

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

MINUTES OF THE QUARTERLY MEETING

February 3, 2022
(via videoconference)

OPEN SESSION

Committee Members Present: Susan Chen, Vice Chair
Craig Pernick, Chair
Robert Reilly
Oriole Saah

Others Present: Cathy Jewell
Phoebe Kuan
Mangala Murthy
Janice Roberts
Cristina Vidal
Sarah Boctor, RVK Inc.
Samia Khan, RVK Inc.
John Lu, 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 1:02 p.m. The Committee reviewed a draft of the open minutes for the November 5, 2021, meeting. A motion was made for the approval of the minutes, and it was seconded. The Committee unanimously approved the open meeting minutes.

Investment Performance Analysis Q4 2021

Samia Khan reviewed the performance of the major global capital markets during the fourth quarter of 2021. The quarter delivered strong performance that was strained by the emergence of the omicron variant and inflationary pressures. U.S. markets delivered strong performance, while large-cap outperformed small-cap. Broadly, international markets were slightly positive; however, emerging markets delivered negative results for the year. Tier 1 and Tier 2 investments performed largely in line with expectations, tracking their benchmark closely. The active fixed income managers underperformed, although there are no high-level concerns. The Vanguard Target Date Funds’ expense ratio will be lowered from 9 bps to 8 bps. Most participants continue to use the Vanguard Target Date Funds (TDFs) as their primary investment fund.

Investment Menu Design Review

Ms. Khan presented an investment menu design review. On an annual basis, RVK reviews the investment menu structure to ensure the program has the best fit and participant utilization. Ms. Khan highlighted the investment policy, investment objectives, gap analysis, and investment menu utilization. TDFs continue to represent the largest investment of the MCPS 403(b) and 457(b) Plans, with 72% of total assets in TDFs as of December 31, 2021. RVK's annual investment menu review resulted in no action necessary in each area of compliance, participants, and investments.

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 1:28 p.m.

Next Meeting

The next quarterly meeting will be held on June 3, 2022, in a format to be determined.

Upon a motion duly made and seconded, the meeting was adjourned at 2:29 p.m.

Respectfully submitted,
Mangala Murthy

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

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

MINUTES OF THE QUARTERLY MEETING

August 4, 2022
(via videoconference)

OPEN SESSION

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

Others Present: Cathy Jewell
Phoebe Kuan
Mangala Murthy
Oleg Peltsman
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 1:04 p.m. The Committee reviewed a draft of the open minutes for the June 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.

Investment Performance Analysis Q2 2022

Jordan Cipriani reviewed the performance of the capital markets in Q2 2022. Quarter-to-date, global indices posted losses due to tightening of monetary policy around the world and revision downward of economic growth estimates. Defensive stocks showed positive returns year-to-date as investors rotated to sectors that generally outperform during market downturns and recession.

The plan performance review showed that investments (Tier 1, Tier 2, and Tier 3) performed largely in line with their indices. Most participants continue to use the Vanguard Target Date Funds as their primary investment fund.

Legislative & Regulatory Overview

Samia Khan reviewed retirement legislation and provided updates on Department of Labor (“DOL”) regulatory activity and DC plan litigation. The Setting Every Community Up for

Retirement (“SECURE”) Act of 2019 was the first major retirement-related legislation enacted since the 2006 Pension Protection Act. SECURE 2.0, a bipartisan bill, builds upon the SECURE Act by adding a number of retirement reform provisions. The most notable provisions include increasing the catch-up contribution limit and designating such contributions as Roth, as well as the gradual increase of the age for required minimum distribution (RMD) from 72 to 75. Final passage of SECURE 2.0 is likely in late 2022. She provided an overview and update on the Pooled Employer Plans, which is a reasonable choice for small businesses rather than of MCPS.

In addition, Ms. Khan provided regulatory updates on DOL ESG & Proxy Voting Proposed Regulations, Cryptocurrencies in DC Plans, DOL PE Supplemental Statement, and IRS RMD Proposed Regulations, stating that no action needs to be taken now. In addition, she presented an update on the litigation environment and recent litigation cases. High litigation risks increased fiduciary insurance costs. She commented that MCPS does well with fiduciary governance.

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 1:38 p.m.

Next Meeting

The next quarterly meeting will be held on November 3, 2022.

Upon a motion duly made and seconded, the meeting was adjourned at 2:31 p.m.

Respectfully submitted,
Oleg Peltsman

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

MINUTES OF THE QUARTERLY MEETING

November 3, 2022
(via videoconference)

OPEN SESSION

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

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

Call to Order/Approval of Minutes

Susan Chen called the open session of the Defined Contribution Investment Committee (“Committee”) meeting to order at 1:03 p.m. The Committee reviewed a draft of the open minutes for the August 4, 2022, meeting. A motion was made for the approval of the minutes, and it was seconded. The Committee unanimously approved the open meeting minutes.

Investment Performance Analysis Q2 2022

Jordan Cipriani reviewed the performance of the capital markets in Q3 2022. Quarter-to-date, markets continue to be plagued by high inflation, tightening of monetary policy, and heightened geopolitical concerns. The Fed continued its hawkish stance by doubling down and issuing a 5th interest rate hike of 75 basis points. International Equities had the steepest decline, driven by the strengthening of the dollar. Global markets and Fixed Income markets posted another quarter of losses. Total plan assets were down in Q3 2022, driven largely by negative market performance. The Plan continues to perform at expectations, as investments (Tier 1, Tier 2, and Tier 3) performed largely in line with their indices. The Vanguard Target Date Funds (TDF) continue to represent the majority of the invested assets, and their investment fees are ranked the lowest in the

Target Date Fund universe. Most participants continue to use the Vanguard TDF as their primary investment fund.

Target Date Fund Review

Sarah Boctor and Samia Khan presented the Target Date Fund annual review. The Target Date Fund review is conducted annually to take a deep analysis of the Plan's default investment option. RVK believes that the Montgomery County Public Schools 403(b) and 457(b) Plans (the Plans) have met its performance objectives, and the overall plan fees are highly competitive when compared to peers. Ms. Boctor addressed industry trends in Target Date Funds. Ms. Boctor noted that the Plans evaluation against the Department of Labor Target Date Fund tips resulted in "no action necessary" across all evaluation criteria. Next, Ms. Khan covered the Plans investment menu utilization. Ms. Khan noted that the Vanguard Target Date Retirement Fund 2015 merged into the 2020 Fund, which prompted the launch of the Vanguard Target Date Retirement Fund 2070. Ms. Khan recommended that the Committee consider adding the Vanguard Target Date Retirement Fund 2070 next year, which would be at no cost to the Plans.

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 1:34 p.m.

Next Meeting

The next quarterly meeting will be held on February 2, 2022.

Upon a motion duly made and seconded, the meeting was adjourned at 2:01 p.m.

Respectfully submitted,
Mangala Murthy