

PARTICIPATE



SAVE



MONTGOMERY COUNTY

EMPLOYEE RETIREMENT PLANS

2025 POPULAR ANNUAL FINANCIAL REPORT

INVEST



RETIRE



MESSAGE FROM THE PLAN ADMINISTRATOR & THE BOARD CHAIR



We are pleased to present to you the Popular Annual Financial Report (PAFR) of the Montgomery County (County) Employee Retirement Plans (Plans) for the fiscal year ended June 30, 2025. The information provided in this PAFR is a snapshot of the detailed information contained within the Plan's Annual Comprehensive Financial Report (ACFR). It is designed to assist you in understanding the structure and current status of the Plans by providing a concise summary of each Plan's financial health, investment performance, and key accomplishments throughout the fiscal year.

The County's Chief Administrative Officer is responsible for overseeing the day-to-day administration of the benefits provided to over 10,000 active and 7,000 retired participants in the Plans.

The Board continued to implement changes to the investment portfolio to improve the risk-adjusted returns of the program. During the year, new investments were added across the portfolio, including enhancements to the private equity, private credit, and private real assets portfolios.

Environmental, Social, and Governance (ESG) factors are considered as part of the screening and diligence process. This year, three analyses were conducted on Diversity, Equity, and Inclusion (DEI), Principles for

Responsible Investment (PRI) signatory adoption, and portfolio-level ESG exposure. The DEI analysis showed that 31% of the portfolio is managed by women or minority-owned organizations. The PRI signatory analysis revealed that 73% of the portfolio by market value is invested with PRI signatories, and 13.3% is allocated to ESG investments, mainly in private markets. Significant ESG sectors include renewable energy, health, housing, and education.

The Board continually monitors the investment options offered to participants to ensure they offer the best risk and return for their sector as well as the lowest fee.

For more in-depth information, we encourage you to read the ACFR by visiting www.montgomerycountymd.gov/retirement.

Respectfully submitted,

Chief Administrative Officer

Board Chair

Montgomery County Board of Investment Trustees

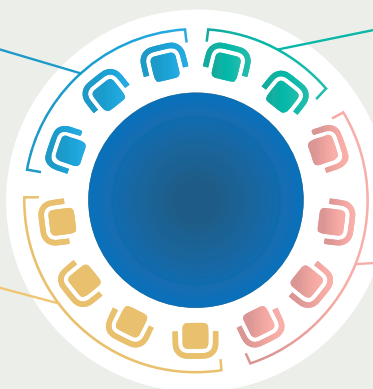
The Board is comprised of 13 trustees appointed by the County Executive and confirmed by the County Council. Shown below is the composition of the Board of Investment Trustees.

Three Certified Employee Organization Representatives:

These representatives are nominated by the employee organizations certified as the representatives of the OPT/SLT, fire & rescue, and police bargaining units.

Four Ex Officio Representatives:

Directors of three County departments: (Management & Budget; Finance; Office of Labor Relations) and the County Council Executive Director.



Two Employee Representatives:

One active County employee who is not represented by a bargaining unit and is a member of a County retirement plan, and one retired County employee recommended by the Montgomery County Retired Employees' Association.

Four Other Representatives:

Individuals who are knowledgeable in pensions, investments, or financial matters - two recommended by the County Council and two recommended by citizens or countywide citizens' groups.

FINANCIAL SUMMARY

Fiduciary Net Position As of June 30

The financial statements for the Plans have been prepared under the accrual basis of accounting in conformity with U.S. generally accepted accounting principles, promulgated by the Governmental Accounting Standards Board. The table shown below is a summary of the assets and liabilities of the ERS, RSP, and DCP, and reflects the resources available to pay benefits to members and beneficiaries as of June 30, 2025.

Net Position (Millions)						
	ERS		RSP		DCP	
	2025	2024	2025	2024	2025	2024
Assets:						
Cash and investments	\$ 5,179.4	\$ 4,985.6	\$ 881.9	\$ 791.6	\$ 707.0	\$ 659.0
Receivables	12.8	16.6	1.9	1.6	0.8	0.7
Total assets	5,192.2	5,002.2	883.8	793.2	707.8	659.7
Liabilities	82.5	86.9	—	—	—	—
Total net position	\$ 5,109.7	\$ 4,915.3	\$ 883.8	\$ 793.2	\$ 707.8	\$ 659.7

Changes in Fiduciary Net Position for the years ended June 30

This table shown below reflects the financial activity of the ERS, RSP, and DCP for the fiscal year and presents information to illustrate how each plan's fiduciary net position changed as a result of this activity. Contributions from employers and members, as well as net investment earnings, were the main additions to the Plans. The payment of retirement benefits and participant distributions accounted for the majority of deductions from the Plans.

Change in Net Position (Millions)						
	ERS		RSP		DCP	
	2025	2024	2025	2024	2025	2024
Additions:						
Employer contributions	\$ 81.0	\$ 64.9	\$ 27.4	\$ 24.9	\$ —	\$ —
Member contributions	47.8	37.4	14.5	12.8	27.9	23.3
Net investment income	425.4	376.6	97.2	98.5	78.5	102.1
Total additions	554.2	478.9	139.1	103.9	106.4	125.4
Deductions:						
Benefits	341.6	326.9	—	—	—	—
Refunds	13.7	11.2	48.2	32.4	58.3	41.0
Administrative expenses	4.5	3.8	0.3	0.3	—	—
Total deductions	359.8	341.9	48.5	32.7	58.3	41.0
Total change in net position	\$ 194.4	\$ 137.0	\$ 90.6	\$ 103.5	\$ 48.1	\$ 84.4
Net position restricted for pensions:						
Beginning of year	4,915.3	4,778.3	793.2	689.7	659.7	575.3
End of year	\$ 5,109.7	\$ 4,915.3	\$ 883.8	\$ 793.2	\$ 707.8	\$ 659.7

EMPLOYEES' RETIREMENT SYSTEM (ERS) including GRIP

The ERS was established in 1965 as a cost-sharing, multiple-employer defined benefit pension plan to provide benefits to the employees of the County and other agencies or political subdivisions that elect to participate. The County Council passed legislation in 2009 enabling the County to establish and maintain the GRIP, a cash balance plan that is part of the ERS, for employees. The ERS is closed to employees hired on or after October 1, 1994, except public safety bargaining unit employees and GRIP participants. ERS benefits are determined based on the participant's years worked, age at retirement, and average final earnings. GRIP benefits are determined based upon the participant's account balance, which includes contributions and earnings.

Membership Data

Membership - Fiscal Year 2025	ERS	GRIP
Active Participants	3,373	3,752
Former Participants	114	682
Retiree & Other Benefit Recipients	6,992	21
Total Membership	10,479	4,455

ERS Average Annual Retirement Benefit	
2025	2024
\$48,712	\$46,875

Funded Status

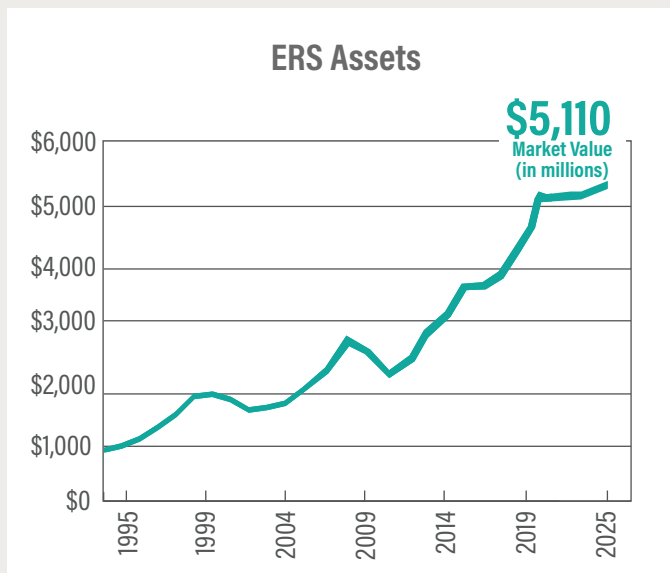
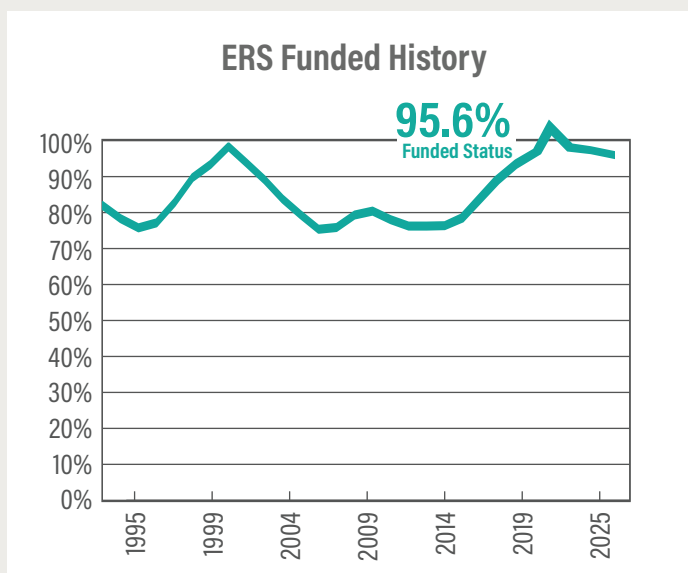
The funded status of a retirement plan measures the progress of accumulating the funds necessary to meet future obligations and is an important indicator of the soundness of a retirement plan. The funded status reflects the asset of the retirement plan available to pay benefit payments.

The funded status is affected by benefit enhancements, as well as demographics, economic changes, and investment performance. The aggregate funded status of the 100 largest U.S. public pension plans was 82.9%*, compared to the ERS funded status of 95.6%.

Growth of Assets

As of June 30, 2025, the market value of the ERS assets was \$5.110 billion, as compared to \$4.915 billion at June 30, 2024. The increase of \$194 million was attributable to the following:

- An increase of \$129 million from employer and employee contributions,
- An increase of \$425 million from investment income, and
- A decrease of \$360 million due to the payment of benefits to the system participants and administrative expenses.



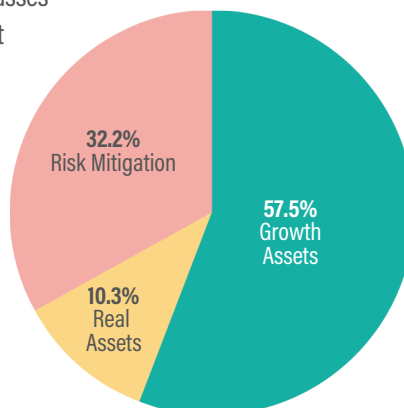
*Milliman Public Pension Funding Index, June 30, 2025

EMPLOYEES' RETIREMENT SYSTEM (ERS) including GRIP

Investment Allocation

The Board invests ERS assets across a broad array of asset classes resulting in the June 30, 2025 allocation presented in the chart to the right. 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,
- 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.



Growth Assets

28.2% Global Public Equity
18.3% Private Equity
5.5% Private Credit
3.8% U.S. High Yield Bonds
1.7% Emerging Markets Debt

Risk Mitigation

5.3% Long Duration and Cash
6.7% U.S. Treasury Bonds
5.3% U.S. Investment Grade Corporate Bonds
10.8% U.S. TIPS
4.1% Diversifying Hedge Funds

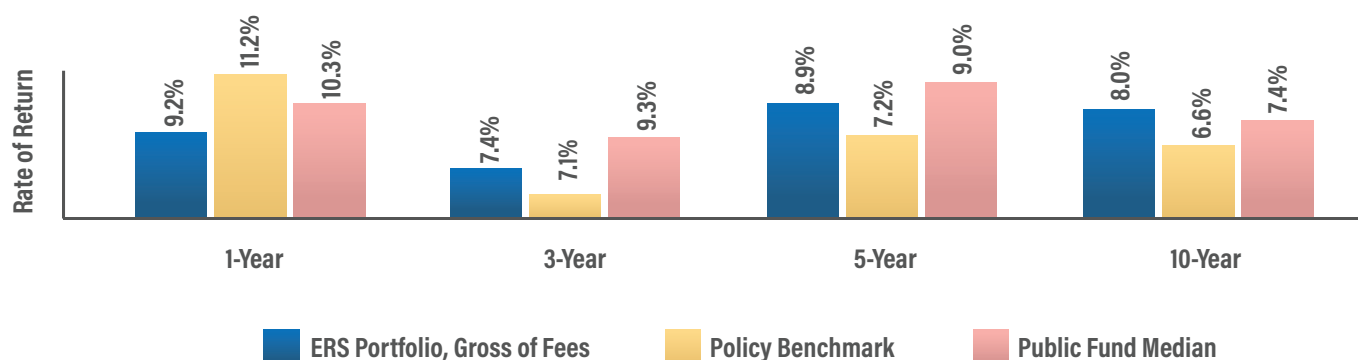
Real Assets

10.3% Private Real Assets

Investment Performance Summary

In FY 2025, the median return for U.S. public pension plans with over \$1 billion was 10.3%, gross of fees, as reported by the System's consultant NEPC. The System achieved a 9.2% return, ranking in the fourth quartile. Over three and five years, returns were 7.4% and 8.9%, placing in the fourth and third quartiles, respectively. For ten and fifteen years, returns of 8.0% and 9.1% placed the System in the second and first quartiles, respectively. This year, the System underperformed its policy benchmark by 2.1%, but outperformed by 0.3%, 1.7%, 1.3%, and 0.4% over three, five, ten, and fifteen years, respectively.

Investment Performance Summary (total fund/benchmark/median)

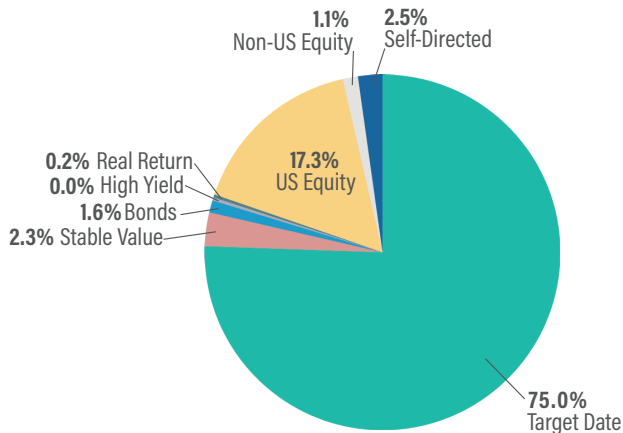


RETIREMENT SAVINGS & DEFERRED COMPENSATION PLANS

Retirement Savings Plan (RSP)

The RSP was established in 1994 as a cost-sharing multiple-employer defined contribution retirement plan to provide benefits to all non-public safety and certain public safety employees hired on or after October 1, 1994. Non-public safety employees contribute 4% of regular earnings up to the Social Security wage base and 8% above the wage base. Public safety employees contribute 3% up to the Social Security wage base and 6% above the wage base. During FY25, the County and participating agency employers contributed 8% of regular earnings for non-public safety employees, and 10% of regular earnings for public safety employees, as required by County law.

Investment Allocation



The Board has established a diversified slate of mutual and commingled funds from which participants may select investment options. The chart to the left depicts the allocation of RSP assets as of June 30, 2025.

Membership - Fiscal Year 2025

Active Members	3,338
Inactive Members	1,234
Total Membership	4,572

Target Date Funds invest in a combination of equities, bonds, and other assets. The asset allocation is adjusted over time to balance risk and return throughout a participant's lifetime. Each strategy is managed with an estimated retirement date, becoming more conservative (less equity exposure) to and through retirement.

 **FACT**

Deferred Compensation Plan (DCP)

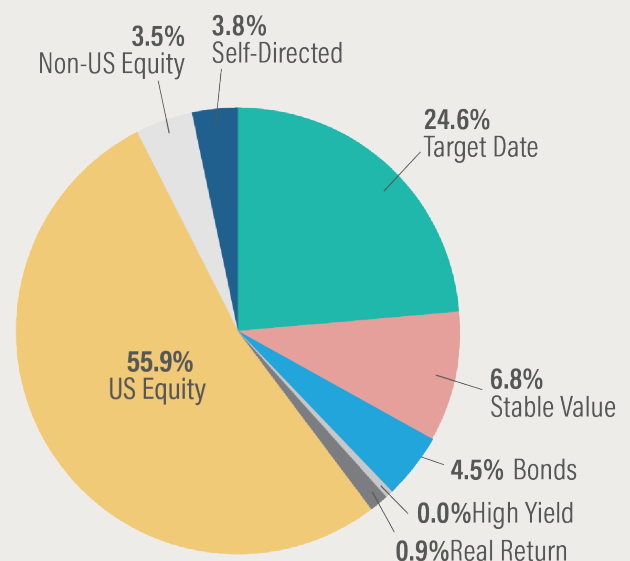
The County established the DCP for employees in 1980. All non-represented employees are eligible to join the DCP at any time, and non-represented employees hired after June 6, 2010 are automatically enrolled in the DCP 60 days after the date they are hired with a 1% contribution unless a written election not to participate is submitted. Employees who are members of Municipal and County Government Employees Organization (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.

The Board has established a diversified slate of mutual and commingled funds, administered by Fidelity, from which participants may select investment options.

Membership - Fiscal Year 2024

Active Members	2,160
Inactive Members	1,384
Total Members	3,544

Investment Allocation



 **FACT**

For calendar year 2025, annual contributions are limited to the lesser of \$23,500 or 100% of the employee's eligible compensation. Participants who are age 50 or older may make an additional annual catch-up contribution of \$7,500. In addition, participants may be eligible to participate in the 3-year catch-up option.

RETIREMENT SAVINGS & DEFERRED COMPENSATION PLANS

Investment Counseling

The Board provides one 2-hour investment counseling session annually to all RSP and DCP participants through Cambridge Investment Research at no charge to the participant. These sessions are designed to assist participants with constructing a diversified portfolio to assist them in meeting their retirement savings goals, as well as to provide participants the opportunity to expand their knowledge of investments.

The Board also offers retirement investment counseling services through Fidelity Investments for participants in the RSP, DCP, GRIP, MCGEO DROP, and the police DRSP.

To learn more about available investment counseling options, visit the Board's web site:

www.montgomerycountymd.gov/retirement/investmentcounseling.

✓ FACT

Default investment

Until a participant makes their investment selection, all contributions will be invested in a default target-dated investment fund that is determined based on the participant's date of birth and projected retirement date at age 65.

✓ FACT

Morningstar ratings

41% of the funds offered by the Board have a Morningstar rating of 4-stars or better.

✓ FACT

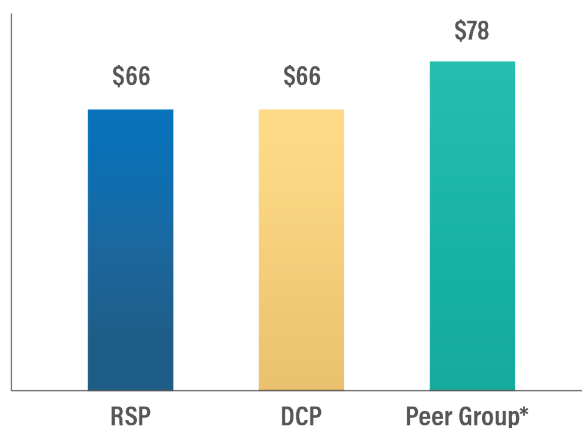
Termination

After termination of employment with the County or a participating agency, participants may leave their account balance in the County Plans (subject to minimum distribution requirements) and continue to benefit from the investment counseling services, strong investment products, and low fees.

Competitive Recordkeeping Fee

In July 2016, the Board negotiated a very competitive, per-account annual recordkeeping fee of \$66 with Fidelity. As shown below, this fee is well below the average market fee of \$78 per participant.

Recordkeeping Fees - 2025

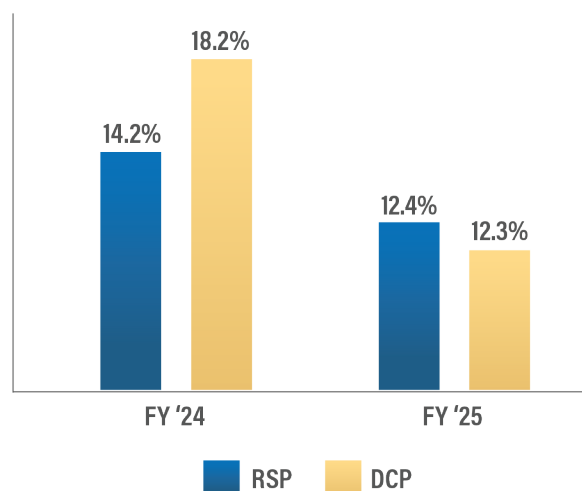


**Peer Group is based on Fidelity Investment's Tax Exempt universe of plans with similar participant levels as of 12/31/2023.*

Investment Performance

The chart below compares the combined investment performance of all participants in the RSP and DCP.

Investment Performance





MONTGOMERY COUNTY

EMPLOYEE RETIREMENT PLANS

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