

Kristy Bixler
Director, Human Resources
410-386-2129, fax 410-840-3671
MD Relay 711/800-735-2258
email: kbixler@carrollcountymd.gov



Department of Human Resources
Carroll County Government
225 North Center Street
Westminster, Maryland 21157

Carroll County Defined Contribution Plans – 401k/457b
May 8, 2023, 10:30pm, Room 124C
Meeting Minutes

In attendance:

Mike Beczkowski – Bolton, Sr. Consultant
Werner Mueller – Retirement Plans Mgr.
Charles Beckhardt – Technology Services
Kristy Bixler – Human Resources
Tim Burke – County Attorney
Alison Jones – Circuit Court

- Heidi Pepin will replace Deb Effingham on the Committee, due to Deb's promotion to Deputy County Administrator.
- A letter from Lincoln Financial Group, our Plan provider, will soon be mailed to app. 300 participants impacted by their assets held mistakenly as "cash" for a 3-month period (9/22/2022 – 12/22/2022). Those funds should have been invested in their YourPath target-date portfolio. This error occurred during the transition of the LifeSpan to YourPath TDF's. Approximately \$ 685,000 will be restored to the affected accounts. The deposit should occur within the next few days.

Talking points from Mike:

- Year-to-Date (through 5/5/2023) returns have been strong. With the exception of Victory Sycamore (weighed down by energy and, especially, bank stocks), all investment options are in the black.
- As part of the Secure 2.0 Act, as of now those with FICA earnings exceeding \$ 145,000 would need to "Rothify" their catch-up contributions beginning in 2024. This would push CCG to establishing a Roth option in the County 457b Plan.
- The S&P 500 index is still down 15% from it's all-time high. Its forward P/E has declined to 17.8, still a bit higher from its 25-year average.
- "Growth" has outperformed "Value" this year across all asset sizes. "Value" has been hurt by the financial stocks, especially in the regional banking sector.

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- Inflation still climbing, though at a lower rate. Shelter/rent still stubbornly high.
- The Fed funds rate is 5.13%. Expected to drop later this year, into 2025.
- Yield curve still significant inverted (short-term rates higher than long-term rates), continuing to signal an upcoming recession.
- Since the end of the financial crisis in 2008, domestic stocks have significantly outperformed international stocks, however, that trend had begun to reverse in 2022.
- The color-coded “quilt” reflects year-to-date strength in Large Growth and Mid Growth, similar to 2019 and 2020.
- Combined Plan assets have been remarkably consistent over the past 7 years, typically hovering between \$ 70M and \$80M in total assets.
- Per a report from Veriphy Analytics, our 401k Plan scores a 15.7 – in the green. This indicates strong performance with relatively low risk within our 401k’s investment options since 2016, putting the Plan in the upper-left hand quadrant. Very good news, of course.
- A FINRA Foundation National Financial Capability Study, conducted every 3 years, shows a steady decline in financial literacy since 2009.
- 5-year and 10-year returns of our actively-managed fund investments are solidly in the green. One exception is Fundamental Investors. Bolton remains confident with their management team and investment strategy. Performance has been impacted by what they did not own, i.e., Apple, Nvidia, and Tesla.
- All in all, investment performance has been satisfying and there remains zero funds on “Watchlist.” Fund fees remain relatively low and there are no issues with Plan design. All is well.

The next quarterly meeting will be sometime in August. Date and time TBD.