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**Department of Human Resources**  
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**Carroll County Defined Contribution Plans – 401k/457b**  
**November 6, 2023, 9:45am, Room 124C**  
**Meeting Minutes**

In attendance:

Mike Beczkowski – Bolton, Sr. Consultant  
Werner Mueller – Retirement Plans Mgr.  
Charles Beckhardt – Technology Services  
Alison Jones – Circuit Court

Unable to attend:

Heidi Pepin – Bureau Chief, Budget  
Kristy Bixler – Human Resources  
Tim Burke – County Attorney

Werner – alerted Mike and the Committee members the problem of Lincoln Financial being unable to provide a “withdrawal-by-source” option to Plan participants. For example, let’s assume I had a \$ 100,000 balance and \$ 90,000 of that was “pre-tax” while the other \$ 10,000 was Roth. If I were to request a \$ 1,000 withdrawal, Lincoln would withdraw the amount pro-rata from both sources, i.e., \$ 900 from the pre-tax bucket and \$ 100 from the Roth. This is a problem for planning purposes, as most retirees would prefer waiting to tap into the Roth source. Lincoln’s relationship manager is aware of this issue. Mike will also try to exert his influence as well, esp. since Bolton has a dozen or so clients that utilize Lincoln as a Plan Provider.

Talking points from Mike:

- Bolton will be placing **American Funds Fundamental Investors R6** on “Watchlist.” While it’s considered to be a blended fund and carries a 15% weighting in foreign stocks, it uses the S&P 500 as its benchmark where it’s trailed it over a 3-year, 5-year, and 10-year timeframe. Bolton is “re-evaluating this asset category for its long-term viability.” There have not been replacement

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candidates provided, as this is only being placed on Watchlist for now. Updates to follow in future meetings...

- Assets currently total \$ 76.8M in the 401k and \$ 3.8M in the 457b, near their median levels over the past several years.
- Investments within the retirement lineups remain positive for 2023, except for Vanguard Total Bond Market (due to increasing interest rates) and Victory Sycamore (higher rates increase lending costs for smaller companies).
- The YourPath target-date funds continue to reflect increased funding from participants. Assets in those funds have climbed from 20.42% to 21.6% of total assets over the past 3 months.
- **American Funds EuroPacific Growth R6** has underperformed its peers over the past 3 years. The fund has significant exposure to Information Technology. That group struggled in 2022, thus impacting fund performance over the 3-year period.
- **AB Large Cap Growth A** has been ranked in the 3<sup>rd</sup> quartile year-to-date as well as 1-yr, primarily due to its decision not to hold AAPL or TSLA stock in its portfolio.

#### Economic / Market talking points:

- Not surprisingly, more Americans have grown more worried in maintaining their standard of living, paying their normal bills, meeting housing costs, and saving for retirement. While inflation is down from a year ago, prices are still rising. Back in 2002, 60% of Americans had expected to live comfortably in retirement. That percentage is now down to 43%.
- Price-to-earning ratios remain elevated across several asset classes, particularly in the large-cap growth space. Per JP Morgan, that area has a 23.6 P/E compared to its 20-year average of 18.8. Small-cap value, on the other hand, is deemed to be more undervalued given its 13.0 current P/E versus its 20-year average of 16.7. The S&P 500's current P/E of 17.24 is only slightly above its 25-year average of 16.75.
- The 2024 Federal budget CBO baseline forecast is \$6.4T, with \$ 739B of that just in net interest expense. As a percentage of GDP, net debt is forecasted to be 118.2% in 2033 versus the current level of 97.6%.
- Household debt payments as a percentage of disposable income is back to pre-pandemic levels but will probably rise as the moratorium of student loan payments ends as well as rising interest rates.
- One thing to keep an eye on is the high exposure (44%) that small commercial banks have in commercial real estate.
- Consumer sentiment is at historically low levels, but oddly enough, that's served as a buy signal in stocks, historically. During 9 "sentiment peaks" in consumer sentiment, the average S&P 500

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subsequent return is +3.5%, while during 9 “sentiment troughs,” the average S&P 500 subsequent return has been +24.1%.

- Foreign stocks are trading at a 31.6% price-to-earnings discount versus US equities – amongst the biggest discount in 20+ years.

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