



# Board of Investment Trustees

## Montgomery County Employee Retirement Plans

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Annual Report

Fiscal Year ending June 30, 2025

# Overview

December 31, 2025

To: Employees, Retirees, and Beneficiaries

From: Board of Investment Trustees

The mission of the Board of Investment Trustees is to manage prudent investment programs for the members of the Employee Retirement Plans and their beneficiaries. The County's Chief Administrative Officer is responsible for overseeing the day-to-day administration of the retirement plans.

We are pleased to present this annual report for the fiscal year ending June 30, 2025, on the three investment programs established for the retirement plans.

- The Employees' Retirement System (ERS) is a defined benefit pension plan with net assets of \$5,109.7 million, established in 1965 and closed to employees hired on or after October 1, 1994, except public safety bargaining unit employees and employees electing to participate in the Guaranteed Retirement Income Plan (GRIP). As of June 30, 2025, the ERS had 7,125 active participants and 7,013 retirees and beneficiaries receiving benefits.
- The Retirement Savings Plan (RSP) was established in 1994 as a defined contribution plan providing benefits to all non-public safety and certain public safety employees hired on or after October 1, 1994. As of June 30, 2025, the RSP had \$883.8 million in net assets and 4,572 participants (3,338 active and 1,234 inactive).
- The County Deferred Compensation Plan (DCP) is a voluntary plan established pursuant to Section 457 of the Internal Revenue Code. As of June 30, 2025, the DCP had \$707.8 million in net assets and 3,544 participants (2,160 active and 1,384 inactive).

Shown below is a condensed presentation of the Plan Net Position and Changes in Plan Net Position from the Annual Comprehensive Financial Report for the retirement plans for the period ending June 30, 2025:

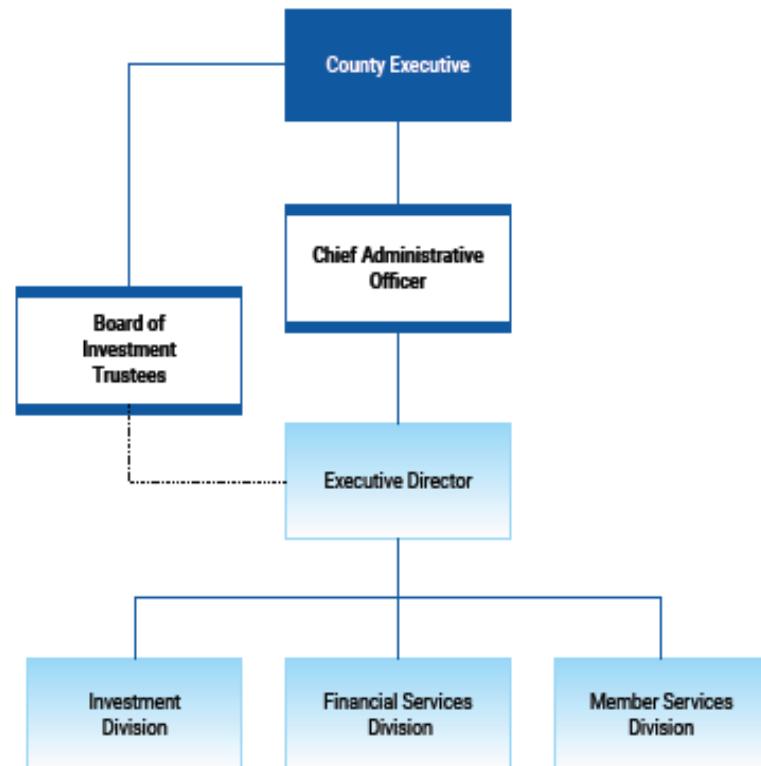
	Net Position (Millions)						Change in Net Position (Millions)					
	ERS		RSP		DCP		ERS		RSP		DCP	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
<b>Assets:</b>												
Cash and investments	\$ 5,179.4	\$ 4,985.6	\$ 881.9	\$ 791.6	\$ 707.0	\$ 659.0	\$ 81.0	\$ 64.9	\$ 27.4	\$ 24.9	\$ -	\$ -
Receivables and other assets	12.8	16.6	1.9	1.6	0.8	0.7	47.8	37.4	14.5	12.8	27.9	23.3
<b>Total assets</b>	<b>5,192.2</b>	<b>5,002.2</b>	<b>883.8</b>	<b>793.2</b>	<b>707.8</b>	<b>659.7</b>	<b>425.4</b>	<b>376.6</b>	<b>97.2</b>	<b>98.5</b>	<b>78.5</b>	<b>102.1</b>
<b>Liabilities</b>												
<b>Total net position</b>	<b>\$ 5,109.7</b>	<b>\$ 4,915.3</b>	<b>\$ 883.8</b>	<b>\$ 793.2</b>	<b>\$ 707.8</b>	<b>\$ 659.7</b>	<b>554.2</b>	<b>478.9</b>	<b>139.1</b>	<b>136.2</b>	<b>106.4</b>	<b>125.4</b>
<b>Additions:</b>												
Employer contributions	\$ 81.0	\$ 64.9	\$ 27.4	\$ 24.9	\$ -	\$ -	\$ 341.6	\$ 326.9	\$ -	\$ -	\$ -	\$ -
Member contributions	47.8	37.4	14.5	12.8	27.9	23.3	13.7	11.2	48.2	32.4	58.3	41.0
Net investment income	425.4	376.6	97.2	98.5	78.5	102.1	4.5	3.8	0.3	0.3	-	-
<b>Total additions</b>	<b>554.2</b>	<b>478.9</b>	<b>139.1</b>	<b>136.2</b>	<b>106.4</b>	<b>125.4</b>	<b>359.8</b>	<b>341.9</b>	<b>48.5</b>	<b>32.7</b>	<b>58.3</b>	<b>41.0</b>
<b>Deductions:</b>												
Benefits	341.6	326.9	-	-	-	-	194.4	137.0	90.6	103.5	48.1	84.4
Refunds and distributions	13.7	11.2	48.2	32.4	58.3	41.0	3.8	0.3	0.3	-	-	-
Administrative expenses	4.5	3.8	0.3	0.3	-	-	359.8	341.9	48.5	32.7	58.3	41.0
<b>Total deductions</b>	<b>359.8</b>	<b>341.9</b>	<b>48.5</b>	<b>32.7</b>	<b>58.3</b>	<b>41.0</b>	<b>359.8</b>	<b>341.9</b>	<b>48.5</b>	<b>32.7</b>	<b>58.3</b>	<b>41.0</b>
<b>Total change in net position</b>	<b>194.4</b>	<b>137.0</b>	<b>90.6</b>	<b>103.5</b>	<b>48.1</b>	<b>84.4</b>	<b>194.4</b>	<b>137.0</b>	<b>90.6</b>	<b>103.5</b>	<b>48.1</b>	<b>84.4</b>

For detailed information on the investment programs for all three retirement plans, please visit the Board's web site at [www.montgomerycountymd.gov/retirement](http://www.montgomerycountymd.gov/retirement). For questions, please call the Board office at 240-777-8220.

## Board of Investment Trustees

<b>Michael J. Coveyou</b> Vice Chair Montgomery County Director of Finance Ex-Officio Member	<b>Craig Howard</b> Montgomery County Council Executive Director, Ex-Officio Member	<b>Lee Holland</b> Police Bargaining Unit Designee
<b>Barry Kaplan</b> *Montgomery County Council Representative	<b>Linda Herman</b> *Retired Employees Representative Montgomery County	<b>Jeffrey D. Budde</b> Fire & Rescue Bargaining Unit Designee
<b>Gino Renne</b> OPT/SLT Bargaining Unit Designee	<b>Jennifer Bryant</b> Montgomery County Director of Management and Budget Ex-Officio Member	<b>Jennifer Harling</b> Montgomery County Chief Labor Relations Officer Ex-Officio Member
<b>Jennifer Shovlin</b> *Non-Bargaining Unit Representative	<b>Vacant</b> *Montgomery County Council Representative	<b>Vacant</b> *Public Representative
<b>Vacant</b> *Public Representative	<b>Vacant</b> *Public Representative	

## Retirement Plans Administrative Organization



\*A 3-year term for these trustees ends on March 1 of every third year after each trustee is confirmed by the Council.

## Board Actions

- **Employees' Retirement System (includes GRIP)**
  - Implemented the asset allocation changes that were approved during the fiscal year.
  - Analyzed the investment portfolios to understand the level of ESG exposure. As of June 30, 2025, the ERS had ESG investments totaling 13.3%. The vast majority of this ESG exposure is found within the private markets portfolio. The components of ESG where the funds have the largest exposure are renewable energy, health and wellness, affordable/workforce housing, and education.
- **Retirement Savings Plan & Deferred Compensation Plan**
  - Merged the assets of the SSgA Target Date 2020 Fund into the Target Retirement Fund.
  - Added the SSgA Target Date 2070 Fund to the fund line-up.

## Board Achievements

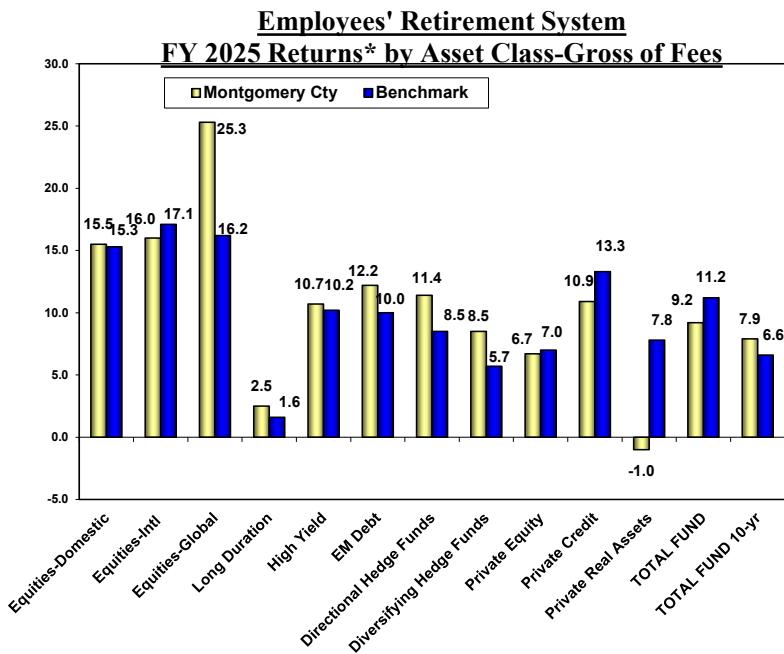
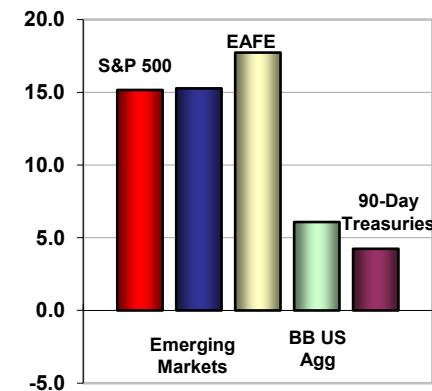
- **Certificate of Achievement for Excellence in Financial Reporting**
  - The Government Finance Officers Association (GFOA) awarded the Certificate of Achievement to the Board for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2024. The certificate of achievement is a prestigious national award that recognizes conformance with the highest standards in government accounting and financial reporting. The Board has received this award for each of the twenty-five years that it has published its own ACFR.
- **Employees' Retirement System**
  - The investment return for the year ended June 30, 2025, was a gain of 9.2%. The return ranked in the fourth quartile, comparable to that of similar public pension funds reporting results for the one-year period. For the longer time periods, five and ten years, the ERS's investment returns ranked in the third and second quartiles, respectively.
- **Retirement Savings Plan**
  - As of June 30, 2025, 89% of the funds offered through Fidelity were rated three stars or above by Morningstar (five stars is the highest rating). The one-year return for the Plan was a gain of 12.4%.
- **Deferred Compensation Plan**
  - As of June 30, 2025, 89% of the funds offered through Fidelity were rated three stars or above by Morningstar (five stars is the highest rating). The one-year return for the Plan was a gain of 12.3%.

# Market Highlights – ERS Investment Performance

During the fiscal year ended June 2025, public equity markets performed well, driven by strong corporate earnings, enthusiasm surrounding Artificial Intelligence and automation, expected Federal Reserve rate cuts, and resilient consumer spending. Despite stocks undergoing one of their worst sell-offs in decades in response to President Donald Trump's announcement of tariffs on April 2, major U.S. equity indices, including the S&P 500 and Nasdaq, ended the period at all-time highs. U.S. equities, as represented by the S&P 500, returned 15.2%, driven by strong performance in the financials and utilities sectors. Small-cap stocks underperformed large caps, returning 7.7% during the period. Growth stocks outpaced value stocks, as telecom and technology sectors outperformed traditional sectors like real estate and energy. International markets outperformed U.S. equities, with developed markets (MSCI EAFE) gaining 17.7% and emerging markets (MSCI EM) gaining 15.3%.

The fixed-income markets showed strong resilience and attractive returns over the 12 months ended June 30, 2025. Duration-sensitive areas, such as U.S. Long Government bonds, declined, while credit-sensitive areas, such as high-yield bonds and emerging market debt, saw gains as risk aversion eased and credit spreads tightened. The Federal Reserve gradually reduced its benchmark rate from 5.25%-5.50% to 4.25%-4.50%. While long-duration bonds sold off, shorter-duration bonds were more resilient. High-yield bonds, tracked by the BAML U.S. High Yield Constrained Index and emerging market debt, tracked by the JPM EMBI Global Diversified Index, both returned 10%.

**Index Returns  
Year Ending 6/30/25**



The Board allocates ERS assets to a broad array of asset classes resulting in the following allocation as of June 30, 2025: Global Public Equity 28.2%, High Yield 3.8%, Emerging Markets Debt 1.7%, Long Duration and Cash 5.3%, U.S. Treasury Bonds 6.7%, U.S. Investment Grade Corporate Bonds 5.3%, U.S. TIPS 10.8%, Private Equity 18.3%, Private Credit 5.5%, Private Real Assets 10.3%, and Diversifying Hedge Funds 4.1%. The chart to the left reflects the returns for the fiscal year ending June 30, 2025, achieved by ERS assets in each investment sector compared to the corresponding benchmark. The Board establishes benchmarks for each market sector, usually an index of securities that represent most of the available investment opportunities within that sector, to evaluate the performance of the investment managers within each sector.

In overseeing the management of ERS assets, the Board has developed sound and prudent investment policies. The Board works to control the risk to which the ERS is exposed while maximizing the potential for long-term increases in the value of the assets. The Board's specific investment objectives are to:

- Realize the actuarial assumed rate of return of 7.5% annually, over a long-term time horizon (for the 2015-2025 fiscal year decade, the annual rate of return on the ERS's investments was 7.5% after fees);
- Manage portfolio risk to limit potential downside fluctuations in the value of the total ERS assets; and
- Realize as high a rate of total return as possible consistent with the above.

\*Asset Classes with a minimum 1-year performance are included.

# Employees' Retirement System (ERS)

- **How do I know if I'm a participant in the ERS defined benefit plan?**

Employees who participate in the ERS have the following description on their pay stub next to the bi-weekly contribution amount: RETIRE

- **How do I know if I'm a participant in the GRIP?**

Employees who participate in the GRIP have the following description on their pay stub next to the bi-weekly contribution amount: RET GRI

- **How is my benefit calculated?**

If you are in the ERS (RETIRE on paystub), under County law, your benefit is based on your salary, years of credited service, and age at retirement, and is not based on the amount you contributed or the investment earnings of the ERS. If you are in the GRIP, your benefit is based on your account balance at the time of retirement or separation of service from the County.

- **How can I find more information on my benefit?**

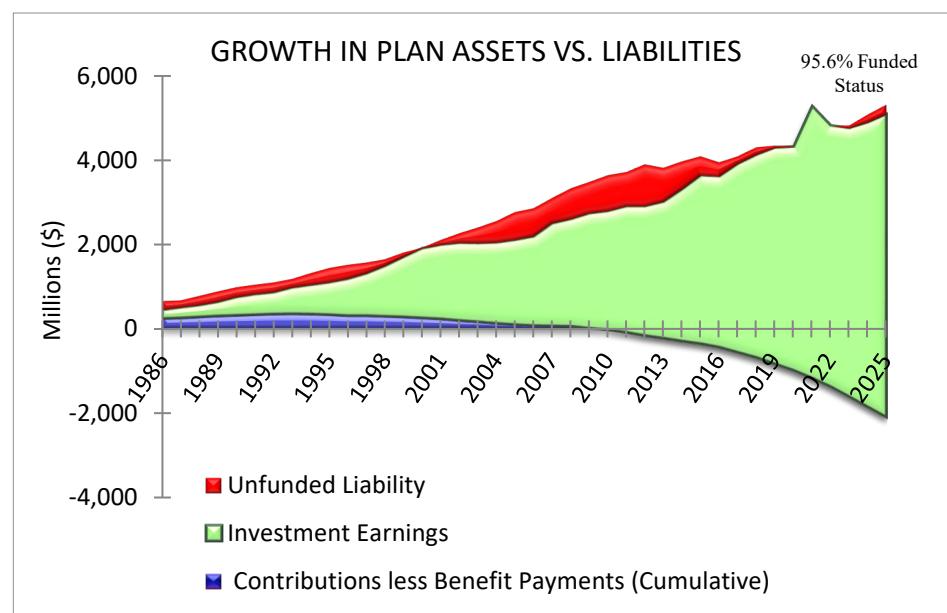
Contact the Montgomery County Employee Retirement Plans at 240-777-8230 or visit our website at [www.montgomerycountymd.gov/retirement](http://www.montgomerycountymd.gov/retirement).

- **How does the amount earned on invested assets impact the ERS?**

While your ERS benefit is paid in accordance with County law, you may be interested in knowing about the status of the assets and liabilities of the ERS. Please refer to the chart below for a 40-year history. Your contributions, along with the County's, are used primarily to make benefit payments to retirees and beneficiaries and pay other costs associated with the administration of the ERS (shown as the bottom layer in the chart).

The earnings (shown as the green middle layer in the chart) represent the bulk of the growth in assets over the years. In funding the ERS, the County currently assumes the assets will earn 7.5% per year. During the strong equity markets of the late 1990s, the assets grew at nearly double that amount, and the funded status of the ERS was strengthened.

As of June 30, 2000, the ERS was nearly fully-funded, but because of the difficult financial markets in 2000-2002, plus increased liabilities for higher future benefit payments, the funded status decreased. Strong financial markets and low inflation in subsequent years resulted in a fully funded status in 2021 and 2022. Increased sponsor benefits for certain groups within the Plans along with inflation headwinds in 2023 led to substantial retiree cost of living increases and challenging market conditions for stocks and bonds, which caused the funded status to decrease below 100%. As noted earlier, the Board continues to implement sound and prudent investment policies that will maximize the potential for long-term increases in the value of the assets.



# Retirement Savings Plan (RSP)

The County established the Retirement Savings Plan for all non-public safety and certain public safety employees not represented by a collective bargaining agreement hired after October 1, 1994. The Plan requires employees to contribute 4% of regular earnings up to the Social Security wage base and 8% above the wage base, and public safety employees to contribute 3% up to the Social Security wage base and 6% above the wage base. During FY24, the County contributed 8% and 10% of regular earnings for non-public safety and some public safety employees, respectively.

## • How do I know if I'm a participant in this plan?

Employees who participate in the RSP have the following description on their pay stub next to the bi-weekly contribution amount: RET SAV.

## • How is my retirement benefit calculated?

Your benefit is based on your account balance at the time of retirement or separation of service. The balance includes your contributions, the County's contributions (if you're vested) and investment earnings.

## • How can I find out more information on my account balance and benefit eligibility?

Contact Fidelity's onsite representative at 240-777-8228 or stop by the Fidelity office located in the Executive Office Building, 101 Monroe St, 6<sup>th</sup> floor. Additional information is also available at the Fidelity website at <https://nb.fidelity.com/public/nb/mcg/home> or by calling 1-800-343-0860.

The Board oversees the investment program, providing a variety of investment options for participants to choose from. The Board formally evaluates these options quarterly.

The Board also provides two hours of investment counseling annually to all RSP and DCP participants at no charge to encourage participants to expand their knowledge of investment products. Call 410-557-7300 to sign up or visit the Board's website, <http://www.montgomerycountymd.gov/retirement>.

Shown to the right is a list of the investment funds offered, along with their Morningstar rating and annualized performance as of June 30, 2025.

Fidelity's web site <https://nb.fidelity.com/public/nb/mcg/home>, is an invaluable source of information. The website contains:

- ✓ Your RSP account activity
- ✓ Analysis and performance information on all of the funds offered, and information on investment markets
- ✓ Financial tools to assist you in determining the amount you'll need at retirement

Funds	Morningstar Rating	Rates of Return		
		1 Year	3 Year	5 Year
<b>Stable Value Funds:</b>				
Fidelity Managed Income	Not Rated	2.51	2.08	1.79
<b>Income Funds:</b>				
Fidelity Total Bond	★★★★	6.60	3.82	0.72
SSgA U.S. Bond Index	Not Rated	6.08	2.53	(0.76)
<b>Target Date Funds:</b>				
SSgA Target Retirement 2025	Not Rated	11.02	9.45	7.40
SSgA Target Retirement 2030	Not Rated	12.40	11.41	8.41
SSgA Target Retirement 2035	Not Rated	13.21	12.35	9.16
SSgA Target Retirement 2040	Not Rated	13.92	13.15	9.92
SSgA Target Retirement 2045	Not Rated	14.51	13.84	10.58
SSgA Target Retirement 2050	Not Rated	15.07	14.50	11.06
SSgA Target Retirement 2055	Not Rated	15.31	14.62	11.13
SSgA Target Retirement 2060	Not Rated	15.30	14.61	11.13
SSgA Target Retirement 2065	Not Rated	15.30	14.62	11.13
SSgA Target Retirement Income	Not Rated	9.68	7.32	5.56
<b>Growth &amp; Income Funds:</b>				
Hartford Dividend & Growth	★★★★	9.93	12.29	14.64
SSgA S&P 500 Index	Not Rated	15.16	19.70	16.62
<b>Growth Funds:</b>				
ClearBridge Small Cap Growth	★★★	9.53	7.17	4.96
Fidelity Growth Company	★★★★★	13.48	28.11	18.50
Fidelity Low-Priced Stock	★★★★★	8.28	12.89	14.69
Fidelity Small Cap Value	★★★★	8.39	9.78	16.26
SSgA Russell Small/Mid Cap Index	Not Rated	16.09	15.50	12.22
<b>International Stock Funds:</b>				
Harbor International	★★★★	19.15	15.90	12.12
SSgA Global All Cap Equity ex US Index	Not Rated	18.09	14.11	10.34
<b>Specialty Funds:</b>				
Fidelity Strategic Real Return	★★	6.87	5.36	7.77

# Deferred Compensation Plan (DCP)

The County established the Deferred Compensation Plan for employees in 1980. The Board formally evaluates the investment performance of the funds offered on a quarterly basis. Shown below is a list of funds available as of June 30, 2025, along with their Morningstar ratings and annualized performance for various time periods. Additional information on the investment program is available on the Plan web site at <https://nb.fidelity.com/public/nb/mcg/home> and the Board's web site at <http://www.montgomerycountymd.gov/retirement>.

## ■ How do I know if I'm eligible to participate in this plan?

All non-represented employees hired after June 6, 2010, are automatically enrolled in the Plan 60 days after their hire date. Other non-represented employees are eligible to join the DCP at any time. Employees who are members of MCGEO and were hired prior to March 1, 2005, and were not members of the DCP at that time, may also join the plan at any time. MCGEO members hired after March 1, 2005, and employees represented by the FOP or the IAFF are not eligible to make contributions to the DCP.

## ■ How is my retirement benefit calculated?

Your benefit is based on your account balance at the time of retirement or separation of service. The balance includes your contributions and investment earnings.

## ■ How can I find out more information on my account balance and benefit eligibility?

Contact Fidelity's onsite representative at 240-777-8228 or stop by the Fidelity office located in the Executive Office Building, 101 Monroe Street, 6<sup>th</sup> floor. Additional information is also available at the Fidelity website at <https://nb.fidelity.com/public/nb/mcg/home>.

The Board also provides two hours of investment counseling annually to all DCP and RSP participants at no charge to encourage participants to expand their knowledge of investment products. Call 410-557-7300 to sign up or visit the Board's website, <http://www.montgomerycountymd.gov/retirement>.

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