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**

- Investment Returns
- MCPS Contributions
- Employee Contributions

**LIABILITIES**

- Number of Employees
- Pension Payouts
- Life Expectancy
Portfolio Responsibility

Asset Allocation and Investment Manager Selection

Staff

Board of Investment Trustees

NEPC
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

- Global Equities
- Investment Grade Fixed Income
- Bank Loans
- Emerging Markets Debt
- Real Estate
- Hedge Funds
- Private Equity
- Emerging Markets Debt
Pension Investment Returns

As of June 30, 2017

1 Year 3 Year 5 Year 10 Year Since 10/1/99

<table>
<thead>
<tr>
<th>Period</th>
<th>Total Fund</th>
<th>Policy Benchmark</th>
<th>As of June 30, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year</td>
<td>11.9%</td>
<td>12.4%</td>
<td></td>
</tr>
<tr>
<td>3 Year</td>
<td>4.5%</td>
<td>4.1%</td>
<td></td>
</tr>
<tr>
<td>5 Year</td>
<td>8.0%</td>
<td>7.8%</td>
<td></td>
</tr>
<tr>
<td>10 Year</td>
<td>3.7%</td>
<td>4.6%</td>
<td></td>
</tr>
<tr>
<td>Since 10/1/99</td>
<td>5.1%</td>
<td>5.4%</td>
<td>7%</td>
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</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Agency</th>
<th>6/30/2016</th>
<th>Balance %</th>
<th>6/30/2016 - 6/30/2017</th>
<th>6/30/2017</th>
<th>Balance %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Montgomery County Govt</td>
<td>$320,401,545</td>
<td>47.21%</td>
<td>$48,754,200</td>
<td>($1,702,999)</td>
<td>$39,590,855</td>
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<tr>
<td>MontCo Revenue Authority</td>
<td>$2,110,669</td>
<td>0.31%</td>
<td>$177,300</td>
<td>($11,378)</td>
<td>$265,551</td>
</tr>
<tr>
<td>Strathmore Hall Foundation</td>
<td>$968,212</td>
<td>0.14%</td>
<td>$97,400</td>
<td>($5,258)</td>
<td>$122,607</td>
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<tr>
<td>Credit Union</td>
<td>$877,684</td>
<td>0.13%</td>
<td>$78,900</td>
<td>($4,744)</td>
<td>$110,680</td>
</tr>
<tr>
<td>Dept of Assessments &amp; Tax</td>
<td>$10,848</td>
<td>0.00%</td>
<td>$0</td>
<td>($56)</td>
<td>$1,320</td>
</tr>
<tr>
<td>District Court of Maryland</td>
<td>$0</td>
<td>0.00%</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>HOC</td>
<td>$11,120,681</td>
<td>1.64%</td>
<td>$1,130,400</td>
<td>($60,419)</td>
<td>$1,408,815</td>
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<tr>
<td>WSTC</td>
<td>$77,242</td>
<td>0.01%</td>
<td>$9,600</td>
<td>($421)</td>
<td>$9,822</td>
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<tr>
<td>Village of Friendship Heights</td>
<td>$265,175</td>
<td>0.04%</td>
<td>$24,200</td>
<td>($1,434)</td>
<td>$33,458</td>
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<tr>
<td>Montg. Cty. Public Schools</td>
<td>$300,251,255</td>
<td>44.24%</td>
<td>$35,855,000</td>
<td>($1,397,790)</td>
<td>$36,831,811</td>
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<tr>
<td>Montgomery College</td>
<td>$42,549,202</td>
<td>6.27%</td>
<td>$1,524,000</td>
<td>($195,981)</td>
<td>$5,190,967</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$678,632,514</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>$87,650,000</strong></td>
<td><strong>($3,380,481)</strong></td>
<td><strong>$83,565,886</strong></td>
</tr>
</tbody>
</table>
QUESTIONS?