

SACRAMENTO MUNICIPAL UTILITY DISTRICT
Interoffice Memorandum

TO: Deferred Compensation Participants **DATE:** March 3, 2022
FROM: Deferred Compensation Committee
SUBJECT: MINUTES FROM 1st QUARTER DEFERRED COMPENSATION COMMITTEE
MEETING OF March 3, 2022.

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

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

Meeting Minutes of December 2, 2021 - Approved electronically by the Committee prior to the meeting. The approval of the minutes was confirmed.

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, 2021 were \$571.6 million, compared to \$542.8 million at the end of the prior quarter.
- **Total Plan Participants** – As of December 31, 2021 there were 2,863 Participants in the Plans.
- **Retirement Readiness** – As of December 31, 2021 86% of active participants are contributing to one or both plans.
- **Equity Allocation** – As of December 31, 2021 76% of participants have an Age-Appropriate Equity Allocation of funds.
- **Participant Engagement** – As of December 31, 2021 86% of active participants have contacted Fidelity by phone or logged into NetBenefits.

Participant Loan Utilization – Suzanne Rogers, Fidelity Investments presented data regarding the loan utilization of participants as requested at the 4th Quarter Committee meeting.

- As of December 31, 2021 28% of active participants have at least one outstanding loan. Peer organizations average 18%.
- Of the outstanding loans, 21% are home loans and 79% are general loans.
- The average loan amount is \$15,230.

Fidelity Service Level Agreement – Suzanne Rogers, Fidelity Investments informed the committee Fidelity has reinstated the SLA thresholds that were in place prior to the pandemic. The Q4 2021 Speed to Answer SLA was not achieved and SMUD received an invoice credit for fees at risk.

Quarterly Fund Review – Greg Coffey, Russell Investments presented the quarterly update with the following information:

Plan Highlights:

- At quarter end, approximately 60% of plan assets were in a Tier I fund solution (target retirement date fund).
- 33% 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 7% of assets.
- Participant allocation percentages remained stable across the various tiers with limited movement between investment fund options.
- All actively managed investment fund options have investment fund expenses that are significantly below a universe of similar style funds.

Market Summary:

- The 4th quarter saw generally positive returns across developed equity markets.
- U.S. large cap equities returned 9.8% as measured by the Russell 1000 Index. Growth oriented stocks beat value stocks during the period as mega-cap companies dominated returns. Small cap stocks as measured by the Russell 2000 Index returned 2.1%.
- International developed equity markets rose by 3.1% (as measured by the MSCI World ex US Index) as Omicron concerns weighed on investor minds. Emerging markets declined by 1.3% (as measured by the MSCI EM Index) during the quarter as concerns about future economic growth in China hindered results.
- The yield curve flattened over the quarter resulting in flat performance for bond markets as measured by the Bloomberg Barclays Aggregate Bond Index.

Investment Option Performance Summary:

- Tier I Target Date Funds experienced strong performance over the quarter and outperformed their respective composite benchmark. Overweight positions to equities and small cap exposures were most additive during the period. Over the course of 2021, the funds experienced strong absolute returns and benchmark relative results with equity exposures the primary contributor.
- Tier II active funds' performance was mixed across the quarter with three out of six funds outperforming their respective benchmarks.
 - The Large Cap U.S. Equity Fund underperformed in the quarter and over the last 12 months due to a tilt towards value stocks and an underweight to the largest stocks by market cap. The fund remains positioned towards stocks with cheaper valuations than the index.
 - The Small Cap Fund experienced another strong quarter of outperformance with stock selection in the healthcare and consumer discretionary names adding the most value. Over the course of 2021, the fund performed exceptionally well given its tilt toward stocks with lower valuations.
 - The All-International Markets Fund experienced positive returns during the quarter, but underperformed its benchmark as exposures to consumer discretionary, industrials, and financials weighed on returns. The emerging market exposure was additive during the period as an underweight to China was rewarded. Over the course of 2021, the fund outperformed as a tilt towards more cyclical sensitive companies was rewarded.
 - The Multi-Manager Bond Fund underperformed over the quarter as an overweight to credit bonds detracted. Over 2021, the fund outperformed its benchmark, but it did experience negative absolute returns from the impact of increasing interest rates.
 - 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 performed well in the quarter. Overweight positions to energy, self-storage, and an underweight to airports/seaports was additive.
- Tier III passive index funds all performed as expected by tracking their respective benchmarks.

Suspense Accounts – Stan Ichiho presented the committee with balances of the suspense accounts and the timing of allocation of funds to participants will be done this quarter.

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 People Services & Strategies at MS B251. Please include your name and daytime phone number so the Committee may respond to your request.