SACRAMENTO MUNICIPAL UTILITY DISTRICT
Interoffice Memorandum

TO: **Deferred Compensation Participants** **DATE:** March 17, 2026

FROM: Deferred Compensation Committee

SUBJECT: MINUTES FROM 1st QUARTER DEFERRED COMPENSATION COMMITTEE OF MEETING MARCH 17, 2026

Committee Members Present: Matthew Powell, Steve Lins, Scott Martin, George Vaughn

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

Meeting Minutes of December 11, 2025 - 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 December 31,2025 there were $ 756.4 million, compared to $ 738.9 million at the end of the prior quarter.
- **Total Plan Participants** – As of December 31, 2025, there were 3,071 Participants in the Plans.
- **Retirement Readiness –** As of December 31, 2025, 80% of active participants are contributing to one or both plans.
- **Equity Allocation** – As of December 31, 2025, 77% of participants have an Age-Appropriate Equity Allocation of funds.
- **Average Savings Rate** – As of December 31, 2025, the average savings rate is 11.3% per employee
- **Outstanding Loans** – As of December 31, 2025, 28.8% of participants have at least one outstanding loan.

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

- **Plan Commentary**
    - In 4Q all asset classes delivered positive returns, with international and small cap equities delivering strong results, while bond and real asset performance saw modest gains.
    - Target date fund performance was positive across the series, with longer-dated vintages benefiting most due to strong performance in growth assets.
    - Total Plan assets rose by 2.1% over the quarter, increasing by approximately $16M. The percentage of assets in TDFs versus asset class funds remained consistent with the prior quarter.
    - **Fund Updates**
        - There were no manager changes to report during 4Q25.
        - The target date funds were transitioned to the BlackRock Lifepath Index funds on October 6th.

  - Active fund positioning remains close to neutral, with security selection continuing to be the primary driver of active risk amid elevated market volatility.
- **Market Review**
  - Diversification benefited portfolios, as non-U.S. equities outperformed U.S. equities, with markets such as Korea and Colombia leading performance.
  - There was significant dispersion in mega-cap equity performance, with nearly a 40-percentage point gap between top and bottom "Magnificent 7" stocks.
  - The Federal Reserve cut rates to approximately 3.6% and signaled a potential pause in early 2026.
- **Global Market Outlook**
  - Economy: U.S. GDP is expected to accelerate in 2026, with generally strong global growth expectations.
  - Public Credit: Spreads remain extremely tight, limiting return potential and increasing sensitivity to volatility.
  - Stocks: Market sentiment is not yet euphoric, suggesting potential for continued upside.
  - Currency: The U.S. dollar is expected to weaken over the medium term.
  - Sovereign Bonds: The Fed is near the end of its rate-cutting cycle, with relative value more attractive outside the U.S.
  - Private Markets: IPO and M&A activity are picking up, improving exit opportunities.
- **401(K) Savings Plan Lineups**
  - Tier allocation remained consistent over the quarter with the majority of plan assets in a Tier 1 offering
  - Within the Tier II & Tier III funds, there continues to be a skew in participant allocations to US large cap and investment contract fund exposures
- **457(b) Savings Plan**
  - Tier allocation remained consistent over the quarter with the majority of plan assets in a Tier 1 offering although at slightly lower levels than within the 401 (k) plan
- **SMUD Investment Fee Comparison**
  - Across the board all of SMUDs funds Investment management fees remain below eVestment medians and rank among the lowest fees across each universe.
- **Tier 1 Details**
  - Performance was in line with the index.
  - Discussed the glidepath changes to the BlackRock LifePath Index Funds, increasing the risk exposures within the middle part of the glidepath by adding to US Large and Mid-Cap equities and International Equities, and taking from bonds.
- **Tier II and III Details:**
  - Large Cap Equity:
    - Underperformed across the periods shown (−74 bps in 4Q).
    - Challenging environment due to extreme market concentration (Mag 7 dominance). Still outperforming peer median over 10 years, recent broadening in market leadership may create better opportunities for active managers going forward.
  - Small Cap Equity
    - Strong rebound in 4Q, outperforming by +107 bps, driven by stock selection in industrials and energy and strong biotech performance (Lord Abbett).
    - Strong long-term track record (since inception and 5-year), with peer median outperformance.
  - All International Markets
    - Underperformed in 4Q (−104 bps), mainly from international equity sleeve.
    - Quality and small-cap tilts detracted as markets favored higher volatility names. Strong longer-term performance (1-year, 5-year, and since inception).
  - Multi-Manager Bond Fund

        - Slight underperformance (−11 bps), broadly in line with benchmark. Credit positioning added value (high yield & securitized exposure), offset by rates positioning.
        - Strong longer-term performance, outperforming over 1-year and since inception.
    - Real Assets Fund
        - Underperformed short term (quarter and 1-year), driven by infrastructure positioning, including off-benchmark exposures (railroads, waste, communications) and underweights to airports/seaports.
        - Strong long-term performance, outperforming since inception and ahead of peer medians.

- **Source Withdrawals**
    - Benefits team will work with Fidelity to allow participants to select the source of their withdrawal.

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.