

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

MINUTES OF THE QUARTERLY MEETING

March 1, 2018
(via conference call)

Committee Members Present: Pia Morrison, Chair
Nicola Diamond
Dan Howell
Craig Pernick

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

Call to Order

Pia Morrison called the meeting to order at 12:30 p.m.

Investment Performance Review

Mikaylee O'Connor and Robert Palmeri reviewed the performance of the major global economies and capital markets during the fourth quarter of 2017. Mr. Palmeri discussed equity market valuations, which are in the top quartile of historical ranges in the United States and less elevated in international markets where they are generally trading around the median of historical ranges. Ms. O'Connor reviewed the performance of the mutual funds on the investment menu. For the funds that follow an active investment approach, Ms. O'Connor provided additional color about investment managers' portfolio positioning and the resulting effects on performance.

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. RVK 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, and 7) the number of

March 1, 2018

available fund options. Mr. Palmeri and Ms. O'Connor believe the investment menu satisfies the framework and did not recommend that the DCIC take action at this time.

US Tax Reform

Ms. O'Connor and Mr. Palmeri discussed the possible impact of tax reform legislation recently approved by the U.S. Congress. The consensus expectation is that the legislation will have a positive impact on economic growth in the short term. However, expectations for the long term are less clear, as financial stimulus may prove to be short-lived and further complicated by the long-term impact of projected increases to the federal budget deficit and national debt. There also appears to be a limited impact on household and personal savings rates in the long term.

Staff Report

Staff discussed ways in which the plans may be able to offer a fee holiday for a portion of 2018. Staff also provided an update on a consolidation campaign to inform participants with assets outside of the current administrative services provider of their ability to move assets if they choose to do so.

Next Meeting

The next quarterly meeting will be Thursday, May 10, 2018, 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 1:40 p.m.

Respectfully submitted,
Susan Lau

Defined Contribution Investment Committee
Montgomery County Public Schools Employees
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MINUTES OF THE QUARTERLY MEETING

May 10, 2018
Carver Educational Services Center
850 Hungerford Drive, Room 134
Rockville, MD 20850

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

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

Call to Order

Pia Morrison called the meeting to order at 12:50 p.m. The minutes of the March 1, 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

Robert Palmeri reviewed the performance of the major global economies and capital markets during the first quarter of 2018. Global equity markets rallied strongly in January reflecting continued improving economic fundamentals and corporate earnings growth. However a resetting of inflation expectations following the U.S. February jobs report triggered a significant increase in volatility that resulted in declines across global equity markets for the quarter. Mikaylee O'Connor reviewed the plan including how assets were allocated amongst the options on the investment menu. Ms. O'Connor also discussed the performance of the mutual funds on the investment menu.

Administrative Fee Review

May 10, 2018

RVK provided an analysis of the administrative fee charged to the participants for the defined contribution plans. The analysis included a projected budget for the plans with varying participant growth rates as well as assumptions reflecting a “stressed” environment. The Committee discussed the results and requested additional research that would reflect alternate fee structures.

Industry Trends in Defined Contribution

Ms. O’Connor and Mr. Palmeri discussed various trends they have observed across the defined contribution industry. Some of these include focus on increasing participation rates, savings rates, enhancing investment solutions, and improving participant outcomes.

Election of Officers

The officers of the Committee serve a one-year term. After a motion was made and duly seconded, the following resolutions were unanimously passed:

RESOLVED, that Pia Morrison is elected to serve as chair of the Defined Contribution Investment Committee for a one-year term ending August 31, 2019; and

RESOLVED, FURTHER, that Craig Pernick is elected to serve as vice chair of the Defined Contribution Investment Committee for a one-year term ending August 31, 2019; and

RESOLVED, FURTHER, that Marisa Grant is elected to serve as secretary of the Defined Contribution Investment Committee for a one-year term ending August 31, 2019.

Next Meeting

The next quarterly meeting will be Friday, August 10, 2018, at 12:30 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

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MINUTES OF THE QUARTERLY MEETING

August 10, 2018
(via Teleconference)

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

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

Call to Order/Minutes Approval

Pia Morrison called the meeting to order at 12:30 p.m. The minutes of the May 10, 2018 meeting were reviewed. A motion was made for the approval of the minutes and it was seconded. The Committee unanimously approved the minutes.

RVK Consultant Change

Mikaylee O'Connor introduced Christian Eicher of RVK, who will join the RVK team servicing the MCPS account.

Administrative Fee Review

Ms. O'Connor provided a follow-up analysis on the administrative fees paid by participants in the plans. The administrative fee covers expenses related to operating the plan outside of the administrative services provided by Fidelity Investments. The Committee discussed the analysis. The Committee recommended that MCPS consider reducing the level of the administrative fee and implementing a tiered fee model. The Committee asked Staff to work with Fidelity to see how such a structure could be implemented.

Investment Performance Review

Ms. O'Connor reviewed the performance of the major global economies and capital markets during the second quarter of 2018. U.S. Equities remain the bright spot with large cap and small cap generating positive returns. Non-U.S. equities returns, however, were negative in the quarter, impacted by the strength of the dollar and trade tensions. Fixed income was slightly negative as interest rate increases affected returns. Ms. O'Connor also reviewed the performance of the funds in the investment menu during the quarter.

Legislation and Regulatory Update

Ms. O'Connor provided an update to the legislative and regulatory environment. The update addressed several developments including the invalidation of the Department of Labor (DOL) Fiduciary rule that had taken effect in 2017. In April, the Securities and Exchange Commission (SEC) proposed a rule with language similar to the invalidated DOL rule in which broker-dealers would have to work in their client's best interest. While the DOL rule and the SEC proposal share similarities, there are also differences, including the scope of the rules. The DOL rule affected anyone who made recommendations to plan sponsors or plan participants, while the SEC proposal would only cover broker-dealers who make recommendations to retail investors.

Staff Report

Staff proposed that terms for Committee members be tiered to facilitate smoother transitions on the Committee. The Committee accepted this proposal.

Next Meeting

The next quarterly meeting will be Friday, November 9, 2018, at 12:30 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
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MINUTES OF THE QUARTERLY MEETING

November 9, 2018
(via Teleconference)

Committee Members Present: Craig Pernick, Vice Chair
Nicola Diamond
Joanne Hill
Dan Howell
Monte Tarbox

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

Call to Order

Mr. Craig Pernick called the meeting to order at 12:32 p.m.

Investment Performance Review

Mikaylee O'Connor and Sarah Boctor reviewed the performance of major global economies and capital markets during the third quarter of 2018. U.S. equities continued to outperform non-U.S. equities as international growth continued to slow. U.S. government bonds faced headwinds as an increase in rates across the Treasury yield curve. Fixed income returns overall were relatively flat. Ms. Boctor reviewed the performance of the funds in the investment menu during the quarter.

Review of Default Investment: Target Date Funds

Ms. O'Connor provided an update on the investment default option for the 403(b) and 457(b) Plans (Plans): the Vanguard Target Date Funds (TDF's). Across the industry, TDFs have continued to attract assets as the performance of the funds has met expectations and participants make contributions to their accounts. The average cost of TDF fund series declined in 2017 as did the percentage of the flows in TDFs that use active underlying investment funds. Within the MCPS plans, more than 70% of the assets for which Fidelity Investments serves as the administrative services provider are invested in the default investment option. The Department of Labor has provided tips for plan sponsors and fiduciaries to use when selecting and monitoring TDFs. The actions and processes at MCPS were aligned with that guidance during 2018.

Tiered Fee Model Update

The Committee had discussed recommending that MCPS implement a tiered fee model for the Plans to reduce the fee burden on some participants. After reviewing additional information provided by RVK and Staff, a motion was duly made and seconded and the following resolution was unanimously approved:

RESOLVED, That the Defined Contribution Investment Committee recommends that Montgomery County Public Schools implement a tiered fee model for the 403(b) and 457(b) plans.

Staff Report

Staff discussed the resignation of Craig Staton, who had been nominated by the Montgomery County Association of Administrators and Principals (MCAAP/MCBOA), from the Committee. MCAAP/MCBOA nominated Mrs. Susan Chen, who is the Controller of MCPS and also currently serves as a Trustee of the MCPS pension board. The Board of Education will vote on Mrs. Chen's appointment at a future meeting.

The Committee requested that the next meeting include time for a discussion of environmental, social, and governance (ESG) factors as related to defined contribution plans.

Meeting Minutes

The minutes of the August 10, 2018, meeting were reviewed. A motion was made for the approval of the minutes and it was seconded. The Committee unanimously approved the minutes.

Next Meeting

The next quarterly meeting will be Thursday, February 7, 2019, at 1:30 p.m. via conference call.

Upon a motion duly made and seconded, the meeting was adjourned at 1:35 p.m.

Respectfully submitted,
Susan Lau