

Morgan Stanley

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May 21, 2026

Jordan Kaufman

Treasurer-Tax Collector

Kern County

1115 Truxtun Avenue, 2nd Floor
Bakersfield, CA 93301

RE: FIRST QUARTER 2026 KERN COUNTY DEFERRED COMPENSATION ADVISORY COMMITTEE MEETING

Committee Members Present

Jordan Kaufman, Chair – Treasurer-Tax Collector
Tracey Eldridge – Chief Administrator’s Office
Chase Nunneley – Assistant Treasurer-Tax Collector
Aimee Espinoza – Auditor’s Office

Committee Members Absent

None

Also in Attendance

Rachel Medrano – Confidential Administrative Assistant
Josh Rudnick – County Counsel
Rasch Cousineau – Fiduciary Consulting Group
José Mirales – Voya Financial
Liliana Fahel – Voya Financial
Two members from SEIU local 521, attending as members of the public

Dear Jordan,

Please find below a summary of the action items from our meeting on May 21, 2026. 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 19, 2026 Quarterly Meeting Minutes were received as a consent agenda (CA) item.
2. The March 31, 2026 Match Report was received as a consent agenda (CA) item.
3. The March 31, 2026 Kern Stable Value Fund Report was received as a consent agenda (CA) item.

4. The March 31, 2026 Budget Update for both Plans was received as a consent agenda (CA) item.
5. The March 31, 2026 Fees Report for both Plans was received as a consent agenda (CA) item.
6. The Investment Policy Statement was received as a consent agenda (CA) item. Changes included:
 - The approved date was updated to May 21, 2026.
 - The benchmark for Target Date Portfolios (of all vintages) was changed from “Custom Target Date Index” to “Target Index”.
 - This change is proposed to allow the use of broader-industry benchmarks (such as the Morningstar Lifetime Moderate Index series) rather than being limited to a “custom” or plan-specific benchmark.
 - The word “Date” is removed for the contingency of a Retirement Income vintage being offered, either via the current suite or later ones.

Fiduciary Consulting Group will provide a copy of the clean, final Investment Policy Statement to the Committee for its records.

Aimee Espinoza Motioned/Tracey Eldridge Seconded/Unanimous

7. The March 31, 2026 Voya Quarterly Plan Review for both plans was received and filed.

Aimee Espinoza Motioned/Tracey Eldridge Seconded/Unanimous

8. The Fiduciary Consulting Group (FCG) Quarterly Fund Performance Review was received and filed. Highlights included:
 - Market Commentary –
 - Equities
 - For the quarter, the S&P 500 Index declined by 4.4%; the NASDAQ Composite fell by 7.0%; the Russell 2000 Index increased by 0.9%; and the Dow Jones Industrial Average declined by 3.2%.
 - Six of 11 S&P 500 sectors posted positive returns in the quarter. The S&P 500 sectors that gained included: Energy (38.2%), Materials (9.7%), Utilities (8.3%), Consumer Staples (7.7%), Industrials (4.6%), and Real Estate (2.8%). Financials (-9.5%), Consumer Discretionary (-9.2%), Technology (-9.1%), Comm. Services (-6.9%), and Health Care (-4.9%) retreated.
 - Outside the US, equities were mixed. The MSCI Europe fell by 2.4%, the MSCI Japan rose by 1.6%, and the MSCI Emerging Markets declined by 0.1%, all in US dollar terms.

- Fixed Income
 - The Federal Reserve kept the federal funds rate unchanged in its January and March FOMC meetings. Inflation data was moderately lower throughout the quarter, measuring at 2.4% in February.
 - The yield on the 10-year US Treasury note closed the quarter at 4.32%, while the three-month US Treasury bill yield ended at 3.67%.
 - The Bloomberg US Aggregate Index, a general measure of the bond market, decreased by 0.05% in the quarter.
- Other Influences
 - The war in Iran and subsequent closure of the Strait of Hormuz caused crude oil prices to spike, sparking fears of reflation if the conflict is sustained.
 - Labor markets remained relatively steady throughout the quarter, with the unemployment rate measuring at 4.3% in March.
 - Throughout the quarter, gold prices increased about 7.8%, and the US dollar rose by about 1.6%.
- Looking Ahead
 - Morgan Stanley's US Economics team expects the Fed to cut rates by 25 basis points in September and December 2026, bringing the terminal target range to 3.0%-3.25% by the end of 2026.
- Plan Data – March 31, 2026 457(b) and PTST Plans' total combined assets were \$943,412,943 which is down \$16,383,450 from last quarter.
 - The 457(b) Plan's assets were \$926,740,152, down \$16,857,249 from last quarter. Also in the 457(b) Plan, net cash flow was negative for the quarter and year-to-date at (\$952,053) and \$4,230,867 transferred into Fixed Income.
 - The PTST Plans' assets were \$16,672,791, up \$473,799 from last quarter. Also in the PTST Plans, net cash flow was positive for the quarter and year-to-date at \$338,470.
- Current Fund Lineup Performance –
 - Kern Stable Value has been out of performance compliance since 4Q 2023.
 - Schroder International Alpha Trust Cl 1 CIT was out of performance compliance due to trailing its benchmark and peer group for the 5-year period. This was the fund's second consecutive quarter of noncompliance, therefore FCG recommended placing the fund on watch.
- Fee and Revenue Analysis – 1Q26 weighted fees in the 457 Plan were 0.374%. Fees are 25% lower than in 2023 equating to \$655,000+ in annual savings for Kern County participants.
- Stabilizer Market-to-Book Update –
 - The first quarter market-to-book ratio was 97.8%.

- If rates increase 1%, the market-to-book would drop to 94.3%. If rates decrease by 1%, the market-to-book would increase to 101.4%. The movement is a result of the portfolio duration which was 3.53 as of March 31.
- Yield to maturity was 4.39%. Crediting rate was 3.42%.
- If rates do not change, it will take approximately 3.36 years to get to 100% market-to-book ratio.
- The crediting rate for the Stabilizer is 3.42% through March 31, 2026. Fiduciary Consulting Group will provide another update of Stabilizer at the next meeting.

Tracey Eldridge Motioned/Aimee Espinoza Seconded/Unanimous

9. The Regulatory update and Plan design discussion was received and filed. Highlights included:
 - [**DOL Unveils Proposed Rule to Remove Restrictions on Alternative Investments in 401\(k\) Plans**](#)
The proposed rule establishes a process-based safe harbor for fiduciaries' duty of prudence under the Employee Retirement Income Security Act (ERISA) in selecting investment options for participant-directed individual account plans. The rule aims to "alleviate certain regulatory burdens and litigation risk" with alternative investments – including alternative assets such as private equity, real estate, digital assets like cryptocurrency, commodities, infrastructure, and lifetime income strategies.
 - [**House Passes Bill to Restrict ESG Investment in Retirement Plans**](#)
In January, the House of Representatives, by a 213 to 205 vote, passed legislation that would make it harder for fiduciaries to consider environmental, social, and governance factors when making investment decisions.
 - [**DOL Rolls Back 2024 Fiduciary Rule and 2020 Interpretation of Five-Part Test**](#)
Texas federal district courts entered orders vacating the Department of Labor's ("DOL") 2024 regulation (the "2024 Fiduciary Rule") re-defining the circumstances under which a person will be deemed to act as a fiduciary under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), by reason of providing investment advice.
 - [**IRS Postpones Proposed RMD Rules**](#)
The IRS announced on Feb. 23 that it is extending the applicability date of the proposed required minimum distribution (RMD) regulations. It said so in Announcement 2026-07. Key proposals focus on spousal elections, beneficiary payout timelines, and Roth account treatment, aiming to clarify rules for inherited accounts and the increased RMD age of 73.
 - [**Fiduciary liability: A look ahead in 2026**](#)

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In 2025, the fiduciary insurance market remained stable. Premiums largely remained flat, with some insurers willing to offer improved terms to insureds with positive or improved risk profiles. The fastest growing type of fiduciary class action litigation has been forfeiture litigation. In the first 10 months of 2025, there were 43 class actions with forfeiture allegations, compared to 30 in all of 2024 and 5 in 2023.

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

The meeting was adjourned at 11:02 a.m.

Future Meeting Topics:

- Ongoing Stabilizer Analysis – Fiduciary Consulting Group
- Ongoing 401(a) Plan discussion
- Schroder International Alpha Trust CIT update – FCG

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

Sincerely,



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cc: Chase Nunneley
Rachel Medrano