



HYAS GROUP

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November 21, 2024

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

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

Committee Members Present

Jordan Kaufman, Chair – Treasurer-Tax Collector
Tracey Eldridge – Chief Administrator’s Office

Committee Members Absent

Aimee Espinoza – Auditor’s Office

Also in Attendance

Chase Nunneley – Assistant Treasurer-Tax Collector
Rachel Medrano – Confidential Administrative Assistant
Jennifer Feige – County Counsel
José Mirales – Voya Financial
Liliana Fahel – Voya Financial
Rasch Cousineau – Hyas Group

Attending Virtually

None

Dear Jordan,

Please find below a summary of the action items from our meeting on November 21, 2024. 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 10:01 a.m.

1. The August 15, 2024 Quarterly Meeting Minutes were received as a consent agenda (CA) item.
2. The 2025 meeting schedule was received as a consent agenda (CA) item.
3. The September 30, 2024 Match Report was received as a consent agenda (CA) item.
4. The September 30, 2024 Kern Stable Value Fund Report was received as a consent agenda (CA) item.



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5. The September 30, 2024 Budget Update for both Plans were received as consent agenda (CA) items.
6. The September 30, 2024 Fees Report for both Plans were received as consent agenda (CA) items.
7. The proposed changes in the Deferred Compensation Plan Document reflecting the addition of Probation Management employer match provisions were approved and recommended for approval submission to the Board of Supervisors.

Tracey Eldridge Motioned/Jordan Kaufman Seconded/Unanimous

8. Voya provided a quarterly update.

Tracey Eldridge Motioned/Jordan Kaufman Seconded/Unanimous

9. Hyas Group provided the Third Quarter 2024 Performance Report. The report included the following highlights:
 - Market Commentary –
 - For the quarter, the S&P 500 rose 5.9%, the Dow Jones Industrial Average increased 8.7%, the Russell Mid-cap gained 9.2%, and the Russell 2000 Small-cap Index increased 9.3%.
 - During the third quarter of 2024, the Federal Reserve cut the Federal Funds rate by 50 basis points after a hiking cycle that began in 2022. The rate cut came on the heels of pre-meeting data that showed decelerating inflation and signs of cracking in the labor market. Though labor market cracks are apparent in some areas and payrolls had been steadily declining leading up to the meeting, September jobs data pointed to a still-strong labor market. Payrolls surprised to the upside in September, with the unemployment rate staying at 4.1%, the same as the end of last quarter. Investors are now experiencing a rate cutting cycle after an extended “higher for longer” rate environment, as the FOMC tries to guide the economy to a “soft landing” or “no landing” situation.
 - Inflation has been gradually decelerating throughout 3Q24 to 2.5% in August, down from June’s 3.0% level, and very much below June 2022’s peak of 9.1%. While headline CPI continued to decline, Core PCE hovered close to 2Q levels, increasing slightly to 2.7%, still above the Fed’s 2% target. The FOMC continues to weigh its dual mandate of keeping inflation low and maintaining strength in the job market while being sure to not reaccelerate the economy by cutting rates too rapidly. Equities in regions outside the US were mixed, as MSCI Emerging Markets rose 8.8%, MSCI Europe gained 6.5%, and MSCI Japan increased by 5.7% in USD.
 - For the S&P 500, ten sectors posted positive returns for the 3Q. Utilities 19.4%, Real Estate 17.2%, Industrials 11.6%, Financials 10.7%,



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Materials 9.7%, Consumer Staples 9.0%, Consumer Discretionary 7.8%, Health Care 6.1%, Communication Services 1.7%, and Information Technology 1.6% saw positive quarterly returns. Energy - 2.3% saw negative quarterly returns.

- The yield on the 10-year US Treasury note closed the third quarter at 3.78%, down from 4.40% at the end of the second quarter. The yield on 3-month Treasury bills was 4.62%, lower than the end of the second quarter. The Bloomberg US Aggregate Bond Index, a broad measure of the US bond market, increased 5.2% in 3Q24.
- Plan Data – September 30, 2024 457(b) and PTST Plans' total combined assets were \$842,163,151, up \$34,186,136 from last quarter.
 - The 457(b) Plan's assets were \$827,419,769, up \$33,576,438 from last quarter. Also in the 457(b) Plan, net cash flow was negative for the quarter at (\$2,052,669) as well as negative year-to-date at (\$888,965), and \$1,915,412 transferred into Fixed Income.
 - The PTST Plans' assets were \$14,743,382, up \$609,698 from last quarter. Also in the PTST Plans, net cash flow was positive for the quarter at \$517,103 as well as positive year-to-date at \$476,081.
- Current Fund Lineup Performance –
 - Funds are scheduled to map to the new lineup December 3, 2024.
- Fee and Revenue Analysis – 3Q24 weighted fees in the 457 Plan were 0.413%. Weighted fees in the PTST Plan were 0.370%.

Tracey Eldridge Motioned/Jordan Kaufman Seconded/Unanimous

10. Hyas Group provided a Stabilizer market-to-book update:
 - The third quarter market-to-book ratio was 94.6%.
 - If rates increase 1%, the market-to-book would drop to 91.0%. If rates decreased by 1%, the market-to-book would increase to 98.1%. The movement is a result of the portfolio duration which was 3.58 as of September 30.
 - Yield to maturity was 4.70%. Crediting rate was 2.76%.
 - If rates do not change, it will take approximately 3.35 years to get to 100% market-to-book ratio.
 - Hyas Group will provide another update of Stabilizer at the next meeting.
11. The County provided a plan design update:
 - The next meeting may include possible action to raise the 0.01% Plan Admin Fee. Hyas Group will provide an Admin Fee Analysis to help determine the appropriate Admin Fee amount. Hyas Group will also work with the County to support the budget/expenses process.
 - Hyas Group will provide a Target Date Fund Analysis which will also include a comparison to Managed Accounts. The Committee may 1) select a Target Date manager (mapping the approximate \$120 million in Balanced/American Cap World funds) and 2) determine if new QDIA assets will default to the Target Date funds instead of their current default, Managed Accounts.



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12. Hyas Group provided legal, regulatory, and fiduciary updates which included the following highlights:
 - **Social Security Fairness Act** - On November 12, the House passed the Social Security Fairness Act which, if passed by the Senate, would eliminate the Windfall Elimination Provision or WEP along with the Government Pension Offset (GPO). Elimination of these provisions would allow employees who receive pensions to also receive full Social Security benefits. If passed by the Senate, the Bill would be retroactive to December 31, 2023.
 - **Updated Limits for 2025** – On November 1, 2024, the Internal Revenue Service announced the retirement plan deferral limitations for tax year 2025. The contribution limit for 401(k), 403(b), and 457 plans increased to \$23,500. The catch-up contribution limit for employees ages 50 and older in 401(k), 403(b), and 457 plans remains at \$7,500. The 457 special catch-up will be \$47,000 for qualifying employees. New in 2025, employees ages 60-63 may defer an additional \$11,250 beyond the normal limit of \$23,500.
 - **Two Federal District Courts put DOL Fiduciary Rule on Hold** – On July 25, 2024, the U.S. District Courts for the Eastern and Northern Districts of Texas temporarily held the U.S. Department of Labor’s (DOL) recently issued final rule, set to take effect September 23, 2024. The rule would amend the definition of an “investment advice fiduciary.” Both decisions stay the effective date of the 2024 Rule indefinitely while the cases are pending.
 - **US Department of Labor Updates Cybersecurity Guidance** – The new Compliance Assistance Release issued by the Department’s Employee Benefits Security Administration provides best practices in cybersecurity for plan sponsors, plan fiduciaries, recordkeepers, and plan participants. The release includes the following:
 - **Tips for Hiring a Service Provider:** Helps plan sponsors and fiduciaries prudently select a service provider with strong cybersecurity practices and monitor their activities, as ERISA requires.
 - **Cybersecurity Program Best Practices:** Assists plan fiduciaries and recordkeepers in mitigating risks.
 - **Online Security Tips:** Offers plan participants who check their online retirement accounts with rules for reducing the risk of fraud and loss.
 - **Loper Bright Ruling Ripples into Courts' ERISA Interpretations** – Going forward, a court doesn’t have to accept an agency’s interpretation if tools of construction point toward a different conclusion. And that is true “even when an ambiguity happens to implicate a technical matter” because “Congress expects courts to handle technical statutory questions.” Three impacted areas could be the 2024 Fiduciary Investment Rule, ESG Investing, and pension risk transfers.
 - **Treasury, IRS Issue Updated Guidance on Required Minimum Distributions, Generally Retains Proposed Rules** – Treasury and IRS reviewed comments suggesting that a beneficiary of an individual who



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has started required annual distributions should not be required to continue those annual distributions if the remaining account balance is fully distributed within 10 years of death as required by the SECURE Act. After review, Treasury and IRS determined that the final regulations should retain the provision in the proposed regulations requiring such a beneficiary to continue receiving annual payments.

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

Tracey Eldridge Motioned/Jordan Kaufman Seconded/Unanimous

13. The Committee elected Jordan Kaufman to remain Chair and Aimee Espinoza to serve as Vice-Chair.

Tracey Eldridge Motioned/Jordan Kaufman Seconded/Unanimous

14. The 2025 meeting schedule is as follows, all at 10:00 a.m. to 12:00 p.m.:
 - Prep Meeting for 4Q24 Review – TBD
 - 4Q24 Quarterly Review – February 20
 - Prep Meeting for 1Q25 Review – TBD
 - 1Q25 Quarterly Review – May 15
 - Prep Meeting for 2Q25 Review – TBD
 - 2Q25 Quarterly Review – August 21
 - Prep Meeting for 3Q25 Review – TBD
 - 3Q25 Quarterly Meeting – November 20

Future Meeting Topics:

- Fee Analysis – Hyas Group
- Target Date Fund Search + ODIA Analysis (Managed Account vs. Target Dates) – Hyas Group
- Ongoing Stabilizer Analysis – Hyas Group

The meeting was adjourned at 11:09 a.m.

Tracey Eldridge Motioned/Jordan Kaufman Seconded/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