



HYAS GROUP

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February 24, 2025

Jordan Kaufman
Treasurer-Tax Collector
Kern County
1115 Truxtun Avenue, 2nd Floor
Bakersfield, CA 93301

RE: FOURTH QUARTER 2024 KERN COUNTY DEFERRED
COMPENSATION ADVISORY COMMITTEE MEETING

Committee Members Present

Jordan Kaufman, Chair – Treasurer-Tax Collector
Janelle Austin as alternate for Aimee Espinoza – Auditor’s Office

Committee Members Absent

Tracey Eldridge – Chief Administrator’s Office

Also in Attendance

Chase Nunneley – Assistant Treasurer-Tax Collector
Rachel Medrano – Confidential Administrative Assistant
Jennifer Feige – County Counsel
Rasch Cousineau – Hyas Group

Attending Virtually

José Mirales – Voya Financial

Dear Jordan,

Please find below a summary of the action items from our meeting on February 20, 2025. The meeting was held in person in the KCTTC Large Conference Room and virtually via Microsoft Team videoconferencing.

The meeting was called to order at 10:03 a.m.

1. The November 21, 2024 Quarterly Meeting Minutes were received as a consent agenda (CA) item.
2. The December 31, 2024 Match Report was received as a consent agenda (CA) item.
3. The December 31, 2024 Kern Stable Value Fund Report was received as a consent agenda (CA) item.
4. The December 31, 2024 Budget Update for both Plans were received as consent agenda (CA) items.
5. The December 31, 2024 Fees Report for both Plans were received as consent agenda (CA) items.



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6. **Voya Quarterly Plan Review**
Janelle Austin Motioned/Jordan Kaufman Seconded/ Tracey Eldridge absent; Unanimous
7. Hyas Group provided the Fourth Quarter 2024 Performance Report. The report included the following highlights:
 - **Market Commentary –**
 - The United States continued to post broadly strong economic growth into the fourth quarter, with wages, employment, working hours, and spending all showing signs of expansion. Average three-month payroll growth as of November for example came in above both the third and second quarters of 2024. Similarly, income increased at a greater annual rate in the fourth quarter than the third (5.5% versus 4.5%). Such strength may reduce the need for policy accommodation stemming from the Fed.
 - Speaking of the Fed, the Federal Open Markets Committee (FOMC) lowered the target federal funds rate by 0.25% to 4.375% in its December meeting. The statement accompanying this meeting signaled the Fed is intent on pausing before resuming rate cuts. This hawkish turn and emphasis on caution appeared to reflect the incorporation of potential changes to trade, immigration, and fiscal policy by some members that led to a firmer inflation path and, in turn, a firmer policy rate path. In reflection of this reassessment, the Summary of Economic Projections produced by the FOMC shifted to an expectation of only two cuts next year instead of four, with inflation not reaching the 2% target until 2027.
 - Overall, US Treasuries underperformed the Bloomberg Aggregate Index in 2024, as policymakers have seemingly achieved a rare economic soft landing. The Treasury yield curve also steepened and disinverted, as long-end yields surged while the short-end declined with the start of the easing cycle. The Fed cut rates three times for a total of 1.00%: 0.50% in September and 0.25% cuts in November and December. The estimated term premium increased from -0.33% to 0.49% over 2024. The steepening yield curve reflects investors' expectations for strong growth, higher inflation, and fewer rate cuts — all pointing to higher-for-longer rates for the long end.
 - **Plan Data – December 31, 2024 457(b) and PTST Plans' total combined assets were \$844,770,917, up \$2,607,766 from last quarter.**
 - The 457(b) Plan's assets were \$829,457,476, up \$2,037,707 from last quarter. Also in the 457(b) Plan, net cash flow was positive for the quarter at \$107,648 and negative year-to-date at (\$781,317) and \$1,771,742 transferred out of Fixed Income.
 - The PTST Plans' assets were \$15,313,441, up \$570,059 from last quarter. Also in the PTST Plans, net cash flow was positive for the quarter at \$467,045 as well as positive year-to-date at \$943,125.
 - **Current Fund Lineup Performance – All funds met policy compliance with exception of Kern Stable Value (performance) and Vanguard Wellesley (performance).**



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- Fee and Revenue Analysis – 4Q24 weighted fees in the 457 Plan were 0.393%. Weighted fees in the PTST Plan were 0.370%.
8. Hyas Group also included a Stabilizer market-to-book update:
- The fourth quarter market-to-book ratio was 92.8%.
 - If rates increase 1%, the market-to-book would drop to 89.1%. If rates decreased by 1%, the market-to-book would increase to 96.6%. The movement is a result of the portfolio duration which was 3.76 as of December 31.
 - Yield to maturity was 5.21%. Crediting rate was 2.83%.
 - If rates do not change, it will take approximately 3.48 years to get to 100% market-to-book ratio.
 - Hyas Group will provide another update of Stabilizer at the next meeting.
9. The County proposed the addition of Target Date Funds, the deletion of balanced and global funds, and a change to the QDIA (Qualified Default Investment Alternative) from managed accounts to target dates.
- The Committee approved the addition of the American Funds Target Date series (various tickers) suite and authorized the Plan Administrator to take necessary actions and sign necessary documents to implement the fund addition.
 - The Committee approved the elimination of the American Funds World Growth and Income fund (RWIGX), the Fidelity Asset Manager 50% fund (FASMX), and the Vanguard Wellesley Income Admiral fund (VWIAX), and map the assets in these three funds to the American Funds Target Date Retirement Fund R6 (various tickers).
 - The Committee approved changing the Qualified Default Investment Alternative (QDIA) from Voya Managed Accounts to the new American Funds Target Date Retirement Fund R6 (various tickers) for all new employees effective immediately after the American Funds Target Date Funds are added to the Plan.

Janelle Austin Motioned/Jordan Kaufman Seconded/ Tracey Eldridge absent; Unanimous

10. The County and Hyas Group provided an Admin Fee Analysis:
- After some discussion the Committee approved increasing the Plan admin fee from 0.06% to 0.08%. This administration fee includes the Voya recordkeeping fee of 0.05%. Even with the increase, County fees are still less than half of the National average of 0.17%.
 - The fee cap increases from \$350,000 to \$500,000.
 - It is estimated that the administrative account will last three years with the fee increase based on September 30, 2024 assets of \$812 million. The County noted that assets as of February 19, 2025 were \$862 million.
 - The fee increase will be effective July 1, 2025.

Janelle Austin Motioned/Jordan Kaufman Seconded/ Tracey Eldridge absent; Unanimous

11. The County and Hyas Group discussed Plan Design which included the following highlights:



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- An overview of the recent IRS SECURE 2.0 updates to sections 603 (mandatory Roth catch-up) and 109 (ages 60-63 “super catch-up”) was provided. Clarification included exempting employers who do not pay into Social Security from section 603 and confirmation that section 109 is optional.
- An overview was provided of the Social Security Fairness Act which was signed into law January 5, 2025. The legislation eliminates the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO) which positively impacts millions of public sector employees who had previously – and unfairly – received a reduced Social Security benefit due to their employer’s Pension payments.
- The Committee and Hyas Group also discussed the SECURE 2.0 checklist and what provisions if any may be adopted by the County (May meeting).

Hyas Group will continue to provide updates regarding these topics and more as they become available.

Janelle Austin Motioned/Jordan Kaufman Seconded/ Tracey Eldridge absent; Unanimous

12. The 2025 remaining meeting schedule is as follows:
- Prep Meeting for 1Q25 Review – April 17 @ 11:30am
 - 1Q25 Quarterly Review – May 15 @ 10:00am
 - Prep Meeting for 2Q25 Review – July 9 @ 10:00am
 - 2Q25 Quarterly Review – August 21 @ 10:00am
 - Prep Meeting for 3Q25 Review – October 20 @ 10:00am
 - 3Q25 Quarterly Meeting – November 20 @ 10:00am

Future Meeting Topics:

- SECURE 2.0 checklist – County, Voya, and Hyas Group
- Ongoing Stabilizer Analysis – Hyas Group

The meeting was adjourned at 11:17 a.m.

Janelle Austin Motioned/Jordan Kaufman Seconded/ Tracey Eldridge absent; Unanimous

Thank you and please let me know if there are any questions.

Sincerely,

Rasch Cousineau, *Senior Consultant*
(702) 898-0441 | rcousineau@hyasgroup.com

cc: Rachel Medrano