



MEETING MINUTES
Carroll County Defined Contribution Plans – 401(k) and 457(b)
Mon., May 10, 2021
1:30pm
Via conference call

In attendance:

Bolton (401k and 457B Consultant)

Mike Beczkowski, Senior Consultant, Bolton
Ella Smith, Relationship Manager, Lincoln Financial

Pension Committee Members

Charles Beckhardt, Technology Services
Rob Burk, Comptroller
Tim Burke, County Attorney
Kimberly Frock, Director, Human Resources
Alison Jones, Deputy Court Administrator, Circuit Court
Werner Mueller, Retirement Plans Manager

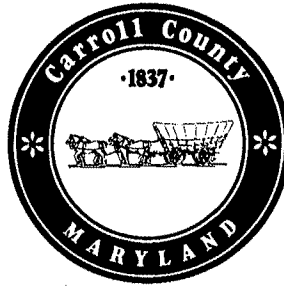
Unable to attend:

Deborah Effingham, Bureau Chief, Management & Budget

- Mike reviewed a JP Morgan PowerPoint presentation. Key findings include:
 - a) Sector leadership has flipped. Energy, airlines, retail REIT's, hotels, resorts, cruise lines, and banks had been DOWN over 20% from 12/31/19 to 11/6/20. Since 11/6/2020, however, they have become the sector leaders, all UP over 20%. 11/6/20 was the last business day prior to the news of a vaccine candidate showing a 90%+ efficacy rate against the COVID-19 virus.
 - b) Despite "value" outperforming "growth" significantly since 11/6/2020, its P/E ratios remain relatively low. History suggests that this trend of value > growth may continue for quite some time.



- c) The S&P 500 Index is +88% since 3/23/2020 and its forward P/E ratio has jumped from 13.3X to 21.9X (now the highest in 20 years), suggesting that the market is due for a pause.
 - d) The Top 10 stock weighting in the S&P remains historically high, currently 27.8% of the index in terms of market cap.
 - e) As expected, the unemployment rate has dropped significantly in the past year going from 14.8% last April to 6.0% in March. The rate, however, did tick back up to 6.1% last month.
 - f) The Federal Reserve continues to keep interest rates artificially low. 20% of the current Money Supply was created just last year and the Fed's balance sheet has now expanded to nearly \$9T.
 - g) US high-yield credit spreads are relatively narrow. These "spreads" are the premium that investors demand to hold junk bonds over safer Treasury bonds.
- Mike then provided an investment performance update:
 - a) The theme of value outperforming growth was validated by the year-to-date returns, as of May 7, 2021.
 - b) Value funds or funds leaning toward value have done quite well in 2021. Washington Mutual (+16.3%), John Hancock Disciplined Mid-Cap Value (+23.4%), and Victory Sycamore Small Co. Opps. (+23.3%), just to name a few.
 - c) With the exception of Vanguard TIPS fund, the other bond fund options are negative for the year, coinciding with rising interest rates.
 - Mike then presented Bolton's "Investment Performance Review", as of 3/31/2021:
 - a) Review of the "quilt," a graph indicating asset class performance from best to worst over the past 10 years. This, again, reflects how dynamic the shift in performance has been from the go-go growth stocks of 2019 and 2020 to the value stocks thus far in 2021.
 - b) As of 3/31/2021, assets in both Plans totaled \$87.2M, with 16% of the assets in various LifeSpan models. The assets are invested a little over 70% in equities.
 - c) Our investment lineups continue to do well relative to their benchmarks – 8 of 12 exceeding their benchmarks over the past 10 years and 7 of 12 over the past 3 and 5 years. This was validated by the "Veriphy Scorecard Report," which is similar to a



FICO score on a credit report. The Veriphy report indicates that our Plans are in the 1st Quartile when measuring its risk vs. return performance versus other Plans.

- d) Fund performance over the past 12 months has been nothing short of fantastic. These 12-month returns are returns we may never see again. Each stock fund is +50% or more with Columbia Small Cap Growth up an astounding 114%.
 - e) Funds that are in the upper-left segment (high return relative to risk) of the risk/return measurements include Fundamental Investors, Washington Mutual, JH Disc. Mid Cap Value, Victory Sycamore, SmallCap World, and Dodge & Cox Income.
- Ella continues to provide helpful educational information for Plan participants, most recently about Cyber security awareness. The campaign for the current quarter focuses on encouraging participants to increase their contributions/savings.

There remain zero funds on Watchlist.

The next quarterly meeting – in-person, hopefully - will be in August. We'll discuss:

- a) potential in-plan annuity option
- b) fiduciary training
- c) review of Investment Policy Statement