DEFERRED COMPENSATION 457(b) ADVISORY COMMITTEE
Minutes

December 12, 2025
9:30 a.m. – 11:30 a.m.

700 H Street, Sacramento, CA 95814
4th Floor, Large Conference Room

DEFERRED COMPENSATION ADVISORY COMMITTEE

Member	Role	Present	Absent
Sylvester Fadal	Plan Administrator	X	
Chad Rinde	Ex-Officio Member	X	
Joseph Angelo	Ex-Officio Member	X	
Dave Irish	Retiree Member	X	
Chris Giboney	Member	X	
Dalen Fredrickson	Member	X	
Hang Nguyen	Member	X	
Chris Baker	Member	X	
Kim Nava	Member	X	
Ethan Dye	Member		X
Vacant	Member		X

Quorum = 6 We have a quorum: Yes

DEFERRED COMPENSATION WORKING COMMITTEE

Member	Role	Present	Absent
Alice Krueger	Personnel Services – Member	X	
So Lo	Personnel Services – Member	X	
Tracy Daniels	Personnel Services – Member		X
Bernard Santo Domingo	Finance – Member	X	
David Matuskey	Finance - Member	X	
Ashley Wisniewski	County Counsel - Member	X	

GUESTS

Name	Organization	In-Person	Remote
Brent Petty	NWCM		X
Nicholas Axline	NWCM		X
Michael Barczak	Carson for NWCM		X
James Robbins	Personnel Services	X	

<table>
<tr><th>Item#</th><th>Presenter</th><th>Item</th><th>Attachment Consent</th></tr>
<tr><td>1.</td><td>Personnel Services</td><td>Call to Order and Roll Call</td><td></td></tr>
<tr><td colspan="4">Alice Krueger called the meeting to order at 9:30 AM. Roll call was conducted, and a quorum was confirmed.</td></tr>
<tr><td>2.</td><td>Personnel Services</td><td>Approval of Meeting Minutes – September 26, 2025</td><td>Attachment Consent</td></tr>
<tr><td colspan="4">No public comments on the September 26, 2025, meeting minutes. Chad Rinde motioned to approve with the edits, seconded by Chris Giboney. There were nine votes to approve, and the motion passed.</td></tr>
<tr><td>3.</td><td>Personnel Services</td><td>Public Comments on Off Agenda Items</td><td></td></tr>
<tr><td colspan="4">There were no public comments on off-agenda items.</td></tr>
<tr><td>4.</td><td>Plan Administrator Sylvester Fadal</td><td>Comments from Plan Administrator</td><td></td></tr>
<tr><td colspan="4">There were no comments from Sylvester Fadal. There were no public comments on this agenda item.</td></tr>
<tr><td>5.</td><td>Personnel Services</td><td>Contracts</td><td></td></tr>
<tr><td colspan="4">A contract amendment with Fidelity with Fidelity for QDRO services is currently perking through the review process. We are shifting these services to Fidelity administration soon. Sylvester Fadal asked about the length of time to contract for this service. Alice Krueger discussed delineating the different types of QDRO services offered by Fidelity with different fee structures and ensuring they meet State of California requirements, especially for joinders. Fidelity's service was geared more towards ERISA requirements, and their forms and process were updated to incorporate non-ERISA governmental plan requirements. This required legal review on both sides.

A contract with NWCM for consulting and Request for Proposal for recordkeeper services is perking through the review process for a contract to start January 1, 2026.

A contract for an outside auditor will be pursued in 2026, and the possibility of utilizing existing public sector contracts is being explored.

There were no public comments on this agenda item.</td></tr>
<tr><td>6.</td><td>Personnel Services</td><td>Audits</td><td></td></tr>
<tr><td colspan="4">The Department of Finance finished the internal audit, and the Department of Personnel Services is responding. The findings have to do with reconciliations of plan asset accounts, SCERS service purchase rollovers, recordkeeping fee analysis, and administrative fees. In general, there is agreement on the findings. Due to staff vacancies, leave, and turnover in 2025, tasks across the board were</td></tr>
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delayed in the Employee Benefits Office and new staff were learning processes. A new process for SCERS service purchase rollovers is currently being explored that will enhance customer experience, increase security, and expedite processing. Discussions with Fidelity and SCERS are already occurring, and a project plan will be established in 2026. The fees for the recordkeeper were already reviewed in the Request for Proposal process in 2024 with the new contract resulting in a lower participant fees with Fidelity than the prior contract. Administrative fees for other plan expenses, such as staff costs, building and supply expenses, other department allocated costs, consultant and legal services are all assessed in the County budgeting process. The working committee is reviewing best practices and will be setting criteria for these reviews as recommended.

As previously discussed, Moss Adams did not complete the limited scope review prior to the contract expiring and were not able to come to agreement on contract language with an updated contract. We are exploring with the Department of General Services a more expedient contracting model using cooperative agreements and ongoing auditing services.

No public comments on Audits.

7.	Personnel Services	Communications to Participants	

Targeted internal messages went out in early October to new bargaining agreement participants about auto enrollment and about new or increased matching in the 401(a) plans. There was a significant increase in customer service emails and phone calls after the messaging and an increase in participation due to the new matching. There are still a few units awaiting implementation as they were Board-approved after the initial project cutoff date with Fidelity. We are in line for project team assignment with Fidelity and hope to have an implementation date soon.

Internal messaging went out to those slated to make more than $150,000 in FICA (W-2 box 3) wages in 2025 that are or will be age 50+, as the catch-up contributions will be post-tax ROTH for these individuals. This does include the age 60-63 catch-up but does NOT include the special 3-year catch-up program. There has been significant response to these emails. DTech is working on implementation for pay period 1 of 2026 in mid-December and an indicator will be sent to Fidelity after payroll for 2025 closes.

Other internal messaging for 2026 will be on beneficiaries and continue messaging to those with past outdated partial percentage contributions. We will run reports again on those putting in less than the potential matching and do follow up communications as well as for the newly implemented bargaining units.

Any other communication plans you would like to see or would help to spur participation? Dalen Frederickson and Chris Baker want to assist with getting the word out about meeting with the Fidelity

Workplace Financial Planner and the contact information to be shared with them. Dave Irish had some questions on potentially coordinating when messaging is going out.

There were no other public comments on this agenda item.

8.	Personnel Services	Ongoing Advisory Committee Training	

We will repeat Brown Act and Fiduciary training at regular intervals at future meetings and will look at other topics as suggested by the committee.

Today, we will have a review of fund performance since the review at our last meeting from our expert, Michael Barczak at Carson Group, our investment consultant partner. From this we will review decisions on a few of the funds that are underperforming.

There was a request to include changes in the legal environment when having these trainings, which was included in the Fiduciary training before. David Irish asked if there is a continuing education curriculum that could potentially have an annual statement of the education to the committee.

There were no other public comments on this agenda item.

9.	Personnel Services	NAGDCA and IFEBP conference highlights	

The National Association of Governmental Deferred Compensation Administrators conference had about 900 attendees and covered public sector administration of deferred compensation plans. Continuing education from the conference included fiduciary best practices, fee benchmarking, administrator round tables, artificial intelligence (AI) trends in public sector retirement plans, retirement trends and longevity, plan communications, private assets in public plans, economic outlook and regulatory updates, engagement strategies, and auto enrollment in plans.

The International Foundation of Employee Benefit Plans (IFEBP) conference had 5,600 attendees and covered both health and welfare plans as well as retirement plans. The continuing education included administration, fiduciary responsibility, health and welfare, investments, pension and retirement, public plans, apprenticeship programs, training and education, fund professionals and fund advisors, plan documents and policies, financial statement analysis, plan audits.

We also attend peer group meetings with other California Benefit Managers and NAGDCA to share best practices in the industry and keep up with changes.

There were no public comments on this agenda item.

10.	Personnel Services	Site Visit – Fidelity – Westlake, Texas	

A Fidelity site visit in Westlake , Texas on December 9, 2025, included presentations from their legal deparment, cybersecurity team, and call center. Suzanne Rogers and Shaun Nielsen, who are our Client Relationship and Client Service Managers joined the tour and presentations.

The legal presentation included SECURE Act 2.0 changess including student debt, changes to HSAs, and the new Rothification provision. Regulatory outlook was discussed including Required Minimum Distribution reform, electronic rollover requirements, Pension-Linked Emergency Savings Accounts (PLESAs), gig-worker coverage in retirement plans, and auto-enrollment being redone every three years for those that previously opted out.

In the call center tour Fidelity showed how they pivot based on call volume, weather events, and other operational impacts using data analytics and predictive modeling and shifting to other locations in the United States to meet demand. They have quality review of calls, ongoing training, and news bulletins about changes to plans. Their new staff has an 18-week training for the call center. Staff also have specializations for public plans like the 457(b) and 401(a) plans, which have different rules than 401(k) plans.

The cybersecurity presentation and tour showed the depth of Fidelity's continuous cybersecurity operations with dedicated staff working full-time and regular tabletop exercises looking at both internal and external threats. They have continuity of operations measures in case servers go down and in most scenarios can turn around a full outage in two to seven hours. They have analytics that identifies spoofing and AI generated voiceprints and can stop incursions to the system and accounts this way. Analytics is also done on all team members and the actions they take. They have known threat actor information, work closely with law enforemcent and intelligence agencies, maintain cybersecurity annual certifications, and continually invest in cybersecurity infrastructure.

There were no public comments on this agenda item.

11.	Personnel Services	Plan Document Revisions	

It has been five years since a plan document restatement, and there have been multiple amendments since then on both the 457(b) and the 401(a) plan. Thus, these amendments have been rolled into the plan documents for a cohesive restatement to include all elements as well as professionalization of language such as the participant and removing pronouns. Additional editing was done for clarification of administration, to match definitions across the 457(b) and 401(a) plans, and items were removed that no longer apply such as expired pandemic provisions. This was approved by the Board this week on December 9, 2025.

There were no other public comments on this agenda item.

12.	NWCM	457(b) Plan Highlights & Key Observations	Attachment

Brent Petty reviewed the Plan Highlights and Key Observations for the 457(b) plan. He stated that the Vanguard Target Date Funds are the largest suite of funds and are about 50% of plan assets. Contrafund is the largest individual non-target date fund. He talked about getting and maintaining the right number of fund options in a plan, as data shows that if there are too many options that participants can get overwhelmed and become paralyzed due to the quantity of options. In these cases, they spread too broadly or do nothing. Brent Petty stated that our approach is to give participants options in the plan, but not to overwhelm.

Two JPMorgan Funds are on watchlist, the Equity Income and the Small Cap Equity funds. They have been on the watchlist for some time. We were giving the runway for the fund managers to get the performance back on track, but the performance has not improved with time. Thus, we are recommending replacing these two funds.

Additionally, the Parnasuss Core Equity has also been on the watchlist for some time. We are not recommending replacement today, but this may be coming. The Investment Policy requires a socially responsible option in the fund lineup and we have been with Parnassus for about six years. It performed well for about three years, but its performance has been lagging more recently. This fund is benchmarked against the S&P 500, not other ESG funds. When asked about what type of ESG Parnasuss was, Brent stated that oil is not in this fund. Michael Barczak stated that carbon footprint benefits come and go; they are cyclical. Qualitatively, what does Parnassus say they are doing versus their performance, security selection is the one thing they have.

Dave Irish asked who decides the benchmark, and Brent Petty let him know that the benchmark is decided by the fund company and Morningstar. Bernard Santo Domingo stated that the Investment Policy Statement (IPS) does not mandate the benchmark, but the benchmarking is one of the indicators for the watch list criteria. The IPS does not mandate changes, but rather allows us to monitor the funds in functional areas to decide when to change. We can make changes to funds even if they haven't hit all of the watch list criteria if they are remaining on watch. Chad Rinde asked if performance has not improved, what is the timeline for removal? Brent Petty responded that he believes it will be the next couple of quarters; that they don't have to hit a home run, but their runway for watchlist indicators is getting short and has been a topic in the working committee meetings.

Joe Angelo asked if there is more risk from performance issues or from not following the IPS. Brent Petty stated that you need to follow your IPS, but the political/legal landscape is changing and the requirement for an ESG fund may be historical rather than a current trend. Joe Angelo asked if we should be giving more runway then to Parnassus and Brent Petty said, "Emphatically, no." Michael Barczak stated you cannot give special consideration because they are on the edge, but legally, you must follow your IPS. Thus, you have a couple of choices, you can go to another ESG fund or you can change the IPS as the political landscape changes. Ask where does this fit into our plan long-term. A difficulty of ESG funds is that people have different ESG sensibilities and one fund may screen for one item but not others. That is where BrokerageLink options give a place where people can find funds to align with their specific moral compass. We will be likely to be recommending changes in the upcoming year for this fund.

There is a video on markets available in NWCM's presentation. The third quarter of 2025 was one of the best on record. The last five years overall have been incredibly strong. However, due to the federal shutdown, we can expect some slowing. The current political scenarios can also effect the economy. There is a little momentum in the economy expected next year. Carson has a priorietary tracker called the Leading Economic Index (LEI), which is showing no strong signs of expansion or contraction.

Your plan is a long-term plan and is not looking at the short-term as much. There has been restrictive policies since 2022, but also technology efficiencies. Interest rates have come down a bit and the market is pricing in some rate cuts 2-3%. If that doesn't happen, then the market could do a trantrum like they did last April. Inflation could cause change to this. Sylvester Fadal asked about the Fed chair change in May 2026 and Brent Petty replied it depends on how the market perceives the change and the 10-year treasury rate. If the market perceives it as a political appointment, then investors could revolt.

The dollar is weak right now. The target date funds in our plan help with this volatility. The market is doing the opposite of what is expected right now and could stick or return to more common scenarios. If you have the correct asset allocation in your investments, then you do not have to be in the business of timing the market. In capital markets, year-to-date is almost 15% annualized. Thus diversification is the correct strategy with rebalancing, as the cycles are long, but they do tend to revert. Participants should not put all in one fund and definitely not more than 50%.

We have been patient with fund managers since 2022 since interest rates spiked and there has been a low quality rally with some funds out of favor with a leaning towards technology stocks. This is a challenging macro environment with people buying into the future story. Thus it is time to change to high-conviction items instead of those that have not done well since 2024, such as is the case with the JPMorgan Smalll Blend that has had stock selection issues and underweight in technology.

For the Fidelity Overseas K fund, it has shown up on our watch list for minor underperformance. It has a well-rounded manager who is discerning by looking for high-quality financial statements. Michael Barczak stated if the underlying investments are different than the benchmarks, then they will differ in performance. He said they have a strong strategy in comparison to peers on this fund. Brent Petty stated that NWCM does not currently have concerns on this fund, despite it hiting a watch criteria.

Brent also reviewed the Galliard Stable Value Performance and stated this is a conservative option in the fund lineup, still making about 3% on average.

There were no other public comments on this agenda item.

13.	Finance	Quarterly Performance Update for the Quarter Ending September 30, 2025 (Watch List)	Attachment

Bernard Santo Domingo from the Department of Finance gave a brief update on the watch list performance. He stated that NWCM reviewed the watch list items thoroughly, but also that the JP Morgan Small Cap has now hit all seven watch list indicators and thus per the IPS must now be removed. Chad Rinde stated that we have to remove the JP Morgan Small Cap, the JP Morgan Equity does not have to be removed, but would be fiducially prudent to remove this fund. Bernard Santo Domingo agrees with this assessment.

There were no other public comments on this agenda item.

14.	Finance	Sacramento County Defined Contribution Plans Performance Analysis for Year Ended September 30, 2025	Attachment

Bernard Santo Domingo presented the Portfolio Analysis for the period ending the third quarter of 2025 and noted agreement with NWCM's presentation. There were no public comments about this agenda item.

15.	NWCM – Carson Group	JPMorgan Equity Income – Large Cap Value Investment Manager Search	Attachment Consent

Michael Barczak talked about his work researching fund managers and making assessments of quantitative risk, such as what the numbers tell us about risk, performance, and expenses and the qualitative risk, such as what the fund managers say they are doing versus the actions they are taking like their fund selection. Then, how do these two things align with market conditions. If quality and style do not match market conditions, then we will look for a replacement. The slides outline this screening methodology.

In the JP Morgan Equity Income Fund, every stock must pay 2% dividend. Dividend and Value funds have overlap, but their strategies have started to drift apart. Dividend funds are becoming more limited. This fund has been on the watch list for eight quarters with us and their performance has continued to drop as we have watched.

Thus, we went out and did Investment Manager search for Large Cap Value funds and identified three managers using absolute and risk adjusted performance. The Putnam Large Cap Value is in the middle of these three funds. Vanguard Equity Income has a lightly divided mandate. Dodge & Cox Stock X has the furthest expression of value – price to book and price to cash flow. It is about moving to broader, more well-rounded value strategy without the divided mandate. It is struggling due to dividend in comparison to its peers, which you can see in the slides comparing performance. When looking at consistency, JP Morgan has been less consistent. Dodge & Cox is also trailing performance. Putnam has been more consistent when compared to peers and that is why that fund is our recommendation for the replacement fund.

Dave Irish asked about the next steps. Brent Petty stated if the fund replacement is approved, then the request goes to Fidelity and notice is made to participants with the mapping of the fund change, this is typically 30 days out from the change. The entire process is usually about 45-60 days.

Brent Petty stated that Putnam has a broader mandate and lower fees and the past performance and consistency gives pretty high confidence in this fund. Although JP Morgan Equity Income has not hit all of the IPS marks for watch, he believes Putnam is a higher confidence choice and additionally is likely eligible for a Collective Investment Trust (CIT), which will make it less expensive for participants. Currently we have 45 basis points, they are quoting 54 basis points, but the potential access to CIT could take that down to 38 points. Putnam has had different volatility in different market environments but still has been able to generate performance across these environments over the long-term. We do have other Large Cap funds in the fund lineup, but they have very different strategies. This fund gives us broader exposure and diversification for our lineup.

There were no other public comments on this agenda item. The committee then voted on replacement of the JP Morgan Equity Fund with the Putnam Large Cap Value Fund. Chad Rinde motioned to approve, Dave Irish seconded the motion and there were nine votes to approve, so the motion passed. The Investment and Administrative Committee agreed with this action.

16.	NWCM – Carson Group	JPMorgan Small Cap Equity – Small Blend Investment Manager Search	Attachment Consent

Michael Barczak reviewed the Small Blend Investment Manager Search for replacement of the JP Morgan Small Cap Equity Fund. He stated the urgency for the replacement of this fund was greater as the performance has been flagging. While the fund has higher quality names, they still have missed out on performance, and he believes it is no longer tenable. He again touched on Investment Screening Methodology. He said there are peer group concerns when finding replacement managers. If just using the benchmark, then why are you paying for a manager. But if the fund differs from the benchmark the performance then differs both up and down. Thus, we looked at what differentiated the managers. Several are doing well but are at risk of closing the funds due to hitting maximums. JP Morgan has a similar risk. From this we identified three potential managers. Invesco Main Street Small Cap, Touchstone Small Company, and DFA U.S. Small Cap I.

Invesco's exposure is close to the index but has incremental growth at merging. They look at the executive leadership at specific companies.

Touchstone is from a boutique firm, Fort Washington Investment Partners. The internal Mendoza line, when the fund closes to investments could be meaningful for the Touchstone fund.

DFA is a quantitative shop using an algorithm that screens. This skew is more value oriented. They are differentiated but not in left field where they could dip in performance compared to the benchmark.

Small caps are more volatile in nature, as they have high quality, high value, high active shares and are cyclical in nature. This is a feature and not a bug for this type of fund.

Looking at performance, risk, and consistency, we are recommending Touchstone Small Company as they have a better track record and more favorable risk statistics. Although boutique in nature, this is not a negative in smaller asset classes. They focus on investment strategy and spend resources on less efficient investments can find incremental alpha categories. Basically, looking for the small opportunities in this asset class. This fund does have the highest fees of the three choices but is still well below its peers. The boutique nature of this shop could be beneficial, and the revenue from the fees is needed for operation of this company. There are economies of scale with more assets which can lower fees in the future, where other larger funds may be boxed in for the fee amounts. This is probably true with Invesco, which is likely as low as it can go. All these choices are below average for this fund category. Touchstone is more risk-conscious, has a differentiated strategy, and low fees. Brent Petty noted that their performance in the slide deck is net of investment fees.

There were no other public comments on this agenda item. The committee then voted on replacement of the JP Morgan Small Cap Equity fund with the Touchstone Small Company Fund. Chad motioned to approve, Joe Angelo seconded the motion and there were eight votes to approve, so the motion passed. The Investment and Administrative Committee agreed with this action.

17.	Personnel Services	Adjournment	

The meeting adjourned at 11:30 AM.

This meeting of the Deferred Compensation 457(b) Advisory Committee is LIVE and open to the public at the address on the agenda. The agenda is posted with the Clerk of the Board of Supervisors at 700 H Street, Sacramento, CA 95814 and the agenda and materials are posted online at: https://www.saccounty.gov/Government/Pages/PublicMeetings.aspx.