

MEETING MINUTES – review of Q2 2021
Defined Contribution Plans – 401k & 457b
August 13, 2021, 10:30
Room 124C, Human Resources

In attendance:

Bolton (Investment Consultant)

Mike Beczkowski, Senior Consultant

Pension Committee Members present:

Robert Burk, Comptroller

Tim Burke, County Attorney

Deb Effingham, Bureau Chief, Management & Budget

Alison Jones, Deputy Court Administrator, Circuit Court

Werner Mueller, Retirement Plans Manager

Unable to attend:

Charles Beckhardt, Technology Services

Kim Frock, HR Director

Talking points from Mike:

- April and May saw value outperform growth while June favored growth over value.
- Reviewed JP Morgan report, showing the sharp bounce-back in Energy, Airlines, and Retail REIT's since 11/9/2020. These sectors were amongst the big "losers" for most of 2020.
- The S&P 500 forward P/E has gone from 13.3X at the 3/23/2020 market low to 21.2X currently. If company earnings begin to falter, it could cause some nervousness in the equity markets.
- Value is getting more and more "cheaper" on a relative basis compared to Growth – at levels not seen in 20 years.
- The top 10 companies in the S&P trade at a 29.6X P/E, as compared to 18.6X for the remaining stocks in that index.
- Inflation expectations have ramped up moreso from a consumer perspective than the "pundits."
- The high-yield bond market is signaling that the economy remains on solid ground.
- Due to the high number of investors attempting to time the market or who are invested too conservatively, their annualized returns are significantly lower than most asset classes over a 20-year period.
- As of 6/30/2021, assets are a combined \$90.8M, with \$15.2M in LifeSpan models.
- AF Fundamental Investors' performance has been in the 60's percentile versus its peers over the past year due to its continued underexposure in technology. It is slightly less volatile than the S&P500 index.
- There are no funds on Watchlist.

- Reviewed the “Quilt,” showing performance of asset classes on a calendar year basis since 2011. Growth equity funds were the top performers in 2019 and 2020 but so far in 2021, value funds have shined the brightest.
- 12-month forward P/E ratios have climbed to nearly 50X in the Russell Mid-Cap Index and 30X in the TRP Mid-Cap Growth Fund, indicating that the index is more “expensive” than TRP MCG. TRP MCG is less volatile over time as well.
- It was suggested to the Committee that we consider an in-plan annuity option (Lincoln PathBuilder Income Solutions). The rationale behind it is that it would assist participants who’ve seen significant stock market gains in recent years lock in some of those gains and convert part/all of their account to an income stream. Werner feels that he and the Committee need to become more educated on the product. Werner intends to reach out to Ella Smith, LFG Relationship Manager, in mid-September or so.
- Dates have been finalized for this Autumn’s one-on-one consultations with Mike. An e-mail will be sent to all employees by the end of August.

Our Q3 review will be held sometime in November. Date and time TBD. It may need to be held Virtually in light of the Covid numbers.