

San Diego City Employees Retiree Medical Trust

1843 Hotel Circle South, 3rd Floor

San Diego, CA 92108

888-524-0115

May 15, 2018

TO: Account Beneficiaries - Participants ("Members") in the San Diego City Employees Retiree Medical Trust with an Individual Employee Account

RE: Investment Option Selections for Your Employee Account

Dear Member:

Enclosed with this cover letter, you will find an Informational Bulletin (titled "Summary of Material Modification") and an Investment Option Selection Form regarding the assets credited to your individual notional/record keeping account ("Employee Account") in the San Diego City Employees Retiree Medical Trust ("Trust"). **PLEASE BE AWARE THAT THIS LETTER CONTAINS NEW INFORMATION CONCERNING YOUR INVESTMENT OPPORTUNITIES. AND NOTE:** As further set forth below, you may change your current investment option selection (whether you were defaulted into, or submitted a form to select your current option). To make an initial investment option selection, or to change your current investment option selection, you must choose one of the currently available six Investment Options (each offering different investment "Portfolios") set forth on the Investment Option Selection Form and return the Investment Option Selection Form to the Trust Office. **YOUR SELECTION FORM MUST BE PROPERLY ADDRESSED TO THE TRUST OFFICE AND POSTMARKED, OR BE PERSONALLY DELIVERED TO THE TRUST OFFICE, NO LATER THAN 30 DAYS FROM THE MAILING DATE OF THIS LETTER (the "election period").**

The San Diego City Employees Retiree Medical Trust. The Trust was established as a tax-favored way of saving and investing lump sum contributions ("Option C" funds) paid to the Trust on your behalf by your employer. The Trust's Office maintains an individual recordkeeping account in each member's name, which is called your "Employee Account."

Investment of Your Employee Account Funds. You have the following choices for Investment Options (described in more detail in the enclosed Informational Bulletin) of your Employee Account funds:

- Option 1 - Cash Portfolio
- Option 2 - Bond Portfolio
- Option 3 - Conservative Portfolio
- Option 4 - Moderately Conservative Portfolio
- Option 5 - Moderate Portfolio
- Option 6 - Aggressive Portfolio

Default Selection. When your Employee Account was/is initially established, the failure to return a selection form setting forth your Investment Option selection results in a Default Option selection being made on your behalf. As of July 1, 2018 the Default Option for Members who have never submitted an Investment Option Selection Form is "Option 5 - Moderate Portfolio." If you already have an established Employee Account and don't submit a new Investment Option Selection Form you will remain invested in the same Investment Option that you have been invested in during the prior plan year. The foregoing will result because the a failure to submit an Investment Option Section Form with a different/new Investment Option selection will be interpreted to mean that you want to remain invested in the Investment Option that you were defaulted into. **NOTE:** While each Member is free to change their Investment Option selection at other times during the Plan Year, Members can only change their Investment Option selection once a year – during the election period – without cost.

Selection Other than the Default Selection. If you previously submitted a selection form to the Trust Office on which you chose a specific Investment Option (i.e., you did not default into your current Investment Option selection), then you can remain in your current Investment Option selection by doing nothing. However, if you now want to change your Investment Option selection, this is your chance to change your Investment Option selection without cost. **NOTE:** As stated above, while each member is free to change their Investment Option selection at other times during the Plan Year, Members can only change their Investment Option selection once a year – during the election period – without cost.

Enclosed Informational Material. The Trust's Board of Trustees wants you to understand the currently available Investment Options. In order to assist you in that understanding, we are enclosing an Informational Bulletin for your review. This Informational Bulletin is intended to set forth recent changes and additions that were made to the Trust's Investment Options, in order to assist Members in making informed decisions concerning their investment alternatives. As with all individual investment decisions, Members are encouraged to seek assistance from their personal accountant or investment advisor prior to making such investment decisions. If you have questions on completing or returning the Investment Option Selection Form, please call the Trust Office at (888) 524-0115 prior to the Form submission deadline.

Sincerely

Debra Bevier,
Chair, Board of Trustees
San Diego City Employees Retiree Medical Trust

SUMMARY OF MATERIAL MODIFICATION

New Investment Advisors & Changes to the Investment Options

The Board of Trustees (“Board”) of the San Diego City Employees Retirement Medical Trust (“Trust”) has been working diligently to finalize the search for and hiring of a new Investment Advisor. The Board has selected RBC Wealth Management. Since their selection, RBC Wealth Management and the Board have held multiple meetings to discuss diversifying investment options that Participants in the Trust (“Members”) can choose from. The Board is now pleased to host two meetings which the members are invited to attend to hear about and discuss exciting investment changes that are intended to help Members meet their individual, long-term medical needs.

1. Scheduled Meetings to Discuss Changes to the Trust Investment Options

The Board of Trustees will be hosting open meetings as follows:

Friday, June 1, 2018	Time: 2:00 p.m. to 4:00 p.m.
Monday, June 4, 2018	Address: POA Hall of Valor
	8388 Vickers Street, San Diego, CA 92111

All Members and their families are invited to meet the Trust’s new investment advisors, RBC Wealth Management, and discuss any questions they may have regarding the information presented below. RBC Wealth Management will provide a general presentation on the investment process, and share their insights on various ways to help the Members choose the right investment option for their individual need. In addition, RBC Wealth Management invites the Members to contact them directly on an ongoing basis after the scheduled open meetings with any investment related questions they may have concerning the Options offered.

2. Renaming of Investment Options

The Investment Options have been renamed to more accurately describe the various investment options available to Members (see the next page for a description of the New Aggressive Portfolio). The revised Investment Options are:

Option:	Old Name:	New Name:	Asset Allocation:
1	Cash Management	Cash Portfolio	100% Cash
2	Fixed Income	Bond Portfolio	100% Bonds
3	Conservative Strategy Portfolio	Conservative Portfolio	20% Stocks 80% Bonds
4	Moderate Strategy Portfolio <i>(current default Option)</i>	Moderately Conservative Portfolio	40% Stocks 60% Bonds
5	Balanced Strategy Portfolio	Moderate Portfolio <i>(new default Option)</i>	60% Stocks 40% Bonds
6	(New)	Aggressive Portfolio	80% Stocks 20% Bonds

3. Addition of a new “Aggressive Portfolio”

An additional Investment Option called “Aggressive Portfolio” has been added for members who want to select an investment strategy that offers a more aggressive option. Investments in the Aggressive Portfolio will be a mix of approximately 80% stocks and 20% bonds.

4. Reformulation of Underlying Investment Options to Improve Investment Performance

Slight changes are being made to the underlying investments within each of the existing (renamed) investment options. These changes have been recommended by RBC Wealth Management, as their research shows that these changes should improve overall investment performance. These changes will incorporate both active and passive investment strategies with the following goals in mind:

- i. Improved investment performance;
- ii. Ensure better risk management through enhanced diversification of investments; and
- iii. Continue to administer the Trust’s investments with relatively low investment costs.

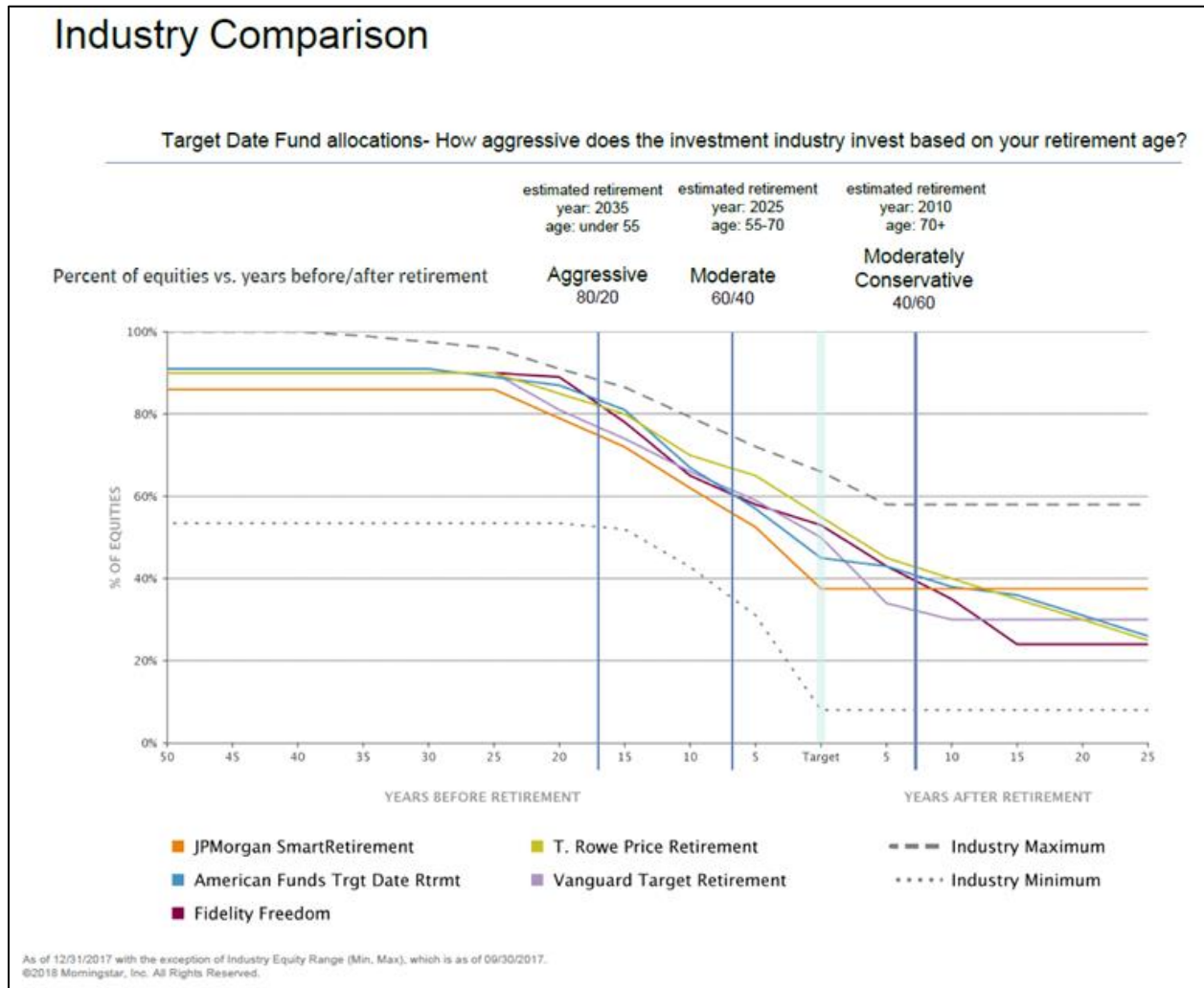
The following table provides a list of the Funds that have been selected for inclusion in the individual portfolios, and the allocations of assets to each Fund, for each Portfolios within the Investment Options.

Strategy and Fund Name		Cash Portfolio	Bond Portfolio	Conservative Portfolio	Moderately Conservative Portfolio	Moderate Portfolio	Aggressive Portfolio (New)
Vanguard Total Stock Market Index	VITSX	0%		12%	24%	36%	48%
American Funds Europacific Gr	RERGX			8%	16%	24%	32%
Prudential Total Return Bond	PTRQX		32%	25%	20%	14%	9%
Western Asset Core Plus Bond	WAPSX		26%	20%	15%	12%	7%
Dodge & Cox Income	DODIX		32%	25%	15%	8%	0%
Prudential Global Total Return	PGTQX		10%	10%	10%	6%	4%
Schwab Money Market		100%					
		100%	100%	100%	100%	100%	100%
Stock/Bond Allocation		0/100	0/100	20/80	40/60	60/40	80/20
Comparable Target Date Age Tranche		n/a			2010	2025	2035

5. New Default Investment Option

New contributions received on or after **July 1, 2018** will be placed in Option 5, the Moderate Portfolio, which will serve as the new default Investment Option. The Moderate Portfolio offers a mix of 60% stocks and 40% bonds.

Based on considerable research conducted by RBC Wealth Management and other industry experts, the Moderate portfolio has been adopted as the new default investment option. The graph below, shows that industry experts, at some of the largest target date investment funds (which collectively represent hundreds of billions of dollars in investments), recommend a moderate investment strategy for individuals who plan to retire between age 55 and 70.



RBC Wealth Management also utilized this research when recommending that the Board offer the new Option 6, “Aggressive Portfolio”.

6. Forecasted Rates of Return for All Investment Options

RBC Wealth Management has provided forecasted rates of return, over the next 5 to 10 years, for each of the renamed Investment Options. This forecast relies upon the most current capital market assumptions, and shows higher forecasted returns for investment options that are more aggressive. **These higher rates of return also assume that the more aggressive investment options will experience higher volatility and/or risk over time. These returns are an estimate and not a guarantee of future performance.**

Option:	New Name:	Asset Allocation:	RBC Capital Market Assumptions and Target Rates of Return:
1	Cash Portfolio	100% Cash	1.7%
2	Bond Portfolio	100% Bonds	2.7%
3	Conservative Portfolio	20% Stocks 80% Bonds	3.5%
4	Moderately Conservative Portfolio	40% Stocks 60% Bonds	4.2%
5	Moderate Portfolio (new default Option)	60% Stocks 40% Bonds	5.0%
6	(New) Aggressive Portfolio	80% Stocks 20% Bonds	5.8%

The Trust's new Investment Advisors, RBC Wealth Management, can be reached by calling 1-866-416-9716 or emailing them at RetirementPlanAdvisors.Info@rbc.com.

SAN DIEGO CITY EMPLOYEES RETIREE MEDICAL TRUST

PORTFOLIO SELECTION FORM

Mailing Date: May 15, 2018

Participant:	_____	_____	_____	_____
	Print Name	Signature	Social Sec #	Date
Spouse:	_____	_____	_____	_____
	Print Name	Signature	Social Sec #	Date
<input type="checkbox"/>	Check box if not married	Not valid without Spouse signature		

You may change your Portfolio Selection at no cost only one time annually during the investment selection period. This Portfolio Selection applies to all existing assets in your Employee Account, as well as future contributions credited to your Employee Account. This Selection Form is due to the Trust Office, c/o McGregor & Associates, 1843 Hotel Circle South #300, San Diego, 92108, **no later than 30 days from the Mailing Date** entered above. **Please refer to the accompanying Informational Bulletin for an explanation of the investments in each of the six Portfolio Options.**

Portfolio Selection* :

	Target Allocations	Risk
<input type="checkbox"/> Option 1: Cash Portfolio	100% money market	Minimal
<input type="checkbox"/> Option 2: Bond Portfolio	100% bonds	Minimal
<input type="checkbox"/> Option 3: Conservative Portfolio**	approx. 20% stocks / 80% bonds	Conservative
<input type="checkbox"/> Option 4: Moderately Conservative Portfolio**	approx. 40% stocks / 60% bonds	Moderately Conservative
<input type="checkbox"/> Option 5: Moderate Portfolio**	approx. 60% stocks / 40% bonds	Moderately Aggressive
<input type="checkbox"/> Option 6: Aggressive Portfolio**	approx. 80% stocks / 20% bonds	Aggressive

If you previously returned the Selection Form to select an investment option and you do not return it again by the due date, your Employee Account will remain invested in the same investment Portfolio as for the prior plan year, and you will not have an opportunity to change that investment without cost until the next annual selection period. **If you did not return the Selection Form previously, the Trust Office invested your Employee Account in the Option 5 Default Selection.** To change your investment selection outside of the regular investment selection period, the Trust will charge your Employee Account a \$20.00 investment selection change fee per change.

**None of the Portfolios, including the Cash Portfolio, are covered by FDIC Insurance.*

***These Portfolios contain stocks and may experience more fluctuations in investment returns and principal value than Options 1 and 2.*

Any of the investments in Options 1 through 6 may be worth more or less than the original cost when sold. No guarantee is made regarding future performance of any of the investments in Options 1 through 6.