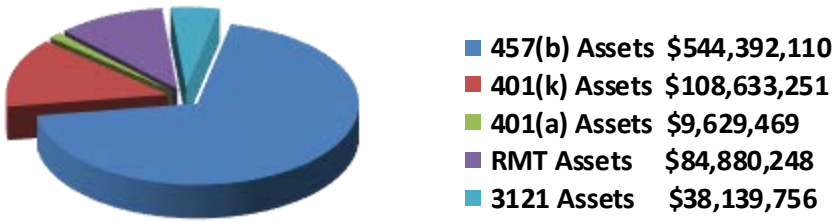
SST BENEFITS CONSULTING

COUNTY OF SAN BERNARDINO
EXECUTIVE SUMMARY
DEFINED CONTRIBUTION PLANS
3RD QUARTER 2015

	3RD QUARTER %	1 YEAR %	3 YEAR %	5 YEAR %
457(b) Plan Performance	-7.52	-1.83	10.68	10.71
Customized Benchmark	-6.14	0.34	10.99	11.68
DIFFERENCE	-1.39	-2.17	-0.31	-0.96
401(k) Plan Performance	-7.49	-1.63	11.00	11.03
Customized Benchmark	-6.59	0.29	11.50	12.18
DIFFERENCE	-0.90	-1.92	-0.50	-1.15
Retirement Medical Trust	-6.20	-1.53	8.42	9.07
Customized Benchmark	-4.65	0.58	9.00	9.98
DIFFERENCE	-1.55	-2.11	-0.58	-0.91

PORTFOLIO COMPOSITION AND ANALYSIS

The total assets in the County of San Bernardino's defined contribution plans decreased from $822 million as of June 30, 2015 to $786 million, a decrease of 4.4%. The 457(b) assets in the Ameritrade Self-Directed Brokerage Account (SDBA) decreased slightly from $2.1 million to $1.9 million with participants remaining the same at 31. The 401(k) assets in the SDBA are also decreased slightly from $493,000 to $451,000 with 7 participants.



457(b) PLAN CASH POSITION:

The assets in the Stabilizer increased as a percentage of total assets from 28.3% to 29.9% of the portfolio. The increase is largely a function of the reduced market value of the mutual fund portfolio. The interest crediting rate remained stable at 2.30% effective

October 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 virtually par at 99.80% as of September 30, 2015.

401(k) PLAN CASH POSITION:

The assets in the Stabilizer increased from 26.9% to 29.4%.

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 65.3% in the Voya General account to 66.5%.

457(b) PLAN MUTUAL FUNDS POSITION:

This portfolio was significantly redesigned in the second quarter of 2015 retaining three (3) domestic actively managed funds, one (1) international actively managed fund and one (1) global actively managed fund. All three (3) actively managed bond funds were retained; an intermediate term bond fund, a world bond fund and a high yield bond fund. All of the other holdings are passively managed index 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 1.90 to 1.16.

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 9.09, which is higher than the benchmark of 8.65.

The Alpha, a measurement of the value added by the investment manager is -0.66. 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 1.04 over three (3) years.

The top 25 stocks in the mutual fund portfolio represent 13.83% of the portfolio led by Amazon.com with 1.29% of assets followed by Apple, Inc. with 1.00% of assets.

The dollar weighted net expense ratio is 0.30%.

401(k) MUTUAL FUNDS POSITION:

The Sharpe Ratio for the 401(k) portfolio is 1.18. The three (3) year Standard Deviation for the portfolio is 9.16 which is higher than the benchmark of 9.03. The Alpha is -0.46 and the Beta is 1.00.

The top 25 stocks in the mutual fund portfolio represent 14.21% of the portfolio led by Amazon.com with 1.36% of assets followed by Apple, Inc. with 1.06% of assets.

The dollar weighted net expense ratio is 0.29%.

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 1.10. The three (3) year Standard Deviation for the portfolio is 7.56, which is higher than the benchmark of 6.91. The Alpha is -1.19 and the Beta is 1.08.

The top 25 stocks in the mutual fund portfolio represent 10.25% of the portfolio led by Apple, Inc. with 1.12% of assets followed by Microsoft, Inc. with 0.63% of assets.

The dollar weighted net expense ratio is 0.22%.

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.

SST BENEFITS CONSULTING

PERFORMANCE OF INDEX FUNDS VS. ACTIVELY MANAGED FUNDS	3RD QTR %	1 YEAR %	3 YEAR %	5 YEAR %
LARGE CAP				
Vanguard Institutional Index	**-6.45**	**-0.63**	**12.37**	**13.31**
American Funds Growth Fund of America	-6.63	0.77	13.89	12.95
MID CAP				
Vanguard Mid Cap Index	**-7.45**	**1.72**	**14.69**	**13.64**
Baron Growth	-8.66	1.51	11.94	13.46
SMALL CAP				
Vanguard Small Cap Index	**-10.32**	**-0.16**	**12.50**	**13.00**
Invesco Small Cap Value	-13.98	-4.25	13.96	13.14
INTERNATIONAL				
Vanguard Total International Stock Index	**-11.59**	**-10.71**	**3.15**	**2.18**
American Funds Capital World Growth & Income	-8.54	-5.69	8.67	7.55
Dodge & Cox International Stock	-15.38	-16.19	6.62	4.06

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

SST BENEFITS CONSULTING

LARGE GROWTH:

FUND # 1	AMERICAN FUNDS GROWTH FUND OF AMERICA		RGAGX
IMPLEMENTATION: MAR 2003	ASSETS: $ 68,085,669	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	0.77	13.89	12.95	1.36	12.52	12.64	-0.59	1.37	0.31

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	26.9	0.92	1.32	1.39	9.73	0.33%
PEER AVERAGES		7.2	1.02	-0.02	1.13	11.01	1.19%

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-Sep 2015	30-Jun 2015	31-Mar 2015	31-Dec 2014
	RGAGX	1	1	1	0	0	0	1	1	2	7	7	7	7
		84.4/ 61	9.7	95.2	12.2/ 13	96.3/ 105	-0.57	17	16		LCG	LCG	LCG	LCG

Growth Fund of America (GFA), along with the vast majority of large growth funds, continues to trail the index over most time periods, though on a risk-adjusted basis it is beating over the most recent three (3) and fifteen (15) year periods. The fund is beating the peer group over most time periods and beating over all periods on a risk-adjusted basis.

Falling more during the 3rd quarter correction than the index was disappointing but not unexpected given that 12% of the portfolio is in foreign stocks which fell harder than US stocks. The cash position provided some comfort, but couldn't offset the foreign exposure. While it didn't beat the index, it did fall slightly less than the peer. The fund continues to move toward more growth type stocks than in the past. There is a current overweight in Financial Services, Healthcare and Energy with an underweight in Consumer Defensive and Industrials. Amazon and Google (now

Alphabet) remain as top holdings with Amazon now nearly 6% of assets (and up 79% for the year). Unlike most of its peers there is almost no allocation to Apple.

On a sad note, long time manager James Rothenberg died of a heart attack at the age of 69 in July. Rothenberg had been with Capital Group (parent of American) since 1970 and served as the Chairman. While his death was sudden, his succession on this fund was already in place as he was winding down his portion as he planned to retire. The remaining stocks will be apportioned among the existing managers and any leftover stocks (ones the other managers don't want) will be slowly sold off. Rothenberg's loss should not affect the fund's day to day operations, but his leadership will be missed.

Recommendation: No action at this time.

SST BENEFITS CONSULTING

LARGE BLEND:

FUND # 2	VANGUARD INSTITUTIONAL INDEX	VINIX

IMPLEMENTATION: MAY 2008 ASSETS: $ 75,624,696 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	-0.63	12.37	13.31	-0.61	12.40	13.34	-0.02	-0.03	-0.03

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	14.8	1.00	-0.03	1.25	9.74	0.04%
PEER AVERAGES		N/A	1.00	0.00	1.27	9.74	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-Sep 2015	30-Jun 2015	31-Mar 2015	31-Dec 2014
	VINIX	1	1	1	1	1	1	1	1	2	10	10	10	10
		-5.7/ 99.5	3.4	99.5	0.7	30	2	11	6		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.

SST BENEFITS CONSULTING

MID CAP GROWTH:

FUND # 3	BARON GROWTH			BGRIX
IMPLEMENTATION: MAR 2003	ASSETS: $ 18,426,646	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	1.51	11.94	13.46	0.83	12.02	11.71	0.68	-0.08	1.75

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	20.8	0.99	-2.07	1.05	11.40	1.04%
PEER AVERAGES		7.4	1.04	-0.60	1.03	11.85	1.30%

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-Sep 2015	30-Jun 2015	31-Mar 2015	31-Dec 2014
	BGRIX	1	1	1	1	1	0	1	1	2	9	8	9	9
		29.2/ -28.8	16.1	88.4	13.3/ 13.5	93.3/ 89.7	-0.03	15	15		MCG	MCG	MCG	MCG

This fund is four (4) basis points away from a perfect 10 scorecard. The information ratio is barely negative. Returns recently have been mostly good as the fund did better than the small cap index and peer group during the third quarter correction, though slightly worse than the mid cap index and peer. We believe the fund straddles the line between small and mid, so the results are not surprising.

Since 2012 the fund's allocation to Real Estate has been rising and now sits at over 8%, a significant overweight to the indexes and peers. As usual, the fund is underweight Technology. The fund performed well during the correction and though the fund has struggled against the index, it has performed reasonably well against the peer. Baron has a long history of prudent management, we don't see anything changing that.

Recommendation: No action at this time.

SST BENEFITS CONSULTING

MID CAP BLEND:

FUND # 4	VANGUARD MID CAP INDEX		VMCIX
IMPLEMENTATION: MAY 2008	ASSETS: $ 43,599,470	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	1.72	14.69	13.64	1.76	14.73	13.68	-0.04	-0.04	-0.04

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	17.4	0.97	0.65	1.37	10.41	0.08%
PEER AVERAGES		N/A	1.00	N/A	1.41	10.43	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-Sep 2015	30-Jun 2015	31-Mar 2015	31-Dec 2014
	VMCIX	1	0	1	1	1	1	1	1	2	9	9	9	9
		27.5/ 5	7.3	99.2	0.9	16	5	2	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.

SST BENEFITS CONSULTING

SMALL BLEND:

FUND # 5	VANGUARD SMALL CAP INDEX			VSCIX
IMPLEMENTATION: MAY 2008	ASSETS: $ 25,597,842	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	-0.16	12.50	13.00	-0.20	12.46	12.95	0.04	0.04	0.05

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	23.8	0.95	1.23	1.03	12.11	0.08%
PEER AVERAGES		N/A	1.00	N/A	1.32	11.73	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-Sep 2015	30-Jun 2015	31-Mar 2015	31-Dec 2014
	VSCIX	1	0	1	1	0	1	1	1	2	8	8	8	8
		-4.0/ -53.9	11	96.4	2.9	88	4	13	4		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 # 6	INVESCO SMALL CAP VALUE			VSMIX
IMPLEMENTATION: MAY 2011	ASSETS: $ 6,501,922	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	-4.25	13.96	13.14	-2.99	10.12	10.20	-1.26	3.84	2.94

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	5.3	1.06	1.17	0.95	14.90	0.87%
PEER AVERAGES		6.8	1.03	-2.12	0.83	12.72	1.34%

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-Sep 2015	30-Jun 2015	31-Mar 2015	31-Dec 2014
	VSMIX	0	0	1	1	1	1	1	1	2	8	8	8	8
		-7.5/ -58.7	42.7	87.4	19.1/ 13.1	122.9/ 113.6	0.41	1	12		SCV	SCV	SCV	SCV

While beating the index and peer over three (3) and five (5) years, the fund is trailing over the one (1) year period and had a particularly poor result during the third quarter correction, falling by over 300 basis points more than the peer and index. Poor performance during a correction is not surprising to us given how well the fund had done during the strong bull market that preceded the drop (and very possibly now continuing).

Earlier this year we wrote "During downturns the fund tends to underperform (as it did last year during the small market swoon), but typically outperforms on the upside. Recent returns across all time periods have been almost unbeatable, but long term outperformance rarely persists and we continue to urge caution about the future returns of this fund."

Recommendation: No action at this time.

SST BENEFITS CONSULTING

INTERNATIONAL STOCK:

FUND # 7	AMERICAN FUNDS CAPITAL WORLD GROWTH & INCOME	RWIGX

IMPLEMENTATION: MAY 2008 ASSETS: $ 34,176,200 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	-5.69	8.67	7.55	-5.02	7.95	7.37	-0.67	0.72	0.18

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	22.6	0.94	1.98	0.90	9.70	0.44%
PEER AVERAGES		4.8	0.78	5.86	0.77	10.56	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)	30-Sep 2015	30-Jun 2015	31-Mar 2015	31-Dec 2014
	RWIGX	1	1	1	1	0	0	1	1	2	8	9	9	7
		10.1/ 68.2	11.4	96	12.5/ 7.6	94.5/ 97.3	-0.29	29	25		GE	GE	GE	GE

This fund continues to perform well despite a tough international investment environment. With Foreign Developed markets down 10.08% in Q3 and Emerging Markets down 17.24%, this fund faced major headwinds. The fact that this fund is outperforming the MSCI ACWI and at about par with the peer group (which has a much higher allocation of US stocks which only dropped 7.02%) is impressive.

As we have said in the past, we expect this fund to underperform the index and peer when US stocks outperform, yet even as emerging markets tanked during the quarter, CWGI held its own. For participants looking for a global stock fund who have the patience to wait out global turmoil, CWGI should serve them well.

Recommendation: No action at this time.

SST BENEFITS CONSULTING

FUND # 8	DODGE & COX INTERNATIONAL STOCK		DODFX
IMPLEMENTATION: MAY 2008	ASSETS: $ 12,372,170	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	-16.19	6.62	4.06	-8.06	4.62	3.30	-8.13	2.00	0.76

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	14.4	1.07	4.07	0.55	13.00	0.64%
PEER AVERAGES		5.1	0.94	2.36	0.45	11.53	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-Sep 2015	30-Jun 2015	31-Mar 2015	31-Dec 2014
	DODFX	1	1	1	1	1	1	1	1	2	10	10	10	10
		-21.2/ 69.4	21	93.9	16.1/ 4.1	99.8/ 99.4	0.02	7	7		ILCB	ILCB	ILCB	ILCB

The fund is performing poorly versus the peer group over the past twelve months, while maintaining a superior long term record. Against the index the fund is performing slightly better, but still underperforming by over 600 basis points and fell more than the index during the Q3 correction. We have consistently said that this fund will not perform well during a downturn, so the recent performance should not come as a surprise.

One of the holdings that has buoyed the fund over the years, Hewlett-Packard, has had a particularly grueling year, down over 28%. Another tech holding, Baidu, is down 34%. Overall, exposure to China is pretty small, though the Emerging Markets stake (which includes a few Brazil holdings) certainly brought down returns versus the peers.

While it was a rough quarter the fund did better against the MSCI ACWI Ex-US index, an index that includes emerging markets. We should consider changing the index.

Recommendation: No action at this time.

SST BENEFITS CONSULTING

FUND # 9	VANGUARD TOTAL INTERNATIONAL STOCK MARKET INDEX			VTSNX
IMPLEMENTATION: APRIL 2015	ASSETS: $ 14,788,125	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	-10.71	3.15	2.18	-11.10	2.99	N/A	0.39	0.16	N/A

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	2	7.2	0.99	0.81	0.32	11.62	0.12%
PEER AVERAGES		N/A	1.01	N/A	0.26	11.46	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-Sep 2015	30-Jun 2015	31-Mar 2015	31-Dec 2014
	VTSNX	0	0	0	1	0	1	0	0	2	4	8	8	7
		-30.2/ 31.5	25.5	93.1	3.1	90	8	83	83		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.

SST BENEFITS CONSULTING

BONDS:

FUND # 10	LOOMIS SAYLES INVESTMENT GRADE BOND			LSIIX
IMPLEMENTATION: MAY 2008	ASSETS: $ 16,065,018	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	-4.47	1.05	3.71	-1.68	2.01	4.09	-2.79	-0.96	-0.38

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	18.8	1.47	-1.56	0.24	4.49	0.59%
PEER AVERAGES		5.5	0.76	0.74	0.56	3.81	1.02%

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-Sep 2015	30-Jun 2015	31-Mar 2015	31-Dec 2014
	LSIIX	0	1	0	1	1	1	1	1	0	6	6	6	6
		21.8/ -47.4	19.1	19.8	4.9/ 3.7	117.1/ 112.8	0.14	6	43	S	CFI	CFI	CFI	CFI

2015 has been a tough year for this fund. As we have explained in the past, this fund is for those participants who are comfortable taking risks in bonds in order to hopefully earn a higher rate of return than they would on "safe" assets. To that end, this fund invests in riskier bonds and bonds of foreign countries, both of which underperformed in the most recent periods and has led this fund to a poor near term record versus the peer and benchmark. Both high yield bonds and foreign bonds affected by a rising dollar, coupled with a struggling commodity market, caused the majority of the underperformance.

The current underperformance is not surprising given the holdings but the manager, Dan Fuss, has been in this bond game for a long time and should be able to navigate the waters over the coming years.

Recommendation: Remain on Watch List due to investment performance.

SST BENEFITS CONSULTING

FUND # 11	OPPENHEIMER INTERNATIONAL BOND			OIBIX
IMPLEMENTATION: MAY 2008	ASSETS: $ 3,428,235	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	-3.16	-1.08	0.63	-4.50	-0.93	1.22	1.34	-0.15	-0.59

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	2.8	0.65	-1.47	-0.21	4.87	0.56%
PEER AVERAGES		4.9	0.87	-2.37	-0.08	4.49	1.06%

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-Sep 2015	30-Jun 2015	31-Mar 2015	31-Dec 2014
	OIBIX	0	0	0	0	0	0	1	1	0	2	4	2	3
		-46.9/ -14.8	33.9	64.9	6.9/ 0.6	112.0/ 121.9	-0.1	41	48	T/S	GFI	GFI	GFI	GFI

While we think it is too early to declare victory, this fund's relative performance has been improving as it beat the index and peer over the most recent one (1) year period and is now beating the index over all periods measured. With that said, International Bond did not perform particularly well during the Q3 selloff, falling more than the index and peer.

Avoiding emerging markets helped this fund, though there is currently a near 20% stake in Singapore bonds.

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

SST BENEFITS CONSULTING

FUND # 12	PIONEER GLOBAL HIGH YIELD			GHYYX
IMPLEMENTATION: MAY 2008	ASSETS: $ 4,059,379	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	-8.30	1.13	3.55	-3.61	2.89	5.21	-4.69	-1.76	-1.66

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	1	14.2	1.02	-2.35	0.23	5.41	0.84%
PEER AVERAGES		6.0	0.49	2.09	0.67	4.73	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-Sep 2015	30-Jun 2015	31-Mar 2015	31-Dec 2014
	GHYYX	1	1	1	0	0	0	0	0	2	5	5	5	5
		99.5/ -99.5	1.3	88.6	7.2/ 3.5	95.2/ 128.3	-0.95	94	62		HY	HY	HY	HY

This fund remains a hard one to gauge due to the lack of a good peer group or index. The fund is currently allocated 39% to US high yield, 11% international, 23% emerging markets and the remainder in a miscellaneous category that includes preferreds, convertibles and bank loans. If we weight this allocation and use index proxies to create a comparable benchmark we find that the return for the prior year matches very closely with the return of such a benchmark. This is evidence in favor of the fund performing in line with expectations, but not definitive proof.

This fund is not for those seeking safety. There is considerable risk in using this fund, but there also exists a distinct possibility of a higher return for the risk. Participants should consider this part of their "risky" assets.

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: $ 4,555,590	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	0.18	3.56	5.17	0.31	3.73	5.30	-0.13	-0.17	-0.13

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	2.7	0.76	0.62	0.97	3.63	0.16%
PEER AVERAGES		N/A	1.01	N/A	1.03	3.60	0.49%

Target Date fund review summary follows fund #17.

FUND # 14	VANGUARD TARGET RETIREMENT 2020			VTWNX
IMPLEMENTATION: DEC 2009	ASSETS: $ 13,992,837	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	-1.13	6.74	7.66	-1.06	6.92	7.88	-0.07	-0.18	-0.22

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	2.7	0.93	0.97	1.08	6.18	0.16%
PEER AVERAGES		N/A	1.00	N/A	1.12	6.16	0.51%

Target Date fund review summary follows fund #17.

SST BENEFITS CONSULTING

FUND # 15	VANGUARD TARGET RETIREMENT 2030			VTHRX
IMPLEMENTATION: DEC 2009	ASSETS: $ 13,440,522	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	-2.16	7.87	8.61	-2.17	8.03	8.82	0.01	-0.16	-0.21

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	2.7	0.99	0.89	1.04	7.57	0.17%
PEER AVERAGES		N/A	1.00	N/A	1.06	7.55	0.50%

Target Date fund review summary follows fund #17.

FUND # 16	VANGUARD TARGET RETIREMENT 2040			VFORX
IMPLEMENTATION: DEC 2009	ASSETS: $ 10,065,033	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	-3.43	8.61	9.18	-3.33	8.82	9.43	-0.10	-0.21	-0.25

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	2.7	1.00	1.01	0.97	8.90	0.18%
PEER AVERAGES		N/A	1.01	N/A	1.00	8.84	0.50%

Target Date fund review summary follows fund #17.

SST BENEFITS CONSULTING

FUND # 17	VANGUARD TARGET RETIREMENT 2050			VFIFX
IMPLEMENTATION: DEC 2009	ASSETS: $ 4,902,923	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	-3.46	8.60	9.18	-3.37	8.81	9.42	-0.09	-0.21	-0.24

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	2.7	1.00	1.01	0.97	8.89	0.18%
PEER AVERAGES		N/A	1.00	N/A	0.99	8.85	0.49%

Simple, low-cost and globally diversified sums up this target date series from Vanguard. There are no special asset classes in this series, purely stocks and bonds (REIT, Commodity and any other alternative exposure comes from holding stocks). The glide path starts at 90% stocks and glides down to 30% about seven years into retirement and stands at around 50% at the target retirement date. The portfolio is globally diversified and more so than most target dates, recently expanding both the international exposure in stocks and bonds (though the bond portion is hedged). Vanguard uses only five (5) funds to construct their portfolios, the Total funds make up most of the holdings along with the TIPS fund. The Total funds are made up of the Total Stock Market, Total International Stock Market, Total Bond Market and Total International Bond Market indexes.

With low expenses and global diversification these funds will be tough to beat over time, though the glide path can be more aggressive than many participant's risk profile. For participants who want global diversification at a low cost and understand the potential fluctuation (or can pair their target date with a fixed option to reduce the risk) this Vanguard Target series makes an excellent place to put contributions.

Recommendation: No action at this time.

SST BENEFITS CONSULTING

SPECIALTY:

FUND # 18	VOYA GLOBAL REAL ESTATE			IGLIX
IMPLEMENTATION: MAY 2008	ASSETS: $ 6,526,388	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	1.96	6.19	7.21	1.15	5.68	6.75	0.81	0.51	0.46

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	13.9	0.95	-1.21	0.54	12.53	0.98%
PEER AVERAGES		5.6	0.72	0.97	0.53	11.89	1.41%

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-Sep 2015	30-Jun 2015	31-Mar 2015	31-Dec 2014
	IGLIX	1	1	1	0	0	0	1	0	2	6	6	6	-
		12.4/ 96.1	5.7	93.3	14.7/ 7.2	88.9/ 97.3	-0.56	48	54		GRE	GRE	GRE	-

While the fund is struggling a bit year to date, it is beating the peer group over all time periods. The fund continues to provide diversification across both domestic and international real estate.

Recommendation: No action at this time.

SST BENEFITS CONSULTING

ASSET ALLOCATION:

FUND # 19	ASSET ALLOCATION FUNDS AGGRESSIVE		
IMPLEMENTATION: MAY 2008	ASSETS: $ 36,240,750	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	-3.26	8.55	8.00	-2.21	7.89	8.50	-1.05	0.66	-0.50

FUND # 20	ASSET ALLOCATION FUNDS MODERATE		
IMPLEMENTATION: MAY 2008	ASSETS: $ 57,689,706	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	-0.93	7.69	7.60	-0.20	7.15	8.05	-0.73	0.54	-0.45

FUND # 21	ASSET ALLOCATION FUNDS CONSERVATIVE		
IMPLEMENTATION: MAY 2008	ASSETS: $ 20,816,468	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	-0.58	4.72	5.14	0.92	4.15	5.29	-1.50	0.57	-0.15

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 remain on the Watch List:

ACTION	FUND #	TICKER	FUND NAME	INVESTMENT POLICY	QUARTER ADDED
⚠	10	LSIIX	LOOMIS SAYLES INV GRADE BOND	Remain on Watch List due to investment performance. The 3 / 5 Information Ratios have changed from 0.46 / 0.47 to -0.18 / 0.14.	1Q 2015
⚠	11	OIBIX	OPPENHEIMER INTL BOND	Remain on Watch List due to management structure changes. The 3 / 5 Information Ratios are -0.74 / -0.39.	2Q 2015
⚠	12	GHYYX	PIONEER GLOBAL HIGH YIELD	Remain on Watch List due to investment performance. The 3 / 5 Information Ratios have changed from 0.69 / 0.43 to -0.10 / 0.06.	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.