SST BENEFITS CONSULTING

COUNTY OF SAN BERNARDINO
EXECUTIVE SUMMARY
DEFINED CONTRIBUTION PLANS
1ST QUARTER 2016

	1ST QUARTER %	1 YEAR %	3 YEAR %	5 YEAR %
457(b) Plan Performance	0.41	-2.92	8.50	8.55
Customized Benchmark	1.65	-0.61	9.70	9.63
DIFFERENCE	-1.23	-2.31	-1.20	-1.08
401(k) Plan Performance	0.38	-2.71	8.92	8.91
Customized Benchmark	1.58	-1.22	10.02	10.03
DIFFERENCE	-1.19	-1.49	-1.09	-1.12
Retirement Medical Trust	1.23	-2.08	6.99	7.31
Customized Benchmark	2.16	0.22	8.22	8.58
DIFFERENCE	-0.93	-2.29	-1.23	-1.27

PORTFOLIO COMPOSITION AND ANALYSIS

The total assets in the County of San Bernardino's defined contribution plans increased from $814 million as of December 31, 2015 to $826 million, an increase of 1.5%. The 457(b) assets in the Ameritrade Self-Directed Brokerage Account (SDBA) decreased slightly from $1.8 million to $1.79 million with participants remaining the same at 31. The 401(k) assets in the SDBA increased from $458,000 to $472,000 with 7 participants.

- 457(b) Assets $572,456,743
- 401(k) Assets $113,781,900
- 401(a) Assets $11,056,313
- RMT Assets $90,499,891
- 3121 Assets $38,564,532

457(b) PLAN CASH POSITION:

The assets in the Stabilizer increased as a percentage of total assets from 29.4% to 30.0% of the portfolio. The increase is largely a function of the stagnant market value of the mutual fund portfolio in the quarter. The interest crediting rate remained stable at

2.30% effective April 1st. The strategy is Intermediate Aggregate Plus which is designed to make the portfolio more responsive to short term fluctuations in the fixed income space. The market-to-book value was a little above par at 100.48% as of March 31, 2016.

401(k) PLAN CASH POSITION:

The assets in the Stabilizer increased from 29.0% to 30.0%.

RETIREMENT MEDICAL TRUST CASH POSITION:

Interest bearing assets in the RMT remained somewhat stable with the percentage of assets in the fixed interest account increasing slightly from 65.46% in the Voya General account to 65.51%.

457(b) PLAN MUTUAL FUNDS POSITION:

The mutual fund portfolio was negative for the one (1) year period with a loss of -2.92%. The portfolio underperformed the customized benchmark by -2.31%. Strong performance from American Funds Growth Fund of America was offset by poor performance from Dodge & Cox International Stock and Invesco Small Cap Value funds.

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(b) decreased from 1.16 to 0.80.

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 10.84, which is higher than the benchmark of 10.08.

The Alpha, a measurement of the value added by the investment manager is -1.69. 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 1.07 over three (3) years.

The top 25 stocks in the mutual fund portfolio represent 15.07% of the portfolio led by Amazon.com with 1.60% of assets followed by Microsoft, Inc. with 0.93% of assets.

The dollar weighted net expense ratio remains very low at 0.29%.

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401(k) MUTUAL FUNDS POSITION:

The Sharpe Ratio for the 401(k) portfolio is 0.83. The three (3) year Standard Deviation for the portfolio is 11.01 which is higher than the benchmark of 10.67. The Alpha is -1.22 and the Beta is 1.03.

The top 25 stocks in the mutual fund portfolio represent 15.99% of the portfolio led by Amazon.com with 1.73% of assets followed by Microsoft, Inc. with 1.02% of assets.

The dollar weighted net expense ratio is very low at 0.27%.

RETIREMENT MEDICAL TRUST (RMT) MUTUAL FUNDS POSITION:

With the RMT heavily weighted to the Voya 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 0.80. The three (3) year Standard Deviation for the portfolio is 8.87, which is higher than the benchmark of 7.98. The Alpha is -1.89 and the Beta is 1.10.

The top 25 stocks in the mutual fund portfolio represent 11.14% of the portfolio led by Apple, Inc. with 0.94% of assets followed by Microsoft, Inc. with 0.79% of assets.

The dollar weighted net expense ratio is extremely low at 0.19%.

The entire portfolio has been fee equalized with Voya receiving 0.12% in required revenue plus 0.06% in an Administrative Expense Reimbursement Allowance for the operation of the plan by the County.

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PERFORMANCE OF INDEX FUNDS VS. ACTIVELY MANAGED FUNDS	1ST QTR %	1 YEAR %	3 YEAR %	5 YEAR %
LARGE CAP				
Vanguard Institutional Index	**1.34**	**1.77**	**11.79**	**11.55**
American Funds Growth Fund of America	-2.47	-0.37	11.78	10.71
MID CAP				
Vanguard Mid Cap Index	**1.19**	**-4.26**	**10.80**	**10.05**
Baron Growth	0.31	-8.13	7.18	8.63
SMALL CAP				
Vanguard Small Cap Index	**1.00**	**-7.13**	**8.52**	**8.81**
Invesco Small Cap Value	-0.48	-13.43	6.86	8.45
INTERNATIONAL				
Vanguard Total International Stock Index	**-0.16**	**-8.13**	**0.84**	**0.71**
American Funds Capital World Growth & Income	0.36	-4.14	6.52	6.61
Dodge & Cox International Stock	-3.76	-18.12	1.34	1.36

In the first quarter, all of the domestic actively managed funds lost to their benchmark index with the exception of American Funds Capital World Growth & Income fund.

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LARGE GROWTH:

FUND # 1	AMERICAN FUNDS GROWTH FUND OF AMERICA			RGAGX
IMPLEMENTATION: MAR 2003	ASSETS: $ 71,043,987	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	-0.37	11.78	10.71	-2.37	11.07	9.88	2.00	0.71	0.83

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	22.4	0.98	-1.01	0.99	11.97	0.33%
PEER AVERAGES		7.0	1.03	-0.92	0.89	12.71	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)	31-Mar 2016	31-Dec 2015	30-Sep 2015	30-Jun 2015
	RGAGX	1	1	1	0	0	0	1	1	2	7	7	7	7
		92.0/ 64	7.1	95.7	13.1/ 10.7	98.4/ 109.2	-0.61	18	16		LCG	LCG	LCG	LCG

The portfolio has 10% in cash & equivalents, which is up from just about 8.5% in 2015 and equal to its historical norm. The international portion has fallen from 13% to 11% from 2015. The managers tend to buy smaller stocks than the index and peer group as currently demonstrated with a weighted average market capitalization of $55 billion versus $60 billion and $83 billion, respectively. While Energy represents nearly 9% of the portfolio, it is nearly non-existent in the index and only 2% in the peer group. Amazon is the top holding at 6% with no other stock representing more than 2.75% of the portfolio.

Two new managers were added to the portfolio in March, Joanna Jonsson and Christopher Buchbinder with managers Greg Ireland and Donnalisa Parks Barnum transitioning away. This is part of the process related to the death of James Rothenberg last year. This brings the average tenure down to 8.57 years with the longest tenured manager at 22 years. GFA beat the index and peer in 2015 and the peer in the first quarter of 2016, trailing the index. The fund continues to score a 7 on the RPAG scorecard.

Recommendation: No action at this time.

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LARGE BLEND:

FUND # 2	VANGUARD INSTITUTIONAL INDEX	VINIX

IMPLEMENTATION: MAY 2008 ASSETS: $ 82,081,328 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	1.77	11.79	11.55	1.78	11.82	11.58	-0.01	-0.03	-0.03

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	15.3	1.00	-0.02	1.04	11.35	0.04%
PEER AVERAGES		N/A	1.00	0.00	1.04	11.35	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)	31-Mar 2016	31-Dec 2015	30-Sep 2015	30-Jun 2015
	VINIX	1	1	1	1	1	1	1	1	2	10	10	10	10
		0.2/ 99.4	4.8	99.6	0.7	35	2	3	2		LCB-P	LCB-P	LCB-P	LCB-P

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

Recommendation: No action at this time.

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MID CAP GROWTH:

FUND # 3	BARON GROWTH			BGRIX
IMPLEMENTATION: MAR 2003	ASSETS: $ 18,289,649	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	-8.13	7.18	8.63	-7.76	8.36	7.57	-0.37	-1.18	1.06

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	21.3	0.96	-2.87	0.62	12.36	1.04%
PEER AVERAGES		7.5	1.02	-3.20	0.67	13.51	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)	31-Mar 2016	31-Dec 2015	30-Sep 2015	30-Jun 2015
	BGRIX	1	1	1	1	0	0	1	1	2	8	8	9	8
		33.7/ -29.7	13.8	89.9	13.6/ 8.6	87.5/ 90.7	-0.3	34	30		MCG	MCG	MCG	MCG

Baron Growth scores an 8 for the quarter and has been quite consistent the last few years. The fund landed in the third and fourth quartiles the past two calendar years and is in the top quartile so far in 2016, but the category is not very reflective of the underlying holdings. The market cap tends to be about half of the mid-cap market cap as the managers buy small cap stocks with the intent of holding them for five (5) years (or more). This is reflected in both the low turnover rate, 13%, and the allocation to mid-cap stocks (which tend to be the stocks that were formerly small cap).

Through the first quarter the fund is trouncing the indexes and peers.

Recommendation: No action at this time.

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MID CAP BLEND:

FUND # 4	VANGUARD MID CAP INDEX		VMCIX
IMPLEMENTATION: MAY 2008	ASSETS: $ 45,303,355	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	-4.26	10.80	10.05	-4.27	10.84	10.08	0.01	-0.04	-0.03

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	17.9	0.98	0.12	0.91	12.07	0.08%
PEER AVERAGES		N/A	1.00	N/A	0.83	11.53	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)	31-Mar 2016	31-Dec 2015	30-Sep 2015	30-Jun 2015
	VMCIX	0	0	1	1	1	1	1	1	2	8	8	9	9
		35.4/ 0.5	8.7	99.2	1.1	12	5	1	1		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.

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SMALL BLEND:

FUND # 5	VANGUARD SMALL CAP INDEX			VSCIX
IMPLEMENTATION: MAY 2008	ASSETS: $ 26,633,773	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	-7.13	8.52	8.81	-7.16	8.51	8.77	0.03	0.01	0.04

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	24.3	0.95	0.96	0.66	13.75	0.08%
PEER AVERAGES		N/A	1.00	N/A	0.55	13.21	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)	31-Mar 2016	31-Dec 2015	30-Sep 2015	30-Jun 2015
	VSCIX	1	0	1	1	0	1	1	1	2	8	8	8	8
		-3.5/ -53	10.3	96.7	3.1	91	5	23	22		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.

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SMALL VALUE:

FUND # 6	INVESCO SMALL CAP VALUE		VSMIX
IMPLEMENTATION: MAY 2011	ASSETS: $ 6,563,211	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	-13.43	6.86	8.45	-6.88	6.06	6.61	-6.55	0.80	1.84

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	5.8	1.14	-1.22	0.46	17.85	0.89%
PEER AVERAGES		6.6	1.02	-5.26	0.49	14.30	1.33%

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)	31-Mar 2016	31-Dec 2015	30-Sep 2015	30-Jun 2015
	VSMIX	0	0	1	1	1	1	1	1	2	8	9	8	8
		-14.9/ -63	28.5	88.1	20.5/ 8.5	125.6/ 118.5	0.23	1	13		SCV	SCV	SCV	SCV

After beating the peers and indexes by wide margins in years past, this fund's bold style is catching up to it, underperforming by wide margins over the past 12 months. It did bounce back quite well in February and March. Management likes to buy deeply discounted stocks and when those picks work out the fund soars, but occasionally those stocks are discounted for good reason (Quicksilver filed for bankruptcy). The track record here demonstrates that those who stick with the strategy long term are likely to be rewarded, but as with any active manager, this can never be assured.

Due to the smoothing effects of the RPAG process, the fund still remains an 8 and would be a 10 if not for losing two points to style drift (which we've discussed in the past). Expect this number to drop in coming quarters.

Recommendation: No action at this time.

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INTERNATIONAL STOCK:

FUND # 7	AMERICAN FUNDS CAPITAL WORLD GROWTH & INCOME		RWIGX
IMPLEMENTATION: MAY 2008	ASSETS: $ 35,557,441	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	-4.14	6.52	6.61	-4.46	5.67	5.48	0.32	0.85	1.13

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	23.1	0.94	1.25	0.60	11.50	0.44%
PEER AVERAGES		4.9	0.80	5.25	0.51	12.22	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)	31-Mar 2016	31-Dec 2015	30-Sep 2015	30-Jun 2015
	RWIGX	1	1	1	1	1	1	1	1	2	10	8	8	9
		13.9/ 67.5	9	97.2	13.0/ 6.6	97.5/ 96.5	0.04	28	27		GE	GE	GE	GE

CWGI maintains a similar weighted average market cap as the MSCI ACWI, but differs in the underlying allocation with an overweight to Foreign Developed and Emerging Markets. The ACWI has about 52% in US Stocks versus 41% for the fund. This fund has continued to outperform both the index and peer over all time periods measured and its RPAG score rose from an 8 to a 10 this quarter.

Low fees and low turnover combined with good stock picking have helped the fund overcome the fact that US stocks have outperformed Foreign and Emerging Markets.

Recommendation: No action at this time.

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FUND # 8	DODGE & COX INTERNATIONAL STOCK			DODFX
IMPLEMENTATION: MAY 2008	ASSETS: $ 11,547,983	BEST FIT INDEX: MSCI WORLD EX US 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	-18.12	1.34	1.36	-7.99	1.72	1.61	-10.13	-0.38	-0.25

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	2	14.9	1.25	-5.10	0.16	15.60	0.64%
PEER AVERAGES		5.0	0.91	1.40	0.20	12.99	1.03%

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)	31-Mar 2016	31-Dec 2015	30-Sep 2015	30-Jun 2015
	DODFX	0	1	1	0	0	0	1	1	2	6	7	10	10
		-39.1/ 75.8	23.2	93.5	17.2/ 1.4	103.7/ 107.4	-0.21	7	7		ILCB	ILCB	ILCB	ILCB

Since 9/30/2015 this fund has dropped from a 10 to a 6, though one of the points lost is due to style drift which after reviewing we have no issues with. Performance has been off mainly due to the high allocation to Emerging Markets (EM) which had a terrible 2015, but have recovered somewhat in 2016. This fund has maintained a high allocation to EM for many years. The emphasis on EM has been a big tailwind for the fund in the past and will no doubt play that role again, but it will take some time to recover.

Management has indicated that longtime manager Greg Serrurier will retire this June. There are still 8 managers on the fund and the likelihood of another senior analyst getting promoted.

The ride hasn't always been smooth with this fund, but in the long run it has usually been rewarded.

Recommendation: Place on Watch List due to risk/return characteristics.

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FUND # 9	VANGUARD TOTAL INTERNATIONAL STOCK INDEX			VTSNX
IMPLEMENTATION: APRIL 2015	ASSETS: $ 15,116,851	BEST FIT INDEX: SPLICED INTERNATIONAL 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	-8.13	0.84	0.71	-7.95	1.01	0.73	-0.18	-0.17	-0.02

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	2	7.7	0.97	0.51	0.12	13.25	0.12%
PEER AVERAGES		N/A	0.97	N/A	-0.12	12.55	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)	31-Mar 2016	31-Dec 2015	30-Sep 2015	30-Jun 2015
	VTSNX	0	0	0	1	0	1	1	1	2	6	4	4	8
		-34.9/ 10.3	26.8	93.9	3.4	94	8	67	67		ILCB-P	ILCB-P	ILCB-P	ILCB-P

This international/global index is performing as expected adjusted for expense and tracking error.

Recommendation: No action at this time.

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BONDS:

FUND # 10	LOOMIS SAYLES INVESTMENT GRADE BOND	LSIIX

IMPLEMENTATION: MAY 2008 ASSETS: $ 16,522,600 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	-1.14	1.19	3.85	-1.73	1.38	3.69	0.59	-0.19	0.16

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	19.3	1.53	-2.16	0.24	5.18	0.59%
PEER AVERAGES		5.0	0.79	-0.54	0.36	4.38	1.29%

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)	31-Mar 2016	31-Dec 2015	30-Sep 2015	30-Jun 2015
	LSIIX	0	1	0	1	0	1	1	1	0	5	5	6	6
		25.7/ -38.7	13.8	19.1	5.2/ 3.9	115.0/ 134.9	0.02	16	45	S	CFI	CFI	CFI	CFI

Over the one (1) year period this fund falls in the bottom 7% of its category, but the top 3% year-to-date and the top 1% over six (6) months. The strong dollar was a headwind which recently has become a tailwind. High yield also outperformed after a rough few months. As usual the RPAG scorecard is low due to benchmarking issues.

Recommendation: Remain on Watch List due to investment performance.

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FUND # 11	OPPENHEIMER INTERNATIONAL BOND			OIBIX
IMPLEMENTATION: MAY 2008	ASSETS: $ 3,658,284	BEST FIT INDEX: MSTAR GLOBAL EX US GOV BOND	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	-0.03	-0.75	1.45	0.46	0.11	1.85	-0.49	-0.86	-0.40

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	3.3	0.67	-2.42	-0.12	5.50	0.65%
PEER AVERAGES		5.4	0.96	-2.17	0.13	5.06	1.03%

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)	31-Mar 2016	31-Dec 2015	30-Sep 2015	30-Jun 2015
	OIBIX	1	0	0	0	0	0	1	1	1	4	4	2	4
		-53.8/ -18.6	31.1	54.6	6.4/ 1.5	98.2/ 109.9	-0.14	43	47	T	GFI	GFI	GFI	GFI

While the fund finished off the one (1) year period with a .03% loss, this is pretty good considering the relentless increase in the dollar in 2015. That increase gave way to weakness in 2016 and this fund has been well positioned for it, rising 4.20% in the first quarter. We've said for many quarters that performance has been improving and for participants who are looking for non-dollar exposure in a risk-management environment, this fund could play a part.

Recommendation: Remain on Watch List due to management structure changes.

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FUND # 12	PIONEER GLOBAL HIGH YIELD			GHYYX
IMPLEMENTATION: MAY 2008	ASSETS: $ 3,888,705	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	-5.14	-1.26	1.68	-4.17	1.06	3.84	-0.97	-2.32	-2.16

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	1	14.7	0.97	-2.94	-0.19	6.14	0.84%
PEER AVERAGES		6.0	0.59	-0.31	0.26	5.59	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)	31-Mar 2016	31-Dec 2015	30-Sep 2015	30-Jun 2015
	GHYYX	1	1	1	0	0	0	0	0	2	5	5	5	5
		98.6/ -98.6	2	89.5	7.4/ 1.7	89.5/ 124.1	-1.24	93	64		HY	HY	HY	HY

Returns have improved this quarter partially due to the weaker dollar, though the amount of assets in foreign high yield has gotten smaller (less than 20% now). The fund continues to buy bonds of global companies. The fund has struggled against US benchmarks due to its foreign exposure and a rising dollar. While we like the international exposure, it is becoming less significant in the portfolio.

Recommendation: Remain on Watch List due to investment performance.

SST BENEFITS CONSULTING

TARGET FUNDS:

FUND # 13	VANGUARD TARGET RETIREMENT INCOME			VTINX
IMPLEMENTATION: DEC 2009	ASSETS: $ 4,493,475	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	0.41	3.64	4.95	0.59	3.86	5.10	-0.18	-0.22	-0.15

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	3.2	0.75	0.85	0.87	4.15	0.16%
PEER AVERAGES		N/A	0.99	N/A	0.82	3.90	0.48%

Target Date fund review summary follows fund #17.

FUND # 14	VANGUARD TARGET RETIREMENT 2020			VTWNX
IMPLEMENTATION: DEC 2009	ASSETS: $ 15,192,022	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	-1.12	5.98	6.45	-0.86	6.23	6.71	-0.26	-0.25	-0.26

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	3.2	0.92	1.08	0.84	7.16	0.16%
PEER AVERAGES		N/A	0.99	N/A	0.76	6.81	0.46%

Target Date fund review summary follows fund #17.

SST BENEFITS CONSULTING

FUND # 15	VANGUARD TARGET RETIREMENT 2030			VTHRX
IMPLEMENTATION: DEC 2009	ASSETS: $ 15,873,833	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	-2.01	6.68	6.93	-1.74	6.94	7.20	-0.27	-0.26	-0.27

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	3.2	0.99	0.97	0.77	8.81	0.17%
PEER AVERAGES		N/A	0.99	N/A	0.68	8.42	0.46%

Target Date fund review summary follows fund #17.

FUND # 16	VANGUARD TARGET RETIREMENT 2040			VFORX
IMPLEMENTATION: DEC 2009	ASSETS: $ 12,298,031	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	-3.07	7.11	7.28	-2.68	7.45	7.60	-0.39	-0.34	-0.32

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	3.2	0.99	1.18	0.70	10.45	0.18%
PEER AVERAGES		N/A	0.99	N/A	0.60	9.96	0.46%

Target Date fund review summary follows fund #17.

SST BENEFITS CONSULTING

FUND # 17	VANGUARD TARGET RETIREMENT 2050			VFIFX
IMPLEMENTATION: DEC 2009	ASSETS: $ 6,010,480	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	-3.10	7.09	7.26	-2.71	7.43	7.59	-0.39	-0.34	-0.33

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	3.2	0.94	1.24	0.70	10.50	0.18%
PEER AVERAGES		N/A	0.99	N/A	0.59	10.00	0.44%

This target date series is performing as expected adjusted for expense and tracking error. The equity portion is well diversified with 44% giant cap, 30% large cap, 18% mid cap, 6% small cap and 2% micro exposure. The bond portion has an average credit quality of AA, no holdings below investment grade and has an average effective duration of 5.85 years. The glide path is "to" and levels off at five (5) years after the "zero" year.

Recommendation: No action at this time.

SST BENEFITS CONSULTING

SPECIALTY:

FUND # 18	VOYA GLOBAL REAL ESTATE			IGLIX
IMPLEMENTATION: MAY 2008	ASSETS: $ 7,292,857	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	-1.29	5.08	7.11	-1.06	3.96	6.44	-0.23	1.12	0.67

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	14.4	0.97	-2.59	0.42	14.12	0.98%
PEER AVERAGES		6.0	0.78	-0.04	0.36	13.46	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)	31-Mar 2016	31-Dec 2015	30-Sep 2015	30-Jun 2015
	IGLIX	1	1	1	0	0	0	1	0	2	6	6	6	6
		8.1/ 96.8	8.4	93.8	15.2/ 7.1	90.0/ 98.6	-0.55	48	60		GRE	GRE	GRE	GRE

This fund does well against the peer group, but struggles versus the index. Given that there is not a global REIT index mutual fund at the moment (Vanguard has a domestic and a foreign, but not a global real estate option), this fund provides the best exposure to global real estate.

It struggled a bit over the past year, but had a great first quarter. While a pure domestic REIT might have provided better performance, they tend to be very concentrated. A more diversified real estate option should provide a smoother ride longer term.

Recommendation: No action at this time.

SST BENEFITS CONSULTING

ASSET ALLOCATION:

FUND # 19	ASSET ALLOCATION FUNDS AGGRESSIVE		
IMPLEMENTATION: MAY 2008	ASSETS: $38,570,364	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	-4.42	6.16	6.10	-3.19	6.33	6.79	-1.23	-0.17	-0.69

FUND # 20	ASSET ALLOCATION FUNDS MODERATE		
IMPLEMENTATION: MAY 2008	ASSETS: $ 60,033,120	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	-1.72	6.27	6.26	-1.19	6.26	6.90	-0.53	0.01	-0.64

FUND # 21	ASSET ALLOCATION FUNDS CONSERVATIVE		
IMPLEMENTATION: MAY 2008	ASSETS: $ 20,836,802	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	-0.42	4.08	4.54	0.03	4.08	5.05	-0.45	0.00	-0.51

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, "A quarterly investment review report shall be evaluated by the DC Committee to ensure that fund performance complies with the objectives outlined in this Policy. Tools and metrics shall be included within the report to assist the committee in the evaluation process. These tools include, but are not limited to, the following:

a. Scorecard System for actively managed funds (see addendum)
b. One, three and five year performance and benchmarking
c. Glide path suitability for Target-Date (age based) funds

The foregoing investment monitoring criteria shall not, under any circumstances, be taken as definitive, conclusive, or controlling for removal, termination, or continuation of an investment option. All determinations should be made by the DC Committee, in accordance with Plan objectives, taking into consideration all relevant facts and circumstances."

It is recommended that the following funds be added or remain on the Watch List:

ACTION	FUND #	TICKER	FUND NAME	INVESTMENT POLICY	QUARTER ADDED
⚠	8	DODFX	DODGE & COX INTERNATIONAL	Place on Watch List due to risk/return characteristics. The 3 / 5 Information Ratios are 0.22 / 0.26.	1Q 2016
⚠	10	LSIIX	LOOMIS SAYLES INV GRADE BOND	Remain on Watch List due to investment performance. The 3 / 5 Information Ratios have changed from -0.27 / 0.08 to -0.30 / 0.02.	1Q 2015
⚠	11	OIBIX	OPPENHEIMER INTL BOND	Remain on Watch List due to management structure changes. The 3 / 5 Information Ratios have changed from -0.98 / -0.44 to -0.77 / -0.40.	2Q 2015
⚠	12	GHYYX	PIONEER GLOBAL HIGH YIELD	Remain on Watch List due to investment performance. The 3 / 5 Information Ratios have changed from -0.40 / -0.15 to -0.60 / -0.27.	4Q 2014

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 Cap World
Vanguard Ret 2020	Moderate Allocation		Oppenheimer Intl			Vanguard Institutional Idx	AmFunds Growth Fund	Dodge & Cox Intl
Vanguard Ret 2030	Conservative Allocation		Pioneer Global HY					Vanguard Total Intl
Vanguard Ret 2040								
Vanguard Ret 2050								
					MID CAP VALUE	MID CAP BLEND	MID CAP GROWTH	
						Vanguard Mid Cap Idx	Baron Growth	
					SMALL VALUE	SMALL BLEND	SMALL GROWTH	
					Invesco SmCap Value	Vanguard SmCap Index		

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.