

SACRAMENTO MUNICIPAL UTILITY DISTRICT
Interoffice Memorandum

TO: Deferred Compensation Participants

DATE: September 11, 2024

FROM: Deferred Compensation Committee

**SUBJECT: MINUTES FROM 2nd QUARTER DEFERRED COMPENSATION COMMITTEE OF MEETING
SEPTEMBER 5, 2024**

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

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

Meeting Minutes of June 12, 2024 - 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 June 30, 2024 were \$620.5 million, compared to \$612.7 million at the end of the prior quarter.
- **Total Plan Participants** – As of June 30, 2024 there were 3,032 Participants in the Plans.
- **Retirement Readiness** – As of June 30, 2024 84% of active participants are contributing to one or both plans.
- **Equity Allocation** – As of June 30, 2024 78% of participants have an Age-Appropriate Equity Allocation of funds.
- **Average Savings Rate** – As of June 30, 2024 the average savings rate is \$16,587 per employee.
- **Outstanding Loans** – As of June 30, 2024 27.4% of participants have at least one outstanding loan.

Fidelity Managed Accounts: Michael Vincent, Fidelity Investments, presented an overview of managed accounts offerings that included portfolio offerings, personalized planning, and income planning and awareness.

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 1.6% over the quarter as asset class returns were muted.
- All actively managed investment fund options have investment fund expenses that are significantly below a universe of similar style funds.

Market Summary:

- U.S. equity performance was bifurcated during the quarter with large cap stocks returning 3.6% as measured by the Russell 1000 Index, while small cap stocks as measured by the Russell 2000 Index declined by -3.3%.
- Narrow market leadership continued with NVIDIA providing a significant boost to market returns.
- International developed equity declined by -0.6% (as measured by the MSCI World ex US Index) partly due to weakness in Japan. Emerging market stocks rose by 5.0% (as measured by the MSCI EM Index) during the quarter driven by China, Taiwan, and India.
- The Bloomberg Aggregate Bond Index rose by 0.1%. The 10-year treasury yield began the quarter near 4.2%, peaked at 4.7% before declining in June to end the quarter at 4.4%.

Investment Option Performance Summary:

- Tier I Target Date Funds experienced modest 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 underperformed their respective benchmarks in the quarter.
 - The Large Cap US Equity Fund underperformed in the quarter due to stock selection within the industrial, health care and consumer staples sectors. The fund is outperforming on a YTD basis.
 - The Small Cap Fund underperformed during the quarter due to stock selection in consumer discretionary and materials. The fund is outperforming on a YTD basis.
 - The All-International Markets Fund underperformed the benchmark during the quarter with stock selection and a tilt towards value and small cap companies a detractor.
 - The Multi-Manager Bond Fund modestly outperformed during the quarter as credit exposures were rewarded.
 - The Investment Contract Fund underperformed the benchmark as the fund maintained a stable crediting rate.
 - The Real Asset Fund underperformed in the quarter. Driven by weakness in the infrastructure and commodity space. The Fund is outperforming on a YTD basis.
- Tier III passive index funds all performed as expected by tracking their respective benchmarks.

Action Items:

The Committee will review information regarding Managed Accounts and vote during 4th Quarter meeting.

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.