SACRAMENTO MUNICIPAL UTILITY DISTRICT

Interoffice Memorandum

TO: Deferred Compensation Participants DATE: March 8, 2021

FROM: Deferred Compensation Committee

SUBJECT: MINUTES FROM 1st QUARTER DEFERRED COMPENSATION COMMITTEE MEETING OF March 4, 2021

Committee Members Present: Russell Mills, Lisa Limcaco, Jennifer Davidson, Steve Lins

Support Staff Present: Stan Ichiho, Greg Pochy and Randy Hakes

- Meeting Minutes of November 18, 2020 Approved electronically by the Committee prior to the meeting. The approval of the minutes was confirmed.
- **Quarterly Fund Review** Greg Coffey, Russell Investments presented the quarterly update with the following information:

Plan Highlights:

- At quarter end, 58.3% of assets were in a Tier I fund solution (target retirement date).
- 35.5% of assets were in Tier II (actively managed funds) & Tier III (passive index funds) fund option at quarter end.
- The Tier IV (brokerage window) represented 6.2% of assets.
- During the quarter, there was limited participant movement between investment fund options, with the percentage of assets across the various tiers stable.
- All actively managed investment fund options have investment fund expenses that are significantly below a universe of similar style funds.
- On November 2, 2020, the Wells Fargo Stable Value Fund merged into the Russell Investment Contract Fund. In addition, the 2065 Strategy Fund was added to the Plan's menu of investment options.

Market Summary:

- The 4th quarter capped off a volatile year as equities around the globe rallied on positive vaccine news and the hope of a reopening of the global economy in 2021.
- U.S. equites experienced gains of 14.7% during the quarter as measured by the Russell 3000 Index. In a reversal from much of 2020, value stocks outperformed growth stocks; however, growth significantly outperformed value over all of 2020 as market leadership was concentrated in a few large cap stocks.
- Like U.S. markets, international equity markets rose during the quarter by 15.9% (as measured by the MSCI World ex US Index) modestly outperforming U.S. stocks.
- Bond markets delivered a return of 0.7% as measured by the Bloomberg Barclays Aggregate Bond Index. Credit spreads continued to tighten, while longer-dated Treasury yields increased.

Investment Option Performance Summary:

- Tier I Target Date Funds produced positive absolute and benchmark relative returns during the quarter. Benchmark relative returns were aided by an overweight to equities and a portfolio tilt towards value. Russell Investments is maintaining this portfolio positioning as these areas of the market are likely to benefit in 2021 from a pandemic recovery and further market rotation.
- Tier II active funds' performance was strong across the quarter with four out of six funds outperforming their respective benchmarks.

- The Large Cap U.S. Equity Fund outperformed due to an underweight to expensive mega cap growth stocks in favor of securities with lower valuations.
- The Small Cap Fund modestly underperformed during the quarter due to its emphasis on companies with more stable earnings and quality corporate fundamentals.
- The All-International Markets Fund outperformed during the quarter as security selection within value-oriented sectors was rewarded. Exposure to financials was a key add.
- The Multi-Manager Bond Fund experienced strong benchmark relative results as an overweight to corporate bonds and other credit was additive over Treasury securities.
- The Investment Contract Fund performed well relative to the benchmark given the portfolio's higher yield than short-term U.S. Treasuries.
- The Real Asset Fund underperformed for the quarter as an underweight to sectors that had been hard hit by COVID, lodging and retail, detracted from results.
- Tier III passive index funds all performed as expected by tracking their respective benchmarks.

Quarterly Plan Review – Suzanne Rogers, Fidelity Investments presented the quarterly plan statistic summary for the 401(k) and 457(b) Plans.

• Plan Statistics

Total Plan Assets as of December 31, 2020 were \$498.1 million, compared to \$452.2 million at the end of the prior quarter.

Total Plan Participants – As of December 31, 2020 there were 2,870 Participants in the Plans.

Digital Contact Information – As of December 31, 2020 82% of participants are registered on NetBenefits, have an email on file, have a mobile phone number on file, and allow electronic delivery of information.

Equity Allocation – As of December 31, 2020 74% of participants have an Age-Appropriate Equity Allocation of funds.

Beneficiary Designations – As of December 31, 2020 68% of participants have a Beneficiary Designation on file with Fidelity.

Financial Wellness – Stan Ichiho presented to the committee an update on the upcoming financial wellness workshops and presentations for the 2021 year. The financial wellness program has been included in the overall SMUD Wellness Program and a larger number of events have been scheduled online for this year.

With no further items on the agenda, the meeting was adjourned.

Participants may submit comments or questions for the Deferred Compensation Committee through Stan Ichiho, of Human Resource Services at MS B251. Please include your name and daytime phone number so the Committee may respond to your request.