

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY
AND RECORD OF ACTION**

June 28, 2022

FROM

DIANE RUNDLES, Director, Human Resources Department

SUBJECT

Amendment to Stabilizer Contracts between San Bernardino County and Voya Retirement Insurance and Annuity Company

RECOMMENDATION(S)

Approve Amendment No. 4 to Agreement No. 14-954 with Voya Retirement Insurance and Annuity Company updating references to the appropriate benchmark, eliminating the duration cap and modifying the duration band for the following Stabilizer Contracts:

1. Stabilizer Contract for the 401(k) Defined Contribution Plan.
2. Stabilizer Contract for the 457(b) Deferred Compensation Plan.
3. Stabilizer Contract for the 401(a) Defined Contribution Plan.
4. Stabilizer Contract for the Part-time, Seasonal, and Temporary Deferred Compensation Retirement Plan.

(Presenter: Diane Rundles, Director, 387-5570)

COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES

Operate in a Fiscally-Responsible and Business-Like Manner.

FINANCIAL IMPACT

Approval of this item will not result in the use of Discretionary General Funding (Net County Cost). The administrative costs of preparing the proposed amendment are minimal, and the proposed amendment will not result in a cost to the County. The recommended action amends the Stabilizer Contracts for the 401(k) Defined Contribution Plan, 457(b) Deferred Compensation Plan, 401(a) Defined Contribution Plan and the Part-time, Seasonal, and Temporary (PST) Deferred Compensation Retirement Plan by updating the Stabilizer Fund to the appropriate benchmark, eliminating the duration cap currently in place and modifying the duration band.

BACKGROUND INFORMATION

Approval of this item authorizes an amendment to San Bernardino County's ("County") Stabilizer Contracts for the 401(k) Defined Contribution Plan, 457(b) Deferred Compensation Plan, 401(a) Defined Contribution Plan and the PST Deferred Compensation Retirement Plan (collectively, the "Plans"). The Stabilizer Contracts offer Plan participants a stable value investment option (Stabilizer Fund). It seeks to preserve participant account balances and to return steady growth over time without daily fluctuations.

On December 2, 2014 (Item No. 21), the Board of Supervisors (Board) approved Agreement No. 14-954, which includes Stabilizer Contracts for the Defined Contribution Plans for the period of January 9, 2015 through January 8, 2020. On July 23, 2019 (Item No. 19), the Board approved Amendment No. 1 to Agreement No. 14-954, exercising the option to extend the

**Amendment to Stabilizer Contracts between San Bernardino County
and Voya Retirement Insurance and Annuity Company
June 28, 2022**

contract through December 31, 2021. On March 10, 2020 (Item No. 33), the Board approved Amendment No. 2 to Agreement No. 14-954, to move the assets in the Stabilizer Fund from the Intermediate Aggregate Plus Strategy to the Intermediate Aggregate Strategy, which employs less risk for participants by limiting exposure to risky assets, effective April 1, 2020. On May 19, 2020 (Item No. 50), the Board approved Amendment No. 3 to Agreement No. 14-954, to extend the initial transition period of 3 months by an additional 12 months (April 1, 2020 to July 1, 2021) due to market volatility caused by the COVID-19 pandemic.

In April 2022, Voya Retirement and Insurance Annuity Company (Voya) contacted the County to recommend a modification to the investment guidelines of the Stabilizer Contracts to prevent forced selling at a loss of mortgage-backed securities. In light of recent market developments, in order to obtain the flexibility needed to better manage the Stabilizer Fund, Voya is proposing altering the fund's duration and removing the current duration cap in place. The County consulted with the Defined Contribution (DC) Committee consultant, the Hyas Group, and with their recommendation brought the proposed amendment to the DC Committee's quarterly meeting in May 2022. The DC Committee is an advisory committee to the Plan Administrator (Human Resources Division Chief, Employee Benefits and Services Division) and the Board, consisting of nine members from the County, associated agencies, and labor organizations including: the Auditor-Controller/Treasurer/Tax Collector, San Bernardino County Employees' Retirement Association, County Administrative Office, Human Resources, Teamsters Local 1932, Sheriff's Employees' Benefit Association, and other individuals appointed by the County's Chief Executive Officer.

On May 18, 2022, the DC Committee met with Voya and Hyas Group to discuss the amendment to the Plans' Stabilizer Contracts. Voya and Hyas Group both recommended to the DC Committee that an update to the Stabilizer Contracts is necessary due to the recent shifts in the fixed income market which are not allowing the Stabilizer to remain in compliance with the current language. The current policy duration cap of 4.5 years has recently been exceeded which has forced Voya to sell mortgage securities at a loss. It was recommended that the following changes to the Stabilizer Contracts be made: (1) update references to the appropriate benchmark by changing the language in the Stabilizer Contracts from the Bloomberg Barclays U.S. Intermediate Aggregate Bond Index to the Bloomberg Intermediate Aggregate Bond Index; (2) eliminate the current duration cap of 4.5 years; and (3) change the duration band from its current range of +/- 0.5 years of the duration of the benchmark subject to a maximum effective duration cap of 4.5 years, to a range of +/- 10% of the duration of the benchmark.

The DC Committee unanimously recommended to request approval from the Board to approve Amendment No. 4 to Agreement No. 14-954. Given the high level of stress in the markets recently, the approval of this amendment will allow Voya to manage the holdings within the Stabilizer Fund in a more strategic manner.

PROCUREMENT

Not applicable.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Jolena E. Grider, Deputy County Counsel, 387-5455) on June 6, 2022; Finance (Jessica Trillo, Principal Administrative Analyst, 387-4222) on June 7, 2022; and County Finance and Administration (Paloma Hernandez-Barker, Deputy Executive Officer, 387-5423) on June 13, 2022.

**Amendment to Stabilizer Contracts between San Bernardino County
and Voya Retirement Insurance and Annuity Company
June 28, 2022**

Record of Action of the Board of Supervisors
San Bernardino County

APPROVED (CONSENT CALENDAR)

Moved: Janice Rutherford Seconded: Col. Paul Cook (Ret.)
Ayes: Col. Paul Cook (Ret.), Janice Rutherford, Dawn Rowe, Joe Baca, Jr.
Absent: Curt Hagman

Lynna Monell, CLERK OF THE BOARD

BY 
DATED: June 28, 2022



cc: File- Human Resources w/attach
LA 07/13/2022