

Date: <DATE> 2017
To: Select Participants in the County's SAGIC Stable Value Fund
From: Deferred Compensation Committee (List Committee Members?)
Subject: Deferred Compensation Plan Changes / Important Information

There is an important change regarding your Deferred Compensation Plan investment that we want to communicate to you. 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). Some individuals in these accounts made changes, either adding or changing investment choices. According to our records, you have not made any changes to 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 plan changes, think about what type of investor you are and determine next best steps based on your personal situation.

What is happening?

Effective <DATE>, your account balance in the Stable Value Fund (SAGIC) will automatically move to the age appropriate Vanguard Target Retirement Fund based on your date of birth and a projected retirement age of 65. If you would like your current account balance and future contributions invested in the appropriate Vanguard Target Retirement Fund, there is nothing you need to do at this time.

After the stock market closes on <DATE> your current account balance and future contributions will automatically be invested in the Vanguard Target Retirement Fund dated closest to the year you turn age 65 (see chart below), unless you make a different investment election between <DATE> and <DATE>.

<u>Option</u>	<u>Birth Dates</u>
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	1985 or after

If you do not wish to have this action taken, you will need to log in to your account via www.viewmyretirement.com/sanmateocounty or call **1-800-743-5274** to choose your investments before the end of the election period. The election period is between <TIME> on <DATE> and <TIME> on <DATE>.

You may also visit <http://bit.ly/2jy0EEEx> to schedule an appointment with Patrick Washington.

Why the change?

Most employers, including the County, used stable value or money market funds for automatically enrolling participants who did not make individual investment selections. As part of the Pension Protection Act of 2006, (which became law at the end of 2007) the Department of Labor recommended that plans adopt Target Date Funds (TDFs) prospectively for these QDIAs. The Department's reasoning was that Stable Value or Money Market Funds were not diversified and they were unlikely to keep pace with inflation. By contrast, TDFs were both diversified and more likely to keep pace with inflationary increases and were therefore better investment vehicles for these employer default actions.

In response to this law, the County introduced TDFs into the portfolio's options precisely to follow the Department's suggestion for default options but grandfathered those individuals who were initially placed into either the General Account or Stable Value Fund.

As we have continued to review our fund line-up, we consider it appropriate to move individuals who were initially placed in these funds to the newly recognized QDIAs.

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/2jy0EEEx> set up an appointment with Patrick Washington.

*Generally target retirement date (lifecycle) investment options are designed to be held beyond the presumed retirement date to offer a continuing investment option for the investor in retirement. The year in the investment option name refers to the approximate year an investor in the option would plan to retire and likely would stop making new contributions to the investment option. However, investors may choose a date other than their presumed retirement date to be more conservative or aggressive depending on their own risk tolerance.

Target retirement date (lifecycle) investment options are designed for participants who plan to withdraw the value of their accounts gradually after retirement. Each of these options follows its own asset allocation path ("glide path") to progressively reduce its equity exposure and become more conservative over time. Options may not reach their most conservative allocation until after their target date. Others may reach their most conservative allocation in their target date year. Investors should consider their own personal risk tolerance, circumstances and financial situation. These options should not be selected solely on a single factor such as age or retirement date. Please consult the prospectus

(if applicable) pertaining to the options to determine if their glide path is consistent with your long-term financial plan. Target retirement date investment options' stated asset allocation may be subject to change. Investments in these options are not guaranteed and you may experience losses, including losses near, at, or after the target date. Additionally, there is no guarantee that the options will provide adequate income at and through retirement.