## SACRAMENTO MUNICIPAL UTILITY DISTRICT

Interoffice Memorandum

TO: Deferred Compensation Participants DATE: June 8, 2023

FROM: Deferred Compensation Committee

SUBJECT: MINUTES FROM 2<sup>nd</sup> QUARTER DEFERRED COMPENSATION COMMITTEE

MEETING OF June 8, 2023.

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

**Davidson** 

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

**Meeting Minutes of March 13, 2023 -** 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 March 31, 2023 were \$518.2 million, compared to \$484.0 million at the end of the prior quarter.
- Total Plan Participants As of March 31, 2023 there were 2,955 Participants in the Plans.
- Retirement Readiness As of March 31, 2023 80% of active participants are contributing to one or both plans.
- **Equity Allocation** As of March 31, 2023 77% of participants have an Age-Appropriate Equity Allocation of funds.

**SECURE Act 2.0 provisions** - Fidelity is continuing to assess the new provisions and will update the committee on any impact of the changes to the SMUD Plans. One new provision allows for a change in the frequency of deferrals into the 457b Plan. This change will allow 457b deferrals on a pay-period basis instead of a monthly basis.

Suzanne informed the Committee of the return to of in-person, one-on-one meetings with the Fidelity Retirement Guidance Specialist. Scheduling is currently available online through the Fidelity Scheduling tool.

The Committee requested from Fidelity an informational handout for use at department, safety, and all-hands meetings to encourage awareness of Fidelity educational offerings.

**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 7% over the quarter given the strong market backdrop.
- All actively managed investment fund options have investment fund expenses that are significantly below a universe of similar style funds.

# **Market Summary:**

- Equity and bond markets saw a strong quarter as investors were encouraged by signs of inflation starting to cool and the path of future interest rate hikes becoming clearer.
- US large cap equities returned 7.5% as measured by the Russell 1000 Index, as large cap tech companies once again dominated market returns.
- International developed equity markets rose by 8.2% (as measured by the MSCI World ex US Index). Emerging markets rose by 4.0% (as measured by the MSCI EM Index) during the quarter.
- The ten-year US Treasury yield declined by 40 bps during the quarter and ended the year at 3.47%. The Bloomberg Aggregate Bond Index rose by 3.0% 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 narrowly outperformed. Long duration exposures and an underweight to regional banks was a positive, while a preference for value stocks detracted at the margin.
- Five out of six of the Tier II active funds' outperformed their respective benchmarks in the quarter.
  - The Large Cap US Equity Fund outperformed due to stock selection and an underweight to banks.
  - The Small Cap Fund narrowly outperformed as an underweight to banks was rewarded following the March banking "crisis".
  - The All-International Markets Fund outperformed the benchmark during the quarter. Excess returns were additive by emerging markets exposure through positive stock selection and an underweight to India.
  - The Multi-Manager Bond Fund outperformed due to a longer-duration position as treasury vields fell in the quarter.
  - The Investment Contract Fund underperformed in the quarter. Falling treasury yields created a headwind to performance given the fund's stable crediting rate.
  - The Real Asset Fund outperformed in the quarter, driven by outperformance in the commodities (underweight to natural gas), REITs (underweight office), and infrastructure (stock selection within airports) segments.
- Tier III passive index funds all performed as expected by tracking their respective benchmarks.

**Plan Amendments for 401k & 457b** – Randy Hakes presented the committee with information for amendments to each Plan to allow Employer Contributions for SMUD Board of Directors. These amendments will allow SMUD to make direct contributions to SMUD Board of Director accounts. The Committee discussed the amendments, it was motioned, seconded and voted all in favor of adopting the amendments pending final language and adoption by the SMUD Board of Directors.

**457b Plan Deferral Amendment** – with the Secure Act 2.0 provision allowing a change in the frequency of deferrals into the 457b Plan, the committee discussed, motioned, seconded and voted all in favor of adopting an amendment to allow the change in deferrals to a pay period frequency that mirrors the 401k Plan pending final language of the amendment.

The Committee moved to Closed Session.

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.