

Defined Contribution Investment Committee
Montgomery County Public Schools Employees
Tax Sheltered Savings Plan and
Deferred Compensation Plan (“Plans”)

MINUTES OF THE QUARTERLY MEETING

June 3, 2022
(via videoconference)

OPEN SESSION

Committee Members Present: Susan Chen, Vice Chair
Rob Kohn
Craig Pernick, Chair
Robert Reilly
Oriole Saah
Dan Savino

Others Present: Cathy Jewell
Phoebe Kuan
Mangala Murthy
Oleg Peltsman
Janice Roberts
Cristina Vidal
Jordan Cipriani, RVK Inc.
Samia Khan, RVK Inc.

Call to Order/Approval of Minutes

Craig Pernick called the open session of the Defined Contribution Investment Committee (“Committee”) meeting to order at 12:38 p.m. The Committee reviewed a draft of the open minutes for the February 3, 2022, meeting. A motion was made for the approval of the minutes, and it was seconded. The Committee unanimously approved the open meeting minutes. Dan Savino, the new Committee member representing MCEA, was introduced.

Officer Elections

Officers of the Committee serve a one-year term. After a motion was made and duly seconded, the following resolution was unanimously passed:

RESOLVED, that the Committee elects Craig Pernick to serve as Chair, Susan Chen as Vice Chair, and Phoebe Kuan as Secretary of the Defined Contribution Investment Committee for a one-year term ending on June 2, 2023.

Investment Performance Analysis Q1 2022

Samia Khan reviewed the performance of the capital markets during the first quarter of 2022. The quarter left little room for capital preservation as public equity and fixed income markets fell

sharply amid increased volatility, downward revisions to global economic growth forecasts, and rising interest rates. As a result, the U.S. and international equity markets experienced absolute negative returns. During the quarter, Treasury yields rose from 1.52% to 2.32%, and the war in Ukraine prompted a risk-off sentiment sending the bond indices into negative territory.

Rob Kohn asked if participants had received any educational material regarding market volatility. Phoebe Kuan informed the Committee that Fidelity sent a market volatility mailing to participants in April, and workshops on the subject will be offered. RVK noted that, despite market volatility, retirement plan participants tend not to withdraw funds from their plans during adverse market conditions.

The plan performance review showed that Tier 1 and Tier 2 investments performed largely in line with their indices. The active fixed income managers (Tier 3) underperformed, although there are no high-level concerns. The Vanguard Target Date Funds (TDFs) expense ratio was lowered from 9 bps to 8 bps, well below the median expense ratio. Most participants continue to use the Vanguard TDFs as their primary investment fund. The equity funds' fee ranking is also better than the median, except for the Artisan fund (international active manager), due to smaller dispersion in the asset class and the manager consistently producing alpha.

Annual Fee Benchmarking Review

As part of RVK's annual review cycle, Ms. Khan reviewed the MCPS annual fee management, which is the industry best practice. She detailed how MCPS has lowered the fees for all participants since 2017 and provided a breakdown of plan costs. Based on the fee benchmarking analysis completed by RVK, MCPS has lower participant fees and lower recordkeeping, transaction, and investment management costs than the median peer plan. MCPS and RVK will conduct a recordkeeper review and service agreement negotiation with Fidelity in Q4 2022.

Ms. Khan also reviewed the MCPS DC Plans budget and noted that revenue is expected to moderately surpass costs in future years. RVK supports maintaining a small surplus to keep any potential cost increases but will continue to monitor the administrative account balance over time. Craig Pernick inquired about the surplus balance during the last fee holiday. RVK will follow up with a recommendation for a possible fee holiday in the future.

Closed Session

A motion was made to move to a closed session, and it was seconded. The Committee unanimously approved the motion. The meeting went into closed session at 1:20 p.m.

Next Meeting

The next quarterly meeting will be held on August 4, 2022.

Upon a motion duly made and seconded, the meeting was adjourned at 1:53 p.m.

Respectfully submitted,
Oleg Peltsman