SST BENEFITS CONSULTING

COUNTY OF SAN BERNARDINO
ANALYSIS OF STABILIZER
DEFINED CONTRIBUTION PLANS,
EXCLUDING RETIREMENT MEDICAL TRUST
4TH QUARTER 2013

	NET DIFFERENCE	ACTUAL PERFORMANCE	BENCHMARK PERFORMANCE
4Q 2012	0.60%	0.81%	0.21%
1Q 2013	0.32%	0.18%	-0.12%
2Q 2013	-0.35%	-2.67%	-2.32%
3Q 2013	0.09%	0.66%	0.57%
4Q2013	**0.66%**	**0.52%**	**-0.14%**
I YEAR	**0.64%**	**-1.38%**	**-2.02%**

The fourth quarter results are from the Core Plus strategy. The portfolio did have an effective fourth quarter in comparison to bond benchmarks.

The average credit rating of the portfolio is A1. A1 is the top tier of "Good." The benchmark is AA2, middle of Excellent. The lower credit rating is due to the overweight of investment grade (BBB) holdings and the over 14% allocation of below investment grade investments. The BBB rated investments total 24.4% versus the index of 11.6%.

The portfolio has been outperforming the Barclays Capital U.S. Intermediate Aggregate Bond Index because of favorable asset allocation and security selection. With a greater allocation to higher yielding assets, the portfolio is taking on more exposure to investment grade corporate bonds and reducing exposure to Treasuries.

The ING Investment Management (IIM) team has managed to also generate excess earnings by specific securities selection in the investment grade corporate bonds. Overweighting to Commercial Mortgage Backed Securities (CMBS) has been beneficial because of the improvement in the commercial real estate market. Non-agency Mortgage Backed Securities (MBS) have benefited by the recovering housing market.

Late in the fourth quarter the Defined Contribution Committee authorized IIM to migrate the portfolio in the first quarter of 2014 from the Core Plus strategy to the Intermediate Aggregate Plus strategy with the desire to reduce the portfolio duration and make it more sensitive to potential rising short term interest rates. The Intermediate Aggregate Plus strategy will likely reduce duration from a current 5.1 years to 3.8 years.

Market to Book Value Ratio:

4TH QUARTER 2013	3RD QUARTER 2013	2ND QUARTER 2013	1ST QUARTER 2013	4TH QUARTER, 2012
98.58%	98.78%	98.93%	102.46%	103.18%

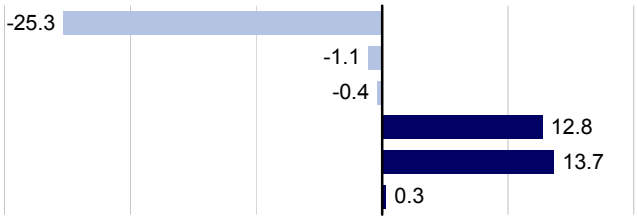
The market value declined in the fourth quarter but has improved to 99.88% as of 1/31/2014. As a reminder, Book Value is the accumulated total of all County of San Bernardino participant assets in the Stable Value Account and Market Value is the value of the underlying investments in the actual portfolio.

Portfolio Characteristics

Quarter Ending December 31, 2013

Quality Rating (%)	Portfolio	BarCap U.S. Agg
AAA	48.1	73.4
AA	2.8	3.9
A	10.8	11.1
BBB	24.4	11.6
<BBB	13.7	0.0
Not Rated	0.4	0.0

Quality Comparison to Benchmark (%)
Overweight/underweight



Characteristics	Portfolio	BarCap U.S. Agg
Effective Duration (Years)	5.14	5.16
Yield to Maturity (%)	3.36	2.36
Average Quality	A1	AA2

Top Ten Credit Exposures	% of Portfolio
VERIZON COMMUNICATIONS INC	0.87
BANK OF AMERICA CORP	0.86
JPMORGAN CHASE + CO	0.82
CITIGROUP INC	0.75
GENERAL ELECTRIC CO	0.69
GOLDMAN SACHS GROUP INC/THE	0.68
MORGAN STANLEY	0.54
WELLS FARGO + CO	0.50
TIME WARNER INC	0.48
HEWLETT-PACKARD CO	0.43

See Explanatory Notes Section for footnotes and disclosures.

Bond Sector Comparisons

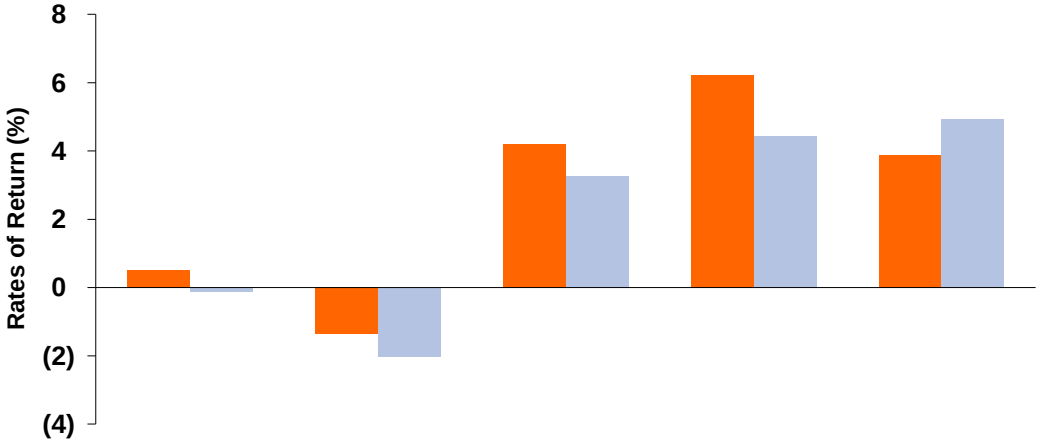
Quarter Ending December 31, 2013

		Mar 13	June 13	Sept 13	Oct 13	No 13	Dec 13
Asset Group	Barclays Aggregate	SEPCO891	SEPCO891	SEPCO891	SEPCO891	SEPCO891	SEPCO891
ABS	0%	1%	5%	5%	5%	5%	5%
Govt related	8%	5%	5%	4%	4%	4%	4%
CMBS	2%	7%	7%	9%	9%	9%	9%
HY	0%	4%	5%	6%	7%	7%	7%
EM	2%	5%	5%	6%	6%	6%	5%
Investment Grade	22%	23%	24%	25%	27%	28%	29%
Agency RMBS	29%	37%	37%	29%	23%	23%	23%
Non-Agency MBS	0%	3%	2%	3%	3%	3%	3%
Non$	0%	3%	0%	0%	0%	0%	0%
Treasuries, Cash and TBA Liab	36%	13%	9%	13%	17%	15%	15%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Allocations may not add to 100% due to rounding.
See Explanatory Notes Section for footnotes and disclosures.

Portfolio Performance

Quarter Ending December 31, 2013



			Annualized		
	Quarter	1 Year	3 Year	5 Year	Since Inception
Portfolio	**0.52%**	**(1.38)%**	**4.22%**	**6.21%**	**3.88%**
BarCap U.S. Agg	(0.14)	(2.02)	3.26	4.44	4.93

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 BarCap U.S. Agg Index are time-weighted total return performance results as reported by Barclays Capital.

Account returns are gross returns, which include reinvestment of income and are before deduction of fees. Account inception date is 1/10/2007. It is important to note that the investment has a limited operating history. Performance over a longer period of time may be more meaningful than short-term performance. The Barclays Capital Aggregate Index is an unmanaged index and is composed of securities from the Barclays Capital Government/Corporate Bond Index, Mortgage-Backed Securities Index and the Asset-Backed Securities Index. An index does not reflect the portfolio of any investment. Individuals cannot invest directly in an index.