



HYAS GROUP

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May 16, 2025

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

RE: FIRST QUARTER 2025 KERN COUNTY DEFERRED
COMPENSATION ADVISORY COMMITTEE MEETING

Committee Members Present

Chase Nunneley – Assistant Treasurer-Tax Collector
Tracey Eldridge – Chief Administrator's Office

Committee Members Absent

Jordan Kaufman, Chair – Treasurer-Tax Collector
Aimee Espinoza – Auditor's Office

Also in Attendance

Rachel Medrano – Confidential Administrative Assistant
Jennifer Feige – County Counsel
Liliana Fahel, Voya Financial

Attending Virtually

José Mirales – Voya Financial
Rasch Cousineau – Hyas Group

Dear Jordan,

Please find below a summary of the action items from our meeting on May 15, 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 10:01 a.m.

1. The February 20, 2025 Quarterly Meeting Minutes were received as a consent agenda (CA) item.
2. The March 31, 2025 Quarterly Plan Review for both plans were received as a consent agenda (CA) item.
3. The March 31, 2025 Match Report was received as a consent agenda (CA) item.
4. The March 31, 2025 Kern Stable Value Fund Report was received as a consent agenda (CA) item.



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5. The March 31, 2025 Budget Update for both Plans were received as consent agenda (CA) items.
6. The March 31, 2025 Fees Report for both Plans were received as consent agenda (CA) items.
7. The audited financial statements for the year ended June 30, 2024 for both Plans were received, filed, and recommended for approval submission to the Board of Supervisors.
8. The Quarterly Fund Performance Review was received as a consent agenda (CA) item.
9. The Regulatory update and Plan design discussion was received as a consent agenda (CA) item.

Tracey Eldridge Motioned/Chase Nunnelly Seconded/Unanimous

The meeting was adjourned at 10:03 a.m.

Tracey Eldridge Motioned/Chase Nunnelly Seconded/Unanimous

10. Additional information provided by Hyas Group:
 - Market Commentary –
 - Overview:
 - The United States meaningfully increased its tariff rates in April of 2025, including a baseline 10% tariff on all imports in addition to incremental tariffs on a per-country basis (China being set to 54% on imports). As the announcements unfolded, the administration emphasized that the tariffs were reciprocal in nature and could move lower via negotiation. In reaction, Brazil, India, and the European Union indicated a desire to begin discussions along these lines.
 - The Federal Reserve remained on hold at its March 19, 2025 meeting, keeping the federal funds rate target range at 4.25% to 4.50%. The economic projections accompanying the meeting were in the direction of slower growth and stickier inflation. Statements and comments by Federal Reserve officials underscored the need to balance competing risks - upward revisions to inflation which are hawkish and downward revisions to growth which are dovish.
 - Equities:
 - Following US equities' tremendous run in 2023 and 2024, US earnings revisions have softened, lagging those for Europe and Japan. In 2025, heightened policy uncertainty, a fiscal drag, and debates around the future of Artificial Intelligence capital spending have come together to pressure US companies' earnings revisions. After 2024's nearly uninterrupted rally in US equities, softening earnings revisions breadth could signal higher volatility



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ahead for US equities and a potential leadership rotation toward non-US equities.

- Fixed income:
 - During the first quarter of 2025 Treasury yields declined across the curve, as investors priced growing concerns on slowing US macro growth and higher inflation, driven by heightened policy uncertainty and softer survey data. Although investors braced for prospective tariffs, limited clarity on their implementation prompted greater volatility through the quarter, weighing on risky assets. Inflation statistics suggested a slackening in disinflationary momentum, with the core Personal Consumption Expenditure index rising faster than expected, hitting 2.8% on a year-over-year basis in February.
 - Plan Data – March 31, 2025 457(b) and PTST Plans' total combined assets were \$831,746,437, down \$13,024,480 from last quarter.
 - The 457(b) Plan's assets were \$815,976,687, down \$13,480,789 from last quarter. Also in the 457(b) Plan, net cash flow was negative for the quarter and year-to-date at (\$642,605) and \$5,196,751 transferred into Fixed Income.
 - The PTST Plans' assets were \$15,769,750, up \$456,309 from last quarter. Also in the PTST Plans, net cash flow was positive for the quarter and year-to-date at \$348,221.
 - Current Fund Lineup Performance – All funds met policy compliance with the exception of Kern Stable Value (performance) and Vanguard Wellesley (performance).
 - Fee and Revenue Analysis – 1Q25 weighted fees in the 457 Plan were 0.371%. Weighted fees in the PTST Plan were 0.370%.
11. Hyas Group also included a Stabilizer market-to-book update:
- The first quarter market-to-book ratio was 94.4%.
 - If rates increase 1%, the market-to-book would drop to 90.9%. If rates decreased by 1%, the market-to-book would increase to 97.8%. The movement is a result of the portfolio duration which was 3.44 as of March 31.
 - Yield to maturity was 4.91%. Crediting rate was 2.84%.
 - If rates do not change, it will take approximately 3.21 years to get to 100% market-to-book ratio.
 - Hyas Group will provide another update of Stabilizer at the next meeting.
12. Hyas Group also included updates to the fund changes that were approved at last quarter's meeting and are scheduled to occur on or around June 6:
- American Funds Target Date series to be added
 - American Funds World Growth and Income Fund, Fidelity Asset Manager 50% Fund, Vanguard Wellesley Income Admiral Fund to be eliminated and mapped to American Funds Target Date Retirement Fund R6
 - Qualified Default Investment Alternative (QDIA) to be changed from Voya Managed Accounts to the new American Funds Target Date Retirement Fund R6 for all new employee)



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13. The Committee deferred Hyas Group's recommended updates to the Investment Policy Statement until the next meeting. Updates include:
- Addition of Target Date as an investment tier
 - Removal of Global Bond, High Yield Bond, Global Equity, and Real Estate as categories based upon recent fund lineup restructuring.
 - Target Date compliance and evaluation language added
- The Committee may approve the Investment Policy Statement at the next meeting.
14. Hyas Group included legal, regulatory, and fiduciary updates which included the following highlights:
- Fiduciary Insurance Pricing Driven by Investment Fees and Plan Governance – A recent survey was discussed that found fee levels, quality of meeting minutes, and investment searches when applicable, were the main drivers of liability insurance pricing.
 - New administration = new retirement industry policies. SEC voted to stop defending climate disclosure rules and there has also been a recent push (March) to rescind the Biden-era Fiduciary Rule defining an Investment Advice Fiduciary.
 - Rothification and SECURE 2.0 continue to be primary topics. Year-to-date clarifications have included FICA (Social Security) exemptions, the special 457 catch-up remaining pre-tax, and confirmation that age-based catch-up contributions will be Roth for participants making over \$145,000 effective January 1, 2026.
- Hyas Group will continue to provide updates regarding these topics and more as they become available.
15. The 2025 remaining meeting schedule is as follows:
- 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:

- Approve Investment Policy Statement
- SECURE 2.0 checklist – County, Voya, and Hyas Group
- Ongoing Stabilizer Analysis – Hyas Group

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

Sincerely,

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

cc: Chase Nunneley
Rachel Medrano