

Defined Contribution Investment Committee
Montgomery County Public Schools Employees
Tax-Sheltered Savings Plan and
Deferred Compensation Plan

MINUTES OF THE QUARTERLY MEETING

February 7, 2019
(via Teleconference)

Committee Members Present: Pia Morrison, Chair
Craig Pernick, Vice Chair
Susan Chen
Nicola Diamond
Joanne Hill
Monte Tarbox

Others Present: Marisa Grant
Susan Lau
Janice Roberts
Sarah Boctor, RVK Inc.
Christian Eicher, RVK Inc.
Mikaylee O'Connor, RVK Inc.

Call to Order

Pia Morrison called the meeting to order at 1:30 p.m.

Meeting Minutes

The minutes of the November 9, 2018, 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 Review

Christian Eicher reviewed the performance of major global economies and capital markets during the fourth quarter of 2018. There was increased volatility in the fourth quarter and notable negative returns for the majority of risk assets. Fixed income and cash were among the few asset classes that generated positive returns. The strong risk-off environment emerged in December as investors become increasingly concerned about Federal Reserve rate increases and trade uncertainty with China. Mr. Eicher discussed the performance of the mutual funds on the investment menu, which performed in line with their respective benchmarks. Thus far in 2019, Mr. Eicher noted, the markets have experienced a strong rebound in returns.

Investment Policy Statement Review

RVK and Staff conducted a review of the Investment Policy Statement. Mr. Eicher presented the proposed amendments. One amendment addressed how assets will be automatically mapped into target date fund income fund as a vintage approaches the end of its de-risking glide path. The second amendment discussed how the plans would handle investment options that were removed from the investment menu. The Committee discussed the proposals, and upon a motion duly made and seconded, the following resolution was unanimously approved:

RESOLVED, that the MCPS Tax-Sheltered Savings Plan and the MCPS Deferred Compensation Plans adopt the amended Investment Policy Statement as presented.

ESG Education

Mikaylee O'Connor provided an education session on ESG investing, in which environmental, social, and governance factors are taken into account in the investment decision-making process. Different approaches include value-based, ESG integration, and active ownership. The proof of performance and quality of information are the two most cited challenges of ESG investing. Other hurdles include the limited supply of investment managers with a demonstrated track record following ESG strategies and fee structures. The Committee discussed the issues and how the Committee might incorporate ESG into its consideration of investment options on the investment menu. The Committee asked RVK and Staff to review the ESG policies of existing investment managers on the menu.

Staff Report

The RVK team dropped off the call. Staff discussed the pending three-year contract expiration with RVK on December 31, 2019, and the possibility of extending the term per the terms of the original RFP. Staff and the Committee discussed the contribution of the RVK consultant team and the level and quality of service provided.

Next Meeting

The next quarterly meeting will be held on Friday, May 31, 2019, at 12:30 p.m. at CESC, 850 Hungerford Drive, Rockville, MD 20850.

Upon a motion duly made and seconded, the meeting was adjourned at 3:00 p.m.

Respectfully submitted,
Susan Lau

Defined Contribution Investment Committee
Montgomery County Public Schools Employees
Tax-Sheltered Savings Plan and
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MINUTES OF THE QUARTERLY MEETING

May 31, 2019
Carver Educational Services Center
850 Hungerford Drive, Room 134
Rockville, MD 20850

Committee Members Present: Pia Morrison, Chair
Craig Pernick, Vice Chair
Susan Chen
Joanne Hill
Dan Howell
Monte Tarbox

Others Present: Marisa Grant
Susan Lau
Janice Roberts
Sarah Boctor, RVK Inc.
Christian Eicher, RVK Inc.
Mikaylee O'Connor, RVK Inc.

Call to Order

Craig Pernick called the meeting to order at 12:30 p.m.

Meeting Minutes

The minutes of the February 7, 2019, 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 Review

Christian Eicher reviewed the performance of major global economies and capital markets during the first quarter of 2019. U.S. equity markets rebounded strongly during the first quarter, while fixed income markets benefited from the shift in interest rate expectations. Uncertainty around U.S. trade discussions caused downward pressure in May. Mr. Eicher discussed the performance of the mutual funds on the investment menu, which performed in line with their respective benchmarks.

Investment Fee Benchmark Study

RVK reviewed best practices of plan fee management in the industry. These include regularly performing investment management fee comparisons relative to peers, investigating opportunities for lower fees with vendors, periodically reviewing the fee model, renegotiating service agreements, and creating an annual plan fee budget.

MCPS 403(b) and 457(b) current plan fees were reviewed and discussed. RVK noted that MCPS plans are well aligned with best practices. MCPS 403(b) and 457(b) plans fee charges are below average relative to peers for all three fee categories (investment management, recordkeeping, and administrative expenses).

Investment Menu Review

RVK provides a periodic review of the investment menu for the defined contribution plans with a focus on policy, participant utilization, and appropriateness of structure. Mikaylee O'Connor reviewed the investment menu with respect to 1) compliance with the investment policy statement and plan documents, 2) the use of a default option, 3) the ability to construct diversified portfolios, 4) participant usage of the investment options, 5) fees, 6) manager quality, 7) the number of available fund options, and 8) ESG capabilities. Ms. O'Connor and Mr. Eicher believe the investment menu satisfies the framework and did not recommend that the DCIC take action at this time.

Staff Report

The Board of Education has approved the extension of the RVK contract by one year. Staff has also reviewed the overall positive impact of the changes implemented by the Plans, including higher employee participation, increase in assets, and reasonable fees to participants.

Officer Elections

Officers serve a one-year term. Pia Morrison, who has served on the Committee since 2014 and as chair since 2018, will be stepping down. The Committee thanked Ms. Morrison for her service and contribution. After a motion was made and duly seconded, the following resolutions were unanimously passed:

RESOLVED, that Craig Pernick is elected to serve as chair of the Defined Contribution Investment Committee for a one-year term ending May 31, 2020; and

RESOLVED, FURTHER, that Susan Chen is elected to serve as vice chair of the Defined Contribution Investment Committee for a one-year term ending May 31, 2020; and

RESOLVED, FURTHER, that Marisa Grant is elected to serve as secretary of the Defined Contribution Investment Committee for a one-year term ending May 31, 2020.

Next Meeting

The next quarterly meeting will be held on Friday, August 9, 2019, at 1:30 p.m. via conference call.

Upon a motion duly made and seconded, the meeting was adjourned at 2:00 p.m.

Respectfully submitted,
Susan Lau

Defined Contribution Investment Committee
Montgomery County Public Schools Employees
Tax-Sheltered Savings Plan and
Deferred Compensation Plan

MINUTES OF THE QUARTERLY MEETING

August 9, 2019
(via teleconference)

Committee Members Present: Craig Pernick, Chair
Susan Chen, Vice Chair
Nicola Diamond
Dan Howell
Oriole Saah
Monte Tarbox

Others Present: Marisa Grant
Susan Lau
Janice Roberts
Sarah Boctor, RVK Inc.
Christian Eicher, RVK Inc.
Mikaylee O'Connor, RVK Inc.

Call to Order/Approval of Minutes

Craig Pernick called the meeting to order at 1:30 p.m. The Committee welcomed one new appointee: Oriole Saah. The Committee reviewed a draft of the minutes of the May 31, 2019, meeting. A motion was made for the approval of the minutes, and it was seconded. The Committee unanimously approved the minutes.

Investment Performance Review

Mikaylee O'Connor reviewed the performance of major global economies and capital markets during the second quarter of 2019. The global equity markets continued the strong performance experienced in the first quarter, while fixed income markets continue to benefit from additional central bank stimulus. However, volatility increased during the quarter as uncertainty around U.S. trade discussions and geopolitical tensions escalated. Ms. O'Connor discussed the performance of the mutual funds on the investment menu, which performed in line with their respective benchmarks.

Managed Accounts Review

Sarah Boctor and Mikaylee O'Connor conducted an in-depth review of managed accounts, a service offered by Fidelity to plan participants as part of the investment menu. Managed accounts are considered a Tier 1 "Do it for me" option for plan participants who desire a more personalized experience than they would obtain by using target date funds. Ms. O'Connor provided education on the managed accounts marketplace. Ms. Boctor then presented an in-depth review of the services and features specific to the Fidelity managed accounts offering. RVK will provide an evaluation of the Fidelity managed accounts offering at the November meeting.

Regulatory and Legislative Update

RVK provided an update on retirement-related bills and rules that are being considered by Congress, the Securities and Exchange Commission (SEC), and the Department of Labor (DOL). The discussion included the SECURE Act, SEC Regulation Best Interest, and the DOL Fiduciary Rule. The Committee also reviewed details of other pending legislation, an IRS private letter ruling, and litigation related to the retirement and/or defined contribution industry.

Environmental, Social, and Governance (ESG)

The Committee discussed the options on the investment menu that incorporate ESG in some manner. Based on the education and work done by RVK and Staff, the Committee concluded that current ESG funds are in nascent stages and do not yet have robust enough track records and data for consideration for the investment menu. The Committee will continue to monitor the evolution of the funds closely for future consideration.

Staff Report

Marisa Grant provided a sample of MCPS and Fidelity engagement with plan participants, including Fidelity-hosted workshops, new employee orientations, and division-based and school-based presentations. The Committee discussed expanding those efforts to include more participants and will work with Staff on those efforts.

Next Meeting

The next quarterly meeting will be held on Wednesday, November 6, 2019, at 1:00 p.m. via conference call.

Upon a motion duly made and seconded, the meeting was adjourned at 3:00 p.m.

Respectfully submitted,
Susan Lau

Defined Contribution Investment Committee
Montgomery County Public Schools Employees
Tax Sheltered Savings Plan and
Deferred Compensation Plan

MINUTES OF THE QUARTERLY MEETING

November 6, 2019
(via teleconference)

Committee Members Present: Susan Chen, Vice Chair
Nicola Diamond
Joanne Hill
Dan Howell
Oriole Saah

Others Present: Marisa Grant
Susan Lau
Janice Roberts
Sarah Boctor, RVK Inc.
Christian Eicher, RVK Inc.
Mikaylee O'Connor, RVK Inc.

Call to Order/Approval of Minutes

Susan Chen called the meeting to order at 1:00 p.m. The Committee reviewed a draft of the minutes for the August 9, 2019, meeting. A motion was made for the approval of the minutes, and it was seconded. The Committee unanimously approved the minutes.

Investment Performance Review

Mikaylee O'Connor reviewed the performance of major global economies and capital markets during the third quarter of 2019. The U.S. equity markets ended the quarter higher, while economic headwinds and conflict escalations outside of the United States led international equity markets lower. Fixed income markets declined as expectations of growth and inflation weakened. Financial markets experienced continued volatility as market themes from the last few quarters persisted. Ms. O'Connor discussed the performance of the funds on the investment menu, which performed in line with their benchmarks. Ms. O'Connor provided additional information about the active investment managers' portfolio positioning and the resulting effects on performance.

Managed Accounts Review

Sarah Boctor and Mikaylee O'Connor provided a comprehensive review of the Fidelity Personalized Planning and Advice (PP&A) service offering. An analysis of the enrollment practices, level of engagement and personalization, asset allocation, and investment decisions of the PP&A service was presented to the Committee. Committee members requested additional information about the service to be presented for the next meeting.

Default Investment Review: Target Date Funds

RVK conducts an annual review of the investment default options of the 403(b) and 457(b) plans: the Vanguard Target Date Funds (TDFs). Christian Eicher provided an overview of the plans' utilization of TDFs, which remains at 73% of assets or 88% of total accounts. RVK views the Vanguard TDFs positively and believes the funds meet their objectives in providing participants with a comprehensive retirement-investment solution of long-term capital appreciation and current income while controlling risks. RVK did not recommend any changes to the 403(b) and 457(b) default investment options at this time.

Staff Report

Marisa Grant informed the Committee that MCPS will produce a short educational video on the defined contribution plans. The objectives of the video will be to educate employees about the 403(b)/457(b) plans and the importance of saving for retirement and direct them to additional resources. Ms. Grant also recommended a full evaluation of Fidelity and its recordkeeper services to be conducted by RVK in 2020. The DCIC committee agreed with this recommendation.

Next Meeting

The next quarterly meeting will be held on Thursday, February 6, 2020, at 1:30 p.m. via conference call.

Upon a motion duly made and seconded, the meeting was adjourned at 2:30 p.m.

Respectfully submitted,
Janice Roberts