SST BENEFITS CONSULTING

# COUNTY OF SAN BERNARDINO
# ANALYSIS OF STABILIZER
# DEFINED CONTRIBUTION PLANS
## *EXCLUDING RETIREMENT MEDICAL TRUST*
## 3RD QUARTER 2014

| | NET DIFFERENCE | ACTUAL PERFORMANCE | BENCHMARK PERFORMANCE |
|---|---|---|---|
| 3Q 2013 | 0.09% | 0.66% | 0.57% |
| 4Q 2013 | 0.66% | 0.52% | -0.14% |
| 1Q 2014 | 0.47% | 2.18% | 1.71% |
| 2Q 2014 | 0.33% | 1.95% | 1.62% |
| **3Q 2014** | **-0.02%** | **0.01%** | **0.03%** |
| **I YEAR** | **1.47%** | **4.73%** | **3.26%** |

This separate stable value account originally contracted with ING Life Insurance and Annuity Company (ILIAC) and portfolio managed by ING Investment Management (IIM) officially changed names during the second quarter 2014 to Voya Retirement Insurance and Annuity Company (VRIAC) and Voya Investment Management (VIM).

The third quarter results are entirely generated from the Intermediate Aggregate Plus strategy that changed from the Core Plus strategy part way through the second quarter 2014 in an effort to shorten duration of the portfolio.

The average credit rating of the portfolio is AA- the bottom tier of "Very Strong". The benchmark is AA+, top tier of "Very Strong". The lower credit rating is due to the overweight of investment grade (BBB) holdings and the 10.9% allocation of below investment grade investments. The BBB rated investments total 16.8% versus the index of 9.1%.

During the third quarter, the portfolio underperformed the Barclays Capital U.S. Intermediate Aggregate Bond Index. With the Fed's anticipated ending of its Quantitative Easing in October, VIM anticipated greater volatility in the Agency RMBS and reduced exposure from 43% in July to 33% in September. Their overweight earlier in the quarter negatively affected the performance. The reduction in Agency RMBS was offset by greater exposure to Treasuries.

**Market to Book Value Ratio:**

| **3RD QUARTER 2014** | 2ND QUARTER 2014 | 1ST QUARTER 2014 | 4TH QUARTER 2013 | 3RD QUARTER 2013 |
|---|---|---|---|---|
| 100.62% | 101.33% | 100.07% | 98.58% | 98.78% |

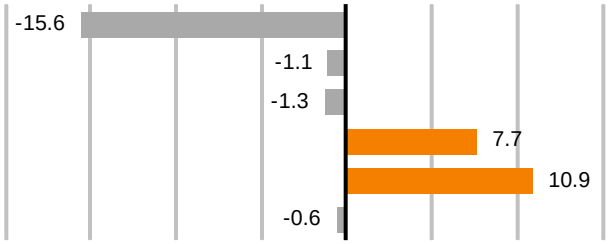
As a reminder, Book Value is the accumulated total of all County of San Bernardino participant assets in the Stable Value Account and Market Value is the value of the underlying securities in the actual portfolio.

# Portfolio Characteristics

## Quarter Ending September 30, 2014

| Quality Rating (%) | Portfolio | Barclays Capital Intermediate Agg |
|---|---|---|
| AAA | 62.0 | 77.6 |
| AA | 2.3 | 3.4 |
| A | 8.0 | 9.3 |
| BBB | 16.8 | 9.1 |
| <BBB | 10.9 | 0.0 |
| Not Rated | 0.0 | 0.6 |

Quality Comparison to Benchmark (%)
Overweight/underweight




| Characteristics | Portfolio | Barclays Capital Intermediate Agg |
|---|---|---|
| Effective Duration (Years) | 3.79 | 4.02 |
| Yield to Maturity (%) | 2.75 | 2.03 |
| Average Quality | AA- | AA+ |

| Top Ten Credit Exposures | % of Portfolio |
|---|---|
| BANK OF AMERICA CORP | 0.80 |
| GOLDMAN SACHS GROUP INC/THE | 0.66 |
| MORGAN STANLEY | 0.60 |
| JPMORGAN CHASE + CO | 0.57 |
| CITIGROUP INC | 0.53 |
| ENTERGY CORP | 0.46 |
| VERIZON COMMUNICATIONS INC | 0.42 |
| GENERAL ELECTRIC CO | 0.40 |
| APPLE INC | 0.40 |
| HSBC HOLDINGS PLC | 0.36 |

**See Explanatory Notes Section for footnotes and disclosures.**



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# Bond Sector Comparisons

## Quarter Ending September 30, 2014

| Asset Group | Barclays Capital Intermediate Agg | June 2014 County of San Bernardino SA 891 | July 2014 County of San Bernardino SA 891 | August 2014 County of San Bernardino SA 891 | September 2014 County of San Bernardino SA 891 |
|---|---|---|---|---|---|
| ABS | 1% | 5% | 5% | 5% | 5% |
| Government-related | 7% | 5% | 5% | 5% | 4% |
| CMBS | 2% | 8% | 8% | 8% | 7% |
| HY | 0% | 4% | 5% | 6% | 5% |
| EM | 2% | 5% | 4% | 4% | 4% |
| Investment Grade | 19% | 18% | 18% | 18% | 19% |
| Agency RMBS | 33% | 43% | 43% | 38% | 33% |
| Non-Agency MBS | 0% | 3% | 3% | 3% | 2% |
| Non $ | 0% | 0% | 0% | 0% | 0% |
| Treasuries, Cash & TBA Liab | 36% | 10% | 10% | 14% | 20% |
| Total | 100% | 100% | 100% | 100% | 100% |

Allocations may not add to 100% due to rounding.
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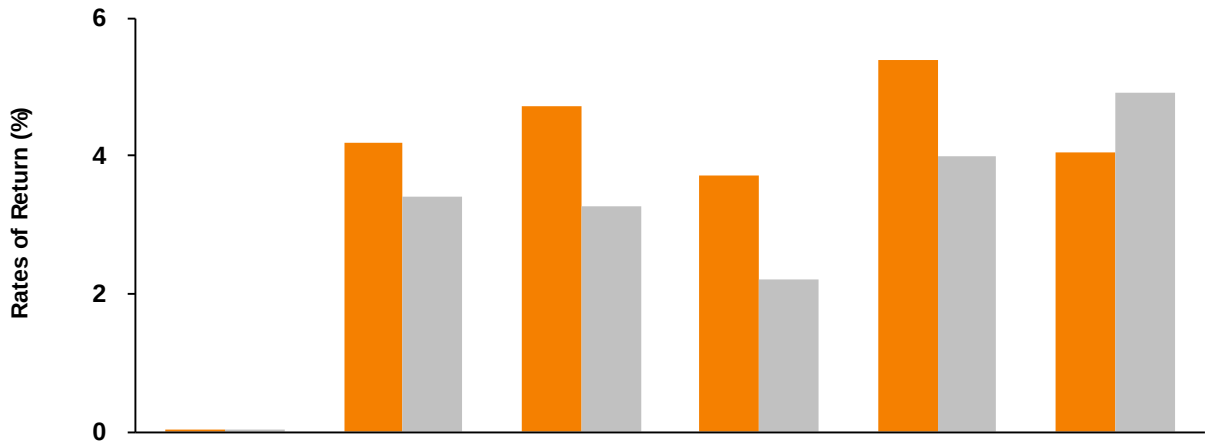
# Portfolio Performance

## Quarter Ending September 30, 2014




| | Quarter | YTD | 1 Year | Annualized 3 Year | 5 Year | Since Inception |
|---|---|---|---|---|---|---|
| Portfolio | 0.01 | 4.19 | 4.73 | 3.71 | 5.39 | 4.04 |
| Barclays Capital Inter Agg/BC Cap Agg | 0.03 | 3.40 | 3.26 | 2.20 | 3.98 | 4.90 |

Performance measurement inception date: January 17, 2007. Performance is calculated on a time-weighted total return basis and is presented on a "gross" basis (i.e., before the deduction of investment management fees). The returns for the Barclays Capital Inter Agg/BC Cap Agg Index are time-weighted total return performance results as reported by Barclays Capital.

Account inception date is January 10, 2007. The benchmark from inception through February 28, 2014 was the Barclay's Capital US Aggregate. Effective March 1, 2014 the benchmark was changed to the Barclays Capital Intermediate US Aggregate.