

SACRAMENTO MUNICIPAL UTILITY DISTRICT
Interoffice Memorandum

TO: Deferred Compensation Participants **DATE:** June 17, 2024
FROM: Deferred Compensation Committee
SUBJECT: MINUTES FROM 2nd QUARTER DEFERRED COMPENSATION COMMITTEE
MEETING OF JUNE 13, 2024,

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

Support Staff Present: Randall Hakes, Kimberly Simpson, Greg Pochy and Nouchi Xiong

Meeting Minutes of March 21, 2024 - Approved electronically by the Committee prior to the meeting. The approval of the minutes was confirmed.

Fiduciary Training and Recent Trends- Rodger Davis, Fidelity Investments presented Fiduciary training to the SMUD Deferred Compensation Committee and Support Staff.

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, 2024 were \$612.7 million, compared to \$574.5 million at the end of the prior quarter.
- **Total Plan Participants** – As of March 31, 2024 there were 3,030 Participants in the Plans.
- **Retirement Readiness** – As of March 31, 2024 84% of active participants are contributing to one or both plans.
- **Equity Allocation** – As of March 31, 2024 78% of participants have an Age-Appropriate Equity Allocation of funds.
- **Average Savings Rate** – As of March 31, 2024 the average savings rate is \$16,416 per employee.
- **Outstanding Loans** – As of March 31, 2024 27.1% 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:

- Participant asset allocations remained stable during the first quarter with 57% of plan assets in a Tier I fund solution (target retirement date fund).
- 34% 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 9% of assets.

- Participant allocation percentages remained stable across the various tiers with limited movement between investment fund options.
- Total plan assets increased by 6.4% over the quarter as equities and bonds rose sharply in value.
- All actively managed investment fund options have investment fund expenses that are significantly below a universe of similar style funds.

Market Summary:

- Investor enthusiasm increased over the quarter over the prospects of a “soft landing” and the belief that a recession could be avoided in 2024.
- US large cap stocks continued to show their dominance over small cap stocks as NVIDIA was a standout performer increasing by over 80%; however, other “Magnificent Seven” names showed some weakness with Apple and Tesla struggling.
- US large cap equities returned 10.3% as measured by the Russell 1000 Index.
- International developed equity increased by 5.7% (as measured by the MSCI World ex US Index). Emerging market stocks rose by 2.4% (as measured by the MSCI EM Index) during the quarter.
- The ten-year US Treasury yield rose meaningfully during the quarter ending the quarter at 4.2%. The Bloomberg Aggregate Bond Index declined by -0.8%.

Investment Option Performance Summary:

- Tier I Target Date Funds experienced strong absolute returns during the quarter. From a benchmark relative perspective, the fund series performed in line with the benchmark.
- Within the Tier II active funds, five out of the six funds outperformed their respective benchmarks in the quarter.
 - The Large Cap US Equity Fund outperformed in the quarter due to stock selection within the technology sector and an underweight to interest sensitive stocks.
 - The Small Cap Fund outperformed during the quarter due to stock selection in industrials and financials.
 - The All-International Markets Fund modestly underperformed the benchmark during the quarter with stock selection within Europe as the key driver of underperformance.
 - The Multi-Manager Bond Fund modestly outperformed during the quarter as credit exposures were rewarded.
 - The Investment Contract Fund outperformed the benchmark as the fund maintained a stable crediting rate.
 - The Real Asset Fund outperformed in the quarter. Driven by strong results from infrastructure holdings and data centers.
- Tier III passive index funds all performed as expected by tracking their respective benchmarks.

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

Participants may submit comments or questions for the Deferred Compensation Committee through Kimberly Simpson, of People Services & Strategies at MS B251. Please include your name and daytime phone number so the Committee may respond to your request.