

Montgomery County Public Schools

Defined Benefit Pension Annual Update

**Montgomery County Fiscal
Management Committee
September 11, 2017**



MCPS Pension Background

- ▶ The pension provides monthly income to MCPS retirees.
- ▶ MCPS employees receive a core pension benefit from either the Maryland State Teachers Pension or the MCPS Pension.
- ▶ MCPS employees who participate in either system also receive a supplemental pension benefit from the MCPS pension
- ▶ The MCPS pension trust contains the assets used to pay pension benefits. The portfolio currently has a market value of almost \$1.6 billion.

Pension Goal: Balance

ASSETS

LIABILITIES

Investment
Returns

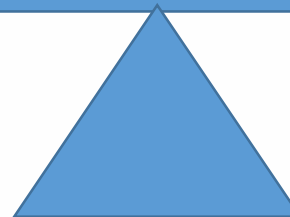
MCPS
Contributions

Employee
Contributions

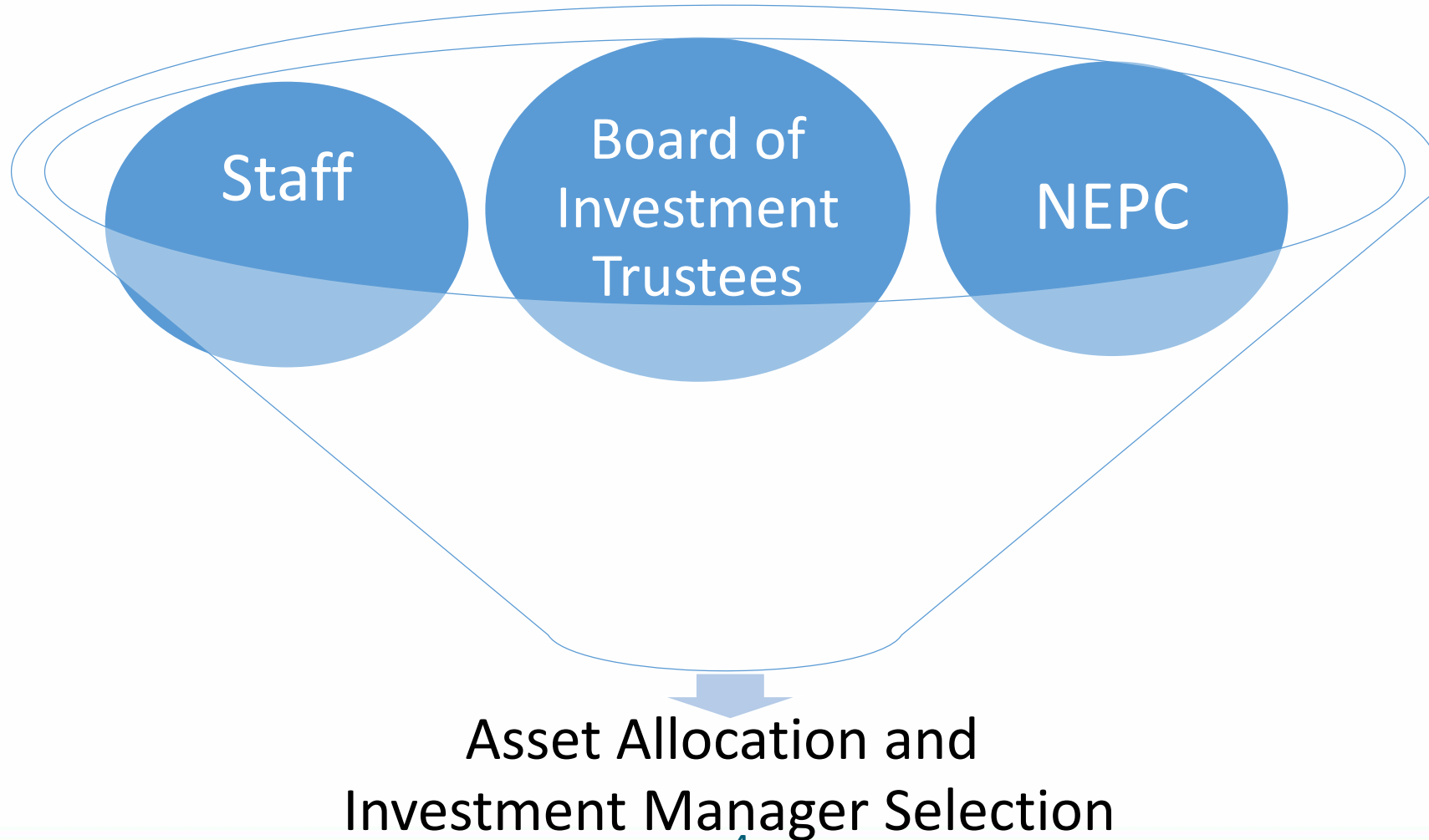
Number of
Employees

Pension
Payouts

Life
Expectancy



Portfolio Responsibility



Pension Flows – FY 2017

Summary of Transactions

Beginning Balance: \$ 1,417 million

Contributions:

MCPS + \$ 64

Employee + \$ 25

Benefit Payments: - \$ 90

Net Investment Income + \$ 171

Ending Balance: \$ 1,587 million

Pension Investment

Objectives

- ▶ Pay benefits when due
- ▶ Achieve the actuarial rate of return (7.25% -> 7.00%)

Strategy

- ▶ Board of Investment Trustees has selected an asset allocation that focuses on return-seeking assets in a risk-aware manner

Portfolio Strategy

Return Seeking

Primary Exposure

Global Equity

Diversifying Exposures

Private Equity, Real Estate

Risk Reducing

Primary Exposure

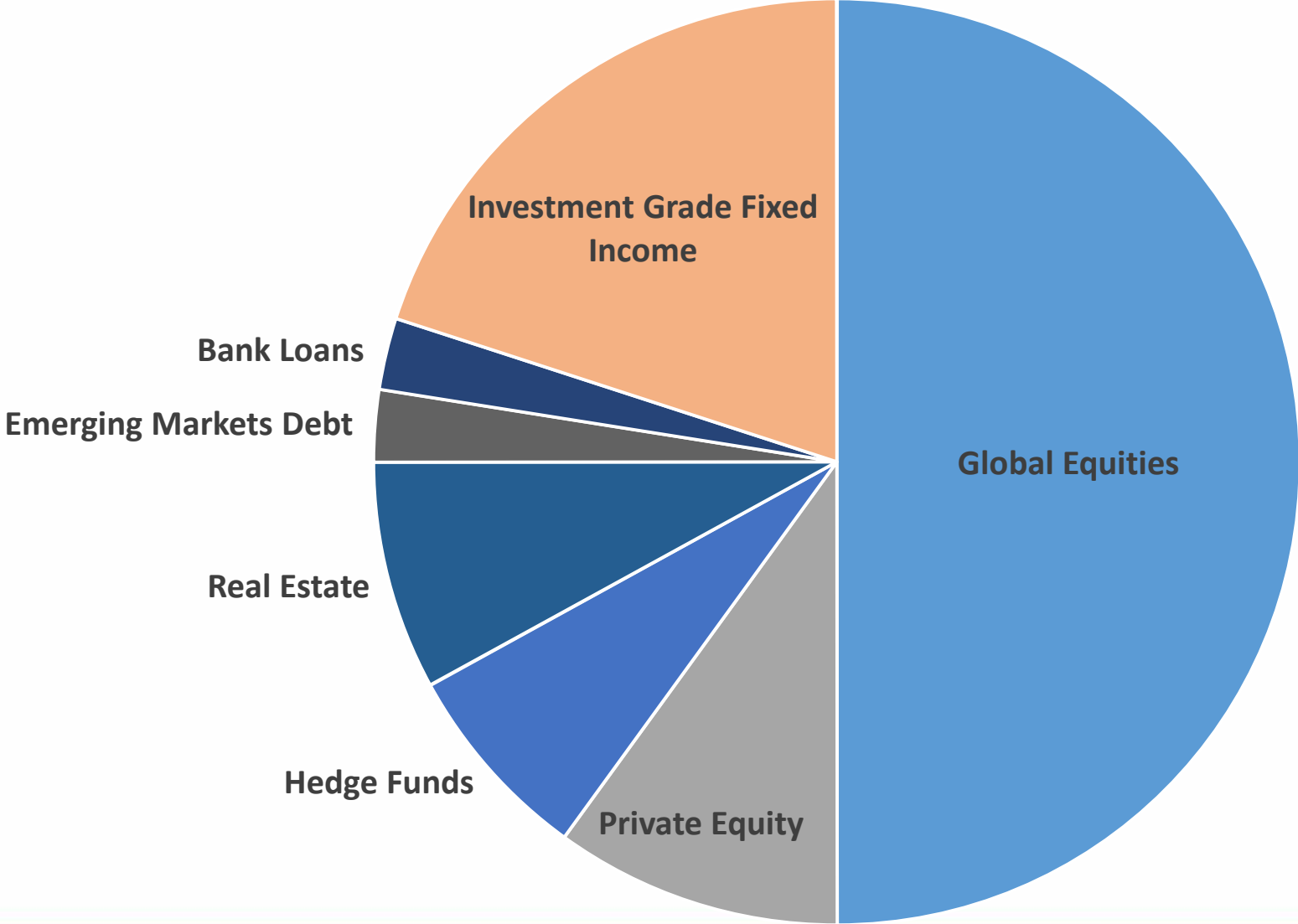
Investment Grade Bonds

Diversifying Exposures

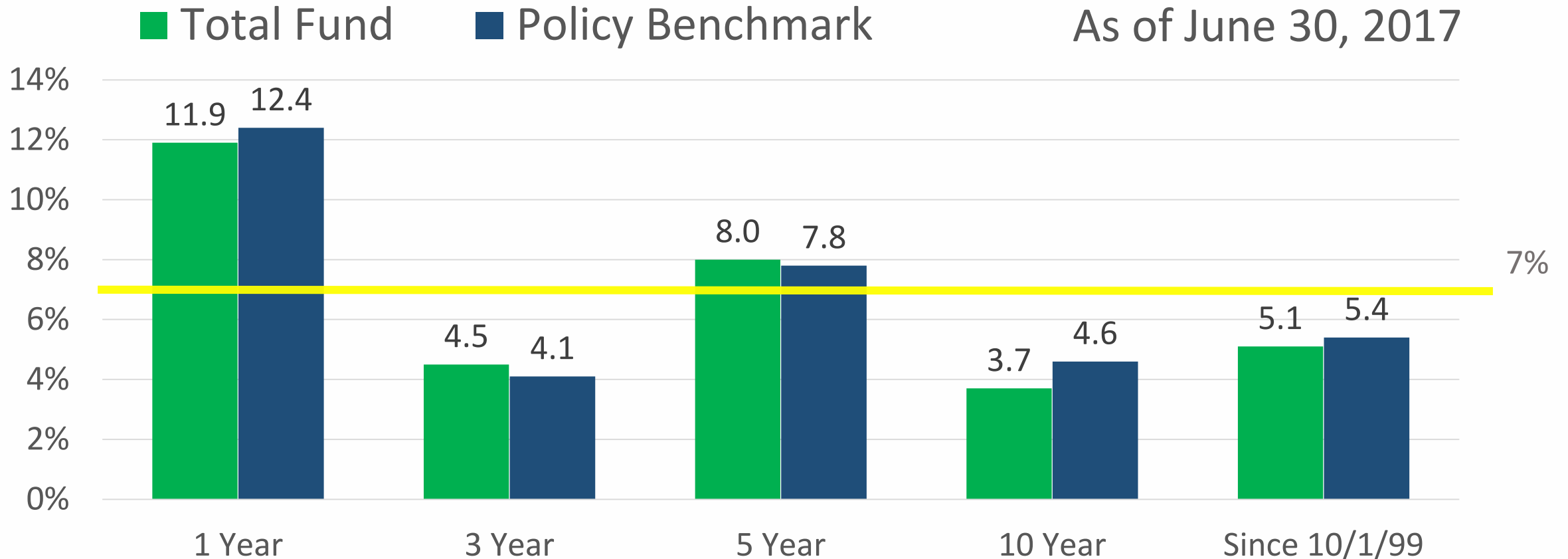
Bank Loans, Hedge Funds

Emerging Market Debt

Target Asset Allocation



Pension Investment Returns



Consolidated Retiree Health Benefits Trust (County OPEB)

- ▶ In the past, MCPS maintained a trust for retiree health benefits - Other Post Employment Benefits (OPEB) Trust
- ▶ In 2012 funding for these benefits began to be directed to the County OPEB Trust
- ▶ All assets for MCPS retiree health benefits are now held in the County OPEB Trust
- ▶ MCPS liability is approximately 17% funded as of July 1, 2016

County OPEB– Participating Agencies

Agency	6/30/2016		6/30/2016 - 6/30/2017			6/30/2017	
	Balance \$	Balance %	Contributions	Expenses	Investment Gain/Loss	Balance \$	Balance %
Montgomery County Govt	\$320,401,545	47.21%	\$48,754,200	(\$1,702,999)	\$39,590,855	\$407,043,600	48.09%
MontCo Revenue Authority	\$2,110,669	0.31%	\$177,300	(\$11,378)	\$265,551	\$2,542,143	0.30%
Strathmore Hall Foundation	\$968,212	0.14%	\$97,400	(\$5,258)	\$122,607	\$1,182,962	0.14%
Credit Union	\$877,684	0.13%	\$78,900	(\$4,744)	\$110,680	\$1,062,520	0.13%
Dept of Assessments & Tax	\$10,848	0.00%	\$0	(\$56)	\$1,320	\$12,112	0.00%
District Court of Maryland	\$0	0.00%	\$0	\$0	\$0	\$0	0.00%
HOC	\$11,120,681	1.64%	\$1,130,400	(\$60,419)	\$1,408,815	\$13,599,477	1.61%
WSTC	\$77,242	0.01%	\$8,600	(\$421)	\$9,822	\$95,243	0.01%
Village of Friendship Heights	\$265,175	0.04%	\$24,200	(\$1,434)	\$33,458	\$321,398	0.04%
Montg. Cty. Public Schools	\$300,251,255	44.24%	\$35,855,000	(\$1,397,790)	\$36,831,811	\$371,540,276	43.89%
Montgomery College	\$42,549,202	6.27%	\$1,524,000	(\$195,981)	\$5,190,967	\$49,068,188	5.80%
Total	\$678,632,514	100.00%	\$87,650,000	(\$3,380,481)	\$83,565,886	\$846,467,919	100.00%

QUESTIONS?