

# **BOARD OF INVESTMENT TRUSTEES**

Montgomery County Public Schools Employees'  
Pension and Retirement System

February 24, 2017  
Carver Educational Services Center  
Room 127  
850 Hungerford Drive  
Rockville, Maryland 20850

Board Members Present: Susan Chen, Vice-Chair  
Nicola Diamond  
Robert Doody  
Joanne Hill (by phone)  
Craig Pernick

Others Present: Marisa Grant  
Susan Lau  
Rhett Humphries, NEPC  
Phil Nelson, NEPC  
Keith Stronkowsky, NEPC

## **Call to Order/Review of Minutes**

Susan Chen called the meeting to order at 8:30 a.m. The minutes of the September 23 and the November 18 meetings were reviewed. A motion was made for the approval of the minutes and it was seconded. The Board unanimously approved the minutes.

## **Motion to Close Meeting**

The Board discussed closing the meeting to receive legal advice. A prepared closing statement was read by Ms. Chen. A motion was made to go into closed session and it was seconded. The Board unanimously approved the motion. The meeting went into closed session at 8:40 a.m.

## **Return to Open Meeting**

The Board reconvened in open session at 9:10 a.m.

## **Q4 Investment Portfolio Analysis**

Rhett Humphries, Keith Stronkowsky and Phil Nelson joined the meeting. Mr. Humphries reviewed the investment performance analysis for the fourth quarter of 2016. The total portfolio return was 0.6% and 6.7% for Q4 and for 2016 respectively. This exceeded the primary benchmark return in each period of 0.2% and 6.4%. The policy benchmark is a blended index that represents 2/3 the MSCI ACWI IMI index and 1/3 the Intermediate Bloomberg Barclays Aggregate Index. The portfolio return was essentially in line with the secondary policy benchmark for the fourth quarter (0.6% vs. 0.7%) and 0.3% above the full-year return (6.7% vs. 6.4%). The secondary policy

benchmark consists of underlying indices that reflect the various strategies used by the managers in the alternatives portfolio.

### **Motion to Close Meeting**

The Board discussed closing the meeting to consider the investment of public funds with respect to the possible hiring and redemption of funds from investment managers. A prepared closing statement was read by Ms. Chen. A motion was made to go into closed session and it was seconded. The Board unanimously approved the motion. The meeting was closed at 10:10am.

### **Return to Open Meeting**

The Board reconvened in open session at 10:55 am.

### **Asset Allocation**

Phil Nelson discussed the key market themes that NEPC expects to influence global markets over the intermediate term. He then discussed strategic policy actions that the Board could consider when examining the asset allocation for the investment portfolio. Mr. Nelson concluded with current opportunities the research team has identified. Mr. Humphries presented four alternatives to the existing policy asset allocation that had been developed in conjunction with staff. Staff and NEPC recommended “Mix D”. The Board discussed the relative merits and risks of the existing portfolio policy allocation and the alternatives. After the discussion, the Board moved forward with a modified version of the proposed asset allocation. Upon a motion made and duly seconded the following resolution was unanimously approved:

**RESOLVED, that the Montgomery County Retirement System Trust adopt the recommended asset allocation “Mix D” for the investment portfolio with the following adjustments: bank loans and emerging markets debt each have a target of 2.5% and core fixed income has a target of 20%; and**

**RESOLVED, FURTHER, that Staff work with NEPC to implement the associated changes to the passive global equities portfolio with options at State Street Global Advisors and BlackRock; and**

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

### **Staff Update**

Ms. Grant shared with the Board that Haydee Celaya had to resign from the Board. MCPS appreciates the service Ms. Celaya provided to the Board.

Upon a motion duly made and seconded, the meeting was adjourned at 11:55 a.m.

Respectfully submitted,  
Marisa Grant

**BOARD OF INVESTMENT TRUSTEES**  
Montgomery County Public Schools Retirement System Trust

May 19, 2017  
Carver Educational Services Center  
Room 127  
850 Hungerford Drive  
Rockville, Maryland 20850

**OPEN SESSION**

Board Members Present: Susan Chen, Vice-Chair  
Nicola Diamond  
Robert Doody  
Joanne Hill  
Craig Pernick  
Monte Tarbox  
Ted Urban, Chair  
Andrew Zuckerman

Others Present: Marisa Grant  
Susan Lau  
Taylor Furlong, NEPC (via phone)  
Seth Bancroft , NEPC (via phone)  
Rhett Humphries, NEPC  
Dulari Pancholi, NEPC  
Keith Stronkowsky, NEPC

**Call to Order/Review of Minutes**

Ted Urban called the meeting to order at 8:30 a.m. The minutes of the February 24 meeting was reviewed. A motion was made for the approval of the minutes and it was seconded. The Board unanimously approved the minutes.

**First Quarter 2017 Investment Portfolio Analysis**

Rhett Humphries reviewed the investment performance of the total fund for the first quarter of 2017. The total portfolio return was 0.6% and 6.7% for Q4 and for 2017 respectively. This exceeded the primary benchmark return in each period of 0.2% and 6.4%. The policy benchmark is a blended index that represents 2/3 the MSCI ACWI IMI index and 1/3 the Intermediate Bloomberg Barclays Aggregate Index. The portfolio return was essentially in line with the secondary policy benchmark for the fourth quarter (0.6% vs. 0.7%) and 0.3% above the full-year return (6.7% vs. 6.4%). The secondary policy benchmark consists of underlying indices that reflect the various strategies used by the managers in the alternatives portfolio.

### **Motion to Close Meeting**

The Board discussed closing the meeting to discuss the investment of public funds with respect to investments in private partnerships and the possible additions and redemptions from investment managers. A prepared closing statement was read by Mr. Urban. A motion was made to go into closed session and it was seconded. The Board unanimously approved the motion. The meeting went into closed session at 9:10 a.m.

### **Return to Open Meeting**

The Board reconvened in open session at 11:30 a.m.

### **Board Elections**

Ted Urban and Susan Chen had been elected Chair and Vice-Chair for the remainder of the 2017 plan year upon the retirement of Susanne DeGraba in December 2016. The Board voted unanimously to re-elect Ted Urban as Chair, Susan Chen as Vice-Chair and Marisa Grant as secretary.

### **Meeting Adjourned**

Upon a motion duly made and seconded, the meeting was adjourned at 11:40 a.m.

Respectfully submitted,  
Marisa Grant

**BOARD OF INVESTMENT TRUSTEES**  
Montgomery County Public Schools Retirement System Trust

September 22, 2017  
Carver Educational Services Center  
Room 120  
850 Hungerford Drive  
Rockville, Maryland 20850

**OPEN SESSION**

Board Members Present: Susan Chen, Vice-Chair  
Nicola Diamond  
Robert Doody  
Joanne Hill  
Craig Pernick  
David Schick  
Monte Tarbox  
Ted Urban, Chair  
Andrew Zuckerman

Others Present: Marisa Grant  
Susan Lau  
Rhett Humphries, NEPC  
Melissa Mendenhall, NEPC  
Keith Stronkowsky, NEPC  
Hayley Tran, NEPC (via telephone)

**Call to Order**

Ted Urban called the meeting to order at 8:30 a.m. David Schick, a new Trustee appointed by the Board of Education on June 13, 2017, was introduced to the Board.

**Second Quarter 2017 Investment Portfolio Analysis**

Rhett Humphries reviewed the capital markets environment for the recent quarter which was characterized by very strong advances across global equity markets, particularly in emerging and international markets. Mr. Humphries discussed the portfolio's current asset allocation relative to peers as well as the risk profile of the portfolio as it has changed over the past ten years. The pension trust's investment performance for the second quarter of 2017 and the fiscal year ending June 30. The total fund return was 2.9% for Q2 2017 and 11.9% for fiscal year 2017. The fiscal year return trailed the policy benchmark by 40 basis points and exceeded the secondary policy benchmark by 20 basis points. The policy benchmark is a blended index that represents 2/3 the MSCI ACWI IMI index and 1/3 the Intermediate Bloomberg Barclays Aggregate Index. The secondary policy benchmark consists of underlying indices that reflect the various strategies used

by the managers in the alternatives portfolio. Over the medium term, the Board should expect the portfolio return to diverge from the policy benchmarks because the current investments in the portfolio do not fully reflect the policy targets, particularly in private equity (current weight of 4% versus target of 10%).

### **Minutes Approval**

The Board reviewed the draft of the May 19 meeting minutes. A motion was made for the approval of the minutes and it was seconded. The Board unanimously approved the minutes.

### **Motion to Close Meeting**

The Board discussed closing the meeting to discuss the investment of public funds with respect to investments in private partnerships and the possible additions and redemptions from investment managers. Mr. Urban read a closing statement. A motion was made to go into closed session and it was seconded. The Board unanimously approved the motion. The meeting went into closed session at 9:00 a.m.

### **Return to Open Meeting/Meeting Adjournment**

The Board returned to open session and upon a motion duly made and seconded, the meeting was adjourned at 11:45 a.m.

Respectfully submitted,  
Marisa Grant

**BOARD OF INVESTMENT TRUSTEES**  
Montgomery County Public Schools Retirement System Trust

November 30, 2017  
Carver Educational Services Center  
Room 127  
850 Hungerford Drive  
Rockville, Maryland 20850

**OPEN SESSION**

Board Members Present: Susan Chen, Vice-Chair  
Nicola Diamond  
Robert Doody  
Joanne Hill  
Craig Pernick (via telephone)  
David Schick  
Monte Tarbox  
Ted Urban, Chair  
Andrew Zuckerman

Others Present: Marisa Grant  
Susan Lau  
Rhett Humphries, NEPC  
Keith Stronkowsky, NEPC

**Call to Order/Approval of Minutes**

Ted Urban called the meeting to order at 8:30 a.m. The Board reviewed a draft of the September 22 meeting minutes. A motion was made for the approval of the minutes as edited and it was seconded. The Board unanimously approved the minutes.

**Third Quarter 2017 Investment Portfolio Analysis**

Rhett Humphries provided a review of the capital markets in the third quarter of 2017 as a backdrop for the discussion of the pension portfolio performance in the period. Global equities continued to be the main driver of performance with international developed and emerging markets equities outperforming domestic equities. The pension had maintained a slight overweight to these regions within the equities allocation which was additive to performance in the period. Mr. Humphries described how the value of the portfolio changes the Board has implemented is starting to bear fruit. For example, graphs depicting the return the portfolio has generated relative to risk taken over the past five, seven and ten year periods show steady improvement, i.e. migration of the

portfolio results towards the upper left quadrant. The total portfolio return was 3.8% for Q3 2017 and 11.4% for the nine months ending September 30. The portfolio's return in the quarter matched the policy benchmark return and exceeded the secondary policy benchmark return by 30 basis points. The policy benchmark is a blended index that represents 2/3 the MSCI ACWI IMI index and 1/3 the Intermediate Bloomberg Barclays Aggregate Index. The secondary policy benchmark consists of underlying indices that reflect the strategies used by managers in the alternatives portfolio. For the calendar year to date period, the portfolio lagged the policy benchmark by 40 basis points and exceeded the secondary policy benchmark by 50 basis points.

### **Motion to Close Meeting**

The Board discussed closing the meeting to discuss the investment of public funds with respect to investments in private partnerships and the possible additions and redemptions from investment managers. Mr. Urban read a closing statement. A motion was made to go into closed session and it was seconded. The Board unanimously approved the motion. The meeting went into closed session at 8:55 a.m.

### **Return to Open Meeting/Meeting Adjournment**

The Board returned to open session and upon a motion duly made and seconded, the meeting was adjourned at 12:20 p.m.

Respectfully submitted,  
Marisa Grant