# Montgomery County Public Schools Employees Tax-Sheltered Savings Plan and Deferred Compensation Plan

## MINUTES OF THE QUARTERLY MEETING

February 12, 2016 Via Conference Call

Susanne DeGraba, Chair

**Committee Members Present:** 

	Joanne Hill Pia Morrison Craig Pernick (phone) Monte Tarbox (phone)
Others Present:	Marisa Grant Susan Lau Janias Baharta (nhana)
	Janice Roberts (phone) Brian Binkley, Aon Hewitt Investment Consulting (phone) Mark Tavares, Aon Hewitt Investment Consulting (phone)

# Call to Order

Susanne DeGraba called the meeting to order at 12:15 p.m. The minutes of the November 20, 2015 meeting were reviewed. A motion was made for the approval of the minutes and it was seconded. The Committee unanimously approved the minutes.

### Menu and Plan Update

Brian Binkley summarized the allocation of the \$610 million in assets that are currently recordkept at Fidelity. He updated the Committee on the performance of overall capital markets and the mutual funds on the investment menu for the 2015 fourth quarter and full year. Mr. Binkley detailed the drivers of the returns of the active managers on the investment menu. There were no material changes at the investment manager firms during the period and all of the mutual funds retain a favorable rating by AHIC.

### Money Market Reform

The Committee and staff discussed the pending money market mutual fund regulations that will go into effect in October 2016. Mr. Binkley and Mr. Tavares provided the background on the new rules and the potential liquidity risk to participants who are invested in a money market fund that imposes withdrawal restrictions, i.e., "redemption gates", in times of stress. AHIC recommended

that the Committee replace the current money market fund option on the menu with a money market mutual funds that would not be allowed to impose gates. The Committee discussed the recommendation including the logistics of the transition, communication to participants of potential changes and the impact to the funds from future interest rate moves. Mr. Binkley and Mr. Tavares introduced some potential replacement funds, all of which can be recordkept on the Fidelity platform. The Committee asked AHIC to work with staff to further research options to present at the June meeting.

## **Recordkeeper Transition**

Staff updated the Committee on the completion of the transition to Fidelity as the sole administrative provider. Staff and Fidelity continue to work on outstanding issues but the overall project has been successfully completed.

### **Investment Consultant Search**

Staff updated the Committee on the pending RFP for an investment consultant. The RFP was issued in February 2016. A special meeting will be held the week of April 25<sup>th</sup> to interview finalists with an anticipated recommendation to the Fiscal Management Committee and Board of Education in May.

## Next Meeting

The next quarterly meeting is scheduled for Friday, June 10, 2016 meeting at 12:30 p.m.

Upon a motion duly made and seconded, the meeting was adjourned at 12:55 PM.

# Montgomery County Public Schools Employees Tax-Sheltered Savings Plan and Deferred Compensation Plan

## MINUTES OF THE QUARTERLY MEETING

June 10, 2016 Via Conference Call

Committee Members Present:	Susanne DeGraba, Chair Joanne Hill (phone) Pia Morrison Craig Pernick (phone) Monte Tarbox (phone)
Others Present:	Marisa Grant Susan Lau Brian Binkley, Aon Hewitt Investment Consulting (phone) Mark Tavares, Aon Hewitt Investment Consulting (phone)

## Call to Order

Susanne DeGraba called the meeting to order at 12:15 p.m.

### Menu and Plan Update

Brian Binkley updated the Committee on the performance of overall capital markets and the mutual funds on the investment menu for the 2016 first quarter. Mr. Binkley detailed the drivers of the returns of the active managers on the investment menu. There were no material changes at the investment manager firms during the period and all of the mutual funds retain a favorable rating by AHIC.

### Money Market Investment Manager Search

The Committee and Staff discussed the pending money market mutual fund regulations that will go into effect in October 2016. As discussed in the last meeting, the regulations define new rules and the potential liquidity risk to participants who are invested in a money market fund that imposes withdrawal restrictions, i.e., "redemption gates", in times of stress. AHIC provided three investment managers, Fidelity Institutional Money Markets Government Portfolio, Vanguard Federal Money Market, and JPMorgan US Government Money Markets, to the Committee as possible replacements to the current option. All three candidates are money market mutual funds that would not be allowed to impose gates under the regulations that go into effect in October 2016. The Committee discussed the three candidates including a review of fees and share class. The Committee concluded that the three candidates provide similar strategies. With respect to fees, Vanguard Federal Money Market was the lowest cost option. Upon a motion duly made and seconded, the following resolutions were unanimously approved:

**RESOLVED**, that the Vanguard Federal Money Market be selected to replace the Vanguard Prime Money Market on the investment menu; and

**RESOLVED, FURTHER, that the Chief Investment Officer, Marisa Grant, be hereby** authorized and directed, in the name and on behalf of the Defined Contribution Investment Committee, to take such further action and execute such documents deemed necessary, appropriate and advisable to implement the foregoing resolution.

## <u>Minutes</u>

The minutes of the February 12, 2016 meeting were reviewed. A motion was made for the approval of the minutes and it was seconded. The Committee unanimously approved the minutes.

## **Election of Officers**

The bylaws call for three officer positions of the Committee to serve for one-year term: chair, vicechair, and secretary. Upon a motion duly made and seconded, the following resolutions were unanimously approved:

**RESOLVED**, that the Committee re-elects Ms. DeGraba to serve as chair of the Defined Contribution Investment Committee for an additional term; and

**RESOLVED**, that the Committee re-elects Ms. Pia Morrison to continue to serve as vice-chair of the Defined Contribution Investment Committee for an additional term; and

**RESOLVED, FURTHER, that the Committee re-elects Ms. Marisa Grant to continue serve as secretary of the Defined Contribution Investment Committee for an additional term.** 

### **Investment Consultant Contract Reward**

Staff updated the Committee on the investment consultant RFP process and contract. The Committee had recommended the selection of RVK to serve as investment consultant for a term of three years. Upon approval by the Board of Education, RVK was awarded the contract and services will commence on July 1<sup>st</sup>, 2016. Details of the contract are currently being reviewed and discussed by RVK, staff, and general counsel.

# Next Meeting

The next quarterly meeting is scheduled for Friday, September 23, 2016 in-person meeting at 12:30 p.m.

Upon a motion duly made and seconded, the meeting was adjourned at 1:15 PM.

# Montgomery County Public Schools Employees Tax-Sheltered Savings Plan and Deferred Compensation Plan

## MINUTES OF THE QUARTERLY MEETING

September 23, 2016 Carver Educational Services Center Room 127 850 Hungerford Drive Rockville, Maryland 20850

Committee Members Present:	Susanne DeGraba, Chair Joanne Hill Craig Pernick
	Monte Tarbox

Others Present:

Marisa Grant Susan Lau Janice Roberts Mikaylee O'Connor, RVK Inc. Robert Palmeri, RVK Inc.

# Call to Order

Susanne DeGraba called the meeting to order at 12:30 p.m. The minutes of the June 10, 2016 meeting were reviewed. The Committee unanimously approved the minutes.

### **Investment Policy Statement**

Mikaylee O'Connor and Robert Palmeri presented a draft of the Investment Policy Statement (IPS) for the MCPS defined contribution plans. Ms. O'Connor and Mr. Palmeri discussed the role of the IPS for a defined contribution plan. The IPS documents that the process that is in place to provide options that are meaningful to participants in the plans at a reasonable cost. The Committee discussed the elements of the draft policy including the investment options, the selection of those options, the monitoring of the options and the removal of those options. The Committee requested that staff have IPS reviewed by legal counsel and bring back a revised draft to a subsequent meeting.

# Investment Performance & Workplan Review

Ms. O'Connor and Mr. Palmeri discussed the market environment in the second quarter and the first two months of the third quarter of 2016. They summarized the economic environment and the capital markets in the period. The second quarter ended with significant volatility following the Brexit outcome in late June. They then discussed the MCPS plan performance including the asset

allocation of the plans, the investment performance, and the relative fund fees. The team discussed how the performance review should be focused on the long term with a monitoring of short-term results to see if they are in line with the funds' respective strategies. RVK updated the Committee on developments at the investment managers. The Committee discussed the results and inquired about several of the analyses presented. The Committee then reviewed the 12-month work plan presented by RVK.

# Next Meeting

The next quarterly meeting is scheduled for Friday, November 18, 2016 via conference call at 12:30 p.m.

Upon a motion duly made and seconded, the meeting was adjourned at 1:15 PM.

# Montgomery County Public Schools Employees Tax-Sheltered Savings Plan and Deferred Compensation Plan

## MINUTES OF THE QUARTERLY MEETING

November 18, 2016 Carver Educational Services Center Room 127 850 Hungerford Drive Rockville, Maryland 20850

Committee Members Present:	Susanne DeGraba, Chair Joanne Hill
	Pia Morrison
	Monte Tarbox
	Craig Staton

Others Present:

Marisa Grant Susan Lau Janice Roberts Mikaylee O'Connor, RVK Inc. Robert Palmeri, RVK Inc. John Roche, RVK Inc.

# **Call to Order & Meeting Minutes**

Susanne DeGraba called the meeting to order at 12:30 p.m. The minutes of the September 23, 2016 meeting were reviewed. A motion was made for the approval of the minutes and it was seconded. The Committee unanimously approved the minutes.

### **Investment Performance**

Ms. O'Connor and Mr. Palmeri discussed the market environment in the third quarter. Performance was particularly good for riskier assets especially post-Brexit despite increased volatility. High yield bonds and small cap equities outperformed during the quarter while international and emerging markets showed positive returns after a relatively weak second quarter. During the quarter, RVK met with Parnassus & Prudential Jennison. Both investment managers have mutual funds on the MCPS investment menu. There are no changes to RVK's opinion on either fund.

# **Target Date Fund Review**

Ms. O'Connor and Mr. Palmeri presented a detailed analysis of the Vanguard Target Date Fund (TDF) family. The analysis included a review of participant utilization, demographics, and fund

performance. The Vanguard TDF's are the default option on the investment menu. Over 92% of 403(b) participants and over 85% of 457(b) participants are invested in Vanguard TDFs. RVK does not have any concerns on the Vanguard TDFs at this juncture. The Committee discussed the report and the educational material available for participants to understand the funds better.

### **Investment Policy Statement**

A discussion of the Investment Policy Statement was deferred to the subsequent meeting.

## **Election of Officers**

The members of the Committee serve a three-year term. Susanne DeGraba, Chief Financial Officer of Montgomery County Public Schools, is an ex-officio member of the Committee. Ms. DeGraba was elected to serve as Committee chair beginning October 14, 2014 however she will retire on December 1. After a motion was made and duly seconded the following resolutions were unanimously passed:

**RESOLVED**, that Pia Morrison serve as chair of the Defined Contribution Investment Committee for the remainder of the term; and

**RESOLVED, FURTHER, that Craig Pernick, serve as vice chair of the Defined Contribution Investment Committee for the remainder of the term.** 

## Next Meeting

The next quarterly meeting will be determined shortly. It will be conducted via telephone conference.

Upon a motion duly made and seconded, the meeting was adjourned at 1:15 PM.