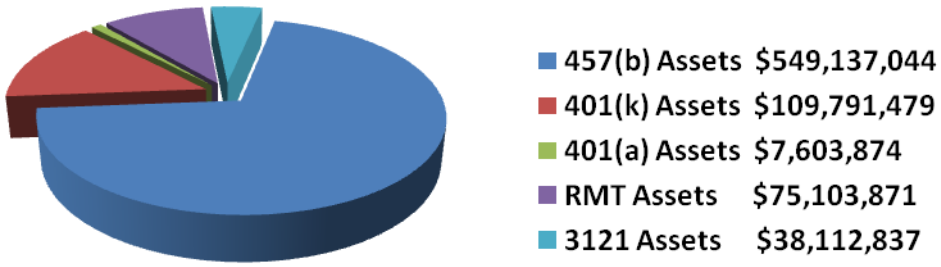
SST BENEFITS CONSULTING

COUNTY OF SAN BERNARDINO
EXECUTIVE SUMMARY
DEFINED CONTRIBUTION PLANS
2nd QUARTER 2014

	2ND QUARTER %	1 YEAR %	3 YEAR %	5 YEAR %
457(b) Plan Performance	4.18	23.31	13.60	17.23
Customized Benchmark	4.39	22.17	14.03	17.49
DIFFERENCE	**-0.20**	**1.14**	**-0.43**	**-0.25**
401(k) Plan Performance	4.11	23.25	13.69	17.48
Customized Benchmark	4.46	23.08	14.75	18.52
DIFFERENCE	**-0.35**	**0.16**	**-1.06**	**-1.04**
Retirement Medical Trust	3.99	19.60	11.65	15.35
Customized Benchmark	4.09	19.31	12.66	15.77
DIFFERENCE	**-0.10**	**0.29**	**-1.01**	**-0.42**

PORTFOLIO COMPOSITION AND ANALYSIS

The total assets in the County of San Bernardino's defined contribution plans increased from $751 million as of March 31, 2014 to $780 million, an increase of 3.9%. The increase was mainly driven by the appreciation of the investments resulting from the 2nd quarter equity performance. The 457 assets in the Ameritrade Self Directed Brokerage Account (SDBA) is remaining constant at $1.9 million. The 401(k) assets in the SDBA are also somewhat constant at $458,000.



457 PLAN CASH POSITION:

The stable value crediting rate was increased from 1.90% in the first quarter of 2014 to 2.10% in the second quarter of 2014 with the Committee's decision to reduce the duration of the Stabilizer portfolio, moving from a Core Plus strategy to an Intermediate Aggregate Plus strategy to align the portfolio to be more sensitive to increases in short term interest rates. ING Investment Management (IIM) completed the transition to the Intermediate Aggregate Plus strategy in the first quarter.

401(k) PLAN CASH POSITION:

The assets in the Stabilizer decreased from 27.0% to 25.7% mostly because of outflow.

RETIREMENT MEDICAL TRUST CASH POSITION:

There continues to be a decrease in the percentage of assets in the fixed interest account from 67.6% in the ING General account to 66.6%.

457 PLAN MUTUAL FUNDS POSITION:

The outperformance to the customized benchmark for the one (1) year period is due primarily to the performance of Invesco Small Cap Value, and the three (3) international funds (Dodge & Cox International Stock, Oppenheimer International Growth and DFA International Small Company). The customized index is devoid of expenses while the mutual funds do have an expense structure, so the out performance in the one (1) year period is impressive. The underperformance of Perkins Small Cap Value, Voya Mid Cap Opportunities, Baron Growth, Columbia Mid Cap Value, Loomis Sayles Small Cap Growth and MainStay ICAP Select Equity contributed to the drag of one (1) year performance.

The Sharpe Ratio is a tool that helps determine if the risk the fund or portfolio is taking to achieve the performance is worthwhile. The Sharpe Ratio for the 457 increased from 0.96 to 1.07.

The Standard Deviation is a measurement of the volatility of the portfolio's short term return from the average long term return. The three (3) year Standard Deviation for the portfolio is 12.64, which is higher than the benchmark of 11.20.

The Alpha, a measurement of the value added by the investment manager is -1.86**.** Beta is a measure of the degree of change in value that can be expected given a change in value in the comparable index. The Beta is 1.12 over three (3) years.

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401(k) MUTUAL FUNDS POSITION:

The Sharpe Ratio for the 401(k) portfolio is 1.07. The three (3) year Standard Deviation for the portfolio is 12.78; which is higher than the benchmark of 11.81. The Alpha is -1.89 and the Beta is 1.07.

RETIREMENT MEDICAL TRUST (RMT) MUTUAL FUNDS POSITION:

With the RMT heavily weighted to the ING General Account, the gains or losses of any one fund has little effect on the total portfolio.

The Sharpe Ratio for the RMT portfolio is 1.07. The three (3) year Standard Deviation for the portfolio is 10.81 which is higher than the benchmark of 9.37. The Alpha is -2.56 and the Beta is 1.15.

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PERFORMANCE OF INDEX FUNDS VS. ACTIVELY MANAGED FUNDS	2ND QTR %	1 YEAR %	3 YEAR %	5 YEAR %
LARGE CAP				
Vanguard Institutional Index	**5.23**	**24.56**	**16.55**	**18.81**
American Funds Growth Fund of America	5.04	27.01	16.24	17.38
TIAA-CREF Growth & Income	5.33	26.59	16.79	18.65
Wells Fargo Advantage Growth	2.01	22.29	13.95	22.68
Parnassus Core Equity	7.48	27.21	18.46	18.45
Columbia Diversified Equity Income	5.04	23.25	13.73	17.49
Main Stay ICAP Select Equity	2.69	19.23	13.45	16.67
MID CAP				
Vanguard Mid Cap Index	**4.51**	**26.24**	**15.35**	**22.01**
Baron Growth	0.59	21.05	14.61	19.89
Voya Mid Cap Opportunities	2.59	19.14	11.18	20.16
Fidelity Adv Leveraged Company Stock	5.32	24.95	17.00	22.66
Columbia Small / Mid Cap Value	3.48	22.38	14.05	20.37
SMALL CAP				
Vanguard Small Cap Index	**3.77**	**26.52**	**16.21**	**22.36**
Loomis Sayles Small Cap Growth	-2.88	18.56	13.15	22.07
Invesco Small Cap Value	4.02	31.02	19.81	22.98
Perkins Small Cap Value	3.08	21.47	11.61	16.38

In the second quarter, only four (4) out of thirteen (13) actively managed funds outperformed the lower cost index funds. Four (4) funds over the past one (1) year outperformed their benchmarks.

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LARGE GROWTH:

FUND # 1	AMERICAN FUNDS GROWTH FUND OF AMERICA		RGAGX
IMPLEMENTATION: MAR 2003	ASSETS: $ 69,680,075	BEST FIT INDEX: RUSSELL 1000 GROWTH	M* ANALYST RATING: Bronze

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	27.01	16.24	17.38	26.24	14.46	17.74	**0.77**	**1.78**	**-0.36**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	25.7	0.87	3.20	1.19	13.46	0.34%
PEER AVERAGES		6.5	1.09	-3.08	1.03	14.30	1.24%

Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual.	Score			
		Style	Style Drift	R^2	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank	(2pt. max)	30-Jun 2014	31-Mar 2014	31-Dec 2013	30-Sep 2013
	RGAGX	1	1	1	0	0	0	1	1	2	7	5	5	5
		76.5/ 61.3	14.7	96.5	13.9/ 17.4	95.9/ 104.3	-0.71	45.5	50		LCG	LCG	LCG	LCG

This fund has now beaten the peer group (or underperformed by less than .09%) over the last fifteen rolling five (5) year periods. Of the past twenty-one five (5) year periods the fund has underperformed by more than .09% only three times. With that said, it has not beaten the Russell 1000 Growth Index over a five (5) year period since the period ending 7/31/2010. In GFA's defense, the Russell 1000 Growth has been extremely difficult to beat over the past few years, a feat few funds have accomplished.

Overall, patience has paid off with this fund. This is not to say the fund won't stumble in the future, but it has a long history of producing returns that are peer beating when held for at least five (5) years.

The fund does not typically make big bets, but it is tilted more toward the Energy, Healthcare and Financials than the index. It is also underweight Consumer Defensive and Basic Materials, though not by much.

The decision to sell Apple several years ago turned out to be well timed, though the fund missed what in hindsight was a great entry point, which will likely hurt returns versus the index if Apple continues its current pace. The Counselors have added Apple back to the portfolio in recent quarters and it is now in the top 10 stocks (though only 1.26% of the portfolio).

Recommendation: No action at this time.

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FUND # 2	TIAA-CREF GROWTH & INCOME	TIGRX

IMPLEMENTATION: NOV 2011 ASSETS: $ 14,254,251 BEST FIT INDEX: RUSSELL 1000 GROWTH M* ANALYST RATING: NEUTRAL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	26.59	16.79	18.65	26.24	14.46	17.74	**0.35**	**2.33**	**0.91**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	9.3	1.00	0.54	1.29	12.72	0.45%
PEER AVERAGES		6.5	1.09	-3.08	1.03	14.30	1.24%

Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual.	Score			
		Style	Style Drift	R^2	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank	(2pt. max)	30-Jun 2014	31-Mar 2014	31-Dec 2013	30-Sep 2013
	TIGRX	1	1	1	1	0	0	1	1	2	8	8	7	8
		47.6/ 88.2	13.1	97	13.8/ 18.7	99.6/ 103.1	-0.25	18	15		LCG	LCG	LCG	LCG

This fund is handily beating the index and peer, though these benchmarks are not perfect. The fund tilts toward smaller stocks and therefore should beat the larger cap based index and peer. When we adjust for this tilt the fund is only slightly weak over the five (5) year period (and not by much). Over most time frames the fund is beating the benchmarks when adjusted for risk.

There are a few sector tilts, but only one pronounced, a near triple weighting to Financial Services versus the index (it is much closer to the peer though). It is also underweight technology by almost a third, while holding 2.5% in Utilities (a sector almost non-represented in the index).

Recommendation: No action at this time.

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FUND # 3	WELLS FARGO ADV GROWTH			SGRNX
IMPLEMENTATION: FEB 2012	ASSETS: $ 4,789,663	BEST FIT INDEX: RUSSELL 1000 GROWTH	M* ANALYST RATING:	Bronze

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	22.29	13.95	22.68	26.24	14.46	17.74	-3.95	-0.51	4.94

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	12.2	1.11	-3.54	0.89	16.15	0.75%
PEER AVERAGES		6.5	1.09	-3.08	1.03	14.30	1.24%

Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual.	Score			
		Style	Style Drift	R^2	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank	(2pt. max)	30-Jun 2014	31-Mar 2014	31-Dec 2013	30-Sep 2013
	SGRNX	0	1	1	1	1	1	1	1	2	9	9	9	9
		99.4/ 9.3	17.6	87.3	16.2/ 22.7	117.5/ 112	0.58	2	2.5		LCG	LCG	LCG	LCG

Growth has an outstanding long term record, placing in the top 2% of peers over the one (1) year, 1% over ten (10) years and 6% over fifteen (15), but the recent performance has not been so good, landing in the bottom 13% over one (1) year and 40% for three (3) years. The fund, similar to TIAA Growth and Income has a bias toward smaller stocks (a market cap of $18 billion versus the peer of $71 billion). When compared to the Russell 3000 Growth, the fund actually does about the same as against the Russell 1000 Growth, it's still weak over the one (1) and three (3) year periods.

Over rolling periods the fund rarely underperforms over five (5) year periods (the last time it underperformed the peer or index over five (5) years was the period ending 12/31/2005).

Recommendation: No action at this time.

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LARGE BLEND:

FUND # 4	PARNASSUS CORE EQUITY			PRILX
IMPLEMENTATION: AUG 2010	ASSETS: $ 13,050,077	BEST FIT INDEX: RUSSELL 1000	M* ANALYST RATING:	Silver

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	27.21	18.46	18.45	23.60	14.88	17.45	**3.61**	**3.58**	**1.00**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	13.2	0.82	4.40	1.67	10.50	0.68%
PEER AVERAGES		5.8	1.04	-2.08	1.13	13.17	1.17%

Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual.	Score			
		Style	Style Drift	R^2	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank	(2pt. max)	30-Jun 2014	31-Mar 2014	31-Dec 2013	30-Sep 2013
	PRILX	1	1	1	1	1	0	1	1	2	9	9	9	10
		-9.0/ 83.6	10.6	91.5	12.1/ 18.5	88.4/ 81.3	-0.2	23	20		LCB	LCB	LCB	LCB

Social investing critics are eating their hats these days as Parnassus Core-Equity Income is hitting on all cylinders. The fund ranks in the 1% of the peer group for the ten (10) year period ending 6/30/2014 and top 2% for the fifteen (15) year period. It also happens to be rank in the top 12% for one (1) year, 4% for three (3) years and 29% for five (5) years. It has trounced the S&P 500 over all time periods except for the five (5) year period, but when adjusted for risk, beats the index over every time period.

Recommendation: No action at this time.

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FUND # 5	VANGUARD INSTITUTIONAL INDEX	VINIX

IMPLEMENTATION: MAY 2008 ASSETS: $ 25,745,378 BEST FIT INDEX: S&P 500 M* ANALYST RATING: Gold

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	24.56	16.55	18.81	24.61	16.58	18.83	-0.05	-0.03	-0.02

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	13.6	1.00	-0.03	1.31	12.26	0.04%
PEER AVERAGES		N/A	1.00	0.00	1.35	12.26	N/A

Passive	Ticker/ ID	Style				Peer Group				Qual.	Score			
		Style	Style Drift	R^2	Tracking Error	TE Rank	Expense Rank	Return Rank	SR Rank	(2pt. max)	30-Jun 2014	31-Mar 2014	31-Dec 2013	30-Sep 2013
	VINIX	1	1	1	1	1	1	1	1	2	10	10	10	10
		-8.5/ 99.3	2.1	99.7	0.7	37	2	8	6		LCB-P	LCB-P	LCB-P	LCB-P

This large cap blend index is performing as expected adjusted for tracking error and expense.

RECOMMENDATION: No action at this time.

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LARGE VALUE:

FUND # 6	COLUMBIA DIVERSIFIED EQUITY INCOME		CDEYX
IMPLEMENTATION: MAY 2008	ASSETS: $ 18,156,819	BEST FIT INDEX: RUSSELL 1000 VALUE	M* ANALYST RATING: NEUTRAL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	23.25	13.73	17.49	22.20	14.98	17.37	**1.05**	**-1.25**	**0.12**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	1.0	N/A	N/A	1.03	13.39	0.66%
PEER AVERAGES		6.3	1.01	-1.49	1.17	12.84	1.16%

Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual.	Score			
		Style	Style Drift	R^2	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank	(2pt. max)	30-Jun 2014	31-Mar 2014	31-Dec 2013	30-Sep 2013
	CDEYX	1	1	1	0	0	0	0	0	0	3	3	3	3
		-46.4/ 83.6	12.1	96.5	14.5/ 17.5	96.5/ 104.1	-0.64	75.5	82	T	LCV	LCV	LCV	LCV

The fund completed its first year under new management (technically this occurred 7/8/2014) with a return of 23.25% versus 23.81% for the index and 22.20% for the peer group. The Russell 1000 Value has not been an easy index to beat, but manager Hugh Mullin did claim on our conference call that he could “outperform by 200 basis points per year, consistently.” The fund did manage to beat the peer group by 1.05% and it did have slightly better risk measures as well (2.22 Sharpe versus 2.15 for peer). The correlation of the fund with the peer and index is .98. During the week of July 28th (outside of Q2 2014) we were able to observe how the fund might perform during a downturn. The fund that week was down 3.41% versus a -3.84% for the index and a -2.34% return for the peer. The fund outperformed the index on the downside, but underperformed by a wide margin.

Overall there is not enough data to conclude one way or another whether this management team has the capability of outperforming over the long run, but it’s highly unlikely if it does outperform that it will do so by 200 basis points.

Recommendation: Remain on Watch List due to investment performance and fund manager tenure.

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FUND # 7	MAINSTAY ICAP SEL EQUITY			ICSLX
IMPLEMENTATION: MAY 2008	ASSETS: $ 3,546,233	BEST FIT INDEX: RUSSELL 1000 VALUE	M* ANALYST RATING:	Bronze

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	19.23	13.45	16.67	22.20	14.98	17.37	-2.97	-1.53	-0.70

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	16.6	1.01	-3.17	1.01	13.94	0.90%
PEER AVERAGES		6.3	1.01	-1.49	1.17	12.84	1.16%

Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual.	Score			
		Style	Style Drift	R^2	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank	(2pt. max)	30-Jun 2014	31-Mar 2014	31-Dec 2013	30-Sep 2013
	ICSLX	1	1	1	1	0	0	0	0	2	6	6	9	10
		-62.8/ 81.1	11.7	96.3	13.9/ 16.7	92.0/ 100.4	-0.95	69.5	77		LCV	LCV	LCV	LCV

Big changes at this fund and ICAP in general. The following is sourced directly from Morningstar research (analyst Leo Acheson):

"On July 9, 2014, ICAP announced that Tom Wenzel stepped down as a portfolio manager on this fund for health reasons. He remains with the firm, though in a reduced capacity, primarily focusing on enhancing the screening component of the firm's investment process. The firm promoted skipper Tom Cole to deputy CIO (he's still a co-manager here). Longtime skipper Jerry Senser, ICAP's CEO and CIO, remains as the fund's lead manager.

The team also expanded its management ranks: It named senior analysts Andrew Starr and Matthew Swanson as portfolio managers. Starr also assumed the director of research role. (Wenzel and Cole previously served as co-directors of research.)

Wenzel, along with Senser, was one of the fund's primary draws. Wenzel's decreased involvement on the team is a loss for shareholders. Moreover, the analyst team has experienced some turnover: Nine of the firm's 13 analysts joined the firm within the past four years."

In the midst of all this turmoil the fund has experienced its first long run of poor returns, with six months in a row of negative five (5) year rolling returns and 21 straight months where it hasn't beat the index over a three (3) year rolling period. With that said the index has not been easy to beat and the fund is doing better against the peer. Against the peer group the fund has underperformed only the last three months over five (5) year rolling periods with the worst being by about a half percent. It has only beaten the peer over three (3) year periods once since May 2013.

Clearly the fund is going through a dry spell, one that it hasn't experienced before and at a time where the firm is undergoing significant changes. Luckily, long time lead manager Jerry Senser is still with the firm and helping to manage the fund (but he is also the CEO and CIO so obviously not committed 100% to this fund).

SST is concerned and would be regardless of the performance. The strategy has not changed and the execution hasn't necessarily been poor, just out of style in this environment. Should markets become more turbulent, you may see this fund shine. We are apt to give ICAP time and let the dust settle before any talk of termination. For now, the recommendation is just to remain on the Watch List.

Recommendation: Remain on Watch List due to investment performance.

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MID CAP GROWTH:

FUND # 8	BARON GROWTH			BGRIX
IMPLEMENTATION: MAR 2003	ASSETS: $ 20,147,659	BEST FIT INDEX: RUSSELL MID CAP GROWTH	M* ANALYST RATING:	Bronze

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	21.05	14.61	19.89	24.01	12.60	19.09	-2.96	2.01	0.80

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	19.6	0.89	0.90	1.03	14.28	1.05%
PEER AVERAGES		6.5	1.18	-5.91	0.84	15.79	1.35%

Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual.	Score			
		Style	Style Drift	R^2	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank	(2pt. max)	30-Jun 2014	31-Mar 2014	31-Dec 2013	30-Sep 2013
	BGRIX	1	1	1	1	1	0	1	1	2	9	8	7	8
		27.1/ -31.7	23	90.4	14.7/ 19.9	89.1/ 86.1	-0.26	13.5	13.5		MCG	MCG	MCG	MCG

This fund straddles the line between small and mid-cap stocks and does so because of manager Ron Baron's propensity to hold onto his winners. While the weighted-average market cap does make it seem more like a mid-cap offering, the fund still has a commitment to small growth stocks and rarely buys into a new stock that is not solidly small cap. In the past two years Baron has only purchased two stocks that would have been considered mid-cap. When measured against some mid-cap benchmarks, or hybrid SMID benchmarks, Baron Growth tends to shine less than when compared against a small-cap benchmark. There really isn't a perfect benchmark for this fund, but the small growth benchmarks are reasonable given the objectives.

Baron's turnover is 10%, meaning the average holding time period for a stock in the portfolio is ten years, almost unheard of in the fund industry. Baron is currently underweight Technology (not surprising for Baron) and Healthcare while being overweight Financial Services, Real Estate and Utilities.

Recommendation: No action at this time.

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FUND # 9	VOYA MID CAP OPPORTUNITIES		IMOZX
IMPLEMENTATION:	ASSETS: $ 9,742,457	BEST FIT INDEX: RUSSELL MID CAP GROWTH	M* ANALYST RATING: N/A

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	19.14	11.18	20.16	24.01	12.60	19.09	-4.87	-1.42	1.07

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	9.0	N/A	N/A	0.77	15.09	0.88%
PEER AVERAGES		6.5	1.18	-5.91	0.84	15.79	1.35%

Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual.	Score			
		Style	Style Drift	R^2	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank	(2pt. max)	30-Jun 2014	31-Mar 2014	31-Dec 2013	30-Sep 2013
	IMOZX	1	1	1	1	0	0	1	1	2	8	8	8	10
		90.1/ -5.1	7.4	97.1	15.8/ 20.2	97.1/ 100.1	-0.37	36	49.5		MCG	MCG	MCG	MCG

The fund is struggling against the peer and index. The mid-cap growth index has not been an easy index to beat, so it is not surprising as most managers have not beat it. While the returns have not kept up, the risk-adjusted returns have matched the index over the past five (5) years (equal Sharpe ratios).

Recommendation: No action at this time.

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MID CAP BLEND:

FUND # 10	FIDELITY ADV LEV CO STOCK			FLVIX
IMPLEMENTATION: MAY 2008	ASSETS: $ 6,620,849	BEST FIT INDEX: RUSSELL MIDCAP	M* ANALYST RATING:	Silver

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	24.95	17.00	22.66	24.86	14.30	19.84	**0.09**	**2.70**	**2.82**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	11.0	1.05	1.77	0.94	18.55	0.84%
PEER AVERAGES		5.6	1.19	-4.55	0.96	15.50	1.27%

Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual.	Score			
		Style	Style Drift	R^2	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank	(2pt. max)	30-Jun 2014	31-Mar 2014	31-Dec 2013	30-Sep 2013
	FLVIX	0	0	1	1	0	1	1	1	2	7	7	8	7
		-15.7/ -58.7	32.4	94.7	19.4/ 22.7	116.0/ 127.4	0.1	16.5	17.5		MCB	MCB	MCB	MCB

This fund's turnover ratio is impressive at just 17% and returns have been outstanding. With that said, the fund now holds over a 9% stake in LyondellBasell Industries. The fund has also increasingly become larger and larger, in 2008 the weighted-average market cap was about $5 billion and is now over $17 billion (the mid-cap index is up to $10 billion from $5 billion). Even adjusted for the rising stock market the fund is buying stocks on average 70% larger than it used to. It tends to purchase very large stocks and more small-mid size companies.

Returns have continued to be strong, but the large stake in a single stock is worrisome.

Recommendation: No action at this time.

SST BENEFITS CONSULTING

FUND # 11	VANGUARD MID CAP INDEX			VMCIX
IMPLEMENTATION: MAY 2008	ASSETS: $ 8,890,453	BEST FIT INDEX: SPLICED MID CAP INDEX	M* ANALYST RATING:	Gold

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	26.24	15.35	22.01	26.32	15.40	22.05	-0.08	-0.05	-0.04

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	16.2	0.99	-0.70	1.04	14.76	0.08%
PEER AVERAGES		N/A	1.00	N/A	0.95	14.40	N/A

Passive	Ticker/ ID	Style				Peer Group				Qual.	Score			
		Style	Style Drift	R^2	Tracking Error	TE Rank	Expense Rank	Return Rank	SR Rank	(2pt. max)	30-Jun 2014	31-Mar 2014	31-Dec 2013	30-Sep 2013
	VMCIX	1	0	1	1	1	1	1	1	2	9	9	10	9
		14.5/ 3	6.7	99.7	0.8	12	6	23	13		MCB-P	MCB-P	MCB-P	MCB-P

This mid cap blend index is performing as expected adjusted for expense and tracking error.

RECOMMENDATION: No action at this time.

SST BENEFITS CONSULTING

MID CAP VALUE:

FUND # 12	COLUMBIA SMALL/MID CAP VALUE		RSCMX
IMPLEMENTATION: MAY 2008	ASSETS: $ 22,251,938	BEST FIT INDEX: RUSSELL MID CAP VALUE	M* ANALYST RATING: N/A

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	22.38	14.05	20.37	25.61	15.42	20.47	-3.23	-1.37	-0.10

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	0.8	1.02	-2.25	0.93	15.48	0.85%
PEER AVERAGES		6.0	1.16	-3.24	1.04	14.99	1.28%

Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual.	Score			
		Style	Style Drift	R^2	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank	(2pt. max)	30-Jun 2014	31-Mar 2014	31-Dec 2013	30-Sep 2013
	RSCMX	0	1	1	0	0	0	0	0	0	2	2	2	2
		-14.5/ -6.2	19.3	95.4	16.3/ 20.4	96.3/ 107.8	-0.73	68.5	61	T	MCV	MCV	MCV	MCV

The current team started on this fund in September 2013. With the exception of Christian Stadlinger they've worked together since the early 90's on the Columbia Small Cap Value fund and put together an impressive record, though with a small asset base. The fund is trailing the index and peer group since the new group took over and trailing year-to-date as well.

While we are impressed with the record two of the three new managers bring to this fund, we are concerned about the third manager as well as the musical chairs that have been going on at Columbia. We think it is time to move on.

Recommendation: Remain on Watch List due to management change and investment performance.

SST BENEFITS CONSULTING

SMALL GROWTH:

FUND # 13	LOOMIS SAYLES SMALL CAP GROWTH			LSSIX
IMPLEMENTATION: DEC 2012	ASSETS: $ 3,411,093	BEST FIT INDEX: RUSSELL 2000 GROWTH	M* ANALYST RATING:	Silver

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	18.56	13.15	22.07	22.39	12.77	19.95	-3.83	0.38	2.12

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	9.5	0.98	-0.56	0.81	16.90	0.94%
PEER AVERAGES		6.5	1.27	-6.95	0.78	17.59	1.42%

Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual.	Score			
		Style	Style Drift	R^2	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank	(2pt. max)	30-Jun 2014	31-Mar 2014	31-Dec 2013	30-Sep 2013
	LSSIX	1	1	1	1	1	1	1	1	2	10	10	10	10
		86.5/ -81.8	11.6	93.7	17.1/ 22.1	92.6/ 81.4	0.33	16	14.5		SCG	SCG	SCG	SCG

After a tremendous 2013 (first quartile and top 13% in category) the fund is off a bit in 2014 which is not unexpected. While the fund tilts toward certain sectors, there are no significant over or underweights.

Recommendation: No action at this time.

SST BENEFITS CONSULTING

SMALL BLEND:

FUND # 14	VANGUARD SMALL CAP INDEX			VSCIX
IMPLEMENTATION: MAY 2008	ASSETS: $ 6,124,159	BEST FIT INDEX: SPLICED SMALL CAP INDEX	M* ANALYST RATING:	Gold

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	26.52	16.21	22.36	26.54	16.17	22.28	-0.02	0.04	0.08

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	22.6	1.00	0.81	1.00	16.41	0.08%
PEER AVERAGES		N/A	1.00	N/A	0.85	16.11	N/A

Passive	Ticker/ ID	Style				Peer Group				Qual.	Score			
		Style	Style Drift	R^2	Tracking Error	TE Rank	Expense Rank	Return Rank	SR Rank	(2pt. max)	30-Jun 2014	31-Mar 2014	31-Dec 2013	30-Sep 2013
	VSCIX	1	0	1	1	1	1	1	1	2	9	9	9	9
		-5.0/ -60.6	12.3	98.8	1.9	60	2	19	25		SCB-P	SCB-P	SCB-P	SCB-P

This small cap blend index is performing as expected adjusted for expense and tracking error.

RECOMMENDATION: No action at this time.

SST BENEFITS CONSULTING

SMALL VALUE:

FUND # 15	**INVESCO SMALL CAP VALUE**			**VSMIX**
IMPLEMENTATION: MAY 2011	ASSETS: $ 6,697,830	BEST FIT INDEX: RUSSELL 2000 VALUE	M* ANALYST RATING:	Bronze

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	31.02	19.81	22.98	23.60	14.71	20.13	**7.42**	**5.10**	**2.85**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	4.1	1.24	1.05	0.97	20.95	0.90%
PEER AVERAGES		6.6	1.25	-5.02	0.92	16.48	1.39%

Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual.	Score			
		Style	Style Drift	R^2	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank	(2pt. max)	30-Jun 2014	31-Mar 2014	31-Dec 2013	30-Sep 2013
	VSMIX	0	0	1	1	1	1	1	1	2	8	8	8	7
		39.6/ -85.9	46.9	89.3	20.1/ 23	111.3/ 104	0.47	8	27		SCV	SCV	SCV	SCV

This fund has steadily moved toward the blend category and is approaching the lower bound of mid-caps. The fund has a relatively low turnover at 33% translating a holding period of about three years. Management hasn't veered from their sector agnostic approach as evidenced by zero holdings in Real Estate (14% index, 6% peer), Utilities (6.5% index, 4% peer) and minimal allocations to Basic Materials, Communications and Consumer Defensive. The fund is focused on four sectors - Consumer Cyclical, Financial Services, Industrials and Technology.

As always with a portfolio that is substantially different than the index and peer, periods of outperformance are often followed by periods of underperformance. The performance has been good, but achieved with more volatility than the index and peer.

Recommendation: No action at this time.

SST BENEFITS CONSULTING

FUND # 16	PERKINS SMALL CAP VALUE		JDSNX
IMPLEMENTATION: NOV 2010	ASSETS: $ 18,134,041	BEST FIT INDEX: RUSSELL 2000 VALUE	M* ANALYST RATING: N/A

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	21.47	11.61	16.38	23.60	14.71	20.13	-2.13	-3.10	-3.75

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	29.4	N/A	N/A	0.87	13.58	0.60%
PEER AVERAGES		6.6	1.25	-5.02	0.92	16.48	1.39%

Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual.	Score			
		Style	Style Drift	R^2	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank	(2pt. max)	30-Jun 2014	31-Mar 2014	31-Dec 2013	30-Sep 2013
	JDSNX	1	0	1	1	0	0	0	0	2	5	6	7	7
		-43.6/ -52.3	21	94.8	13.9/ 16.4	77.3/ 78.1	-0.63	91.5	89		SCV	SCV	SCV	SCV

Perkins Small Cap Value move to a fully invested portfolio to avoid lagging during strong markets came at a strange time (after a huge run up in small cap stocks), but the fund has outperformed both the peer and index through the end of the second quarter for the year. The committee became concerned with this dramatic change in portfolio strategy and scheduled a call with management. Management believes they will still add value in down markets by picking higher quality stocks.

Since the beginning of the year we've had three separate negative months to test the manager's claims. The following chart shows the performance versus the peer and index during those months (we've included July even though it is not in the current review quarter for additional context):

	Perkins	Peer	Index
January 2014	-3.00	-3.87	-3.79
April 2014	-2.79	-2.57	-1.76
July 2014	-4.33	-6.05	-5.19

As you can see, Perkins claims that they will still outperform on the downside have mostly held up (April was an exception). SST ran an analysis of every month going back to 2010 (which included three years of heavy cash holdings averaging about 15%) to see how the fund performed in negative months before holding almost no cash. What we found was that, in fact, Perkins is performing remarkably similar in the down months, falling on average less than the peer and index and by about the same amount. Even during the days of 15% cash levels there were a few negative months that exceeded the peer and index (so April 2014 is not such a surprise). While Perkins did capture, just in three cases, only about 65% of the downside in 2010 (with 17.5% cash), 2011 and 2012 saw several downside captures in the 70 - 80% level, which is where the fund falls currently with nearly no cash.

We still believe it unlikely that in the event of another financial crisis the fund won't fall much more than it would have holding 15%+ cash. We do think it is plausible the fund will lose less than its peers.

Attribution analysis provided by Perkins shows stock and sector contributions being positive near term, but negative over a three (3) year period.

The larger role that the newer managers play at this fund is also a cause for concern. We don't see the current long time manager Robert Perkins staying as involved as he once was. Robert Perkins does still contribute to the management of the fund and to his credit has removed himself from the operations of the firm to focus solely on fund management.

It's tough to say what the future holds for this fund as this slow handoff to new management and shift in strategy gently leaves behind part of the character that build Perkins. With that said, the old style of holding cash when valuations don't look appealing has proven tough if the firm wishes to continue gathering assets, most will not tolerate such large tracking errors.

Recommendation: Remain on Watch List due to investment performance and management change.

SST BENEFITS CONSULTING

INTERNATIONAL STOCK:

FUND # 17	AMERICAN FUNDS CAPITAL WORLD G/I			RWIGX
IMPLEMENTATION: MAY 2008	ASSETS: $ 36,056,186	BEST FIT INDEX: MSCI WORLD NR	M* ANALYST RATING:	Gold

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	23.88	11.70	14.48	22.72	10.54	14.81	**1.16**	**1.16**	**-0.33**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	21.3	0.97	0.43	0.90	13.42	0.45%
PEER AVERAGES		4.3	0.81	5.43	0.79	14.60	1.42%

Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual.	Score			
		Style	Style Drift	R^2	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank	(2pt. max)	30-Jun 2014	31-Mar 2014	31-Dec 2013	30-Sep 2013
	RWIGX	1	1	1	0	0	0	1	0	2	6	5	6	5
		1.2/ 76.2	14.1	96.8	15.0/ 14.6	96.2/ 99.7	-0.38	48.5	54.5		GE	GE	GE	GE

CWGI continues to be a steady global fund that delivers income and diversification in a single offering. It is trailing just slightly the peer group over the five (5) year period, but matches the peer in risk measures, meaning it is delivering about the same amount of return per unit of risk.

There is an underweight in North America and Greater Asia balanced by an overweight in Greater Europe against the index (MCSI ACWI). Currently 45% is invested in North America versus the benchmark of 54% (meaning we should have expected underperformance). Emerging Markets exposure is about the same as the index and peer group. With 38% in Developed Europe and the UK the fund is overweight by a wide margin. Finland, Sweden and Switzerland are three relative focus points for the Europe position versus the index and peer.

Given the size of the fund (nearly $90 billion) we wouldn't expect much in the way of small-mid cap stocks and, in fact, this fund has a market cap 20% larger than the index and 32% larger than the peer. We expect this portfolio to fall less than the index or peer given the larger weighted-average market capitalization.

Participants looking for global stock exposure with less volatility should be happy with this offering over the long term.

Recommendation: No action at this time.

SST BENEFITS CONSULTING

FUND # 18	DFA INTERNATIONAL SMALL COMPANY			DFISX
IMPLEMENTATION: AUG 2009	ASSETS: $ 15,433,262	BEST FIT INDEX: MSCI EAFE SM CAP NR	M* ANALYST RATING:	Silver

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	31.19	9.67	15.49	25.65	9.51	15.35	**5.54**	**0.16**	**0.14**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	15.6	0.94	4.02	0.65	16.30	0.54%
PEER AVERAGES		4.8	0.90	4.10	0.67	15.80	1.46%

Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual.	Score			
		Style	Style Drift	R^2	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank	(2pt. max)	30-Jun 2014	31-Mar 2014	31-Dec 2013	30-Sep 2013
	DFISX	1	1	1	1	1	1	0	0	2	8	8	8	8
		26.6/ -100	5.3	97.7	17.0/ 15.5	100.0/ 93.9	0.48	61.5	58.5		ISMB	ISMB	ISMB	ISMB

In the short-term this fund can suffer from tracking error, both positive and negative. While the fund is not exactly an index fund, it is managed in a passive fashion with a trading strategy layered on to use liquidity to the fund's shareholder's advantage (this is why the tracking error). Currently the fund is beating its index benchmark, but the committee should not be surprised when it suffers periods where it does not beat.

Recommendation: No action at this time.

SST BENEFITS CONSULTING

FUND # 19	DODGE & COX INTERNATIONAL STOCK	DODFX

IMPLEMENTATION: MAY 2008 ASSETS: $ 12,956,589 BEST FIT INDEX: MSCI WORLD EX US NR USD M* ANALYST RATING: Gold

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	29.31	10.41	14.89	20.98	6.59	11.29	**8.33**	**3.82**	**3.60**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	13.2	1.06	2.32	0.65	17.45	0.64%
PEER AVERAGES		5.2	0.96	1.04	0.48	16.46	1.36%

Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual.	Score			
		Style	Style Drift	R^2	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank	(2pt. max)	30-Jun 2014	31-Mar 2014	31-Dec 2013	30-Sep 2013
	DODFX	1	1	1	1	1	1	1	1	2	10	10	10	10
		8.5/ 38.5	22.3	95.9	18.5/ 14.9	111.7/ 103.2	0.67	26.5	25.5		ILCB	ILCB	ILCB	ILCB

Management is not afraid to be different and the fund's current makeup is evidence. There is not a single sector that has an equal weight with the index and several differ substantially. Technology has a triple weighting, Communications and Healthcare a double weighting and is significantly underweight Basic Materials, Industrials, Consumer Defense and Utilities against the index. The weightings against the peer group are even more erratic. This bottom up portfolio building gives International Stock a unique advantage when those stock picks are winners. In the current cycle the stock picks have been superb and performance has exploded on the upside. The fund is ranked in the top 1% for the one (1) year period, top 5% for the three (3) and five (5) year periods and top 10% for the ten (10) year period.

The danger with this style of management is that it won't always fire on all cylinders and as quickly as things turn hot, things can turn cold. So far the fund's hot streak continues in 2014, but Dodge and Cox has suffered in downturns previously and participants should be remember that this fund won't always go up. Holding this fund during the ups and downs is important to be able to take full advantage of the Dodge and Cox style.

Recommendation: No action at this time.

SST BENEFITS CONSULTING

FUND # 20	OPPENHEIMER INTERNATIONAL GROWTH		OIGIX
IMPLEMENTATION: AUG 2013	ASSETS: $ 4,238,986	BEST FIT INDEX: MSCI WORLD EX US GROWTH	M* ANALYST RATING: N/A

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	21.15	10.62	15.38	19.57	6.98	12.17	**1.58**	**3.64**	**3.21**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	18.3	N/A	N/A	0.73	15.40	0.71%
PEER AVERAGES		5.9	0.93	1.58	0.50	16.11	1.44%

Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual.	Score			
		Style	Style Drift	R^2	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank	(2pt. max)	30-Jun 2014	31-Mar 2014	31-Dec 2013	30-Sep 2013
	OIGIX	0	1	1	1	1	1	1	1	2	9	9	9	9
		95.9/ -8.9	17.4	94.4	16.4/ 15.4	103.9/ 90.3	0.76	4	2.5		ILCG	ILCG	ILCG	ILCG

After three (3) years of trouncing the indexes and peer it might be time for a breather. One (1) year performance is still great, but the year-to-date numbers have fallen below the 50th percentile. This shouldn't be surprising, maintaining any amount of outperformance over long periods of time is extremely difficult. The fund had help against the benchmarks in that it buys smaller sized companies, but even with that as a tailwind the standard deviation has been lower than the index and peer. There is little to complain about here, but we'd expect the fund to slow down a bit in the coming quarters.

Recommendation: No action at this time.

SST BENEFITS CONSULTING

BONDS:

FUND # 21	**LOOMIS SAYLES INV GRADE BOND**			**LSIIX**
IMPLEMENTATION: MAY 2008	ASSETS: $ 13,877,228	BEST FIT INDEX: BARCLAYS US CREDIT TR USD	M* ANALYST RATING:	Gold

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	10.64	6.82	9.92	7.99	5.93	9.47	**2.65**	**0.89**	**0.45**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	17.6	0.78	-0.40	1.25	5.37	0.58%
PEER AVERAGES		5.1	0.58	3.75	1.26	4.78	1.17%

Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual.	Score			
		Style	Style Drift	R^2	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank	(2pt. max)	30-Jun 2014	31-Mar 2014	31-Dec 2013	30-Sep 2013
	LSIIX	0	1	0	1	1	1	1	1	0	6	6	8	8
		9.6/ -18.7	9.7	25.5	5.3/ 9.9	163.1/ 67.3	1.1	6	40.5	S	CFI	CFI	CFI	CFI

This investment grade bond fund continues to look outside the U.S. for yield with 25% of assets now in foreign currency (11.5% Canadian Govt) denominated bonds. The heart of the portfolio is still corporate securities (nearly 60%). The credit quality has not changed but duration has lightened to 4.33 years from over 6 in 2010.

The fund is in the top 1 or 2% of all funds for all time periods measured back 15 years for the time period ending 6/30/2014. We would caution, though, that with any downturn this fund is likely to suffer. Participants in this fund should be prepared for volatility; it won't always go up in a steady manner and is not designed to. For those willing to stay in the fund over the long term, these managers have an enviable record of outperformance, the road is just a little bumpy sometimes.

Recommendation: No action at this time.

SST BENEFITS CONSULTING

FUND # 22	OPPENHEIMER INTERNATIONAL BOND		OIBIX
IMPLEMENTATION: MAY 2008	ASSETS: $ 3,813,421	BEST FIT INDEX: MSTAR GLOBAL EX US GOVT BOND	M* ANALYST RATING: NEUTRAL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	5.72	1.88	5.31	7.30	3.51	6.05	-1.58	-1.63	-0.74

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	5.3	N/A	N/A	0.29	7.09	0.56%
PEER AVERAGES		4.7	0.92	0.26	0.76	5.54	1.08%

Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual.	Score			
		Style	Style Drift	R^2	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank	(2pt. max)	30-Jun 2014	31-Mar 2014	31-Dec 2013	30-Sep 2013
	OIBIX	0	0	0	1	0	1	0	0	1	3	5	6	7
		49.9/ -6.1	29.4	73.1	8.1/ 5.3	128.4/ 138.4	0.14	66.5	65.5	S	GFI	GFI	GFI	GFI

We mentioned in our last review that while longtime manager Art Steinmetz was still listed on the fund he had assumed the CEO role at Oppenheimer and performance had suffered. Steinmetz was officially removed as a manager on 6/30/2014.

Performance continues to be underwhelming and with other International Bond offerings available, it might be time to consider a switch.

Recommendation: Remain on Watch List due to investment performance.

SST BENEFITS CONSULTING

FUND # 23	PIONEER GLOBAL HIGH YIELD		GHYYX
IMPLEMENTATION: MAY 2008	ASSETS: $ 5,232,620	BEST FIT INDEX: BARCLAYS GLOBAL HY	M* ANALYST RATING: N/A

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	10.45	6.81	13.88	10.61	8.28	12.56	-0.16	-1.47	1.32

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	12.9	1.14	-3.48	0.89	7.68	0.82%
PEER AVERAGES		5.9	0.26	7.19	1.31	6.41	1.13%

Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual.	Score			
		Style	Style Drift	R^2	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank	(2pt. max)	30-Jun 2014	31-Mar 2014	31-Dec 2013	30-Sep 2013
	GHYYX	1	1	1	0	0	0	0	0	2	5	8	6	7
		100.0/ -100	0	92.4	8.3/ 13.8	108.2/ 132.2	-0.04	81.5	54.5		HY	HY	HY	HY

Global high yield was a tough asset class to be invested in during 2013, but money has slowly flowed back to many of the hardest hit areas, spreads have narrowed and this fund has moved out of the cellars. The fund works well as a portfolio diversifier, but is not without its risks (as 2013 demonstrated).

Recommendation: No action at this time.

SST BENEFITS CONSULTING

BALANCED ALLOCATION:

FUND # 24	AMERICAN FUNDS INCOME FUND OF AMERICA		RIDGX
IMPLEMENTATION: MAY 2008	ASSETS: $ 11,536,515	BEST FIT INDEX: MORNINGSTAR MODERATE	M* ANALYST RATING: Silver

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	18.10	12.38	15.39	15.99	9.60	12.60	**2.11**	**2.78**	**2.79**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	22.5	0.55	5.37	1.51	7.95	0.29%
PEER AVERAGES		5.2	1.05	-0.01	1.09	8.87	1.29%

Asset Allocation	Ticker/ ID	Style			Risk/Return			Peer Group		Qual.	Score			
		Risk Level	Style Diversity	R^2	Risk / Return	Up / Down	Info Ratio	Return Rank	SR Rank	(2pt. max)	30-Jun 2014	31-Mar 2014	31-Dec 2013	30-Sep 2013
	RIDGX	1	1	1	1	1	1	1	1	2	10	10	10	10
		9	64.5/ 35.5	93.6	9.0/ 15.4	104.7/ 84.6	1	4	3.5		MOD	MOD	MOD	MOD

This fund has steadily increased the allocation to stocks and is now close to 75%. This is not a “moderate allocation” anymore, it is approaching the “aggressive allocation” category or at least “moderately aggressive.” While the increase over the years (it was 57% in 2008) in stocks has caused the profile of the fund to change somewhat, the stocks that IFA purchases tend toward very large and more value oriented. Essentially the fund is adding lower risk stock assets. We would expect the fund to fall less than a similarly allocated fund due to the type of stocks it buys, but participants should expect this fund to suffer in a selloff. It will likely fall as much or more than the “moderate allocation” peers. With that said, even with the larger stock allocation the fund has a lower standard deviation than its peers and index over three (3) and five (5) years. The fund also blows the moderate and aggressive benchmarks away when adjusted for risk, besting them all with higher Sharpe and Sortino ratios over three (3) and five (5) year periods.

The fund is managed well and returns have been good even when measured against more aggressive benchmarks, but participants should be aware of the changing risk profile.

Recommendation: No action at this time.

SST BENEFITS CONSULTING

TARGET FUNDS:

FUND # 25	VANGUARD TARGET RETIREMENT INCOME			VTINX
IMPLEMENTATION: DEC 2009	ASSETS: $ 4,064,458	BEST FIT INDEX: MORNINGSTAR CONSERVATIVE INC	M* ANALYST RATING:	Gold

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	9.73	6.60	8.59	10.14	6.41	8.64	-0.41	0.19	-0.05

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	1.4	0.81	1.18	1.50	4.29	0.16%
PEER AVERAGES		4.3	0.75	-0.35	1.05	6.35	0.96%

Target Date fund review summary follows fund #29.

FUND # 26	VANGUARD TARGET RETIREMENT 2020			VTWNX
IMPLEMENTATION: DEC 2009	ASSETS: $ 10,221,187	BEST FIT INDEX: MORNINGSTAR MODERATE 2020	M* ANALYST RATING:	Gold

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	16.48	9.73	12.88	15.75	9.01	11.70	0.73	0.72	1.18

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	1.4	0.77	1.07	1.12	8.60	0.16%
PEER AVERAGES		4.3	0.97	-0.89	0.97	8.21	1.01%

Target Date fund review summary follows fund #29.

SST BENEFITS CONSULTING

FUND # 27	VANGUARD TARGET RETIREMENT 2030			VTHRX
IMPLEMENTATION: DEC 2009	ASSETS: $ 9,953,209	BEST FIT INDEX: MORNINGSTAR MODERATE 2030	M* ANALYST RATING:	Gold

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	19.49	11.09	14.63	18.35	10.26	13.10	1.14	0.83	1.53

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	1.4	0.97	0.61	1.03	10.72	0.17%
PEER AVERAGES		4.3	1.25	-1.82	0.91	10.54	1.05%

Target Date fund review summary follows fund #29.

FUND # 28	VANGUARD TARGET RETIREMENT 2040			VFORX
IMPLEMENTATION: DEC 2009	ASSETS: $ 7,633,365	BEST FIT INDEX: MORNINGSTAR MODERATE 2040	M* ANALYST RATING:	Gold

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	22.16	12.26	15.80	20.67	11.34	14.37	1.49	0.92	1.43

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	1.4	0.97	0.73	1.01	12.19	0.18%
PEER AVERAGES		4.3	1.42	-2.37	0.89	11.97	1.07%

Target Date fund review summary follows fund #29.

SST BENEFITS CONSULTING

FUND # 29	VANGUARD TARGET RETIREMENT 2050			VFIFX
IMPLEMENTATION: DEC 2009	ASSETS: $ 3,763,604	BEST FIT INDEX: MORNINGSTAR MODERATE 2050	M* ANALYST RATING:	Gold

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	22.14	12.26	15.79	20.67	11.34	14.38	1.47	0.92	1.41

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	1.4	0.97	0.75	1.01	12.18	0.18%
PEER AVERAGES		3.9	1.48	-2.47	0.89	12.42	1.08%

This target date series is performing as expected adjusted for expense and tracking error. The equity portion is well diversified with 74% large cap, 19% mid cap and 7% small cap exposure. The bond portion has an average credit quality of AA, no holdings below investment grade and has an average effective duration of 5.83 years. The glidepath is “to” and levels off at five (5) years after the “zero” year.

Recommendation: No action at this time.

SST BENEFITS CONSULTING

SPECIALTY:

FUND # 30	VOYA GLOBAL REAL ESTATE			IGLIX
IMPLEMENTATION: MAY 2008	ASSETS: $ 5,573,213	BEST FIT INDEX: S&P DEVELOPED PROPERTY	M* ANALYST RATING:	Bronze

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	15.09	9.04	15.68	13.56	8.51	15.14	**1.53**	**0.53**	**0.54**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	12.7	0.97	0.19	0.61	16.21	0.97%
PEER AVERAGES		5.4	1.03	-1.47	0.57	17.13	1.43%

While the fund has not beaten the S&P Developed Property index consistently (a prospectus benchmark) it has beaten the Global Real Estate peer group and the MSCI World Real Estate index over all time periods measured. While Real Estate was not a great place to be in 2013, 2014 is proving to be a banner year, though the domestic indices are doing much better than the international (up twice as much). It does hurt in the short-term having international exposure, but longer term it will help moderate the fluctuation and add to portfolio diversification.

Recommendation: No action at this time.

SST BENEFITS CONSULTING

ASSET ALLOCATION:

FUND # 31	ASSET ALLOCATION FUNDS AGGRESSIVE		
IMPLEMENTATION: MAY 2008	ASSETS: $ 36,553,283	BEST FIT INDEX: MORNINGSTAR AGGRESSIVE	M* ANALYST RATING: N/A

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	21.77	11.21	15.48	20.67	11.43	15.78	**1.10**	**-0.22**	**-0.30**

FUND # 32	ASSET ALLOCATION FUNDS MODERATE		
IMPLEMENTATION: MAY 2008	ASSETS: $ 50,185,030	BEST FIT INDEX: MORNINGSTAR MODERATE	M* ANALYST RATING: N/A

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	17.02	9.91	12.52	16.17	8.98	12.08	**0.85**	**0.93**	**0.44**

FUND # 33	ASSET ALLOCATION FUNDS CONSERVATIVE		
IMPLEMENTATION: MAY 2008	ASSETS: $ 19,031,304	BEST FIT INDEX: MORNINGSTAR CONSERVATIVE	M* ANALYST RATING: N/A

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	10.78	7.00	8.44	9.34	5.51	7.49	**1.44**	**1.49**	**0.95**

The asset allocation models are performing as expected.

Recommendation: No action at this time.

SST BENEFITS CONSULTING

WATCH LIST

The Watch List contains funds that did not meet the criteria outlined in the County of San Bernardino's Investment Policy. Specifically, "if a fund does not meet or exceed the designated benchmark for both the three (3) and five (5) year periods it must be placed on the Watch List." There are other reasons for a fund to be placed on the Watch List including ownership or manager change.

It is recommended that the following funds remain on, or be removed from, the Watch List:

ACTION	FUND #	TICKER	FUND NAME	INVESTMENT POLICY	QUARTER ADDED
⚠	**6**	CDEYX	COLUMBIA DIVERSIFIED EQUITY INC	Remain on Watch List due to investment performance and fund manager tenure. The 3 / 5 year Information Ratios have changed from (1.24) / (0.48) to (1.07) / (0.50)	3Q 2012
⚠	**7**	ICSLX	MAINSTAY ICAP SEL EQUITY	Remain on Watch List due to investment performance. The 3 / 5 year Information Ratios have changed from (0.89) / (0.58) to (1.07) / (0.75)	1Q 2014
⚠	**12**	RSCMX	COLUMBIA MIDCAP VALUE	Remain on Watch List due to investment performance and management change. The 3 / 5 year Information Ratios have changed from (0.40) / 0.50 to (0.45) / 0.28	3Q 2013
⚠	**16**	JDSNX	PERKINS SMALL CAP VALUE	Remain on Watch List due to investment performance and management change. The 3 / 5 Information Ratios have changed from (1.16) / (0.09) to (1.03) / (0.45)	1Q 2013
⚠	**22**	OIBIX	OPPENHEIMER INTERNATIONAL BOND	Remain on Watch List due to investment performance. The 3 / 5 Information Ratios have changed from (0.21) / 0.23 to (0.27) / 0.06	3Q 2013

SST BENEFITS CONSULTING

COUNTY OF SAN BERNARDINO
INVESTMENT OPTIONS SPECTRUM

TARGET ALLOCATION	ASSET ALLOCATION	SPECIALTY	BONDS	BALANCED ALLOCATION	DOMESTIC EQUITY			INTERNATIONAL - GLOBAL EQUITY
					LARGE VALUE	LARGE BLEND	LARGE GROWTH	
Vanguard Ret Inc	Aggressive Allocation	Voya Global Real Est	Loomis Sayles Inv	AmFunds Inc	Columbia Div Equity Inc	Parnassus Core Equity	AmFunds Growth Fund	AmFunds Cap World
Vanguard Ret 2020	Moderate Allocation		Oppenheimer Intl		MainStay ICAP Sel Equity	Vanguard Institutional Idx	TIAA-CREF G/I	DFA Intl Sm Company
Vanguard Ret 2030	Conservative Allocation		Pioneer Global HY				Wells Fargo Adv Gr	Dodge & Cox Intl
Vanguard Ret 2040								Oppenheimer Intl Gr
Vanguard Ret 2050								
					MID CAP VALUE	MID CAP BLEND	MID CAP GROWTH	
					Columbia Sm/Mid Cap Value	Fidelity Adv Lev Co Stk	Baron Growth	
						Vanguard Mid Cap Idx	Voya Mid Cap Opp	
					SMALL VALUE	SMALL BLEND	SMALL GROWTH	
					Invesco SmCap Value	Vanguard SmCap Index	Loomis Sayles SmCap	
					Perkins SmCap Value			

Funds to the left have potentially more inflation risk and less investment risk

Funds to the right have potentially less inflation risk and more investment risk

MUTUAL FUND FORWARD LOOKING RATING SCALE

As mutual fund investors, we have received quantitative and qualitative analysis that provides investors with a look back at how and why a mutual fund performed as it did. Morningstar® is a dominant player in mutual fund analytics. Their quantitative star rating for funds is a backward looking achievement test. The star system takes into account performance category peers after adjusting for risk and sales charges over three (3), five (5) and ten (10) year periods with the greatest weight on the ten (10) year achievement.

Morningstar® has developed a more qualitative approach to evaluating the potential for funds to outperform their benchmarks and peer groups. This is a forward looking approach that uses a methodology based on five qualitative and numeric factors or pillars.

The five pillars are:

1. **PROCESS**
2. **PERFORMANCE**
3. **PEOPLE**
4. **PARENT**
5. **PRICE**

Performance is viewed in the context of risk taken, with a focus on downside risk. The Morningstar® analysts consider that the fundamentals and risks of a fund's holdings are as important as past performance, perhaps more so.

Morningstar® assigns three medal ratings, Gold, Silver and Bronze, along with a Neutral and Negative rating. Morningstar® has only completed 500-600 mutual fund assessments with this new process. So many funds will have an "N/A" instead of one of the five ratings. We expect that nearly all funds will have a rating by the end of 2012.

The ratings should be interpreted as follows:

GOLD Gold

A Gold rating indicates an expectation that the fund will outperform its relative performance benchmark and peer group within the context of the level of risk taken over the long term, (usually five years or a full market cycle). To earn a Gold rating a fund must distinguish itself across the five pillars.

SILVER Silver

Funds in this category have notable advantages across most, but perhaps not all of the five pillars. Funds that have a high price may be the reason for the Silver rating.

BRONZE Bronze

Funds with a Bronze rating have advantages that outweigh any disadvantages across the five pillars. Like Silver, Bronze rated funds may be working their way up or down the scale.

NEUTRAL

These are funds where the Morningstar analysts do not have a strong positive or negative conviction. For example, a fund that combines an overly benchmark conscious strategy with competitive fees could receive this rating because the strategy lends itself to average performance.

NEGATIVE

These funds have at least one major flaw that is likely to hamper future performance. For example, a fund that combines an overly benchmark conscious strategy with high fees could receive this rating because its strategy lends itself to underperformance.

N/A

Morningstar® analysts have not completed their evaluation of this particular fund.

CONCLUSION

- One caution is that a fund with a Gold rating is not necessarily suitable for all investors.
- The People pillar is more critical in concentrated funds whose success is tied to stock picking.
- The expense is a critical factor in all funds, but particularly index funds.
- This rating system does not replace the Morningstar® star system but rather supplements it.
- Finally, there are skeptics of this rating system. We think it may take some time to evaluate the effectiveness of this forward rating system.