SACRAMENTO MUNICIPAL UTILITY DISTRICT
Interoffice Memorandum

TO: **Deferred Compensation Participants** **DATE:** June 29, 2026

FROM: Deferred Compensation Committee

SUBJECT: MINUTES FROM 2ND QUARTER DEFERRED COMPENSATION COMMITTEE OF MEETING JUNE 29, 2026

Committee Members Present: Scott Martin, George Vaughn, Jennifer Restivo

Support Staff Present: Randall Hakes, Neeraja Rajan, Henry Briody

Meeting Minutes of March 17, 2026 - 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 31,2025 there were $742.6 million, compared to $756.4 million at the end of the prior quarter.
- **Total Plan Participants** – As of March 31, 2026, there were 3,067 Participants in the Plans.
- **Retirement Readiness –** As of March 31, 2026, 79% of active participants are contributing to one or both plans.
- **Equity Allocation** – As of March 31, 2026, 77% of participants have an Age-Appropriate Equity Allocation of funds.
- **Average Savings Rate** – As of March 31, 2026, the average savings rate is $17560 per employee
- **Outstanding Loans** – As of March 31, 2026, 29.1% of participants have at least one outstanding loan.

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

- **Plan Commentary**
  - In 1Q performance was mixed across asset classes with real assets, international equities and small cap equities posting positive returns, while US large cap equities and bonds declined in value
  - Target date fund performance was negative with the exception of the income vintage. Near retirement vintages outperformed longer dated vintages due to their larger allocation to bonds.
  - Total Plan assets fell by 1.5% over the quarter, declining by $11mn. The percentage of assets in TDFs vs asset class funds remained consistent with the prior quarter.
- **Fund Updates**
  - There were no manager changes to report during 1Q26.
  - Active fund positions continue to remain close to neutral with security selection the primary driver of active risk within the funds given increased market volatility.

- **Market Review**
    - Geopolitics shake markets
        - The conflict in the Middle East and the closure of the Strait of Hormuz pressured both equity and fixed income markets in March
    - Tale of two periods
        - Equity leadership flipped on the conflict. Non-US outperformed early in the quarter while the US was more resilient in March
    - Bonds take a hawkish pivot
        - Rates rose globally in March as inflation concerns prompted investors to price-out rate cuts from developed market central banks
- **Global Market Outlook**
    - Economy
        - The war and supply side disruptions add uncertainty to the outlook, but our baseline still calls for a resilient global business cycle.
    - Stocks
        - Earnings revisions and guidance were positive ahead of the conflict. Sentiment oversold at end-March, but not yet at a panic extreme.
    - Sovereign Bonds
        - US rates reflect the risk of a protracted Fed pause and are fairly priced. Other DM sovereigns (e.g. UK, Australia) show better value.
    - Public Credit
        - Spreads rose toward more normal levels on AI disruption fears and growth from the Middle East. Credit underweights trimmed.
    - Currency
        - USD reasserted its defensive characteristics to Middle East shock, but we expect weakening trend to persist over the medium-term.
    - Private Markets
        - Weaker retail sentiment are a risk to private credit but fundamentals more resilient. M&A, IPO activity points to improving exit environment.
- **401(K) Savings Plan**
    - As of 3/31/26 total assets were $532M
    - Tier allocation remained consistent over the majority of planned assets in a tier one offering
    - Within the tier II and tier III funds, there continues to be skew with participant allocations to US large cap and investment contract fund exposures
- **457(b) Savings Plan**
    - As of 3/31/26 total assets $218M
    - Tier allocation remained consistent over the quarter with the majority of plan assets in a tier I offering although slightly lower levels then within the 401K plan
- **SMUD Investment Fee Comparison**
    - All actively managed fund options are significantly below the median universe fund expense
- **Key drivers of Tier 1 performance**
    - Fixed Income
        - Intermediate govt. bonds delivered modest gains, supported by stable demand and income generation while long duration bonds declined due to rising long-end yields and shifting rate cut expectations
        - Credit sectors were slightly negative overall as higher Treasury yields and modest spread widening offset solid fundamentals
        - Securitized assets were a bright spot, benefiting from resilient credit quality across MBS, ABS, and CMBS
        - Short-term TIPS were positive, helped by firming inflation expectations and lower duration sensitivity
    - Equities

        - U.S. large cap equities declined amid higher rate volatility and reduced expectations for Fed easing
        - U.S. small caps outperformed, supported by domestic exposure and insulation from global pressures
        - International equities were slightly negative, with weakness in Europe partially offset by strength in parts of Asia
    - Real Assets
        - Commodities were the strongest performer, driven by energy price increases amid geopolitical tensions
        - Global infrastructure posted strong gains, supported by regulated utilities and energy-linked revenues
        - REITs delivered positive returns, with strength in residential and specialized sectors like data centers, though rate sensitivity remained mixed

- **Source Withdrawals**
    - Fidelity has updated plan to allow participants to elect the source of their withdrawal. Participants must call Fidelity rep. Can not do it online.
- **Trump Account**
    - SMUD will not be contributing to these accounts. No changes to current employer contributions.

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.