MEMO

To: City of San Jose VEBA Advisory Committee

From: Hyas Group

Date: March 3, 2021

RE: Lower cost version of the target date funds

Vanguard recently dropped the investment dollar minimum to their institutional share class of target date funds from $100 million to $5 million. As noted in the table below from the City's fourth quarter performance report, the two VEBA Plans had approximately $7.5 million across all vintages of the Vanguard target date series.

CITY OF SAN JOSE

Both VEBA Plans   Fourth Quarter 2020

Fund	Ticker	Assets	Current Expense	New Expense	Difference	Est. Annual Savings
Vanguard Target Retirement Income Inv	VTINX	$379,143	0.12%	0.09%	0.03%	$114
Vanguard Target Retirement 2015 Inv	VTXVX	$15,540	0.13%	0.09%	0.04%	$6
Vanguard Target Retirement 2020 Inv	VTWNX	$219,421	0.13%	0.09%	0.04%	$88
Vanguard Target Retirement 2025 Inv	VTTVX	$1,755,635	0.13%	0.09%	0.04%	$702
Vanguard Target Retirement 2030 Inv	VTHRX	$488,695	0.14%	0.09%	0.05%	$244
Vanguard Target Retirement 2035 Inv	VTTHX	$771,737	0.14%	0.09%	0.05%	$386
Vanguard Target Retirement 2040 Inv	VFORX	$1,974,758	0.14%	0.09%	0.05%	$987
Vanguard Target Retirement 2045 Inv	VTIVX	$637,896	0.15%	0.09%	0.06%	$383
Vanguard Target Retirement 2050 Inv	VFIFX	$679,764	0.15%	0.09%	0.06%	$408
Vanguard Target Retirement 2055 Inv	VFFVX	$545,950	0.15%	0.09%	0.06%	$328
Vanguard Target Retirement 2060 Inv	VTTSX	$55,054	0.15%	0.09%	0.06%	$33
Vanguard Target Retirement 2065 Inv	VLXVX	$17,766	0.15%	0.09%	0.06%	$11
TOTAL		**$7,541,358**				**$3,689**

As noted, if the Committee voted to move to the less expensive institutional share class, participant savings would be roughly $3,700 annually.

The funds are virtually identical (same underlying funds, same asset allocation, etc.). The main difference is the cost as represented by a lower expense ratio.

Our recommendation is for you to move to the less expensive share class of the Vanguard target date funds.