

PARTICIPATE



SAVE



MONTGOMERY COUNTY

EMPLOYEE RETIREMENT PLANS

2024 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, 2024. 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 6,900 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. Additionally, the System launched a co-investment program within the private infrastructure portfolio, which will reduce investment fees and should enhance the return of the portfolio.

Environmental, Social, and Governance (ESG) factors are considered as part of screening and diligence process. This year, three analyses were conducted on Diversity, Equity, and Inclusion (DEI), Principle of Responsible Investment (PRI) signatory adoption, and portfolio-level ESG exposure. The DEI analysis showed that 32% of the portfolio is managed by women or minority-owned organizations. The PRI signatory analysis revealed that 75% of the portfolio is invested with PRI signatories, and 12.4% 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,

Richard Madaleno

Chief Administrative Officer

Lee Holland

Board Chair

Montgomery County Board of Investment Trustees

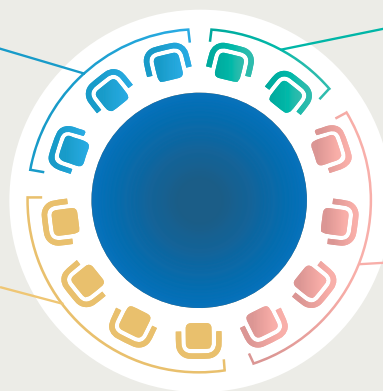
The Board is comprised of 13 trustees appointed by the County Executive and confirmed by the County Council. Shown below is the composition of the Board of Investment Trustees.

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, 2024.

	Net Position (Millions)					
	ERS		RSP		DCP	
	2024	2023	2024	2023	2024	2023
Assets:						
Cash and investments	\$ 4,985.6	\$ 4,924.5	\$ 791.6	\$ 688.3	\$ 659.0	\$ 574.7
Receivables	16.6	15.0	1.4	1.4	0.7	0.6
Total assets	5,002.2	4,939.5	793.2	689.7	659.7	575.3
Liabilities	86.9	161.2	—	—	—	—
Total net position	\$ 4,915.3	\$ 4,778.3	\$ 793.2	\$ 689.7	\$ 659.7	\$ 575.3

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	
	2024	2023	2024	2023	2024	2023
Additions:						
Employer contributions	\$ 64.9	\$ 52.5	\$ 24.9	\$ 23.5	\$ —	\$ —
Member contributions	37.4	33.5	12.8	11.9	23.3	22.5
Net investment income	376.6	181.9	98.5	68.5	102.1	71.6
Total additions	478.9	267.9	136.2	103.9	125.4	94.1
Deductions:						
Benefits	326.9	310.4	—	—	—	—
Refunds	11.2	12.3	32.4	28.7	41.0	35.8
Administrative expenses	3.8	3.2	0.3	0.3	—	—
Total deductions	341.9	325.9	32.7	29.0	41.0	35.8
Total change in net position	\$ 137.0	\$ (58.0)	\$ 103.5	\$ 74.9	\$ 84.4	\$ 58.3
Net position restricted for pensions:						
Beginning of year	4,778.3	4,836.3	689.7	614.8	575.3	517
End of year	\$ 4,915.3	\$ 4,778.3	\$ 793.2	\$ 689.7	\$ 659.7	\$ 575.3

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 2024	ERS	GRIP
Active Participants	3,421	3,260
Former Participants	123	737
Retiree & Other Benefit Recipients	6,956	16
Total Membership	10,500	4,013

ERS Average Annual Retirement Benefit	
2024	2023
\$46,875	\$44,437

Funded Status

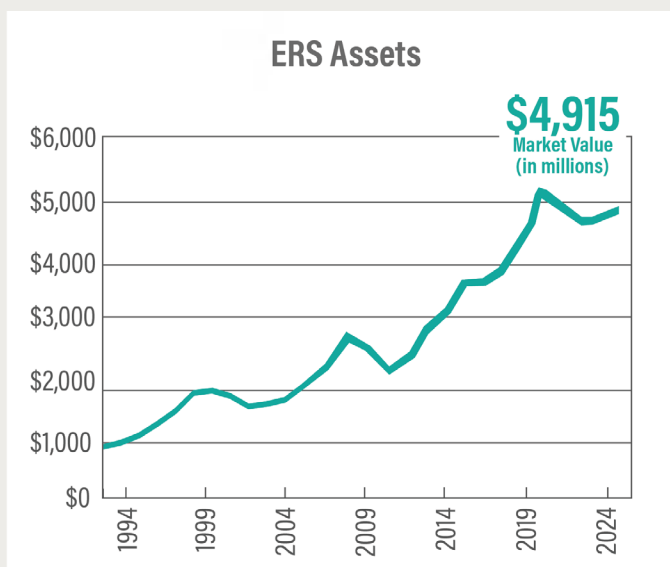
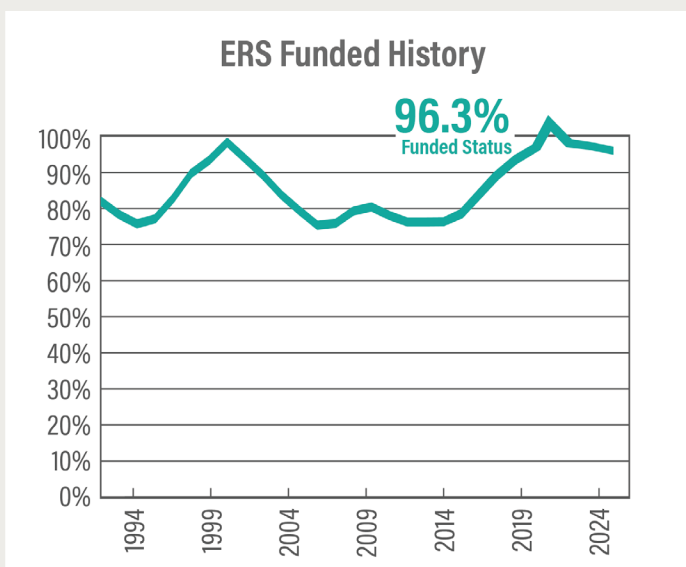
The funded status of a retirement plan measures the progress of accumulating the funds necessary to meet future obligations and is an important indicator of the soundness of a retirement plan. The funded status reflects the asset of the retirement plan available to pay benefit payments.

The funded status is affected by benefit enhancements, as well as demographics, economic changes, and investment performance. The national aggregate funded status of state and local pension plans was 74.2%*, compared to the ERS funded status of 96.3%.

Growth of Assets

As of June 30, 2024, the market value of the ERS assets was \$4.915 billion, as compared to \$4.778 billion at June 30, 2023. The increase of \$137 million was attributable to the following:

- An increase of \$102 million from employer and employee contributions,
- An increase of \$377 million from investment income, and
- A decrease of \$342 million due to the payment of benefits to system participants and administrative expenses.



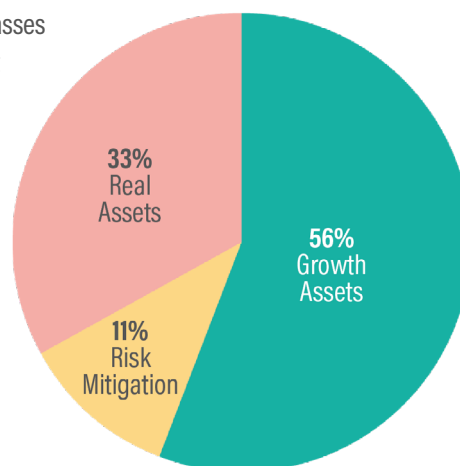
*Public Plan Data, Fiscal Year 2023

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, 2024 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

9.0% Domestic Equity
11.3% International Equity
3.7% Global Equity
5.3% High Yield
1.4% Emerging Markets Debt
18.96% Private Equity
4.9% Credit Opportunities
1.8% Directional Hedge Funds

Risk Mitigation

7.7% Long Duration and Cash
3.0% Diversifying Hedge Funds

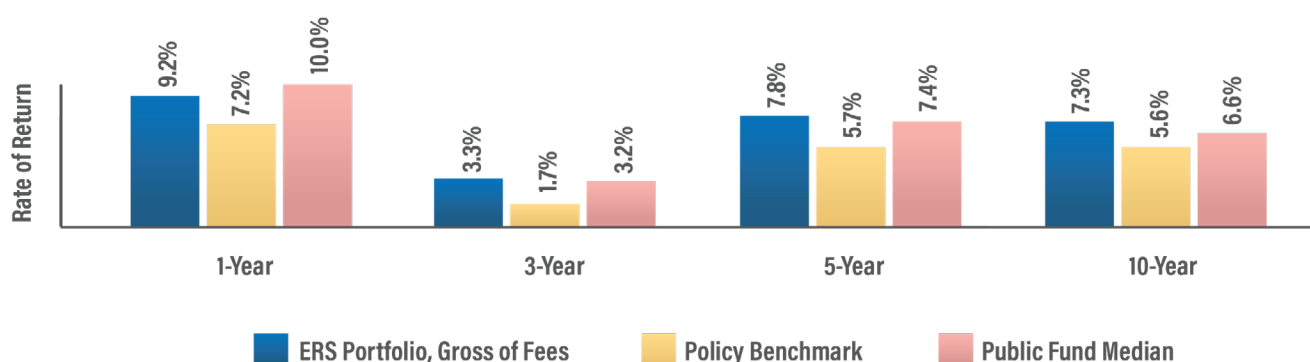
Real Assets

7.7% Public Real Assets
10.6% Private Real Assets
14.8% Inflation Indexed Bonds

Investment Performance Summary

The majority of the average retiree's benefit is paid from investment earnings. In FY 2024, the median return for U.S. public pension plans with over \$1 billion was 10.0%, gross of fees, as reported by the System's consultant NEPC. The System achieved a 9.2% return, ranking in the third quartile. Over three and five years, returns were 3.3% and 7.8%, placing in the second quartile. For ten and fifteen years, returns of 7.3% and 9.4% placed the System in the top quartile. This year, the System outperformed its policy benchmark of 7.2%, with excess returns of 1.6%, 1.9%, 1.7%, and 1.5% over three, five, ten, and fifteen years, respectively. Shown below is a comparison of the ERS' returns to its policy benchmark, which is composed of market indexes with weightings reflective of the ERS' asset allocation targets. Also shown is the public fund peer group comprised of funds with assets over \$1B.

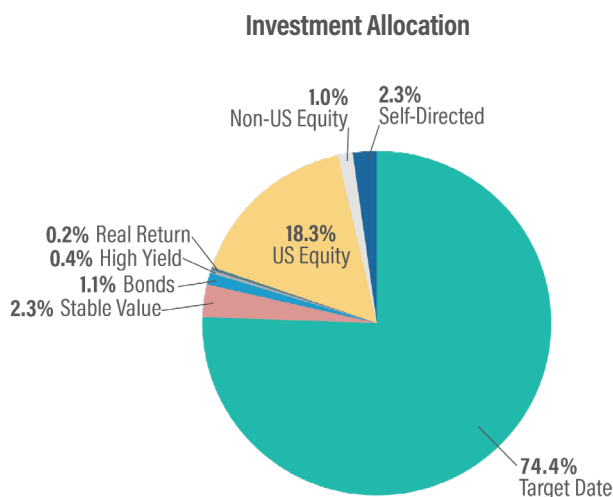
Investment Performance Summary (total fund/benchmark/median)



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 FY24, 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.



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, 2024.

Membership - Fiscal Year 2024	
Active Members	3,321
Inactive Members	1,238
Total Membership	4,559

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.

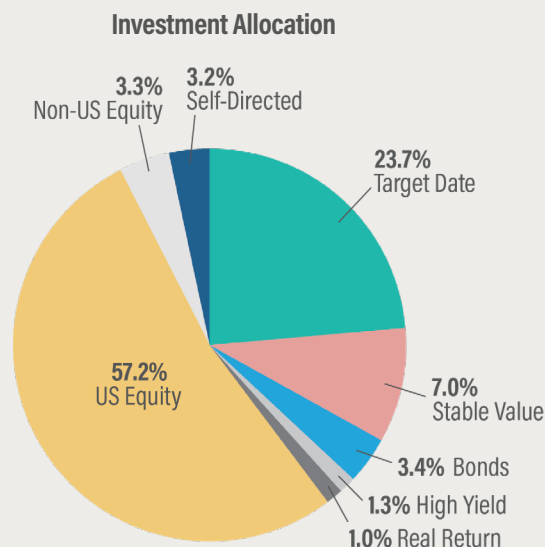
FACT

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	2,113
Inactive Members	1,441
Total Members	3,554



FACT

For calendar year 2024, annual contributions are limited to the lesser of \$23,000 or 100% of the employee's eligible compensation. Participants who are age 50 or older may make an additional annual catch-up contribution of \$7,000. 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

54% of the funds offered by the Board have a Morningstar rating of 4-stars or better.

✓ FACT

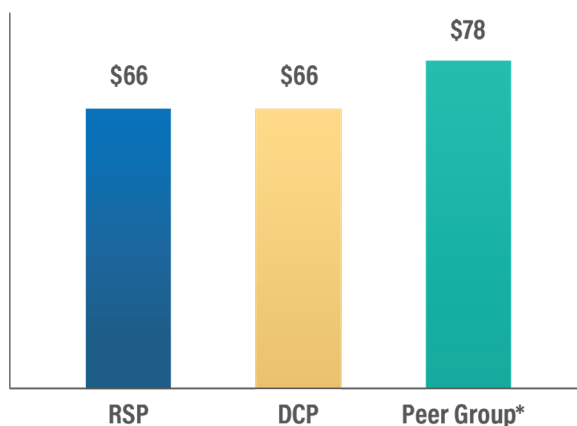
Termination

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 - 2024

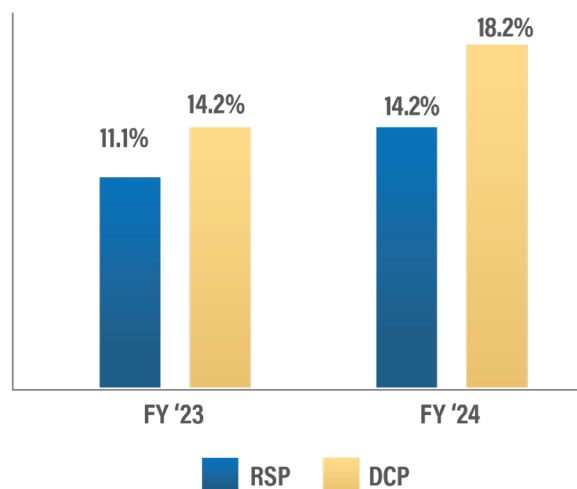


**Peer Group is based on Fidelity Investment's Tax Exempt universe of plans with similar participant levels as of 12/31/2024.*

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

2024 POPULAR ANNUAL FINANCIAL REPORT

101 MONROE ST, 6TH FLOOR
ROCKVILLE, MD 20850
240-777-8230