

## IDAHO DEFERRED COMPENSATION BOARD MINUTES

December 08, 2025 - 1:00pm - 3:00pm Idaho State Controller's Office

700 West State Street, 5th floor Room 537, Boise, ID

*The following board members were present in person: Jesse Barcroft representing the Secretary of State's Office, Phil Skinner representing the Attorney General's Office and State Controller Brandon Woolf representing the State Controller's Office. Ben Ysursa representing the Governor's Office was absent for the meeting.*

*Others present were John Lamm, John Steggell, Jared Williams and Laura Leigh Brewster from Nationwide, Gaby Gudino and Jackie McCleve from the State Controller's Office, and Jake O'Shaughnessy from SageView.*

Controller Woolf called the meeting to order at 1:00 p.m.

### **1. Committee questions or additions to agenda - Action Item**

None

### **2. Approval of minutes from the Meeting on August 25, 2025 - Action Item**

**Discussion:** Mr. Woolf noted that the recording of the prior meeting had been corrected and updated due to disruptions during the original session.

**Resolution:** Mr. Skinner motioned to approve the minutes of the meeting from August 25, 2025. Second, by Controller Woolf. Motion was approved by unanimous voice vote.

### **3. Q3 Quarterly Performance Review and Market Recap (Jake O'Shaughnessy) - Action Item**

**Discussion:** Mr. Woolf then introduced the third quarter performance review and market recap and invited Mr. O'Shaughnessy to present. Mr. Skinner briefly provided context for the role of SageView Advisory, explaining that Mr. O'Shaughnessy serves as an independent fiduciary advisor to the committee, distinct from Nationwide, assisting the board with investment oversight and fiduciary responsibilities. Mr. O'Shaughnessy confirmed this role and explained that SageView works alongside the committee to evaluate investment performance, monitor underperforming funds, and advise on potential changes to the investment lineup.

Mr. O'Shaughnessy provided an organizational update, informing the committee that SageView Advisory is in the process of joining with Creative Planning. He stated that the firms share a similar advisory philosophy and emphasized that there will be no changes to services, service teams, or the committee's existing agreement. In response to a question from Mr. Woolf, Mr. O'Shaughnessy confirmed that SageView expects to continue operating under its current name and registration for the foreseeable future.

Mr. O'Shaughnessy then presented the third quarter market overview. Mr. O'Shaughnessy described a strong quarter in which U.S. equities were up significantly, driven largely by the "magnificent seven" technology-oriented stocks. Mr. O'Shaughnessy highlighted that bond

markets also performed well as interest rates eased, noting the unusual benefit of both stocks and bonds delivering strong returns.

Mr. O'Shaughnessy then moved into broader economic signals, describing a cooling labor market and the uncertainty created by a government shutdown affecting the release of labor and inflation data. He referenced job revisions indicating fewer jobs created than previously reported and explained why labor softness mattered for Federal Reserve decisions. He described the Fed's dual mandate and the political pressure surrounding interest rate policy, emphasizing that cutting short term rates does not automatically lower mortgage rates. He used a practical example, explaining that mortgage lenders price based on long term inflation expectations, not short-term Fed decisions. He warned that rapid short term cuts could sometimes raise long term rates if inflation expectations rise, and he flagged 2026 as a year that could bring volatility.

Mr. O'Shaughnessy also discussed the idea of a K-shaped recovery, describing how higher income households were benefiting more than lower income households, and noted that consumption was heavily concentrated among top earners. He explained that consumer spending had begun to slow, but that investment related to artificial intelligence was contributing meaningfully to GDP growth and propping up overall economic strength. He described this as a risk factor, noting that if AI driven growth cooled, overall GDP growth could weaken. He reviewed upcoming economic calendar items and said market expectations strongly favored a rate cut in the near term, adding that investors were watching both the decision and the Fed's language for guidance into 2026.

#### **4. Recent Developments (regulatory or marketplace) (Jake O'Shaughnessy) - Action Item**

**Discussion:** Mr. O'Shaughnessy discussed concentration risk in large cap growth. He explained that recent gains were not broad based across the S&P 500, with a small set of mega cap stocks driving performance. He noted valuation concerns, using price to earnings ratios to show how large cap growth appeared elevated relative to long term averages, and he reinforced diversification as a key theme.

Mr. O'Shaughnessy then reviewed the SECURE 2.0 Roth catch-up requirement, explaining that catch-up contributions allow participants age 50 and older to contribute above the standard deferral limit. He noted that SECURE 2.0 requires certain higher income participants to make catch up contributions in Roth form, which creates administrative complexity in identifying who is subject to the rule, particularly when multiple participating employers are involved. Mr. O'Shaughnessy reported that the IRS issued guidance indicating it would allow reasonably good faith compliance, providing flexibility during implementation and allowing operational corrections in a later year. Mr. O'Shaughnessy stated that the expectation is that implementation will proceed with appropriate administrative processes and documentation.

From there, Mr. O'Shaughnessy transitioned to the plan itself. He reviewed the plan's investment lineup and described the different participant "camps" he observed. He explained that some participants relied heavily on a pension and preferred conservative options, such as the plan's fixed account, while others, often younger participants, were taking more market risk

in hopes of growing their deferred compensation savings. Mr. Skinner asked for clarification when Mr. O'Shaughnessy described the fixed account as guaranteed, and Mr. O'Shaughnessy explained that Nationwide's insurance wrap contracts provided protection so participants would at least receive back what they contributed, with Nationwide bearing the risk of market loss. Mr. O'Shaughnessy noted that about a quarter of plan assets sat in fixed options, while other significant balances were concentrated in large cap growth funds like American Century Ultra and Fidelity Contra, which had benefited from the bull market. He also described a growing segment using Vanguard target date funds as a simplified investment approach that automatically reduces risk as retirement approaches.

Mr. O'Shaughnessy reported plan assets of approximately \$765 million through the end of September and noted continued growth. He added that loans had increased over time and were rising across many plans, though he did not view the current level as alarming. He framed it as an indicator to monitor given economic pressures on households.

Mr. O'Shaughnessy then reviewed investment performance and fiduciary rankings. He described the fixed account as stable, with modest short-term returns but stronger long-term performance, and he noted strong peer rankings across most of the lineup. He explained how index funds were evaluated primarily on benchmark tracking and cost, while actively managed funds were assessed using multiple metrics. When Mr. Skinner asked for a refresher on the meaning of three-, five-, and ten-year annualized returns, Mr. O'Shaughnessy explained how each period represented an average annual return over that timeframe and how the report compared the fund's results to both a benchmark index and a peer group.

As they reviewed the large cap growth funds, Mr. Skinner remarked on how high the recent returns were, noting that the Contra fund's numbers suggested participants had more than doubled their money over three years. Mr. O'Shaughnessy confirmed and noted the significant growth in assets held in Contra, emphasizing how performance alone had meaningfully increased plan balances.

Mr. O'Shaughnessy then identified the main concern for the quarter, the American Century small cap value fund. He noted the fund represented less than one percent of plan assets but emphasized that every dollar still requires oversight. He explained the underperformance was significant in the shorter term, especially across the most recent nine months, and attributed much of the issue to the fund's exposure to regional banks. Mr. O'Shaughnessy explained that the small cap value universe was heavily weighted toward regional banks, and American Century's positioning had been early for a recovery that had not materialized. He cautioned the committee against overreacting to short term underperformance, explaining that even strong long-term managers can have periods where they look wrong, and that constantly chasing recent winners can lead to selling low and buying high.

Mr. O'Shaughnessy recommended placing the small cap value fund on a watch list, describing it as part of a disciplined fiduciary process. He explained the watch list would document concerns and provide a defined monitoring period. If the fund did not recover over several quarters, SageView would likely return with a replacement recommendation. Mr. Skinner asked how replacements worked operationally, and Mr. O'Shaughnessy explained Nationwide would

provide required advance notice to participants, typically 30 to 60 days before the change, and that if participants did not take action, assets would be mapped into the replacement fund by default.

Mr. Woolf also noticed that another fund, Wasatch Core, appeared to have weak recent performance and asked whether it should be treated similarly. Mr. O'Shaughnessy agreed the observation was valid, noting it was close to the threshold, but explained that SageView weighted longer term returns more heavily in their evaluation. He said if the weak short-term pattern continued, the fund could move to the watch list in the following year, and confirmed they were monitoring it closely.

Mr. Skinner asked a question about how the plan ended up with so many top ranked funds compared to what must be lower performing options in other plans. Mr. O'Shaughnessy explained that strong fund selection mattered but also noted an element of selection bias because funds that underperform are more likely to be replaced. He gave an example, noting the plan's current bond fund, Fidelity Total Bond, replaced a prior fund, and that a report capturing historical lineups would show more variation over time.

Mr. O'Shaughnessy closed his section with a brief overview of Vanguard's target date fund glide path. He explained how Vanguard maintained higher equity exposure earlier in a participant's career, then began de-risking around 25 years before retirement, tracking closely with industry averages. He noted Vanguard's approach held slightly more equity at retirement, based on longevity assumptions, but then reduced risk more quickly after retirement. He reiterated that Vanguard's target date series remained a strong component of the plan lineup. With no additional questions, Mr. Woolf thanked Mr. O'Shaughnessy and transitioned the meeting to Nationwide for their quarterly report.

**Resolution:** After discussion, Mr. Woolf called for a motion to place American Century small cap value on the watch list. Mr. Skinner moved to place American Century small cap on the watch list. Ms. Barcroft seconded the motion. The motion carried on a unanimous voice vote.

## **5. Quarterly Board Report (John Steggell) – Action Item**

**Discussion:** Mr. Steggell reviewed the quarter's cash flows and noted that while contributions and distributions resulted in slightly negative net cash flow for the quarter, market performance drove strong gains. He highlighted that the plan experienced over \$32 million in market gains in Q3 alone. John reported participation just under 11,000, with an average account balance around \$70,000 and a median balance that reflected the midpoint participant. He noted participants held an average of 2.73 asset classes, which he described as healthy diversification. He also reviewed participant status, noting roughly a 50/50 split in assets between active and terminated participants.

Mr. Steggell reviewed Roth participation, reporting over 3,800 participants holding approximately \$66.6 million in Roth assets, and he described Nationwide's managed account program, with around 1,971 participants using that service. He then reviewed contribution flows, noting roughly \$7.2 million in salary deferrals during the quarter, along with rollovers into the plan totaling about

\$2.1 million, credited to work by the local service team. John also noted account splits tied to divorce and similar actions.

Mr. Steggell discussed where new deferral dollars were going and described a strong flow into target date funds, with relatively low use of balanced and bond funds. He noted that only a small portion of new money was going into the fixed account, describing it as the plan's primary option with a guaranteed rate of return. He reviewed distribution activity, noting that rollovers and transfers were the largest category, reflecting participants who left employment and rolled assets out, and he mentioned required minimum distributions would be higher in Q4 because many were processed late in the year. He also described where rollovers were going, pointing out that assets commonly moved to well-known financial institutions and advisors.

Mr. Steggell then reviewed loan statistics. He noted the plan's average loan size, around \$8,600, was lower than the national average and described the overall loan count as modest. Mr. Skinner asked for a refresher on how participant loans worked. Mr. Steggell explained that participants could borrow from their 457 accounts instead of a bank, up to IRS limits, selecting terms through the Nationwide website or customer service. He described the two main loan types, general purpose loans up to five years and primary residence loans that could extend longer with documentation. Mr. Skinner asked whether participants pay interest and whether that interest goes back into their own accounts. Mr. Steggell confirmed participants pay themselves back, explaining the main downside is disrupting compounding while the borrowed amount is out of the market. Mr. Lamb confirmed the interest rate was prime plus one, and Ms. Brewster clarified that Nationwide's annual administration fee was \$50 per year, with a modest origination fee.

Mr. Skinner observed that market timing could matter, noting that borrowing during strong market growth could result in missed gains, and he reiterated that loan activity served as a broader indicator of participant financial pressure across state and local government employers participating in the plan.

Mr. Steggell then reviewed digital engagement metrics, noting strong adoption of online accounts, online distributions, beneficiary designations, and email capture. He described the trend toward electronic delivery and online tools as improving speed and convenience. The group then discussed recent enrollment success. Mr. Lamb highlighted that the prior quarter saw strong enrollments, including incentive payments for participants who enrolled at specific contribution levels, and he noted that monthly new employee orientation sessions, led by Ms. Brewster, helped drive awareness.

Mr. Lamb reviewed the reimbursement account used to pay plan expenses such as consulting and auditing. Mr. Woolf described how participant fee structure supported the account, and how growth in plan size had helped improve fee negotiations with Nationwide, including a recent vote to reduce fees again. Mr. Woolf also noted the committee's responsibility to determine an appropriate reserve level in the reimbursement account, recalling that in prior years the balance had become too high and the committee had returned a portion to participants on a prorated basis. Mr. O'Shaughnessy added that the accounts balance had become more consistent and

suggested analyzing expected annual expenses to determine a reasonable minimum reserve, then returning excess to participants.

Mr. Skinner then asked a question about what drives employees to choose the 457-plan compared to a 401(k). Mr. Lamb then explained that the 457's penalty free access upon separation from service was a major advantage because it allows withdrawals without the age based early withdrawal penalty common to many other plans. He also noted that fees were currently lower. The group discussed Roth as another advantage, explaining the benefit of after-tax contributions with tax free earnings, especially in periods of high market growth. Mr. O'Shaughnessy added a quick aside that it was especially attractive when paired with strong performing funds.

As they wrapped up Nationwide's section, Brandon highlighted new participating entities joining the plan, including a fire district and other local government units in the pipeline. They also reviewed team updates, noting a personnel change in the relationship consultant role and a retirement that would increase travel demands on the remaining local team. Mr. Woolf emphasized the value of having a local Nationwide presence in Idaho to support participants, contrasting it with the limited local support historically available in other plans. Mr. Lamb also highlighted Mark Knudson role in providing retirement income analysis and planning support for participants within a few years of retirement, noting the value of that service at no additional cost.

#### **6. Secure 2.0 – Provision 603 (John Steggell) – Action Item**

**Discussion:** Mr. Steggell reiterated awareness of Roth catch up requirements for certain higher income participants and confirming coordination with payroll and state systems. Mr. Lamb noted the team had already gone live on December 1 and believed they were well positioned, though he planned to confirm a participant specific question raised earlier.

Mr. Woolf invited the Nationwide team to share any participant trends. Ms. Brewster said a common question was how long the strong market could last, and she described their focus on preparing 2026 outreach and reconnecting with agencies that had not been visited recently. Mr. Woolf added that the state was also monitoring broader economic and policy factors that could affect employees, including take-home pay pressures and rising insurance costs, and he encouraged continued awareness as the team met with agencies.

#### **7. Proposed meeting dates for 2026 (Brandon Woolf) – Action Item**

- a. March 2<sup>nd</sup>, June 1<sup>st</sup>, August 17<sup>th</sup>, December 7<sup>th</sup>

**Discussion:** Mr. Woolf reviewed proposed 2026 meeting dates and asked members to respond to Ms. Gudino so the calendar could be locked in. Mr. Woolf also noted an audit payment issue where Nationwide appeared to have double paid, and he directed that it be applied toward next year's audit.

#### **8. Executive Order 2025-07 (Brandon Woolf) – Informational**

**Discussion:** Mr. Woolf closed with an informational update about the executive order that serves as the board's foundational governing document, explaining it is refreshed periodically to maintain the board's authority and continuity.

With no further business, Controller Woolf then adjourned the meeting at 2:28pm.