The County of San Bernardino (County) sponsors several full-time retirement plans, including a 457(b) Deferred Compensation Plan, 401(a) Defined Contribution Plan, 401(k) Defined Contribution Plan and a Retirement Medical Trust (“RMT”) Plan (Collectively “Plans”). The Plans are overseen by a nine-member Defined Contribution Committee (“DCC”). In May 2019, the DCC began an ambitious project to review and potentially enhance the investment lineup offered to Plan participants. At the time, the investment menu included 14 core options, risk-based portfolios (3), age-based portfolios (5), and a self-directed brokerage option. As of May 2019, the Plans totaled $1.095 billion in assets.

In December 2019, after months of discussion, reviewing consultant analyses and investment due diligence, the DCC approved enhancements to approximately $762 million in fund lineup assets. The enhancements would impact 12 out of the 14 core options, add five new odd-date vintages to the age-based portfolios and expand the self-directed brokerage option to offer additional securities. Total participant savings would be approximately $289,465 per year.

The fund lineup changes were scheduled to take effect April 8, 2020. As participant communications were being finalized, COVID-19 was declared as a global pandemic. As the world came to a halt, stock and fixed income markets cratered. The market volatility index (VIX) measured at a higher range as a result of the pandemic. During the 2019 investment lineup discussion and review, the VIX ranged from 12 to 17. As April 8, 2020 approached, the VIX averaged 65.

The DCC faced the option to wait out the unprecedented volatility or move forward with the fund lineup enhancements. The DCC sought to optimize the investment lineup to maximize the overall advantages for participants to prepare for retirement. The DCC worked closely with County Human Resources-Employee Benefits and Services Division staff, the County’s record-keeper Voya Financial, and their investment consultant Hyas Group to develop a clear and simple communications strategy to participants. The intent of the initiative was to provide participants with an understanding on what’s changing, why it’s changing, and when the change is happening.
As a result of the fund lineup enhancements, County participants stayed the course. After the investment lineup enhancement, participants transferred only 0.06% of assets into the lineup’s fixed income category. This was proof participants were calm and resilient despite significant economic disruption due to the COVID-19 pandemic. The impact on the Plans resulted in plan growth by more than 12% (most Plans grew by less than 10%) that ended the year at $1.379 billion in total assets which is a gain of $172 million. Overall, the DCC’s strategic enhancements and communications benefitted participants greatly from the strong equity markets in the latter part of the year.

In 2020, the Plans grew by more than 12%, ending the year at $1.379 billion, which is a gain of $172 million.

Summary

The County DCC is very pleased by the results of the 2020 investment lineup enhancement. The positive impact on participant behaviors through the April 2020 investment transition against a backdrop of unprecedented market volatility demonstrates how the County’s Plans continue to achieve better retirement outcomes for employees.

The County of San Bernardino humbly submits this Investment Lineup Enhancement nomination for your consideration.

Relevance for Other Plan Sponsors

The approach utilized by the County of San Bernardino’s Defined Contribution Committee can be leveraged for Plans of all asset sizes. Plan Sponsors may want to review and enhance their plan lineups regularly. In addition, smaller Plans may provide participants higher percentage savings depending on their current investment options.

In Their Own Words

"We were thrilled that the auto-enrollment campaign started in 2019 drove Plan participation to over 90%. So, we knew it was time to revisit the investments being offered to Plan participants. After much discussion, analysis and review, participants would benefit from significant enhancements to their investment options. While improved fund performance, participant savings and plan retention are all great byproducts of the enhancements, the DCC is most proud that participants did not panic during the lineup transition and throughout 2020. We ended the year at an all-time high in assets, just in time for the record-keeper RFP."

— Diane Rundles, Director of Human Resources
By the Numbers

The following improvements resulted from the 2020 lineup enhancements:

- $762,000,000 of assets enhanced
- 85% of core options enhanced
- 12% Plan performance gain in 2020

+ 5 odd-year vintages added to age-based portfolios
+ Individual securities added to brokerage option

+ $172m
Plans growth resulted from participant “inaction”

Lowest cost share class for all $258 million of index fund assets

+ $28.9m
in positive net cash flow for the Plans in 2020 demonstrates asset retention

↑ 34%
cost reduction to risk based portfolios

$289,465
annual participant savings

↑ 23%
cost reduction to capital preservation fund

Additional notes regarding the core investment lineup enhancements:

- Reduced investment style biases where appropriate.
- Simplified participant decision points where possible, example replaced two international equity overlap options with single blended option.
- Consolidated revenue generating investment options. Only one option remains. Revenue is returned to fund participants. Recordkeeper automated this process.

Contact

Alexander “Sandy” Meier, Employee Benefits Manager, Human Resources Department
Phone: 909-387-9638   Fax: 909-387-5566
175 West Fifth Street, 1st Floor, San Bernardino, CA 92415

Contributing Government Staff

Diane Rundles, Director of Human Resources
Amy Coughlin, Employee Benefits Division Chief, Dept. of Human Resources
Alexander “Sandy” Meier, Employee Benefits Manager, Dept. of Human Resources

Industry Partners

Hyas Group, Voya Financial

NAGDCA Government Member

Yes
Participant Communication

The DCC worked with staff, their recordkeeper Voya Financial, and consultant Hyas Group to develop a communications strategy that did not alarm participants with an “Understanding what’s changing, why, and when it’s happening” approach.

Important Plan Update

Changes are coming soon to your County of San Bernardino Retirement Plans

Understand what’s changing, why and when it’s happening.

As the County of San Bernardino’s 457, 401(a), 401(k) and Retirement Medical Trust (RMT) Plans continue to grow, the Defined Contribution Committee (DCC) continues to evaluate opportunities to lower costs and improve investment options. The DCC is made up of County employees, both active and retired, from various labor organizations and County departments. Recently, the DCC, with assistance from the County’s Independent Consultant, Hyas Group, approved changes to the 457, 401(a), 401(k) and RMT investment lineups. These changes will result in access to well-known investment options and reduce participants’ costs due to lower overall investment expense fees. All investments charge investors investment management fees to help pay for the costs of operating the investment. These fees are deducted directly from the investment. In addition to the reduced recordkeeping fee in July 2019, these lower fees across available investment options means more money invested and working for you. Fees depend on the investment option chosen. Please refer to the Contract Prospectus Summary for individual investment fee information.

Discontinued Investment Options and Mapping Schedule

On Wednesday, April 8, 2020 after the close of the New York Stock Exchange (generally 1:00 p.m. Pacific Standard Time (PST)), your existing balance in the discontinued investments below and future contributions will be automatically redirected from the discontinued investments to the new designated replacement investment as follows. This process, referred to as “mapping,” happens automatically so there’s no action you need to take.

Investment Mapping Guide

The following table describes how new investment options will replace existing options in the Plan. All assets and/or contributions invested in the investment options being removed will automatically transfer in to the new investment options with similar asset class categories and investment objectives. Your assets will remain invested throughout the process. If you do not want your existing assets and/or future contributions invested as shown below, you will need to transfer your existing balances and/or future contributions back to the original investment options. The minimum transfer amount is $2,500 and you must maintain a $2,500 minimum core account balance.

You are viewing the mapping table receiving existing assets and contributions, listed in the New York Stock Exchange (generally 1:00 p.m. PST), to the Plans’ investment lineup.

<table>
<thead>
<tr>
<th>Discontinued Investment Name</th>
<th>Ticker</th>
<th>Expense Ratio</th>
<th>Mapping to</th>
<th>New Investment Name</th>
<th>Ticker</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vanguard Stabilizer (Intermediate A)</td>
<td>VSTAX</td>
<td>0.14%</td>
<td>to</td>
<td>Vanguard Stabilizer (Intermediate A)</td>
<td>VSTAX</td>
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<tr>
<td>Loomis Sayles Investment Grade Bond Y</td>
<td>LSXK</td>
<td>0.18%</td>
<td>to</td>
<td>Sterling Capital Total Return Bond R4</td>
<td>STPKX</td>
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<tr>
<td>Oppenheimer International Bond</td>
<td>OGBX</td>
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<td>to</td>
<td>Vanguard Total Intl Stock Index I</td>
<td>VTSNX</td>
</tr>
<tr>
<td>Vanguard Institutional Index Intl Plus</td>
<td>VVIX</td>
<td>0.02%</td>
<td>to</td>
<td>Fidelity 500 Index Fund</td>
<td>FUXX</td>
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<tr>
<td>American Funds Growth Fund of America R6</td>
<td>RAGAX</td>
<td>0.33%</td>
<td>to</td>
<td>Hartford Core Equity</td>
<td>HAMX</td>
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<tr>
<td>Vanguard M3 Cap Index Index</td>
<td>VMIIX</td>
<td>0.04%</td>
<td>to</td>
<td>Fidelity Mid Cap Index</td>
<td>FMXK</td>
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<tr>
<td>Vanguard Small Cap Index</td>
<td>VSGIX</td>
<td>0.04%</td>
<td>to</td>
<td>Fidelity Small Cap Index</td>
<td>FSSK</td>
</tr>
<tr>
<td>Invesco Small Cap Value Y</td>
<td>VINXY</td>
<td>0.14%</td>
<td>to</td>
<td>Nasdaq-100acers US Small Cap Oppo</td>
<td>BSNK</td>
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<tr>
<td>Vanguard Total Intl Stock Index I</td>
<td>VTSNX</td>
<td>0.08%</td>
<td>to</td>
<td>Fidelity Total International Index</td>
<td>FTXK</td>
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Page 1:

**Expense Combined Expense**

**Conservative Allocation Portfolio - 0.25%**

- -

**Target Date**

$1,139,365,165

- Self-Directed Brokerage

- = New Option

**Investment Menu Mapping**

- Information on this page is taken from sources believed but not guaranteed to be accurate. Nothing on this page constitutes a recommendation to perform any transaction.

**County of San Bernardino Investment Menu Mapping**

- **Asset Class**
- **Current Fund Name**
- **Ticker**
- **Expense Ratio**
- **Assets**

<table>
<thead>
<tr>
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- **County of San Bernardino Investment Menu Discussion**

- **Fund Manager**
- **Ticker**
- **Expense**
- **Assets**

<table>
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- **Asset Allocation**

- **Top 5 Investments**

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- **Discussion**

- **Asset Allocation Commentary**

- **Top 5 Investments**

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- **County of San Bernardino Recommended Investment Menu Discussion**

- **Fund Manager**
- **Ticker**
- **Expense**
- **Assets**

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- **Top 5 Investments**

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