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Department of Human Resources
Carroll County Government
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Carroll County Defined Contribution Plans – 401k/457b
August 4, 2022, 1:30pm, Room 105
Meeting Minutes

In attendance:

Mike Beczkowski – Bolton, Sr. Consultant
Werner Mueller – Retirement Plans Mgr.
Charles Beckhardt – Technology Services
Tim Burke – County Attorney

Not present:

Deb Effingham – Mgmt. & Budget
Kim Frock – HR
Alison Jones – Circuit Court

Since only 3 of the 6-person Committee were present, we were unable to vote on the updated Investment Policy Statement (IPS). A draft of this document has been updated to reflect the transition of the “LifeSpan” model portfolios to the “YourPath” model portfolios as well swapping out the TRP Growth Stock Fund with the AB Large-Cap Growth Fund. (These changes had been unanimously approved by the Committee on May 17, 2022 and will go into effect on September 23, 2022).

An e-mail (which includes the draft IPS) has been sent to the 3 members who were not present, asking for their vote.

Other talking points from Mike:

Every asset class has had negative double-digit returns from 1/1/2022 to 6/30/2022, which is nearly unprecedented. It’s been the worst 1st half of the year for the S&P 500 since at least 1872 and the worst 1st half of the year for the 10-yr. Treasury Bond (or proxy) index since 1788. Current price-to-earning (P/E) ratios are still generally above their 20-year average, especially within the LC and MC Growth area, suggesting a possible further compression in stock prices.

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The real 10-year US Treasury yield, which accounts for inflation, is at levels not seen since the mid-1970's and early-1980's.

The Consumer Sentiment (Confidence) Index registered an all-time low of 51.5. In prior low points, the S&P 500 has generally (not always) performed quite well in the subsequent 12-month period.

"Value" remains inexpensive versus "Growth," when measured by forward-looking P/E's and dividend yields.

The top 10 weighted stocks in the S&P 500 remain historically high – currently, its market capitalization is app. 30%.

The US dollar has continued its strengthening trend, having recently traded on par with the Euro.

Federal Open Market Committee (FOMC) forecast of the fed funds rate continues to be higher than market expectations.

401k / 457b investment options:

While there are no funds on "Watchlist," there are 3 funds that were specifically brought to the Committee's attention:

1) **American Funds EuroPacific Growth Fund R6:** Fund performance has been in the 82nd, 98th, and 99th percentiles over the last quarter, year-to-date, and 1-year, respectively. Morningstar considers the fund to be "Large Blend" when comparing its performance to its peers, but Bolton argues that it's more of a "Large Blend" fund with a heavy growth bias, which would put its Y-T-D performance amongst the top 40% in the Foreign Large-Cap Growth category.

2) **Fundamental Investors Fund:** While it's Y-T-D return has trailed its benchmark, Bolton continues to feel confident in its management team and investment process after talks with key personnel of the Fund. Per the fund, the 2019-2021 market rally was very concentrated in just a few names and sectors. Fund performance should improve upon the market performance broadening out. The portfolio managers anticipate a boom in the semiconductor space, pointing to tremendous pricing power amid surging demand.

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3) **Columbia Small-Cap Growth**: This fund underperformed its benchmark by 7.25% in Q2 2022, primarily due to its holdings in the industrial, IT, health care, and consumer discretionary areas. Volatility has been higher due to its recent underperformance. The fund managers seek companies that trade at 70% or less of fair value and will typically sell at 90% of intrinsic value. After strong performing 2019 and 2020 calendar years versus its peers, it has struggled in 2021 and thus far in 2022. Bolton continues to be confident in its performance going forward.

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