Morgan Stanley

Rasch Cousineau
Executive Director,
Institutional Consultant

Fiduciary Consulting Group
9755 SW Barnes Road
Suite 660
Portland, OR 97225

direct: +1 725-252-0335

rasch.cousineau
@morganstanley.com

www.morganstanley.com/
fiduciary-consulting-group

August 20, 2026

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

RE: SECOND 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
Janelle Austin – Auditor's Office

Also in Attendance
Rachel Medrano – Confidential Administrative Assistant
Jeremy McNutt – County Counsel
Rasch Cousineau – Fiduciary Consulting Group
José Mirales – Voya Financial
Liliana Fahel – Voya Financial

Dear Jordan,

Please find below a summary of the action items from our meeting on August 20, 2026. The meeting was held in person in the KCTTC Large Conference Room and virtually via Microsoft Teams videoconferencing.

The meeting was called to order at 10:04 a.m.

1. The May 21, 2026 Quarterly Meeting Minutes were received and as a consent agenda (CA) item.

2. The June 30, 2026 Match Report was received and filed as a consent agenda (CA) item.

3. The June 30, 2026 Kern Stable Value Fund Report was received and filed as a consent agenda (CA) item.

4. The June 30, 2026 Budget Update for both Plans was received and filed as a consent agenda (CA) item.

5. The June 30, 2026 Fees Report for both Plans was received and filed as a consent agenda (CA) item.

6. The June 30, 2026 Voya Quarterly Plan Review for both plans was received and filed. **Approved 3-0.**

7. The Fiduciary Consulting Group (FCG) Quarterly Fund Performance Review was received and filed. Highlights included:
   - Market Commentary –
     - Economic Review
       - The U.S. economy expanded at an annualized rate of 2.1% in the first quarter of 2026, driven primarily by a surge in business investment and a recovery in government spending, partially offset by a cooling in consumer spending.
       - Labor market conditions were relatively stable over the quarter. The June unemployment rate was 4.2%, while wage growth and overall labor force participation continued to moderate.
       - The Federal Reserve maintained the federal funds target range at 3.50%–3.75% at its June meeting, as inflation concerns and relatively strong labor market conditions tempered expectations for near-term rate cuts.
       - Supply-related pressures, primarily related to the ongoing conflict in the Middle East, continued to place upward pressure on prices. June CPI measured 3.5%.
     - Global Financial Markets
       - Investor optimism over a potential end to the conflict in the Middle East led to a sharp recovery in domestic equity markets over the second quarter.
       - The S&P 500 Index returned 15.2% for the quarter, while the Russell 2000 Index returned 21.5%. Sectors with increased economic cyclicality assumed market leadership, and renewed optimism over AI-linked externalities benefited Industrials (14.9%) and Technology (31.8%). Energy declined by 13.4%.
       - International equity markets also recovered, with the MSCI ACWI ex USA Index returning 14.5%. Developed international markets, as measured by MSCI EAFE, returned 10.8%, and emerging markets, as measured by MSCI EM, returned 24.1%.
       - Fixed income markets were relatively muted, as higher starting yields and narrowing credit spreads largely offset rising Treasury yields. The Bloomberg U.S. Aggregate Bond Index returned 0.67% for the quarter.
   - Plan Data –
     - June 30, 2026 457(b) and PTST Plans' total combined assets were $1,007,933,083, which was up $64,520,140 from last quarter.

- The 457(b) Plan's assets were $990,861,972, up $64,121,820 from last quarter. In the 457(b) Plan, quarterly net cash flow was negative at ($3,749), and market gain/loss was positive at $91,053,794.
- The PTST Plan's assets were $17,071,111, up $398,320 from last quarter. In the PTST Plan, quarterly net cash flow was positive at $256,018, and market gain/loss was positive at $142,302.

▪ Current Fund Lineup Performance –
  - **Hold on watch:** Kern Stable Value Fund was out of performance compliance due to trailing its benchmark and peer group for the 5-year period and remained an item for continued review. The fund remains on watch. FCG will provide an update at the next meeting.
  - **Hold on watch:** Schroder International Alpha Trust Cl 1 CIT was reviewed in connection with its prior watch status and current performance materials. The CIT remains on watch. FCG will provide an update at the next meeting.

▪ Fee and Revenue Analysis –
  - 2Q26 weighted total expense ratio for the 457 Plan was 0.400%, with an average total expense ratio of 0.428%. The 457 Plan fee analysis reflected annualized estimated investment costs of $3,138,402 and annualized estimated administration costs of $785,804.
  - 2Q26 weighted total expense ratio for the PTST Plan was 0.370%, with an average total expense ratio of 0.370%. The PTST Plan fee analysis reflected annualized estimated investment costs of $54,628 and annualized estimated administration costs of $8,536.

▪ Stabilizer Market-to-Book Update –
  - The second quarter market-to-book ratio was 96.2%.
  - If rates decreased by 1%, the market-to-book ratio would increase to 99.9%. If rates increased by 1%, the market-to-book ratio would decrease to 92.5%.
  - Market value was $236,656,580, book value was $246,067,594, duration was 3.69, yield was 4.93%, fees were 0.32%, and the crediting rate was 3.51%.
  - If rates did not change, it would take approximately 3.47 years to get to a 100% market-to-book ratio.
  - FCG will talk with Voya about closing the Market to Book shortfall by the end of the contract term (09/15/2028).

  Fiduciary Consulting Group will provide another update of Stabilizer at the next meeting. **Approved 3-0.**

8. The Regulatory update and Plan design discussion was received and filed. Highlights included:
   ▪ Legal and Regulatory Update –
     - DOL Update on Alternatives in Defined Contribution Plans The newsletter noted that the Department of Labor released a proposed rule, "Fiduciary Duties In Selecting Designated Investment

Morgan Stanley

Alternatives," in response to an executive order directing DOL, the SEC, and other relevant federal agencies to revise regulatory guidance and reduce legal barriers that have prevented defined contribution plans from offering alternative investment options.
    - Executive Order Directs Agencies to Promote Access to Individual Retirement Account. The update noted that new cost and quality criteria could narrow the IRAs eligible for a federal marketplace and may incentivize the development of new low-cost, index-based products. It also noted that the Saver's Match is set to take effect on January 1, 2027, creating a limited implementation window for IRA custodians and recordkeepers.
    - State Clearinghouse for Missing Checks Launches. The update noted that the States' Unclaimed Retirement Clearing House launched as an online portal through which plan sponsors and recordkeepers can voluntarily report missing retirement funds to their plans' states of incorporation.
    - IRS Issues Guidance on SECURE 2.0 Long-Term Care Distributions. The IRS issued Notice 2026-33 clarifying disclosures required for qualified long-term care distributions from defined contribution plans and extending the deadline for plan amendments for plans permitting distributions for long-term care premiums
- Plan Design Discussion –
    - The Committee discussed ongoing Plan analysis and reporting, including a roadmap for future improvements to the Plan for the benefit of participants. Future topics included ongoing 401(a) discussions.

Fiduciary Consulting Group will continue to provide updates regarding these topics and more as they become available. **Approved 3-0.**

The meeting was adjourned at 10:51 a.m.

Future Meeting Topics:

- Ongoing Stabilizer Analysis – FCG
- Ongoing 401(a) Plan discussion
- Schroder International Alpha Trust CIT update – FCG
- Incorporating KCERA data into Voya Retirement Readiness calculations

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

Sincerely,

Rasch M. Cousineau

Rasch Cousineau, Executive Director | Institutional Consultant

Morgan Stanley

(725) 252-0335 | rasch.cousineau@morganstanley.com

cc: Chase Nunneley, Kern County
Rachel Medrano, Kern County
Matt Morgonroth, Fiduciary Consulting Group