



**MEETING MINUTES**  
**Carroll County Defined Contribution Plans – 401(k) and 457(b)**  
**February 25, 2019**  
**1:30pm**  
**Human Resources (Room 124C)**

**In attendance:**

**Bolton (401k and 457B Consultant)**

Mike Beczkowski, Senior Consultant

**Pension Committee Members**

Charles Beckhardt, Technology Services

Tim Burke, County Attorney

Deborah Effingham, Bureau Chief, Management & Budget

Werner Mueller, Retirement Plans Manager

Nancy Newcomer, Judicial Assistant

**Unable to attend:**

Kimberly Frock, Director, Human Resources

Rob Burk, Comptroller

- Those Committee members in attendance voted unanimously (5-0) to accept Bolton's recommendation in swapping the American Funds Capital World Bond Fund R6 (symbol RCXWG) for the PIMCO International Bond (U.S. Dollar-Hedged) Fund Institutional Class (PFORX). This change will be incorporated into the Target-Date Fund portfolios as well. Lincoln will assist with the required employee communication for this change and update all required materials. As of 12-31-2018, over \$7.6M was invested in the Capital World Bond Fund R6.
- PFORX's fund performance has been within the top 5 percentile in its peer group over the past 1, 3, 5, and 10 years and provides a hedge against the US dollar. It also provides pure foreign bond exposure, as opposed to the world (foreign AND US) bond exposure provided by the Capital World Bond fund. It's anticipated that PFORX would be a better fit within the Lifespan models given its exclusive exposure to foreign bonds. Finally, its expense ratio is 0.56% - only slightly more than the 0.53% that Capital World Bond charges.
- No new funds have been added to the Watch List, as 10 of the 12 actively-managed funds have exceeded their respective benchmarks over the past 5 years. Couple that with nearly every fund having "low" to "Below



Average” fees within their peer group, it confirms the strong investment lineup that the County continues to offer its participant’s in both the 401k and 457b Plans. Speaking of fees...

- Mike furnished the Committee with a “Fee Benchmarking Study.” The goal of the report is to determine the reasonableness of the current fees in the 401k and 457b Plans. Lincoln Financial, the Plan’s Provider, charges 5.5% basis points to administer the Plans. The charge would be higher had we not chosen to utilize Lincoln’s Stable Value Fund (proprietary fund) when they were awarded the contract in December, 2015. Vendors that responded to the study included Empower, Prudential, VALIC, and Voya. Only Voya had lower pricing and the difference with Lincoln was minimal. There’s also been discussion within other employer-sponsored Plans over how to assess the fees, i.e., should they be assessed to each participant as a flat fee, or should the fee be based on the amount of assets one has in the Plan. The latter method is the current method being used by the County and the Committee did not have a compelling reason to change to a flat fee model. The concern about going to a flat fee model is the inequity of having a new participant pay the same fee as someone who’s been in the Plan for many years with a significant account balance.
- Mike summarized the current economic data. Despite market concerns over growth with possibly a recession in 2019 – which was a contributing factor to the sell-off in Q4 2018 - the data indicates otherwise. GDP is slowing but still growing at 1.5% or so. Inflation continues to be tame. The unemployment rate remains under 4% with the Labor Participation Rate reaching a 5+ year high. Wage growth is expected to be 3%+ in 2019 and concerns over an aggressive Fed interest rate policy have lessened. Despite the aforementioned market sell-off, equity index returns over a 10 year period are still strong, with many generating 10% - 15% annualized returns.
- Aggregate assets in the Plans dipped to \$66M or so during the lows of Q4 2018 but have bounced back to \$ 75M+, given the strong market thus far in 2019.
- Mike confirmed that the County is making the most effective use of share classes. Each fund, based on its asset amount, is currently in the least expensive share class. Mike emphasized the importance of reviewing this frequently as several Plans have come under intense scrutiny by not utilizing funds in cheaper asset classes, despite being eligible to do so.

Upcoming to-do’s include a review and discussion of the Investment Policy Statement (IPS)

The next quarterly meeting will be in May. We’ll discuss possible changes to our Investment Policy Statement (IPS), as recommended by Bolton. Exact date and time to be determined....