

SACRAMENTO MUNICIPAL UTILITY DISTRICT
Interoffice Memorandum

TO: Deferred Compensation Participants

DATE: December 30, 2024

FROM: Deferred Compensation Committee

**SUBJECT: MINUTES FROM 4th QUARTER DEFERRED COMPENSATION COMMITTEE OF MEETING
December 12, 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, Henry Briody

Guest: David Bitter

Meeting Minutes of September 5, 2024 - Approved electronically by the Committee prior to the meeting. The approval of the minutes was confirmed.

Cyber Security Review – David Schneier, Fidelity Investments, reviewed current trends and protocols applicable to the Fidelity website and SMUD Deferred Compensation participants.

Secure 2.0 Review-Suzanne Rogers, Fidelity Investments, reviewed the most up to date information on Secure 2.0 and upcoming deadlines.

- Committee agreed to implement optional Catch-Up for employees 60-63. This option will be available as soon as it can be implemented in 2025.

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 September 30,2024 were \$656.7 million, compared to \$620.5 million at the end of the prior quarter.
- **Total Plan Participants** – As of September 30, 2024 there were 3,061 Participants in the Plans.
- **Retirement Readiness** – As of September 30, 2024 80% of active participants are contributing to one or both plans.
- **Equity Allocation** – As of September 30, 2024 78% of participants have an Age-Appropriate Equity Allocation of funds.
- **Average Savings Rate** – As of September 30, 2024 the average savings rate is \$16,667 per employee.
- **Outstanding Loans** – As of September 30, 2024 27% of participants have at least one outstanding loan.

Fidelity Managed Accounts: The Committee is continuing to complete additional research before making a final decision on implementing this option.

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.
- Total plan assets increased by 5.7% over the quarter as both equity and fixed income markets delivered strong returns.
- 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 markets delivered strong returns during the quarter masking a brief but volatile period that saw stocks decline in late July into early August. Prospects of a soft landing of the economy and Fed interest rate cuts ultimately drove markets higher. The Russell 1000 Index delivered a return of 6.1%, while the Russell 2000 Index returned 9.3%.
- International developed equity markets rose sharply by 7.8% (as measured by the MSCI World ex US Index). Emerging market stocks rose by 8.9% (as measured by the MSCI EM Index) during the quarter driven by China.
- The Bloomberg Aggregate Bond Index rose by 5.2%. The 10-year treasury yield began the quarter near 4.4% but declined to end the quarter at 3.8%.

Investment Option Performance Summary:

- Tier I Target Date Funds experienced strong returns during the quarter. From a benchmark relative perspective, the fund series modestly trailed the benchmark due to stock selection from the active managers.
- Within the Tier II active funds, three out of the six funds outperform their respective benchmarks in the quarter.
- The Large Cap US Equity Fund underperformed in the quarter due to stock selection within the consumer discretionary and financials sector.
- The Small Cap Fund underperformed during the quarter due to stock selection in the information technology and industrials sector.
- The All-International Markets Fund outperformed the benchmark during the quarter with tilts towards value and small cap companies' additive.
- The Multi-Manager Bond Fund outperformed during the quarter as credit exposures were rewarded along with a longer duration position.
- The Investment Contract Fund underperformed the benchmark as the fund maintained a stable crediting rate.
- The Real Asset Fund modestly outperformed in the quarter. Driven by the commodities segment of the portfolio.
- Tier III passive index funds all performed as expected by tracking their respective benchmarks.

- **Discussion on Fidelity Investments/Russell to present to Executive Team**

- Committee determined that Fidelity Investments and/or Russell will attend an upcoming Executive meeting to review the Deferred Compensation plans and provide updates. The date of the meeting is undetermined.
- **Discussion on Payroll staff attending Quarterly meetings**
 - Payroll will attend SMUD's monthly Fidelity service meetings.

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

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