

IDAHO DEFERRED COMPENSATION BOARD MINUTES
June 1, 2026 - 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: Ben Ysursa representing the Governor's Office and State Controller Brandon Woolf representing the State Controller's Office and Phil Skinner representing the Attorney General's Office. Jesse Barcroft representing the Secretary of States office was absent from the meeting.

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

The meeting was called to order at 1:05 p.m.

1. Committee questions or additions to agenda - Action Item

None

2. Approval of minutes from the meeting on March 2, 2026 - Action Item

Resolution: Mr. Ysursa motioned to approve the meeting minutes from March 2, 2026. Seconded by Mr. Skinner. Motion was approved by unanimous voice vote.

3. Quarterly Performance Review and Market Recap (Jake O'Shaughnessy) – Action Item

a. Economic/Market Overview

b. Plan Investment Review

- Consider Replacement of the American Century Small Cap Value Fund and the Wasatch Small Cap Growth Fund

Mr. O' Shaughnessy began by providing an overview of first quarter market conditions. He noted that market sentiment had shifted significantly during the quarter as geopolitical tensions increased, particularly surrounding conflict in the Middle East. He explained that markets experienced a period of heightened volatility during February and March as investors reacted to uncertainty regarding the potential economic impact of the conflict and the possibility of significantly higher energy prices. Although markets had largely recovered by the date of the meeting and major equity indexes had returned to all-time highs, he reminded the Committee that first quarter results reflected a much different environment than current market conditions.

Reviewing market performance, Mr. O' Shaughnessy reported that U.S. large-cap equities declined approximately 4.3 percent during the first quarter. Small-cap stocks, however, generated positive returns and outperformed large-cap stocks. International developed and emerging market equities also posted negative returns, while rising interest rates negatively

impacted fixed income investments. As a result, investors had very few areas of the market that provided protection from volatility during the quarter.

Mr. O' Shaughnessy emphasized the importance of diversification and portfolio rebalancing. He explained that much of the market's strength in recent years had been concentrated in a relatively small group of large-cap technology companies associated with artificial intelligence. While those companies had driven substantial gains, he cautioned that market leadership inevitably changes over time. He noted that during the first quarter, many growth-oriented investments underperformed while value-oriented investments held up considerably better. He encouraged investors to maintain exposure to a broad range of asset classes and investment styles and stated that periodic portfolio rebalancing remains one of the most effective methods for managing volatility and maintaining long-term discipline.

Continuing the discussion, Mr. O' Shaughnessy reviewed developments within the artificial intelligence sector. He explained that investors continued to reward companies perceived to be direct beneficiaries of artificial intelligence growth while placing greater pressure on companies viewed as lagging in the space. He discussed how market participants increasingly evaluate technology companies based on their ability to capitalize on artificial intelligence initiatives and infrastructure needs. He also highlighted the strong recent performance of Micron, noting that demand for semiconductor production and data infrastructure continued to accelerate as artificial intelligence adoption expanded. While acknowledging the substantial opportunities available in the sector, he cautioned that rapid price appreciation can create valuation concerns and reinforced the need for diversification.

Mr. O' Shaughnessy contrasted the performance of technology companies with several long-established, dividend-paying companies that performed well during the quarter. He referenced companies such as Coca-Cola, Walmart, Costco, Johnson & Johnson, and Deere as examples of traditional companies that generated strong returns while also providing income through dividends. He explained that these types of investments continue to serve an important role within retirement portfolios, particularly for participants approaching retirement. He further noted that equities remain one of the most effective long-term tools for protecting against inflation and preserving purchasing power.

The discussion then turned to energy markets. Mr. O' Shaughnessy noted that concerns regarding oil prices had been a major focus during the quarter. While oil prices increased as a result of geopolitical tensions, he explained that prices remained below levels that many economists believe would trigger a recession. He stated that some analysts view oil prices near \$125 per barrel as a potential tipping point for economic contraction, while prices peaked at approximately \$115 per barrel during the recent conflict. Although higher oil prices create additional costs throughout the economy and place pressure on consumers, he indicated that current levels represented more of a moderate headwind than an immediate recessionary threat.

Mr. O' Shaughnessy further explained that the current energy environment differs substantially from previous oil crises. He noted that the United States now produces more oil than it consumes, providing a degree of insulation from global supply disruptions that did not exist

during prior periods of economic stress. However, because oil is traded in a global market, domestic prices remain heavily influenced by worldwide supply and demand conditions. While the United States may be better positioned than many foreign economies, rising energy prices continue to affect inflation and consumer spending.

Mr. O' Shaughnessy next discussed what he described as the "K-shaped economy." He explained that economic conditions continue to differ significantly across income levels. He noted that higher-income households continue to benefit from strong asset values and account for a disproportionate share of consumer spending. As a result, broad economic indicators such as gross domestic product continue to appear healthy. At the same time, lower-income households continue to face significant pressure from inflation, housing costs, and higher energy prices. He observed that economic conditions may feel substantially different depending on an individual's income level and financial circumstances.

The Committee then received an overview of key economic indicators expected to influence markets over the next twelve to eighteen months. Mr. O' Shaughnessy reported that corporate earnings growth remained strong and continued to exceed historical averages. He stated that consumer spending remained resilient despite inflationary pressures and highlighted manufacturing as a particularly encouraging area of the economy. He noted that investments in semiconductor facilities and advanced manufacturing operations had contributed to a period of sustained growth in domestic manufacturing activity.

Mr. O' Shaughnessy also discussed several areas of concern. He noted that elevated mortgage rates continued to create challenges within the housing market and that inflation remained above the Federal Reserve's long-term target. While inflation had shown signs of moderating earlier in the year, more recent data suggested upward pressure was returning. As a result, market expectations regarding interest rate cuts had shifted significantly. Earlier forecasts had anticipated multiple rate reductions during the year; however, market participants were increasingly expecting little or no action from the Federal Reserve.

The discussion also included a review of federal debt and budget deficits. Mr. O' Shaughnessy explained that rising interest rates increase the cost of servicing federal debt and reduce the government's flexibility to allocate resources toward other priorities. While the issue had received relatively little public attention, he noted that long-term fiscal challenges remain significant and warrant continued monitoring.

Turning to interest rates, Mr. O' Shaughnessy reviewed developments across the yield curve and discussed recent Federal Reserve actions. He explained that although short-term rates had been reduced, longer-term rates remained elevated. Because mortgage rates are closely tied to longer-term Treasury yields, consumers had not experienced the level of borrowing-cost relief that many expected. He noted that investors continued to question whether inflation had been sufficiently contained and stated that future Federal Reserve actions would remain a key factor influencing economic conditions and market performance.

Mr. O' Shaughnessy next provided a fiduciary and regulatory update. He explained that although governmental retirement plans are not subject to ERISA, the Committee continues to use ERISA standards as a benchmark for fiduciary best practices. He reported that Congress

had recently adopted reforms intended to make it more difficult to pursue certain types of fiduciary litigation against plan sponsors. He noted that these changes may reduce exposure to frivolous lawsuits while preserving appropriate participant protections.

Mr. O' Shaughnessy also discussed the growing industry focus on alternative investments within defined contribution retirement plans. He explained that plan sponsors and regulators continue to evaluate how private equity, cryptocurrency, and other alternative asset classes might be incorporated into retirement plans and what fiduciary standards should apply. He stated that regulatory guidance in this area continues to evolve and that the Committee should expect additional developments in the future.

The Committee also reviewed Nationwide's Service Organization Control (SOC) report. Mr. O' Shaughnessy explained that the report serves as an independent review of Nationwide's internal controls, cybersecurity procedures, and operational safeguards. He reported that the review identified no concerns and confirmed that the Committee's ongoing oversight process included periodic review of these reports.

Mr. O' Shaughnessy then reviewed plan-level investment activity. He noted that participant investment choices reflected a wide range of investment objectives. Some participants favored conservative investments focused on preserving principal, while others utilized the deferred compensation plan primarily as a long-term growth vehicle. He highlighted the plan's largest investment holdings, including the American Century Ultra Fund, Fidelity Contrafund, Stable Value Fund, and Retiree Fixed Account, and observed that these holdings demonstrated both growth-oriented and conservative participant preferences.

The Committee reviewed performance across the plan's investment lineup. Mr. O' Shaughnessy reported strong performance among many of the plan's core investment options, including bond funds, value funds, large-cap growth funds, international funds, and Vanguard target-date funds. He expressed particular confidence in the Vanguard target-date lineup and noted that the funds continued to rank favorably relative to peers while maintaining low expenses. He also recommended adding the Vanguard Target Retirement 2070 Fund to provide an age-appropriate option for younger employees entering the workforce.

Mr. O' Shaughnessy reported that participant loan activity remained relatively low and had increased only modestly over the prior year. He stated that loan utilization did not indicate widespread participant financial distress and noted that the plan had not experienced a significant increase in borrowing activity despite broader economic pressures.

The Committee then turned its attention to two investment options identified for possible replacement: the American Century Small Cap Value Fund and the Wasatch Small Cap Growth Fund. Mr. O' Shaughnessy explained that both funds had triggered review under the Committee's investment monitoring process due to sustained underperformance relative to benchmarks and peer groups.

Regarding the American Century Small Cap Value Fund, Mr. O' Shaughnessy reported that the fund had underperformed for three consecutive quarters and had fallen below median rankings. Although the fund continued to show acceptable long-term results over a ten-year period, recent

underperformance had negatively impacted its overall evaluation. He presented several replacement alternatives and recommended the DFA Small Cap Value strategy. He explained that DFA combined strong performance, favorable rankings, and low expenses. He also discussed DFA's quantitative investment process, noting that its systematic approach contributes to lower operating costs while maintaining a disciplined investment methodology.

The Committee then reviewed the Wasatch Small Cap Growth Fund. Mr. O' Shaughnessy explained that the fund had experienced significant underperformance during the previous year and was approaching the lowest quartile within its peer group. He attributed much of the underperformance to portfolio decisions that emphasized biotechnology investments while maintaining limited exposure to artificial intelligence-related companies that had driven much of the market's growth. Although the fund maintained a strong long-term track record, he stated that the magnitude of the recent underperformance warranted action under the Committee's investment policy.

Committee members engaged in a detailed discussion regarding performance measurement, portfolio construction, expense ratios, and the process used to evaluate replacement candidates. Members asked questions regarding the significance of year-to-date versus one-year performance data and whether short-term results should heavily influence long-term investment decisions. Mr. O' Shaughnessy explained that while short-term results should not be viewed in isolation, the Committee's responsibility was to maintain a disciplined fiduciary process and respond appropriately when investments failed to meet established performance standards.

The Committee also discussed differences in expense ratios among the proposed replacement funds. Mr. O' Shaughnessy explained how quantitative investment managers such as DFA are often able to operate at lower costs than traditional active management firms. Members reviewed the relationship between expenses, investment strategy, and performance and discussed the importance of evaluating all factors together rather than focusing solely on fees.

Additional discussion focused on the Wasatch fund's relatively short tenure within the investment lineup and whether it should remain on a watch list rather than be replaced. Mr. O' Shaughnessy acknowledged that market conditions had been unusual and that the fund maintained a strong long-term history. However, he expressed concern regarding the severity of recent underperformance and indicated that recovery sufficient to remove the fund from monitoring could take a considerable amount of time. He reiterated that the Committee's primary responsibility was to follow its investment policy and fiduciary process consistently.

Committee members expressed support for replacing both funds. Members generally agreed with the recommendation to replace the American Century Small Cap Value Fund with the DFA Small Cap Value Fund. The Committee also reviewed the Voya and Platinum alternatives for the small-cap growth allocation. Following discussion, members concluded that the Voya Small Cap Growth strategy represented an appropriate replacement option.

Resolution: Mr. Ysursa moved to replace the American Century Small Cap Value Fund with the DFA US Targeted Value Fund and to replace the Wasatch Small Cap Growth Fund with the

Voya Small Cap Growth Fund, and add the Vanguard 2070 Target Date Fund. The motion was seconded by Mr. Skinner and carried unanimously by voice vote.

4. Quarterly Board Report (John Lamm) – Action Item

Mr. Lamm next presented the quarterly plan administration and participant activity report. He introduced Mr. Don Eschbach, the newest member of Nationwide's service team, and noted that the addition would help increase outreach and participant education efforts following a period in which the team had been operating with reduced staffing.

Mr. Lamm reviewed participant statistics and reported that the plan had more than 11,100 participants with account balances. During the first quarter, 228 new participants enrolled in the plan. Although total enrollment increased by only 55 participants, he explained that this reflected the normal pattern of participants leaving the plan while new participants enrolled. He noted that terminated employees continued to represent a significant portion of plan assets and reported that approximately \$361 million remained invested in the plan by former employees. To encourage those participants to retain assets within the plan, Nationwide planned to distribute educational materials highlighting the benefits of remaining in the plan, including the plan's low fees and institutional investment structure.

Mr. Lamm reported continued growth in Roth participation, noting that more than 4,000 participants were utilizing the Roth feature. He stated that the addition of Roth options within other retirement programs had not negatively impacted Roth utilization within the deferred compensation plan. He also reviewed participation in the managed account program, reporting that approximately 1,900 participants utilized the ProAccount service with approximately \$116 million in managed assets.

Turning to contribution activity, Mr. Lamm reported that participants contributed approximately \$11.6 million during the quarter. While contributions were slightly lower than the prior quarter, he explained that the prior reporting period included an additional payroll cycle. He reported that contribution activity remained stable overall and noted that more than \$1 million had been rolled into the plan from outside retirement accounts. Participant contribution levels also continued to increase, with more than 5,300 participants actively contributing to the plan during the quarter.

Additional discussion focused on Roth assets and retirement withdrawal strategies. Mr. Lamm explained that one reason for offering affiliated Roth IRA options was to provide participants with additional flexibility when accessing Roth contributions and earnings. He described circumstances in which participants retiring before age 59½ may benefit from transferring Roth assets to an existing Roth IRA to access contributions while preserving tax advantages.

The Committee next reviewed participant loan activity. Mr. Lamm reported that 51 new loans were issued during the quarter and that 40 loans were fully repaid. Most outstanding loans were general purpose loans, although a smaller number were related to primary residence purchases. The average loan balance remained approximately \$8,900. Mr. Lamm noted that loan activity remained relatively modest and did not indicate widespread participant financial stress. He commented that some jurisdictions in other states were experiencing significantly higher loan utilization, making Idaho's experience particularly encouraging.

The Committee reviewed participation in the incentive program, which provides contribution incentives to encourage participant enrollment and increased savings rates. Mr. Lamm reported that 168 participants received incentive contributions during the quarter totaling approximately \$27,700. Participation in the program remained generally consistent with prior periods.

Mr. Lamm then reviewed website and call center activity. He reported that most website traffic continued to involve participants checking account balances, although participants also utilized the website to make allocation changes and other account updates. Committee members noted an increase in call volume and abandoned calls. Mr. Lamm indicated that additional review would be conducted to determine the cause of the increase and whether similar trends were occurring in other states.

The Committee reviewed the reimbursement account used to fund plan administration expenses and participant incentives. Mr. Lamm reported that the account balance increased during the quarter due to revenue generated from the plan's asset-based fee structure. He explained that a portion of the plan's eight-basis-point fee supports Nationwide's administrative services while the remaining portion is retained to fund plan expenses, incentives, audits, and other administrative costs.

Mr. Lamm also reviewed participation by local governmental entities and highlighted several participating employers with significant asset balances. Committee members discussed opportunities to expand participation among additional public entities throughout the state. The Committee expressed support for continued outreach efforts and discussed the possibility of additional communication and educational initiatives directed toward local governments that may benefit from participation in the state-sponsored deferred compensation plan.

The Committee concluded the administrative review with a discussion regarding participant education, Roth utilization, enrollment trends, and coordination with state human resource staff. Mr. Lamm reported that Roth elections continued to be highly popular among newly enrolled participants and estimated that a substantial majority of new participants selected Roth contributions. Committee members discussed the importance of ongoing participant education regarding Roth and pre-tax contribution options and agreed that continued outreach efforts would benefit plan participants.

With no further business, Controller Woolf then adjourned the meeting at 2:29pm.