

**SACRAMENTO MUNICIPAL UTILITY DISTRICT**  
Interoffice Memorandum

**TO: Deferred Compensation Participants** **DATE: September 12, 2023**

**FROM: Deferred Compensation Committee**

**SUBJECT: MINUTES FROM 3<sup>rd</sup> QUARTER DEFERRED COMPENSATION COMMITTEE MEETING OF September 12, 2023.**

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

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

**Meeting Minutes of June 8, 2023** - Approved electronically by the Committee prior to the meeting. The approval of the minutes was confirmed.

**SECURE Act 2.0 & Plan Amendment Updates** – Stan Ichiho provided the Committee with a status update on Plan changes including 457b deferral frequency, 457b In-Service Withdrawals, Age 50 Catch-up Roth provision, Age 50 Catch-up Roth 60-63 provision, and Board of Directors Direct Contribution Changes. Communication of changes will begin in the coming weeks.

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

**Plan Statistics**

- **Total Plan Assets** as of June 30, 2023 were \$539.2 million, compared to \$518.2 million at the end of the prior quarter.
- **Total Plan Participants** – As of June 30, 2023 there were 2,977 Participants in the Plans.
- **Retirement Readiness** – As of June 30, 2023 80% of active participants are contributing to one or both plans.
- **Equity Allocation** – As of June 30, 2023 77% of participants have an Age-Appropriate Equity Allocation of funds.
- **Average Savings Rate** – As of June 30, 2023 the average savings rate is \$16,014 per employee.
- **Outstanding Loans** – As of June 30, 2023 27% of participants have at least one outstanding loan.

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

**Plan Highlights:**

- At quarter end, 57% of plan assets were in a Tier I fund solution (target retirement date fund).
- 36% of assets were in Tier II (actively managed funds) & Tier III (passive index funds) fund options 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.
- Total plan assets increased by over 4% over the quarter as equities continued to produce positive returns.
- All actively managed investment fund options have investment fund expenses that are significantly below a universe of similar style funds.

#### **Market Summary:**

- Market returns were mixed during the quarter as equities produced positive returns due to slowing inflation and economic resiliency. Bond markets produced negative returns as interest rates rose.
- US large cap equities returned 8.6% as measured by the Russell 1000 Index, as large cap tech companies once again dominated market returns, particular those companies that might benefit from advancements in artificial intelligence.
- International developed equity markets rose by 3.0% (as measured by the MSCI World ex US Index). Emerging markets rose by 0.9% (as measured by the MSCI EM Index) during the quarter.
- The ten-year US Treasury yield rose by 34bps during the quarter and ended the quarter at 3.81%. The Bloomberg Aggregate Bond Index fell by -0.8% in the quarter.

#### **Investment Option Performance Summary:**

- Tier I Target Date Funds experienced positive returns during the quarter. From a benchmark relative perspective, the funds underperformed. A Longer duration position and modest equity underweight were the main detractors during the period.
- Three out of six of the Tier II active funds' outperformed their respective benchmarks in the quarter.
  - The Large Cap US Equity Fund underperformed in the quarter due to stock selection within the technology sector.
  - The Small Cap Fund underperformed during the quarter due to stock selection in technology and an emphasis on quality.
  - The All-International Markets Fund outperformed the benchmark during the quarter. Excess returns were additive within the emerging markets exposure through positive stock selection and an overweight to Brazil.
  - In a reversal from the first quarter, the Multi-Manager Bond Fund underperformed due to a longer-duration position as treasury yields rose in the quarter.
  - The Investment Contract Fund outperformed in the quarter. Increasing treasury yields resulted in negative benchmark performance in relation to the fund's stable crediting rate.
  - The Real Asset Fund outperformed in the quarter, driven by outperformance in the commodities (underweight to metals), REITs (overweight data centers), and infrastructure (transportation) segments.
- Tier III passive index funds all performed as expected by tracking their respective benchmarks.

**Statistical Data Reporting** – The Committee has requested Russell Investments work with support staff to review participant statistical data and report back to the committee with any trends that are found.

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.