advisory programs both in the form of a separately managed account ("SMA") and a mutual fund. These may have different expenses and investment minimums. Your Financial Advisor or Private Wealth Advisor can provide more information on whether any particular strategy is available in more than one form in a particular investment advisory program. Generally, investment advisory accounts are subject to an annual asset-based fee (the "Fee") which is payable monthly in advance (some account types may be billed differently). In general, the Fee covers Morgan Stanley investment advisory services, custody of securities with Morgan Stanley, trade execution with or through Morgan Stanley or its affiliates, as well as compensation to any Morgan Stanley Financial Advisor.

In addition, each account that is invested in a program that is eligible to purchase certain investment products, such as mutual funds, will also pay a Platform Fee (which is subject to a Platform Fee offset) as described in the applicable ADV brochure. Accounts invested in the Select UMA program may also pay a separate Sub-Manager fee, if applicable.

If your account is invested in mutual funds or exchange traded funds (collectively "funds"), you will pay the fees and expenses of any funds in which your account is invested. Fees and expenses are charged directly to the pool of assets the fund invests in and are reflected in each fund's share price. These fees and expenses are an additional cost to you and would not be included in the Fee amount in your account statements. The advisory program you choose is described in the applicable Morgan Stanley Smith Barney LLC ADV Brochure, available at www.morganstanley.com/ADV.

Morgan Stanley or Executing Sub-Managers, as applicable, in some of Morgan Stanley's Separately Managed Account ("SMA") programs may effect transactions through broker-dealers other than Morgan Stanley or our affiliates. In such instances, you may be assessed additional costs by the other firm in addition to the Morgan Stanley and Sub-Manager fees. Those costs will be included in the net price of the security, not separately reported on trade confirmations or account statements. Certain Sub-Managers have historically directed most, if not all, of their trades to outside firms. Information provided by Sub-Managers concerning trade execution away from Morgan Stanley is summarized at: www.morganstanley.com/wealth/investmentsolutions/pdfs/adv/sotresponse.pdf. For more information on trading and costs, please refer to the ADV Brochure for your program(s), available at www.morganstanley.com/ADV, or contact your Financial Advisor / Private Wealth Advisor.

Conflicts of Interest: GIMA's goal is to provide professional, objective evaluations in support of the Morgan Stanley Wealth Management investment advisory programs. We have policies and procedures to help us meet this goal. However, our business is subject to various conflicts of interest. For example, ideas and suggestions for which investment products should be evaluated by GIMA come from a variety of sources, including our Morgan Stanley Wealth Management Financial Advisors and their direct or indirect managers, and other business persons within Morgan Stanley Wealth Management or its affiliates. Such persons may have an ongoing business relationship with certain investment managers or mutual fund companies whereby they, Morgan Stanley Wealth

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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.

Morgan Stanley charges each fund family we offer a mutual fund support fee, also called a "revenue-sharing payment," on client account holdings in fund families according to a tiered rate that increases along with the management fee of the fund so that lower management fee funds pay lower rates than those with higher management fees.

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 an analysis of whether particular investments or strategies are appropriate for you or a recommendation, or an offer to participate in any investment. Therefore, clients should not use this material 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 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 an appropriate asset allocation for you, whether Morgan Stanley Pathway Funds is an appropriate 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.

For index, indicator and survey definitions referenced in this report please visit the following: https://www.morganstanley.com/wealth-investmentsolutions/wmir-definitions

The Morgan Stanley Pathway Funds, Firm Discretionary UMA Model Portfolios, and other asset allocation or any other model portfolios discussed in this material are available only to investors participating in Morgan Stanley Consulting Group advisory programs. For additional information on the Morgan Stanley Consulting Group advisory programs, see the applicable ADV brochure, available at www.morganstanley.com/ADV or from your Morgan Stanley Financial Advisor or Private Wealth Advisor. To learn more about the Morgan Stanley Pathway Funds, visit the Funds' website at https://www.morganstanley.com/wealth-investmentsolutions/cgcm. Consulting Group is a business of Morgan Stanley.

Morgan Stanley Pathway Program Asset Allocation Models There are model portfolios corresponding to five risk-tolerance levels available in the Pathway program. Model 1 is the least aggressive portfolio and consists mostly of bonds. As the model numbers increase, the models have higher allocations to equities and become more aggressive. Pathway is a mutual fund asset allocation program. In constructing the Pathway Program Model Portfolios, Morgan Stanley Wealth Management uses, among other things, model asset allocations produced by Morgan Wealth Management's Global Investment Committee (the "GIC"). The Pathway Program Model Portfolios are specific to the Pathway program (based on program features and parameters, and any other requirements of Morgan Stanley Wealth Management's Consulting Group). The Pathway Program Model Portfolios may therefore differ in some respects from model portfolios available in other Morgan Stanley Wealth Management programs or from asset allocation models published by the Global Investment Committee.

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 fund 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."

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.

Money Market Funds: You could lose money in money market funds. Although money market funds classified as government funds (i.e., money market funds that invest 99.5% of total assets in cash and/or securities backed by the U.S government) and retail funds (i.e., money market funds open to natural person investors only) seek to preserve value at $1.00 per share, they cannot guarantee they will do so. The price of other money market funds will fluctuate and when you sell shares they may be worth more or less than originally paid. Money market funds may impose a fee upon sale or temporarily suspend sales if liquidity falls below required minimums. During suspensions, shares would not be available for purchases, withdrawals, check writing or ATM debits. A money market fund investment is not insured or guaranteed by the Federal Deposit Insurance Corporation or other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.

Investors should carefully consider the investment objectives, risks, charges and expenses of a money market fund before investing. The prospectus contains this and other information about the money market fund. To obtain a prospectus, contact your Financial Advisor or visit the money market fund company's website. Please read the prospectus carefully before investing.

Exchange Funds are private placement vehicles that enable holders of concentrated single-stock positions to exchange those stocks for a diversified portfolio. Investors may benefit from greater diversification by exchanging a concentrated stock position for fund shares without triggering a taxable event. These funds are available only to qualified investors and may only be offered by Financial Advisors who are qualified to sell alternative investments. Before investing, investors should consider the following:

- Dividends are pooled
- Investors may forfeit their stock voting rights
- Investment may be illiquid for several years
- Investments may be leveraged or contain derivatives
- Significant early redemption fees may apply
- Changes to the U.S. tax code, which could be retroactive (potentially disallowing the favorable tax treatment of exchange funds)
- Investment risk and potential loss of principal

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**. Some funds also invest in foreign securities, which may involve currency risk. There is no assurance that the fund will achieve its investment objective. **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.

Structured Investments are complex and not appropriate for all investors. An investment in Structures Investments involve risks. These risks can include but are not limited to: (1) Fluctuations in the price, level or yield of underlying instruments, interest rates, currency values and credit quality, (2) Substantial or total loss of principal, (3) Limits on participation in appreciation of underlying instrument, (4) Limited liquidity, (5) Issuer credit risk and (6) Conflicts of Interest. There is no assurance that a strategy of using structured product for wealth preservation, yield enhancement, and/or interest rate risk hedging will meet its objectives.

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 appropriate 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; Risks associated with the operations, personnel, and processes of the manager; and Risks associated with cybersecurity. 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. Clients should consult their own tax and legal advisors as Morgan Stanley Wealth Management does not provide tax or legal advice. 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 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 FINRA Rule 2241 or a "debt research report" as defined by FINRA Rule 2242 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 Wealth Management and certain of its affiliates, and (1) are not FDIC-insured, (2) are not deposits or other obligations of Morgan Stanley Wealth Management or any of its affiliates, (3) are not guaranteed by Morgan Stanley Wealth Management and its affiliates, and (4) involve investment risks, including possible loss of principal. Morgan Stanley Wealth Management 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. 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 appropriate for all investors.

A majority of Alternative Investment managers reviewed and selected by GIMA pay or cause to be paid an ongoing fee for distribution from their management fees to Morgan Stanley Wealth Management in connection with Morgan Stanley Wealth Management clients that purchase an interest in an Alternative Investment and in some instances pay these fees on the investments held by advisory clients. Morgan Stanley Wealth Management rebates such fees that are received and attributable to an Investment held by an advisory client and retains the fees paid in connection with investments held by brokerage clients. Morgan Stanley Wealth Management has a conflict of interest in offering alternative investments because Morgan Stanley Wealth Management or our affiliates, in most instances, earn more money in your account from your investments in alternative investments than from other investment options.

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 appropriate 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.

As a diversified global financial services firm, Morgan Stanley 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 therefore engages in activities where Morgan Stanley interests may conflict with the interests of its clients, including the private investment funds it manages. Morgan Stanley 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. **Private Markets:** As part of the Morgan Stanley Private Markets – Access program, Morgan Stanley will be limited solely to a role as an introducer and will <u>not</u> be serving as a placement agent or adviser. Eligible investors must enroll in the program in order to see any investment opportunities. Investments require independent evaluation, due diligence, review & analysis. Neither Morgan Stanley nor any of its affiliates is making any recommendation to purchase or take any action of any sort and is not providing any advice on investments. Investors are asked to work directly with the issuer/sponsor and with your own independent (non-Morgan Stanley) financial, legal, accounting, tax, and other professional advisors to evaluate the investment opportunity.

Investors are responsible for complying with the terms of any applicable exemption from securities law requirements and any potential Private Company issuer restrictions for any sale of Private Company shares, and you must obtain your own legal counsel to advise you in connection with such requirements and Private Company issuer restrictions. You should consult with your third-party advisors regarding the risks of transacting in Private Company shares, including the risk of transacting in a market with little or no price transparency or liquidity. Morgan Stanley provides no opinion or view on the valuation of any Private Company shares, or the sufficiency, fairness or competitiveness of any price obtained. Private Securities do not trade on any national securities exchange and, as such, any potential liquidity (i.e., the potential for any buying interest that might satisfy your sell interest) in such Private Company shares is very limited.

Virtual Currency Products (Cryptocurrencies)

Buying, selling, and transacting in Bitcoin, Ethereum or other digital assets ("Digital Assets"), and related funds and products, is highly speculative and may result in a loss of the entire investment. Risks and considerations include but are not limited to:

- Digital Assets have only been in existence for a short period of time and historical trading prices for Digital Assets have been highly volatile. The price of Digital Assets could decline rapidly, and **investors could lose their entire investment.**

- Certain Digital Asset funds and products, allow investors to invest on a more frequent basis than investors may withdraw from the fund or product, and interests in such funds or products are generally not freely transferrable. This means that, particularly given the volatility of Digital Assets, an investor will have to bear any losses with respect to its investment for an extended period of time and will not be able to react to changes in the price of the Digital Asset once invested (for example, by seeking to withdraw) as quickly as when making the decision to invest. Such Digital Asset funds and products, are intended only for persons who are able to bear the economic risk of investment and who do not need liquidity with respect to their investments.

- Given the volatility in the price of Digital Assets, the net asset value of a fund or product that invests in such assets at the time an investor's subscription for interests in the fund or product is accepted may be significantly below or above the net asset value of the product or fund at the time the investor submitted subscription materials.

- Certain Digital Assets are not intended to function as currencies but are intended to have other use cases. These other Digital Assets may be subject to some or all of the risks and considerations set forth herein, as well as additional risks applicable to such Digital Assets. Buyers, sellers and users of such Digital Assets should thoroughly familiarize themselves with such risks and considerations before transacting in such Digital Assets.

- The value of Digital Assets may be negatively impacted by future legal and regulatory developments, including but not limited to increased regulation of such Digital Assets. Any such developments may make such Digital Assets less valuable, impose additional burdens and expenses on a fund or product investing in such assets or impact the ability of such a fund or product to continue to operate, which may materially decrease the value of an investment therein.

- Due to the new and evolving nature of digital currencies and the absence of comprehensive guidance, many significant aspects of the tax treatment of Digital Assets are uncertain. Prospective investors should consult their own tax advisors concerning the tax consequences to them of the purchase, ownership and disposition of Digital Assets, directly or indirectly through a fund or product, under U.S. federal income tax law, as well as the tax law of any relevant state, local or other jurisdiction.

- Over the past several years, certain Digital Asset exchanges have experienced failures or interruptions in service due to fraud, security breaches, operational problems or business failure. Such events in the future could impact any fund's or product's ability to transact in Digital Assets if the fund or product relies on an impacted exchange and may also materially decrease the price of Digital Assets, thereby impacting the value of your investment, regardless of whether the fund or product relies on such an impacted exchange.

- Although any Digital Asset product and its service providers have in place significant safeguards against loss, theft, destruction and inaccessibility, there is nonetheless a risk that some or all of a product's Digital Asset could be permanently lost, stolen, destroyed or inaccessible by virtue of, among other things, the loss or theft of the "private keys" necessary to access a product's Digital Asset.

- Investors in funds or products investing or transacting in Digital Assets may not benefit to the same extent (or at all) from "airdrops" with respect to, or "forks" in, a Digital Asset's blockchain, compared to investors who hold Digital Assets directly instead of through a fund or product. Additionally, a "fork" in the Digital Asset blockchain could materially decrease the price of such Digital Asset.

- Digital Assets are not legal tender, and are not backed by any government, corporation or other identified body, other than with respect to certain digital currencies that certain governments are or may be developing now or in the future. No law requires companies or individuals to accept digital currency as a form of payment (except, potentially, with respect to digital currencies developed by certain governments where such acceptance may be mandated). Instead, other than as described in the preceding sentences, Digital Asset products' use is limited to businesses and individuals that are willing to accept them. If no one were to accept digital currencies, virtual currency products would very likely become worthless.

- Platforms that buy and sell Digital Assets can be hacked, and some have failed. In addition, like the platforms themselves, digital wallets can be hacked, and are subject to theft and fraud. As a result, like other investors have, you can lose some or all of your holdings of Digital Assets.

- Unlike US banks and credit unions that provide certain guarantees of safety to depositors, there are no such safeguards provided to Digital Assets held in digital wallets by their providers or by regulators.

- Due to the anonymity Digital Assets offer, they have known use in illegal activity, including drug dealing, money laundering, human tracking, sanction evasion and other forms of illegal commerce. Abuses could impact legitimate consumers and speculators; for instance, law enforcement agencies could shut down or restrict the use of platforms and exchanges, limiting or shutting off entirely the ability to use or trade Digital Asset products.

- Digital Assets may not have an established track record of credibility and trust. Further, any performance data relating to Digital Asset products may not be verifiable as pricing models are not uniform.

Investors should be aware of the potentially increased risks of transacting in Digital Assets relating to the risks and considerations, including fraud, theft, and lack of legitimacy, and other aspects and qualities of Digital Assets, before transacting in such assets.

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.

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.

Indices are unmanaged and investors cannot directly invest in them. They are not subject to expenses or fees and are often comprised of securities and other investment instruments the liquidity of which is not restricted. A particular investment product may consist of securities significantly different than those in any index referred to herein. Composite index results are shown for illustrative purposes only, generally do not represent the performance of a specific investment, may not, for a variety of reasons, be an appropriate comparison or benchmark for a particular investment and may not necessarily reflect the actual investment strategy or objective of a particular investment. Consequently, comparing an investment to a particular index may be of limited use.

Artificial intelligence (AI) is subject to limitations, and you should be aware that any output from an AI-supported tool or service made available by the Firm for your use is subject to such limitations, including but not limited to inaccuracy, incompleteness, or embedded bias. You should always verify the results of any AI-generated output.

To obtain **Tax-Management Services**, a client must complete the Tax-Management Form, and deliver the signed form to Morgan Stanley. For more information on Tax-Management Services, including its features and limitations, please ask your Financial Advisor for the Tax Management Form. Review the form carefully with your tax advisor. Tax-Management Services: (a) apply only to equity investments in separate account sleeves of client accounts; (b) are not available for all accounts or clients; and (c) may adversely impact account performance. Tax-management services do not constitute tax advice or a complete tax-sensitive investment management program. There is no guarantee that tax-management services will produce the desired tax results.

When Morgan Stanley Smith Barney LLC, its affiliates and Morgan Stanley Financial Advisors and Private Wealth Advisors (collectively, "Morgan Stanley") provide "investment advice" regarding a retirement or welfare benefit plan account, an individual retirement account or a Coverdell education savings account ("Retirement Account"), Morgan Stanley is a "fiduciary" as those terms are defined under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and/or the Internal Revenue Code of 1986 (the "Code"), as applicable. When Morgan Stanley provides investment education, takes orders on an unsolicited basis or otherwise does not provide "investment advice", Morgan Stanley will not be considered a "fiduciary" under ERISA and/or the Code. For more information regarding Morgan Stanley's role with respect to a Retirement Account, please visit www.morganstanley.com/disclosures/dol. Tax laws are complex and subject to change. Morgan Stanley does not provide tax or legal advice. Individuals are encouraged to consult their tax and legal advisors (a) before establishing a Retirement Account, and (b) regarding any potential tax, ERISA and related consequences of any investments or other transactions made with respect to a Retirement Account. Individuals should consult their tax advisor for matters involving taxation and tax planning and their attorney for matters involving trust and estate planning, charitable giving, philanthropic planning and other legal matters.

Lifestyle Advisory Services: Products and services are provided by third party service providers, not Morgan Stanley Smith Barney LLC ("Morgan Stanley"). Morgan Stanley may not receive a referral fee or have any input concerning such products or services. There may be additional service providers for comparative purposes. Please perform a thorough due diligence and make your own independent decision.

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 be considered investment advice or a recommendation for either ERISA or Internal Revenue Code purposes and that (unless otherwise provided in a written agreement and/or as described at www.morganstanley.com/disclosures/dol) you remain solely responsible for your assets and all investment decisions with respect to your assets. Nevertheless, if Morgan Stanley or your Financial Advisor provides "investment advice," as that term is defined under Section 3(21) of ERISA, to you with respect to certain retirement, welfare benefit, or education savings account assets for a fee or other compensation, Morgan Stanley and/or your Financial Advisor will be providing such advice in its capacity as a fiduciary under ERISA and/or the Code. Morgan Stanley will only prepare a financial plan at your specific request using Morgan Stanley approved financial planning software.

The Morgan Stanley Goals-Planning System (GPS) includes a brokerage investment analysis tool. While securities held in a client's investment advisory account may be included in the analysis, the reports generated from the GPS Platform are not financial plans nor constitute a financial planning service. A financial plan generally seeks to address a wide spectrum of a client's long-term financial needs, and can include recommendations about insurance, savings, tax and estate planning, and investments, taking into consideration the client's goals and situation, including anticipated retirement or other employee benefits. Morgan Stanley Smith Barney LLC ("Morgan Stanley") will only prepare a financial plan at a client's specific request using Morgan Stanley approved financial planning software. Investing in financial instruments carries with it the possibility of losses and that a focus on above-market returns exposes the portfolio to above-average risk. Performance aspirations are not guaranteed and are subject to market conditions. High volatility investments may be subject to sudden and large falls in value, and there could be a large loss on realization which could be equal to the amount invested. IMPORTANT: The projections or other information provided by the Morgan Stanley Goals Planning System regarding the likelihood of various investment outcomes (including any assumed rates of return and income) are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Morgan Stanley does not represent or guarantee that the projected returns or income will or can be attained.

A LifeView Financial Goal Analysis ("Financial Goal Analysis") or LifeView Financial Plan ("Financial Plan") is based on the methodology, estimates, and assumptions, as described in your report, as well as personal data provided by you. It should be considered a working document that can assist you with your objectives. Morgan Stanley makes no guarantees as to future results or that an individual's investment objectives will be achieved. The responsibility for implementing, monitoring and adjusting your Financial Goal Analysis or Financial Plan rests with you. After your Financial Advisor delivers your report to you, if you so desire, your Financial Advisor can help you implement any part that you choose; however, you are not obligated to work with your Financial Advisor or Morgan Stanley.

Important information about your relationship with your Financial Advisor and Morgan Stanley Smith Barney LLC when using LifeView Goal Analysis or LifeView Advisor. When your Financial Advisor prepares and delivers a Financial Goal Analysis (i.e., when using LifeView Goal Analysis), they will be acting in a brokerage capacity. When your Financial Advisor prepares a Financial Plan (i.e., when using LifeView Advisor), they will be acting in an investment advisory capacity with respect to the delivery of your Financial Plan. This Investment Advisory relationship will begin with the delivery of the Financial Plan and ends thirty days later, during which time your Financial Advisor can review the Financial Plan with you. To understand the differences between brokerage and advisory relationships, you should consult your Financial Advisor, or review our "Understanding Your Brokerage and Investment Advisory Relationships," brochure available at https://www.morganstanley.com/wealth-relationshipwithms/pdfs/understandingyourrelationship.pdf

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 Financial Advisor or 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 Financial Advisor or Private Wealth Advisor, may vary by product and over time.

Investment and services offered through Morgan Stanley Smith Barney LLC, Member SIPC.

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.

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) are limited partnerships or limited liability companies that are taxed as partnerships and whose interests (limited partnership units or limited liability company units) are traded on securities exchanges like shares of common stock. Currently, most MLPs operate in the energy, natural resources or real estate sectors. Investments in MLP interests are subject to the risks generally applicable to companies in the energy and natural resources sectors, including commodity pricing risk, supply and demand risk, depletion risk and exploration risk. 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. MLP funds accrue deferred income taxes for future tax liabilities associated with the portion of MLP distributions considered to be a tax-deferred return of capital and for any net operating gains as well as capital appreciation of its investments; this deferred tax liability is reflected in the daily NAV, and, as a result, the MLP fund's after-tax performance could differ significantly from the underlying assets even if the pre-tax performance is closely tracked.

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 appropriate for investors who require current income. Precious metals are commodities that should be safely stored, which may impose additional costs on the investor.

Environmental, Social and Governance ("ESG") investments in a portfolio may experience performance that is lower or higher than a portfolio not employing such practices. Portfolios with ESG restrictions and strategies as well as ESG investments may not be able to take advantage of the same opportunities or market trends as portfolios where ESG criteria is not applied. There are inconsistent ESG definitions and criteria within the industry, as well as multiple ESG ratings providers that provide ESG ratings of the same subject companies and/or securities that vary among the providers. Certain issuers of investments may have differing and inconsistent views concerning ESG criteria where the ESG claims made in offering documents or other literature may overstate ESG impact. ESG designations are as of the date of this material, and no assurance is provided that the underlying assets have maintained or will maintain and such designation or any stated ESG compliance. As a result, it is difficult to compare ESG investment products or to evaluate an ESG investment product in comparison to one that does not focus on ESG. Investors should also independently consider whether the ESG investment product meets their own ESG objectives or criteria. There is no assurance that an ESG investing strategy or techniques employed will be successful. Past performance is not a guarantee or a dependable measure of future results. 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. **Options** and margin trading involve substantial risk and are not appropriate 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. Shares of closed-end funds frequently trade at a discount from their NAV which may increase investors' risk of loss. The risk of loss due to this discount may be greater for investors expecting to sell their shares in a relatively short period after completion of the public offering. This characteristic is a risk separate and distinct from the risk that a closed-end fund's net asset value may decrease as a result of investment activities. NAV is total assets less total liabilities divided by the number of shares outstanding. At the time an investor purchases or sells shares of a closed-end fund, shares may have a market price that is above or below NAV. 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.

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.

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. The majority of $25 and $1000 par **preferred securities** are "callable" meaning that the issuer may retire the securities at specific prices and dates prior to maturity. Interest/dividend payments on certain preferred issues may be deferred by the issuer for periods of up to 5 to 10 years, depending on the particular issue. The investor would still have income tax liability even though payments would not have been received. Price quoted is per $25 or $1,000 share, unless otherwise specified. Current yield is calculated by multiplying the coupon by par value divided by the market price. 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. The market value of **convertible bonds** and the underlying common stock(s) will fluctuate and after purchase may be worth more or less than original cost. If sold prior to maturity, investors may receive more or less than their original purchase price or maturity value, depending on market conditions. Callable bonds may be redeemed by the issuer prior to maturity. Additional call features may exist that could affect yield. Some $25 or $1000 **par preferred securities** are QDI (Qualified Dividend Income) eligible. Information on QDI eligibility is obtained from third party sources. The dividend income on QDI eligible preferreds qualifies for a reduced tax rate. Many traditional 'dividend paying' perpetual preferred securities (traditional preferreds with no maturity date) are QDI eligible. In order to qualify for the preferential tax treatment all qualifying preferred securities must be held by investors for a minimum period – 91 days during a 180 day window period, beginning 90 days before the ex-dividend date.
Companies paying **dividends** can reduce or cut payouts at any time.

Because of their narrow focus, **sector investments** tend to be more volatile than investments that diversify across many sectors and companies. **Technology stocks** may be especially volatile. Risks applicable to companies in the **energy and natural resources** sectors include commodity pricing risk, supply and demand risk, depletion risk and exploration risk. **Health care sector stocks** are subject to government regulation, as well as government approval of products and services, which can significantly impact price and availability, and which can also be significantly affected by rapid obsolescence and patent expirations. **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 are not subject to expenses or fees and are often comprised of securities and other investment instruments the liquidity of which is not restricted. A particular investment product may consist of securities significantly different than those in any index referred to herein. Comparing an investment to a particular index may be of limited use.

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.

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SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:		DATE:	04/23/2025
Retirement Board of Authority			
SUBJECT:		ITEM #:	2024/2025-006
Election of Retirement Board of Authority Chairperson		Enclosure:	Yes
		Action Item	Yes

Prepared by: Keenan Financial Services

Requested by: Retirement Board of Authority

BACKGROUND:

The San Jose Evergreen CCD governing board selected an oversight board of authority to manage the operational aspects of the OPEB Trust.

STATUS:

The Retirement Board of Authority (RBOA) members will select a Chairperson to manage the operational functions of the OPEB trust. This appointment has a two-year term.

RECOMMENDATION:

The RBOA shall discuss and take action accordingly.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT
FUTURIS TRUST RETIREMENT BOARD OF AUTHORITY
BYLAWS

PREAMBLE

The objectives of San Jose/Evergreen Community College District (SJECCD) in establishing a Trust for the pre-funding of its OPEB liabilities is to comply with the requirements of GASB Statements No. 74 & No. 75 and to create a retirement system that complies with the California Constitution and Government Code provisions related to such systems with a Governing Board (referred to as the "Retirement Board of Authority") consisting of officials of the SJECCD.

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

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

1: A Retirement Board of Authority

1.1: The SJECCD governing body has established by resolution a Retirement Board of Authority (the "Board") to supervise the Trust.

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

1.3: The Board will sign such documents as are necessary to adopt and maintain an irrevocable trust which complies with the California Constitution, the California Government Code, GASB Statements No. 74 & No. 75, and Section 115 of the Internal Revenue Code.

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

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

1.6: The Board shall oversee the operation of the Trust as outlined in the Trust agreement.

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

1.8: The Board shall facilitate and oversee the preparation and centralized maintenance of the SJECCD's Comprehensive Compliance Plan. To aid the SJECCD in meeting its fiduciary requirements, the Substantive Plan, as described in GASB 74 and 75, will be set forth as an essential element in the development of a Comprehensive Compliance Plan.

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

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

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

2: Retirement Board of Authority – Member Appointments

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

2.2: Board members shall be appointed to the Board by the governing body of the SJECCD. The Board will consist of three groups: CSEA 363, FA AFT 6157, and District Administration. CSEA 363 and FA AFT 6157 each shall be responsible to recommend three voting members and one alternate, of which one shall be a retiree and plan beneficiary.
The District Administration will have three voting members based solely on their title as defined by resolution adopted by the governing body of the SJECCD. If the title of the member changes and the new title is not one of the designated titles included in the resolution of the governing body of the SJECCD, the member will no longer be a voting member until such time a new resolution is adopted by the governing body of the SJECCD.

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

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

2.5: The Chairperson will act as the presiding officer for Board meetings.

2.6: The minimum number of signatures required by the Board for authorizations for withdrawals, distributions, benefit payments, and reasonable fees is three. The signatures are restricted to Board members with specimen signatures listed on the Trust's Signature Authorization Form and shall be representative of the following three groups: CSEA 363, FA AFT 6157, and District Administration.

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

2.8: A majority of the Board members must be present or attend by teleconference, per the provisions of the Ralph M. Brown Act, in order to conduct a Board meeting and is considered a quorum, as defined by Section 12.6. A vote, under the protocols of the Ralph M. Brown Act, of the majority of the Board members, shall be sufficient to transact business.

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

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

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

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

2.13: The Board may approve reimbursement for reasonable expenses incurred by Board members. All expenditures of funds shall be subject to Board approval.

2.14: The Board shall designate the SJECCD, 40 S. Market Street , San Jose, CA 95113 as the location at which it will receive notices, correspondence, and other communications; and shall designate the Chairperson of the Board as the officer for the purpose of receiving service on behalf of the Board.

3: Retirement Board of Authority – Meeting Agendas

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

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

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

3.4: Full and complete minutes detailing records of deliberations and decisions from each meeting of the Board shall be maintained in compliance with the Ralph M. Brown Act.

4: Retirement Board of Authority – Actuarial, Contribution & Withdrawal Parameters

4.1: The Board will ratify the amount of any contributions from the SJECCD and deliver contributions and allocation instructions to the Trustee. Such contributions and allocation instructions shall be delivered in accordance with the Trust's written provisions and agreements.

4.2 The Board will establish procedures to review all expenditures and disbursements from the Trust.

4.3: In accordance with GASB Statement No. 75 schedules, the Board will work with an actuary engaged by the SJECCD's Governing Board in obtaining the necessary calculations to identify the "Actuarial Present Value of Projected Benefits" (APVPB), the "Net OPEB Liability" and the "Actuarially Determined Contribution" (ADC) as well as all other calculations and information necessary to comply with GASB's actuarial valuation requirements.

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

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

5.1: No Board member shall vote or participate in a determination of any matter in which the Board member shall receive a special compensation or gain.

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

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

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

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

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

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

6.4: The effective date of any amendment shall be on the first day of the month following adoption, unless otherwise stated.

7: Retirement Board of Authority -- Appearance before the Board

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

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

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

8: Retirement Board of Authority – Fiduciary & Governance Parameters

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

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

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

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

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

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

9: Discretionary Trustee & Investment Management

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

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

9.3: The Board shall require the Discretionary Trustee to acknowledge, in writing, that it is a fiduciary to the Trust and to the SJECCD.

9.4: The Board shall prohibit the Discretionary Trustee from investing Trust assets in its own proprietary investment products or those of its Registered Investment Adviser so as to avoid any potential conflicts of interest.

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

10: Registered Investment Advisor (RIA):

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

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

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

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

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

11: Program Coordinator

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

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

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

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

12: Program Definitions:

12.1: "Actuarial Present Value of Projected Benefits" (APVPB) is the projected benefit payments discounted to reflect the expected effects of the time value (present) of money and the probabilities of payment.
12.2: "Actuarially Determined Contribution" (ADC) is the target or recommended contribution to a defined benefit OPEB plan for the reporting period determined in conformity with the Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.
12.3: "Comprehensive Compliance Plan" shall mean a broad compliance and fiduciary process incorporating the SJECCD's substantive plan obligations; the actuarial cost of those obligations; the plan for meeting those costs; and the fiduciary strategies and steps in meeting plan requirements.

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

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

12.6: "Net OPEB Liability" is the liability of employers and nonemployer contributing entities to plan members for benefits provided through a defined benefit OPEB plan that is administered through a GASB-compliant trust.

12.7: "Quorum" shall mean the majority of the Board members are required to conduct a Board meeting or to transact business on behalf of the Board, and at least one member from each group must be present or attend by teleconference to be considered a quorum. Alternates may be used to establish a quorum and have voting rights in the absence of a member.

12.8: "Registered Investment Advisor" (RIA) shall mean the investment entity charged with the responsibility for recommending comprehensive and continuous investment advice for the Futuris SJECCD Investment Trust.

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

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

12.10: "The Trust" shall mean the SJECCD's Investment Trust established for the pre-funding of its OPEB liabilities and maintained in compliance with GASB Statement No. 74 and No. 75, the California Constitution, and the California Government Code with a governing Retirement Board of Authority.

Updated 10-26-17
Revised 4/26/18

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:		DATE:	04/23/2025
Retirement Board of Authority			
SUBJECT:		ITEM #:	2024/2025-007
Election of Retirement Board of Authority Vice-Chairperson		Enclosure:	No
		Action Item	Yes

Prepared by: Keenan Financial Services

Requested by: Retirement Board of Authority

BACKGROUND:

The San Jose Evergreen CCD governing board selected an oversight board of authority to manage the operational aspects of the OPEB Trust.

STATUS:
The Retirement Board of Authority (RBOA) members will select a Vice-Chairperson to manage the operational functions of the OPEB trust in the absence of the Chairperson. This appointment has a two-year term.

RECOMMENDATION:

The RBOA shall discuss and take action accordingly.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:		DATE:	04/23/2025
Retirement Board of Authority			
SUBJECT:		ITEM #:	2024/2025-008
Disbursement Report		Enclosure:	Yes
		Action Item	No

Prepared by: Keenan Financial Services

Requested by: Retirement Board of Authority

BACKGROUND:

The District's OPEB Investment Trust is able to facilitate remittance associated with reasonable expenses related to compliance activities for GASB No 74 & 75 protocols/applicable Regulatory Code requirements and the Management/Operation of the Trust.

STATUS:

The RBOA members will review all reasonable expenses associated with the compliance requirements of GASB No 74/75 protocols: applicable Regulatory Code mandates, and the Management/Operational duties of the District's OPEB Investment Trust for the period since the last RBOA meeting.

RECOMMENDATION:

The Retirement Board of Authority should review all reasonable expenses and file accordingly.

San Jose Evergreen Community College District Fiscal Year 2024/2025 1st Quarter		BTC	Keenan	Total
Date	**Disbursement**			
7/11/2024	Futuris Fees	$ 9,807.10	$ 7,031.89	$ 16,838.99
8/9/2024	Futuris Fees	$ 9,986.84	$ 7,079.82	$ 17,066.66
9/12/2024	Futuris Fees	$ 10,115.67	$ 7,114.18	$ 17,229.85
	Total	**$ 29,909.61**	**$ 21,225.89**	**$ 51,135.50**

San Jose Evergreen Community College District Fiscal Year 2024/2025 2nd Quarter		BTC	Keenan	Total
Date	**Disbursement**			
10/9/2024	Futuris Fees	$ 10,217.73	$ 7,141.39	$ 17,359.12
11/13/2024	Futuris Fees	$ 9,921.16	$ 7,062.31	$ 16,983.47
12/6/2024	Futuris Fees	$ 10,066.15	$ 7,100.97	$ 17,167.12
	Total	**$ 30,205.04**	**$ 21,304.67**	**$ 51,509.71**

San Jose Evergreen Community College District Fiscal Year 2024/2025 3rd Quarter		BTC	Keenan	Total
Date	**Disbursement**			
1/13/2025	Futuris Fees	$ 9,799.88	$ 7,029.97	$ 16,829.85
2/20/2025	Futuris Fees	$ 9,910.08	$ 7,059.35	$ 16,969.43
3/10/2025	Futuris Fees	$ 9,974.41	$ 7,076.51	$ 17,050.92
	Total	**$ 29,684.37**	**$ 21,165.83**	**$ 50,850.20**

San Jose Evergreen Community College District Fiscal Year 2024/2025 4th Quarter		BTC	Keenan	Total
Date	**Disbursement**			
	Futuris Fees			$ -
	Futuris Fees			$ -
	Futuris Fees			$ -
	Total	**$ -**	**$ -**	**$ -**

Fiscal Year-To-Date Totals	BTC	Keenan	Fiscal YTD Total
	$ 89,799.02	$ 63,696.39	$ 153,495.41

*Morgan Stanley Fees are paid directly to Benefit Trust Company

SAN JOSE EVERGREEN COMMUNITY COLLEGE DISTRICT REIMBURSEMENTS		
8/1/2024	OPEB Reimbursement July 2024	$ 223,970.52
8/30/2024	OPEB Reimbursement August 2024	$ 213,019.80
9/27/2024	OPEB Reimbursement September 2024	$ 206,729.80
10/25/2024	OPEB Reimbursement October 2024	$ 217,726.80
11/27/2024	OPEB Reimbursement November 2024	$ 224,354.40
12/23/2024	OPEB Reimbursement December 2024	$ 217,484.40
2/3/2025	OPEB Reimbursement January 2025	$ 217,185.40
2/28/2025	OPEB Reimbursement February 2025	$ 212,233.40
	Fiscal Year-to-date Totals	**$ 1,732,704.52**

Offset Deposit

Morgan Stanley fees are paid directly to Benefit Trust

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:		DATE:	04/23/2025
Retirement Board of Authority			
SUBJECT:		ITEM #:	2024/2025-009
Retiree Health Benefits Reimbursement Expense		Enclosure:	Yes
		Action Item	No

Prepared by: Keenan Financial Services

Requested by: Retirement Board of Authority

BACKGROUND:

The District's OPEB Investment Trust is able to facilitate remittance associated with reasonable expenses related to compliance activities for GASB No 74 & 75 protocols/applicable Regulatory Code requirements and the Management/Operation of the Trust.

STATUS:

The RBOA members shall review all withdrawal requests associated with the reimbursement of retiree health benefit expenses.

RECOMMENDATION:

The Retirement Board of Authority should acknowledge all reimbursements and file accordingly.

Futuris
A Keenan Solution

Withdrawal Request Form

You are hereby authorized to process the following withdrawal from:

Futuris Account Name San Jose Evergreen Community College District Long Term Futuris Public Entity Investment Trust

Futuris Account Number 115150002230

Withdrawal Amount: $ 124,311.90

☐ Check Box 1 **Mail check payable to:**

Name

Address

Address

City, State, Zip

☒ Check Box 2 **Send Electronic Fund Transfer To:** Account # 14998-27154, Routing #121000358

Bank of America
Name

San Jose Evergreen Community College District
Address

315 Montgomery
Address

San Francisco , CA 94104
City, State, Zip

Withdrawals from this Trust may not be taken for any purpose other than for paying related Plan and Trust expenses. This withdrawal complies with this Trust requirement.

Submitted By: Jonathan Camacho Date: 03/19/2025

3 Authorized Signatures are Required

Approving Signature: 03/21/2025

Approving Signature: Danny C. Hawkins 03/25/2025

Approving Signature: Jessica Breheny 03/21/2025

Note:
OPEB reimbursement claim for the month of MARCH 2025

Fax the signed form to 913-319-0381 Attn: Futuris Accounts Admin

E-mail this form to: srankin@benefittrust.com;admin@benefittrust.com;rwashington@keenan.com

Withdrawal Request Form

Futuris
A Keenan Solution

You are hereby authorized to process the following withdrawal from:

Futuris Account Name San Jose Evergreen Community College District Long Term Futuris Public Entity Investment Trust

Futuris Account Number 115150002230

Withdrawal Amount: $ 212,233.40

☐ Check Box 1 **Mail check payable to:** ____________________

Name

Address

Address

City, State, Zip

☒ Check Box 2 **Send Electronic Fund Transfer To:** Account # 14998-27154, Routing #121000358

Bank of America
Name

San Jose Evergreen Community College District
Address

315 Montgomery
Address

San Francisco , CA 94104
City, State, Zip

Withdrawals from this Trust may not be taken for any purpose other than for paying related Plan and Trust expenses. This withdrawal complies with this Trust requirement.

Submitted By: Jonathan Camacho   Date: 02/20/2025

3 Authorized Signatures are Required

Approving Signature: Jose Chesmore (Feb 20, 2025 17:44 PST)   02/20/2025

Approving Signature: Danny C. Hawkins   02/24/2025

Approving Signature: Jessica Breheny   02/25/2025

Note:
OPEB reimbursement claim for the month of FEBRUARY 2025

Fax the signed form to 913-319-0381 Attn: Futuris Accounts Admin

E-mail this form to: srankin@benefittrust.com;admin@benefittrust.com;rwashington@keenan.com

Futuris
A Keenan Solution

Withdrawal Request Form

You are hereby authorized to process the following withdrawal from:

Futuris Account Name San Jose Evergreen Community College District Long Term Futuris Public Entity Investment Trust

Futuris Account Number 115150002230

Withdrawal Amount: $ 217,185.40

☐ Check Box 1 **Mail check payable to:** ______

Name

Address

Address

City, State, Zip

☒ Check Box 2 **Send Electronic Fund Transfer To:** Account # 14998-27154, Routing #121000358

Bank of America
Name

San Jose Evergreen Community College District
Address

315 Montgomery
Address

San Francisco , CA 94104
City, State, Zip

Withdrawals from this Trust may not be taken for any purpose other than for paying related Plan and Trust expenses. This withdrawal complies with this Trust requirement.

Submitted By: Jonathan Camacho Date: 01/27/2025

3 Authorized Signatures are Required

Approving Signature: Jose Chesmore (Jan 27, 2025 15:59 PST) 01/27/2025

Approving Signature: Danny E. Hawkins 01/28/2025

Approving Signature: Jessica Breheny
Jessica Breheny (Jan 29, 2025 16:47 PST) 01/29/2025

Note:
OPEB reimbursement claim for the month of JANUARY 2025

Fax the signed form to 913-319-0381 Attn: Futuris Accounts Admin

E-mail this form to: srankin@benefittrust.com;admin@benefittrust.com;rwashington@keenan.com

Futuris
A Keenan Solution

Withdrawal Request Form

You are hereby authorized to process the following withdrawal from:

Futuris Account Name San Jose Evergreen Community College District Long Term Futuris Public Entity Investment Trust

Futuris Account Number 115150002230

Withdrawal Amount: $ 217,484.40

☐ Check Box 1 **Mail check payable to:**

Name

Address

Address

City, State, Zip

☒ Check Box 2 **Send Electronic Fund Transfer To:** Account # 14998-27154, Routing #121000358

Bank of America
Name

San Jose Evergreen Community College District
Address

315 Montgomery
Address

San Francisco , CA 94104
City, State, Zip

Withdrawals from this Trust may not be taken for any purpose other than for paying related Plan and Trust expenses. This withdrawal complies with this Trust requirement.

Submitted By: Jonathan Camacho Date: 12/16/2024

3 Authorized Signatures are Required

Approving Signature: 12/18/2024

Approving Signature: Danny C. Hawkins 12/16/2024

Approving Signature: Jessica Breheny
Jessica Breheny (Dec 18, 2024 13:44 PST) 12/18/2024

Signature:

Email: Edwin.Chandrasekar@sjeccd.edu

Note:
OPEB reimbursement claim for the month of DECEMBER 2024

Fax the signed form to 913-319-0381 Attn: Futuris Accounts Admin

E-mail this form to: srankin@benefittrust.com;admin@benefittrust.com;rwashington@keenan.com

Futuris
A Keenan Solution

Withdrawal Request Form

You are hereby authorized to process the following withdrawal from:

Futuris Account Name San Jose Evergreen Community College District Long Term Futuris Public Entity Investment Trust

Futuris Account Number 115150002230

Withdrawal Amount: $ 224,354.40

☐ Check Box 1 **Mail check payable to:** ____________________

Name

Address

Address

City, State, Zip

☒ Check Box 2 **Send Electronic Fund Transfer To:** Account # 14998-27154, Routing #121000358

Bank of America
Name

San Jose Evergreen Community College District
Address

315 Montgomery
Address

San Francisco , CA 94104
City, State, Zip

Withdrawals from this Trust may not be taken for any purpose other than for paying related Plan and Trust expenses. This withdrawal complies with this Trust requirement.

Submitted By: Jonathan Camacho Date: 11/21/2024

3 Authorized Signatures are Required

Approving Signature: [signature] 11/21/2024

Approving Signature: Danny C. Hawkins 11/25/2024

Approving Signature: Jessica Breheny 11/21/2024
Jessica Breheny (Nov 21, 2024 16:44 PST)

Signature: [signature]

Email: Edwin.Chandrasekar@sjeccd.edu

Note:
OPEB reimbursement claim for the month of NOVEMBER 2024

Fax the signed form to 913-319-0381 Attn: Futuris Accounts Admin

E-mail this form to: srankin@benefittrust.com;admin@benefittrust.com;rwashington@keenan.com

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:		DATE:	04/23/2025
Retirement Board of Authority			
SUBJECT:		ITEM #:	2024/2025-010
Independent OPEB Audit Report (2023-2024)		Enclosure:	Yes
		Action Item	No

Prepared by: CWDL Auditing Firm

Requested by: Retirement Board of Authority

BACKGROUND:

The OPEB trust account is audited on an annual basis to ensure the trust is in compliance with the assumptions in the actuarial study as well as the target rate of return outlined within the Investment Policy Statement.

STATUS:

The auditing firm CWDL has provided the district with an overview of the June 30, 2024, Independent Audit report.

RECOMMENDATION:

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

CWDL

See what's possible.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST

AUDIT REPORT

June 30, 2024

858.565.2700
www.cwdl.com

TABLE OF CONTENTS

JUNE 30, 2024

CWDL

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
San José/Evergreen Community College District
San Jose, California

Report on the audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of San José/Evergreen Community College District Retirement Futuris Public Entity Investment Trust (the "Trust"), a fiduciary fund of San José/Evergreen Community College District (the "District") as of and for the year ended June 30, 2024, and the related notes to financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust, as of June 30, 2024, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 and results of operations of the San José/Evergreen Community College District in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 4 to 5 and the Required Supplementary Information, such as the Schedule of Changes in the Net OPEB Asset and Related Ratios, Schedule of Contributions, and Schedule of Investment Returns on pages 14, 15, and 16, respectively, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the 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 15, 2024 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 the District's internal control over financial reporting and compliance for the Trust.

CWDL, Certified Public Accountants

San Diego, California
December 15, 2024

This section provides an overview and analysis of the financial activities of San José/Evergreen Community College District Retirement Futuris Public Entity Investment Trust (the "Trust") for the fiscal year ended June 30, 2024. The Trust was established in February 2008 by the District's Board of Trustees and assets held for Other Post-Employment Benefits were transferred to an irrevocable trust in May 2009. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in San José/Evergreen Community College District's (the "District") financial statements.

FINANCIAL HIGHLIGHTS

The net position of the Trust at the close of fiscal year 2024 is $38,978,399 (net assets held in trust for retiree medical benefits). The net position is available to meet the Trust's ongoing obligations to participants and beneficiaries.

The Trust's funding objective is to meet long-term benefit obligations through contributions and investment income. The Trust was initially funded by the District by a one-time transfer in 2009 of $39,957,416 from its issuance of OPEB taxable bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis are intended to serve as an introduction to the Trust's financial statements, which comprises these components:

1. Statement of Trust Net Position
2. Statement of Changes in Trust Net Position
3. Notes to Financial Statements

The Statement of Trust Net Position is a snapshot of account balances at year-end. It indicates the assets available for future payments to retirees and any current liabilities that are owed at this time.

The Statement of Changes in Trust Net Position, on the other hand, provides a view of current year additions to and deductions from the Trust. Both statements are in compliance with Governmental Accounting Standards. These Standards require certain disclosures and require the state and local governments to report using the full accrual method of accounting. The Trust complies with all material requirements of these pronouncements.

The Statement of Trust Net Position and the Statement of Changes in Trust Net Position report information about the Trust's activities. These statements include all assets and liabilities, using the full accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All investment gains and losses are shown at trade date. In addition, both realized and unrealized gains and losses are shown on investments.

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

These two statements report the Trust's net position held in an irrevocable trust account for retirees' medical benefits. Net position, the difference between assets and liabilities, is one way to measure the Trust's financial position. Over time, increase and decrease in net position is one indicator of whether its financial health is improving or deteriorating. Other factors, such as market conditions, should also be considered in measuring the Trust's overall health.

Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report presents certain required supplementary information concerning the Trust's progress in funding its obligations to provide retiree medical benefits to members.

FINANCIAL ANALYSIS

As previously noted, net position may serve over time as a useful indication of the Trust's financial position. The assets of the Trust exceeded its liabilities at the end of the fiscal years ended June 30, 2024 and 2023.

	2024	2023
Investments in mutual funds	$ 38,978,399	$ 37,881,824
Net position	$ 38,978,399	$ 37,881,824

The $1.1 million increase reflects net investment income of ($3.6 million) and payments for retiree benefits ($2.6 million).

The changes to Trust net position during the fiscal year ended June 30, 2024 and 2023 are as follows:

	2024	2023
Investment income/(loss)	$ 3,625,807	$ 2,294,873
Retiree benefits	(2,529,232)	(2,629,697)
Beginning balance	37,881,824	38,216,648
Net position	$ 38,978,399	$ 37,881,824

For the year ended June 30, 2024, net investment income of $3.6 million was recorded.

CONTACTING THE TRUST'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the Trust's finances and to show the Trust's accountability for the money it receives. If you have any questions about this report or need any additional financial information, contact the District at: San José/Evergreen Community College District, 40 South Market Street, San Jose, California 95113 or visit the District's website at http://www.sjeccd.edu/.

FINANCIAL STATEMENTS

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
STATEMENT OF TRUST NET POSITION
JUNE 30, 2024

ASSETS		
Investments:		
Mutual funds – equity	$	24,338,394
Mutual funds – fixed income		12,868,892
Real estate		1,771,113
Total investments		38,978,399
Total assets	$	38,978,399
LIABILITIES		
Total OPEB Liability	$	-
NET POSITION		
Net position restricted for postemployment benefits other than pensions:	$	38,978,399

See accompanying notes to financial statements.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
STATEMENT OF CHANGES IN TRUST NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024

ADDITIONS		
Net investment income:		
Realized and unrealized losses net	$	2,353,844
Dividends and other income		1,469,550
Investment fees and charges		(197,587)
Total additions		3,625,807
DEDUCTIONS		
Retiree benefits		2,529,232
Change in net position		1,096,575
Net position restricted for postemployment benefits other than pensions:		
July 1, 2023		37,881,824
June 30, 2024	$	38,978,399

See accompanying notes to financial statements.

NOTE 1 – DESCRIPTION OF PLAN

The following information of the San José/Evergreen Community College District Retirement Futuris Public Entity Investment Trust (the "Trust"), a fiduciary fund of the San José/Evergreen 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, prescription drug and employee assistance program benefits to eligible retirees and their spouses 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 210 retirees and 621 beneficiaries currently eligible to receive benefits.

Contributions: Contributions to the Trust are funded entirely by the employer. The Trust was established and may be amended by the District and the American Federation of Teachers Association (AFT), the local California Service Employees Association (CSEA) and unrepresented groups. In 2009, the District issued an OPEB Taxable Bond of $46,775,000 for the purpose of financing the District's obligation to pay certain healthcare retiree costs related to the defined benefit plan (the "Plan"). The District transferred $39,957,416 to the Trust to fund the Plan. Contributions are not required and any additional contributions by the District would be discretionary. There were no contributions to the Plan during the fiscal year ended June 30, 2024. Retiree benefits and administrative expenses are funded from the prior 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 changes in the net OPEB asset and related ratios, presented as required supplementary information following the notes to the financial statements, presents information about whether the plan fiduciary net position is increasing or decreasing over time relative to the total OPEB liability.

As of June 30, 2024, the most recent actuarial valuation date, the plan was 122.2 percent funded. The total OPEB liability was $30,988,890, the actuarial value of assets was $37,881,824, resulting in a funding surplus of $6,892,934. As of the last actuarial study, the covered payroll (annual payroll of active employees covered by the Plan) was $70,397,003, and the ratio of the funding excess to the covered payroll was 9.8 percent.

NOTE 1 – DESCRIPTION OF PLAN, continued

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 June 30, 2024 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 5.1 percent investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio.

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 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 documents, generally to pay in the order indicated below:

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

Any assets remaining in the Trust after paying off the above liabilities shall revert back to the District.

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 Po50, *Postemployment Benefit Plans Other than Pension Plans,* and new standards set forth in GASB Statement No. 74 *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans.*

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 Changes 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.

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 Fund 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.

As stated in the Investment Policy, the Trust will invest predominantly in open-end mutual funds. The fair value of the Trust's individual investments is established at net asset value (NAV) and at June 30, 2024 are as follows:

Mutual funds:	
Common stocks	$ 24,338,394
Fixed income	12,868,892
Real estate	1,771,113
Total investments	$ 38,978,399

NOTE 3 – INVESTMENTS, continued

During the fiscal year ended June 30, 2024, the Trust's investments (including gains and losses on investments bought and sold as well as held during the year) appreciated as follows:

Unrealized gains net	$	2,039,263
Realized gains, net		314,581
Dividends and other income		1,469,550
Investment fees		(197,587)
Total investment gains	$	3,625,807

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, 2024, 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, 2024, the Trust had no significant interest rate risk related to investments held.

NOTE 3 – INVESTMENTS, continued

Concentration: As required under provisions of GASB Statement No. 74 *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*, the plan is required to disclose investments (other than those issued or explicitly guaranteed by the U.S. government) in any one organization that represent 5 percent or more of the plan's fiduciary net position. At June 30, 2024, the following mutual fund holdings exceeded 5 percent of the plan's fiduciary net position:

Description	Market Value	Percentage of Fiduciary Net Position
COMMUNITY CAPITAL MANAGEMENT IMPACT BOND FUND INST	$ 3,223,993	8.27%
NORTHERN FUNDS BOND INDEX	$ 5,357,673	13.75%
WESTERN ASSET CORE PLUS BOND IS	$ 4,287,225	11.00%
COLUMBIA CONTRARIAN CORE	$ 3,175,635	8.15%
SSGA S&P INDEX FUND CL K	$ 3,527,343	9.05%
SSGA INSTL INVT TR GBL ALCP EQ K	$ 2,514,059	6.45%
TARGET PORTFOLIO TRUST TR PIGM CORE BD R6	$ 4,283,202	10.99%
THORNBURG INVESTMENT INCOME BUIOLDER R6	$ 2,382,639	6.11%
WELLS FARGO TR CORE BOND R6	$ 4,284,980	10.99%

NOTE 4 – NET OPEB ASSET

The components of the Net OPEB Asset of the plan at June 30, 2024 were as follows:

Total OPEB Liability	$	(30,988,890)
Plan Fiduciary Net Position		37,881,825
Net OPEB Asset	$	6,892,935

Actuarial Assumptions: The total OPEB liability was determined by an actuarial valuation as of June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

NOTE 4 – NET OPEB ASSET, continued

Return on Assets: 5.1% - The long-term expected rate of return on the OPEB trust investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges were determined based on past investment history and are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Target allocations for each major asset class as of June 30, 2024 are summarized in the following table:

Asset Class	Target Allocation
Fixed Income	55%
Equities/Real Estate	45%
Total	100%

Discount Rate: 5.1% - The discount rate of 5.1% is based on the rate of return at 5.1%. The projection of cash flows used to determine the discount rate assumed that ongoing contributions will be made at the actuarially determined contribution rate. Based on that assumption, the OPEB plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members in all future years. Based on earnings on assets of 5.1%, expected future assets are projected to be sufficient to pay out projected District payments for retiree health benefits.

Sensitivity of the net OPEB asset to changes in the discount rate:

	Discount Rate 1% Lower (4.0%)	Valuation Discount Rate (5.0%)	Discount Rate 1% Higher (6.0%)
Net OPEB asset	$ (4,698,734)	$ (6,892,935)	$ (8,869,871)

Trend Rate: The trend rates grade down from current market trends to an ultimate rate sensitivity of the net OPEB asset to changes in the discount rate:

	Trend Rate 1% Lower (5.50% HMO/5.50% PPO decreasing to 3.50% HMO/3.50% PPO)	Current Trend Rate (6.50% HMO/6.50% PPO decreasing to 4.50% HMO/4.50% PPO)	Trend Rate 1% Higher (7.50% HMO/7.50% PPO decreasing to 5.50% HMO/5.50% PPO)
Net OPEB asset	$ (9,071,157)	$ (6,892,935)	$ (4,447,376)

NOTE 5 – RELATED PARTY TRANSACTIONS

Retiree benefit costs of the Trust are paid by the District. The District transferred $2,529,232 from the Trust fund to the District to pay retiree benefits.

REQUIRED SUPPLEMENTARY INFORMATION

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
SCHEDULE OF CHANGES IN THE NET OPEB ASSET AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2024

SCHEDULE OF CHANGES IN THE NET OPEB ASSET AND RELATED RATIOS

	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability							
Service cost	$ 402,753	$ 265,183	$ 249,651	$ 258,952	$ 128,188	$ 124,454	$ 115,771
Interest	1,465,950	1,976,298	2,093,197	2,218,010	2,298,096	2,475,240	2,596,426
Changes of assumptions	-	-	587,251	-	10,372,629	-	-
Experience gains/losses	973,151	4,030,534	665,220	-	576,580	1,165,117	-
Net Investment income	561,679	(2,628,624)	(2,443,562)	(1,203,087)	(11,412,942)	-	-
Benefit payments	(2,629,697)	(2,745,534)	(2,925,970)	(3,165,226)	(3,363,104)	(4,520,486)	(4,152,914)
Net change in total OPEB liability	773,836	897,857	(1,774,213)	(1,891,351)	(1,400,553)	(755,675)	(1,440,717)
Total OPEB liability, beginning of year	30,215,054	29,317,197	31,091,410	32,982,761	34,383,314	35,138,989	36,579,706
Total OPEB liability, end of year (a)	$ 30,988,890	$ 30,215,054	$ 29,317,197	$ 31,091,410	$ 32,982,761	$ 34,383,314	$ 35,138,989
Plan fiduciary net position							
Investment income	$ 2,491,283	$ (8,410,837)	$ 8,937,378	$ 2,491,787	$ 3,325,947	$ 4,003,226	$ 5,815,202
Administrative expense	(196,410)	(232,202)	(232,362)	(220,570)	(222,279)	(229,919)	(224,967)
Expected benefit payments	(2,629,697)	(2,745,534)	(2,925,970)	(3,165,226)	(3,363,104)	(4,520,486)	(4,152,914)
Change in plan fiduciary net position	(334,824)	(11,388,573)	5,779,046	(894,009)	(259,436)	(747,179)	1,437,321
Fiduciary trust net position, beginning of year	38,216,649	49,605,222	43,826,176	44,720,185	44,979,621	45,726,800	44,289,479
Fiduciary trust net position, end of year (b)	$ 37,881,825	$ 38,216,649	$ 49,605,222	$ 43,826,176	$ 44,720,185	$ 44,979,621	$ 45,726,800
Net OPEB liability/(asset), ending (a) - (b)	$ (6,892,935)	$ (8,001,595)	$ (20,288,025)	$ (12,734,766)	$ (11,737,424)	$ (10,596,307)	$ (10,587,811)
Covered payroll	$ 70,397,003	$ 58,570,581	$ 56,864,642	$ 59,488,680	$ 57,756,000	$ 35,025,000	$ 35,025,000
Plan fiduciary net position as a percentage of the total OPEB liability/(asset)	122%	126%	169%	141%	136%	131%	130%
Net OPEB liability/(asset) as a percentage of covered payroll	-10%	14%	-36%	-21%	-20%	-30%	-30%

Note: In the future, as data becomes available, ten years of information will be presented.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2024

SCHEDULE OF CONTRIBUTIONS

	2024	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	$ 3,275,806	$ 2,704,542	$ 2,886,579	$ 3,275,806	$ 3,268,797	$ 3,557,370	$ 4,717,951
Contributions in relations to the actuarially determined contributio	2,313,070	-	-	-	3,000,000	-	-
Contribution deficiency/(excess)	$ 962,736	$ 2,704,542	$ 2,886,579	$ 3,275,806	$ 268,797	$ 3,557,370	$ 4,717,951
Covered-employee payroll	$70,397,003	$58,570,581	$56,864,642	$59,488,680	$57,756,000	$35,025,000	$35,025,000
Contribution as a percentage of covered-employee payroll	1.37%	4.62%	5.08%	5.51%	0.47%	10.16%	13.47%

Note: In the future, as data becomes available, ten years of information will be presented.

Notes to Schedule:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*, requires a 10-year trend analysis for the schedule of contributions. The District will continue to display information for all years available until the full 10-year illustration is present.

SCHEDULE OF INVESTMENT RETURNS

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Annual money-weighted rate of return, net of investment expense	-0.88%	-22.96%	13.19%	13.19%	-2.00%	6.86%	7.82%	5.26%	4.40%	5.13%

OTHER REPORTS

CWDL

INDEPENDENT AUDITORS' 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
San José/Evergreen Community College District
San Jose, 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 San José/Evergreen Community College District Retirement Futuris Public Entity Investment Trust (the "Trust"), a fiduciary fund of San José/Evergreen Community College District (the "District") as of and for the year ended June 30, 2024, and the related notes to financial statements, and have issued our report thereon dated December 15, 2024.

Report on 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 or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on 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.

CWDL, Certified Public Accountants

San Diego, California
December 15, 2024

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:		DATE:	04/23/2025
Retirement Board of Authority			
SUBJECT:		ITEM #:	2024/2025-011
Retirement Board of Authority Comments		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. There will be no action taken.

RECOMMENDATION:

The RBOA can request agenda items for the subsequent meeting.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO: Retirement Board of Authority	DATE: 04/23/2025
SUBJECT: Program Coordinator/BTC Consultant Comments	ITEM #: 2024/2025-012 Enclosure: No Action Item: No

Prepared by: Keenan Financial Services

Requested by: Retirement Board of Authority

BACKGROUND:

The Program Coordinator & Benefit Trust Consultant may address the Board of Authority on any matter pertaining to the Retirement Board of Authority that is not on the agenda. No action can be taken.

RECOMMENDATION:

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

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:		DATE:	04/23/2025
Retirement Board of Authority			
SUBJECT:		ITEM #:	2024/2025-013
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:

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

RECOMMENDATION:

The Retirement Board of Authority will determine the next date, time and agenda items for the next RBOA meeting.