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Department of Human Resources
Carroll County Government
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Carroll County Defined Contribution Plans – 401k/457b
February 14, 2025, 1pm, Room 124C
Meeting Minutes

In attendance:

Mike Beczkowski – Bolton, Sr. Consultant
Werner Mueller – Retirement Plans Mgr.
Tim Burke – County Attorney
Charles Beckhardt – Technology Services
Kristy Bixler – Human Resources
Alison Jones – Circuit Court

Unable to attend:

Tim Burke – County Attorney
Heidi Pepin – Bureau Chief, Budget

Talking points from Mike

- Through the first 6 weeks of 2025, International stock funds have done quite well and have outperformed most domestic funds. This is a short time frame, but International has underperformed domestic for several years. It'll be interesting if this continues.
- Per the JP Morgan report, stocks remain "expensive." As of 2/7/25, the forward P/E ratio of the S&P 500 is 21.9X, a multi-decade high. The top 10 stocks in that index now represent 37.3% of market cap, the highest since at least 1984.
- Year-to-date, Large-Cap Value has outperformed Large-Cap Growth, which has not occurred much the past several years. Market strength has broadened in the past quarter. Mid and small-cap growth have also done quite well.
- Since the market low of 10/12/2022, large-cap growth has nearly doubled (!).

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- Over the next couple of years, the market expects the Fed funds rate to hover around 3.9% - 4%, while the FOMC projects the rate to fall closer to 3%. Inflation remains stubbornly high so the FOMC forecast may be tested.
- The yield curve has steepened a bit (long rates higher than short-term rates). No longer inverted.

From Bolton's 401k/457b quarterly report:

- Combined assets in both Plans remain just below \$100M, attributed to the strong market performance, the increase in employee contribution dollars, and the ability of former employees to leave their balances in the Plan.
- Only 6.6% of Plan assets are in the Stable Value Fund – appropriate given that these funds are earmarked for retirement. This weighting is one of the lowest amongst Bolton's clients.
- Reviewed the "quilt." With the exception of 2022, Large Cap Growth and Mid-Cap Growth have been in or near the top 2 asset classes in terms of performance.
- The 3-year, 5-year, and 10-year returns of the Plan funds are generally doing well versus their Morningstar category. There are no funds on "Watchlist" currently. All is well with our investment lineup.
- The effective net expense ratios of our funds continue to trend lower. There are 0 funds at or above 1%. The compression of fees continues...
- Morningstar continues to weigh the Target-Date portfolios more heavily toward Value versus Growth. They consider changing the weightings on an annual basis.
- AB Large-Cap Growth and TRP Mid-Cap Growth significantly underperformed their benchmark in 2024. Not surprising given that AB Large-Cap had little to no exposure in AAPL or TSLA. TRP Mid-Cap Growth own conservative stocks. Pre-2020, the fund was in the top quartile. Since then, though, with the Fed infusing trillions of dollars into the economy, much of those dollars have gone toward more pricey and speculative holdings. The fund is designed to hold up well in down markets – 2022 is a good example of that.
- When looking at the funds risk/return maps, AF Washington Mutual is in the favored upper-left quadrant (high return at low risk).

The next quarterly meeting will be sometime in May. Discussions will begin in earnest with regards to a vendor search. It has been nearly 5 years since the prior search.