Kristy Bixler
Director, Human Resources
410-386-2129, fax 410-840-3671
MD Relay 711/800-735-2258
email: kbixler@carrollcountymd.gov

Department of Human Resources
Carroll County Government
225 North Center Street
Westminster, Maryland 21157

Carroll County Defined Benefit Plans
Feb. 2, 2024, 2pm, Room 105
Meeting Minutes

In attendance:

Werner Mueller – Retirement Plans Mgr., CCG
Charlie Beckhardt – Technology Services, CCG
Tim Burke – County Attorney, CCG
Lauren Cellucci – Managing Partner, Marquette Assoc.
Rob Burk – CFO, Carroll County Public Schools
Ernesto Diaz – HR Director, Carroll County Public Schools
Kristy Bixler – HR Director, CCG
Jenny Hobbs – Comptroller, CCG
Bobbi-Jo Fout – Bureau Chief, Accounting, CCG
Tim League – Dir. Fiscal Affairs, CC College
Barbie Lim – Controller, CC College

Unable to attend: Ted Zaleski – Director, Management & Budget, CCG

Presenter – Lauren Cellucci

- US economy continues to hold together well. In a survey conducted by the Wall Street Journal, 61% of 65 economists polled had forecast a 2023 recession. They were wrong. Q4 2023 GDP came in at 3.3%. Inflation has abated as well – CPI and core CPI have dropped significantly from their 2022 highs.
- China has been struggling with a weak post-Covid rebound. There is high youth unemployment and real estate issues there currently.
- All asset classes, with the exception of Commodities, were positive in 2023 – the complete opposite from 2022.
- Growth stocks have continued to outperform value stocks. Value has been hurt by underperforming energy stocks and growth has been buoyed by the continued ascent of the "Magnificent 7."
- Fixed income has rebounded strongly in 2023 from 2022. Yields are at attractive levels. "Cash" is yielding app. 5%, a far cry from just a couple of years when yields were near-zero.
- Markets typically do well in an election year, so we'll see what this year brings. Interest rate cuts are still forecast in 2023, but the size, scope, and timeliness of those cuts are uncertain.

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- Our DB plans continue to perform well. They've outperformed their policy benchmark for 3-years and 5-years.
- **<u>VOTE: All Committee members across Pension Plans and OPEB unanimously agreed to Lauren's recommendation of:</u>**

1) Eliminating the Global Low-Volatility position entirely. Use those dollars to....
2) Increase Core Bond (Baird) from 24% to a 29% allocation weighting.

The rationale – Monte Carlo simulations indicate that by implementing these recommendations, the expected rate of return would decrease only slightly (7.06% to 7.01%, still above the actuarial target rate of 6.75%), while risk (standard deviation) would decrease more significantly (11.07% to 10.68%, measured by the 10 yr.-average annualized Volatility).

Revised Investment Policy Statements will be drafted by Lauren to reflect the new "target" percentages.

- **<u>VOTE: Establish an IFM infrastructure position within the Public Safety Pension Plan</u>**

The rationale – in the past, we were unable to establish this position because of the relatively low assets within the Public Safety Plan. Now that the Plan has higher assets and since CCG has had this investment in other DB Plans for a while, we are able to establish a $2M minimum position. We anticipate adding this position sometime this Summer, as the County contribution should be deposited this July and it may take two quarters to call, anyway.

- Finally, there is indication that a cash distribution may be needed from the OPEB Trust in the coming months. The current cash position is a little over $5.6M.

The next meeting will occur in May. Date and time TBD.