



**YOUR
RETIREMENT**
AT YOUR SERVICE.

**COUNTY OF
SAN MATEO**



NAGDCA Award Submission Plan Design & Administration

County of San Mateo Deferred Compensation Plan

Project Description & Significance

For many years, most employers, including the County of San Mateo, used stable value or money market funds to automatically enroll participants who did not make individual investment selections as their Qualified Default Investment Alternative (QDIA). As part of the Pension Protection Act of 2006, the Department of Labor recommended that plans adopt target date investment options for these QDIAs.

With this in mind, we changed the plan's default investment from the stable value fund to a target date retirement series. We did this with the understanding that the stable value fund, while providing for preservation of principal, carries the risk that earnings will not keep pace with inflation. This can be harmful to participants over the long term because many never change their default asset allocation. Target date investment options provide a professionally managed portfolio with an automatic roll-down process that invests more conservatively as an individual gets closer to retirement.

A challenge we faced is that while new hires were defaulting into target date investment options, many employees who enrolled prior to the implementation target date funds still had their accounts invested in the stable value fund. We looked at the population of employees with stable value assets and split it into two groups:

Group 1: Employees who were auto-enrolled and defaulted into the stable value fund upon enrollment, and who were still 100% invested in the stable value fund.

Strategic Action Plan: Research in behavioral finance tells us that most participants struggle with inertia, the tendency to do nothing versus taking action. We reasoned this might be why these employees never moved their monies out of the stable value fund. Considering this, we decided to implement a target date re-enrollment for Group 1.


We notified employees their account would transfer from the stable value to an age appropriate target date fund, unless they took action. We provided employees with instructions on how to make the changes (if desired) and encouraged them to schedule an appointment with the plan's Retirement Education Specialist.

Group 2: Employees who were auto-enrolled into the stable value fund and since changed their account allocation, but left a portion of their account in the stable value fund.


Strategic Action Plan: These employees had made an active election to move some of their

money out of the stable value. Because of this, we did not think it was prudent to initiate the target date re-enrollment, as we did with Group 1.

We sent these employees a separate communication highlighting the stable value fund's limitations for long-term growth and included helpful information about the target date funds. We encouraged them to consider their investment strategy by contacting MassMutual or scheduling an appointment with the plan's Retirement Education Specialist.



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Date: July 2017
To: Select Participants in the County's SAGIC Stable Value Fund
From: Deferred Compensation Committee (members listed below)
 Donna Vaillancourt, Chair – Human Resources Department
 Lillibeth Dames – SamCERA
 Joe Demee – Treasurer's Department
 Andy Armand – Sheriff's Department
 Glenn Kulm – Health System
 Bridget Love – Probation Department
 Steve Perry – Retiree
 Michael Wentworth – Human Services Agency
 David Whisman – Public Safety Commission

Subject: Deferred Compensation Plan Changes/Important Information

You are part of a group of individuals originally placed in a general account or stable value account as a Qualified Default Investment Alternative (QDIA). According to our records, you still have a portion of your account balance in this default selection. This default investment option may not be appropriate for long-term investors like you. With this in mind, we encourage you to review the following information and determine next best steps based on your personal situation.

You have a portion of your account balance in the SAGIC fund.

The SAGIC is categorized as a "stable value fund." It is designed to provide more investment stability and a relatively lower level of risk. Over time, stable value investments have provided lower returns than other investment categories. It is important to think about whether the earnings on this investment will be enough to fund all of your years in retirement. With this in mind, you may wish to diversify your investments.

What can you do to diversify your investments?

The County offers participants a wide range of investments – stocks, bonds and cash – to create a well-diversified portfolio. The Vanguard Target Retirement investments are a choice that makes it easy for participants to invest in a diverse investment strategy.* These target date investments are single strategies offering professional management and monitoring, as well as diversification.

Each investment option has an automatic process that invests more conservatively as retirement nears, and the options names coincide with a particular retirement date (see chart below).

OPTION	BIRTH DATES
Vanguard Target Retirement Income	1944 or before
Vanguard Target Retirement 2015	1945 to 1954
Vanguard Target Retirement 2025	1955 to 1964
Vanguard Target Retirement 2035	1965 to 1974
Vanguard Target Retirement 2045	1975 to 1984
Vanguard Target Retirement 2055	1985 or after

Target date investments may not be appropriate for everyone. Investors should consider an investment's objectives, risks, charges and expenses carefully before investing. If you have questions or need financial advice, please consult with a financial advisor.

Ready to consider a change? Here's what you can do...

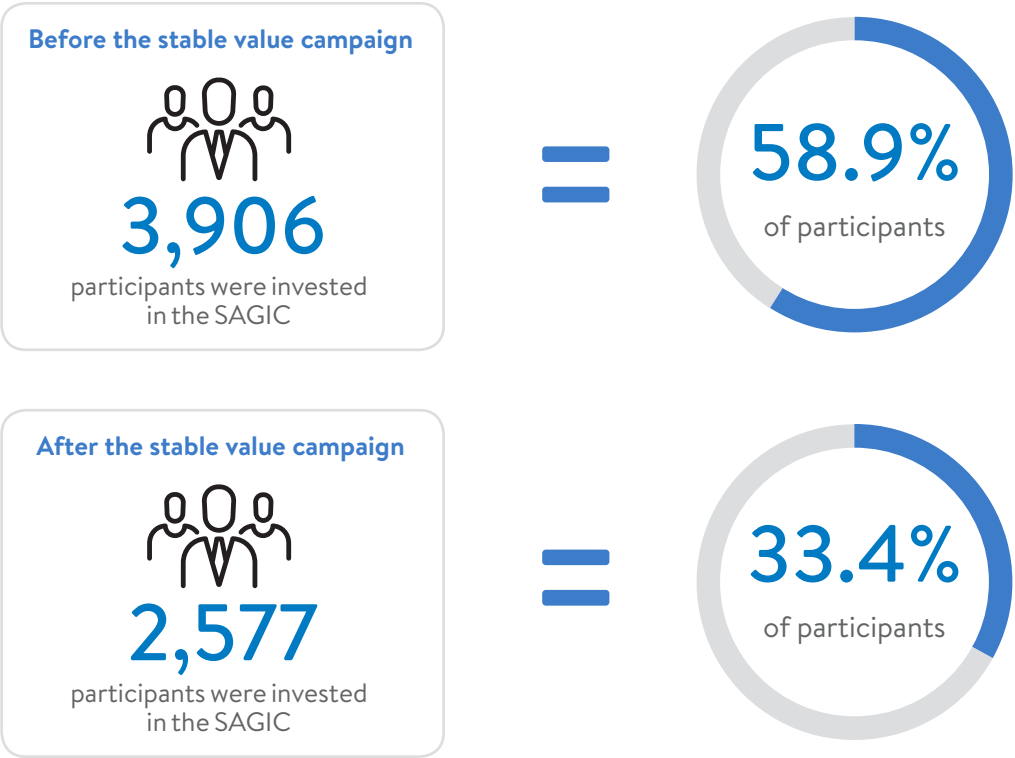
Option A
 To get assistance reviewing your investment strategy, schedule an individual appointment with MassMutual's Retirement Education Specialist, Patrick Washington, by visiting <http://bit.ly/2jy0EEe>.

Option B
 Log in to your account via www.viewmyretirement.com/sanmateocounty or call 1-800-743-5272 to update your investments.

Questions?
 We realize that the subject of investments is complex and that you will likely have questions. If you have any questions regarding this action, please visit <http://bit.ly/2jy0EEe> set up an appointment with Patrick Washington.

Measurable Benefits

Our ultimate goal was to increase plan diversification and move monies from the stable value fund into the target date funds. We are pleased to say this initiative was a success. If we look at a before and after snapshot, we see a significant decrease in both the assets and total participants invested in the stable value fund.



The program helped to ensure participants are investing more diversely, giving them a greater opportunity to retire on track.

Feasibility for use with public entities of our size

We made the decision to focus on reallocation out of the stable value fund to improve long-term account performance for plan participants. The process to implement a change like this is very similar to that of an investment line-up change. The most important aspect of these changes is communication. We provided clear, targeted communications and encouraged employees to get more information by attending an education session.

The implementation went well and the feedback we received from participants has been minimal, as we expected. A similar approach would be feasible for public entities of a similar size.