

Position Specification

MONTGOMERY COUNTY EMPLOYEE RETIREMENT PLANS Executive Director



Montgomery County Employee Retirement Plans (MCERP or Retirement Plans), located in Rockville, MD, is searching for an experienced executive with an in-depth knowledge of investments and an understanding of retirement plan administration to lead this highly respected public retirement system with assets of over \$8.0 billion.

MCERP Overview

The Retirement Plans are offered to County employees, as well as participating agencies, and provide retirement, disability, and death benefits to eligible participants. The Retirement Plans include:

- **Employees' Retirement System** (ERS or Defined Benefit Plan) is a defined benefit pension plan established in 1965. It is closed to employees hired after October 1, 1994 except public safety bargaining unit employees.
- **Guaranteed Retirement Income Plan** (GRIP or Cash Balance Plan) is a cash balance plan established in 2009 that is part of the ERS.
- **Retirement Savings Plan** (RSP or Defined Contribution Plan) is a defined contribution plan established in 1994 providing benefits to all non-public safety and certain public safety employees hired after October 1, 1994. Participants choose from a slate of mutual and commingled funds.
- **Deferred Compensation Plan** (DCP or Deferred Compensation Plan) is a section 457 plan. Participants choose from a slate of mutual and commingled funds.
- **Deferred Retirement Options Plans** (DROP or Deferred Retirement Option Plans) were established in 1999 allowing employees who are members of a specified membership group or bargaining unit who meet eligibility requirements to elect to retire but continue to work for a specified time period, during which pension payments are deferred.

MCERP oversees the administration of the benefits, investment programs, and financial reporting for all of the retirement plans listed above as well as the investment program for the Consolidated Retiree Health Benefits Trust (CRHBT or Health Benefits Trust). As of December 31, 2021, the Retirement Plans' and the CRHBT assets total over \$8.0 billion.

The County's Chief Administrative Officer (CAO) appoints the Executive Director. The Executive Director reports to the CAO and also interacts with the two Boards, which provide direction on investment related matters.

Retirement Plan Overview June 30, 2021

Retirement Plan	Net Position (\$ millions)	Total Members/Participants
ERS – Defined Benefit Plan	5,061.0	10,506
GRIP – Cash Balance Plan	235.0	3,154
RSP – Defined Contribution Plan	706.9	4,388
DCP – Deferred Compensation Plan	612.2	3,423

The Board of Investment Trustees (Retirement Board) is responsible for the investment management of the Retirement Plans’ assets. The Retirement Board comprises 13 trustees appointed by the County Executive and confirmed by the County Council.

The Health Benefits Trust, \$1.6 billion in net assets at June 30, 2021, was established in 2008 to provide funding for health benefits for retirees and their dependents. The CRHBT Board of Trustees (Health Benefits Trust Board) oversees the investment of the assets. The plan covers retirees from the Montgomery County Government, Montgomery County Public School, and Montgomery College. The Trust Board consists of 19 members appointed by the County Executive and confirmed by the County Council. All members of the Retirement Board are members of the Trust Board.

The Executive Director provides staff support to the Boards. In addition, the Boards have delegated the hiring and firing of investment managers to the Executive Director. More information on MCERP can be found [here](#) in the FY2021 Annual Comprehensive Financial Report (ACFR).

Financial Highlights

The assets under management in the trust funds totaled \$8.0 billion at June 30, 2021, an increase of \$1.7 billion from June 30, 2020. The Defined Benefit Plan is financially and actuarially sound with an actuarial funded ratio of 103.2% and a market value funded ratio of 115% as of June 30, 2021. Due to the increased funded status of the Plans, the ERS employer contribution rates were lower by 18.9% over FY2020. The actuarial assumed rate of return is 7.5%. ERS’ funding ratio has increased every year since 2017, reaching 103% at June 30, 2021.

5-Year Actuarial Funded Ratio

2017	2018	2019	2020	2021
94%	96%	99%	99%	103%

The Retirement Board approves changes to the defined contribution fund offerings available to participants based on MCERP’s staff recommendations.

The Retirement Plans and Health Benefit Trust investment-related budgets are approved by the CAO and the respective Boards each year. The benefit administrative costs related to the benefit programs are approved by the CAO. For FY2021, Retirement Plans’ administrative expenses totaled \$3.2 million and investment expenses totaled \$26.3 million. The Health Benefits Trust’s administrative expenses totaled \$700,000 and investment expenses were \$7.1 million.

Investment Highlights

The primary objective of the investment of public funds is the adequate funding of retirement benefits at a reasonable and affordable cost. The Plans' investment policy seeks to control downside risk exposure while maximizing the potential long-term asset value appreciation.

The Boards overseeing the trust funds approve the asset allocation and investment policies and oversee performance and evaluate attribution. NEPC, the general investment consultant, Franklin Park, the private equity consultant, and Albourne, the private real assets consultant, work for the Boards and with the Executive Director and investment staff. Northern Trust Company is the custodian.

The Boards have adopted asset allocations within the buckets of Growth, Risk Mitigation, and Real Assets/Inflation Protection. For additional information on the allocation to specific asset classes, please refer to the FY2021 ACFR.

The Defined Benefit Plan return for FY2021 was 26.97% (gross of fees) ranking it slightly below the median return among U.S. public pension plans over \$5 billion in size, which was 27.90% (gross of fees). The same study ranked the three-year return of 12.74% in the top 10% of the universe, the five-year return of 11.87% and ten-year return of 9.7% rank in the top quartile and top decile, respectively, of the peer group universe. The gross return for the one-year period was above the policy benchmark by 593 basis points, with returns for the three and five-year periods exceeding their policy benchmarks by 208 and 230 basis points, respectively.

The Health Benefits Trust's rate of return, net of fees, for FY2021 was 26.09%. Investment returns for the past five years, at June 30, 2021, are provided below.

Health Benefits Trust Investment Returns

	2021	2020	2019	2018	2017
Return (Net)	26.09%	4.69%	8.26%	8.82%	11.99%
Policy Benchmark	22.00%	6.10%	8.30%	7.67%	9.80%

The Boards continue to build upon the previous strong record of incorporating Environmental, Social, and Governance (ESG) considerations into the investment program. The Boards also continue to engage with investment managers on Diversity, Equity, and Inclusion (DEI) considerations within their organizations. The Boards' governance manuals commit to including emerging investment managers in searches, including businesses owned by women, minorities, and disabled individuals. At the end of FY2021, the portfolio had approximately one-fifth of the portfolio allocated to diverse firms.

Executive Director Responsibilities

The Executive Director is the central point of responsibility and accountability for the Plans leading a team of 22 comprising investment, financial, and benefit administration professionals. A significant portion of the Executive Director's time is allocated to investment matters.

The Executive Director's primary responsibility is to perform the functions set out in Section 33-47 of the County Code, as delegated to the Executive Director by the CAO, and to ensure that the

vision and mission of the Boards related to the investment programs are carried out in accordance with the strategic objectives across all funds. Some of the key responsibilities and duties include:

- Ensure the Plans continue financial stability and long-term viability.
- Oversee planning, organization, and administration of all program areas for which the Plans are statutorily responsible.
- Ensure operation of the Plans in accordance with its mission, vision and core values, and state and federal law.
- Advise and confer with the CAO and Boards on governance, and financial, economic, and political trends and developments affecting the Plans.
- Ensure resources are sufficient and properly aligned to execute and accomplish MCERP's goals.
- Ensure the County's ESG and DEI policies are considered in the investment decision-making process consistent with the Plans' fiduciary duty to participants and beneficiaries.
- Maintain effective external relationships with the Boards, CAO's Office, County departments, member groups, key political leaders, and other stakeholders.
- Monitor performance of the investment portfolio, ensure assets are invested in accordance with established policies, and that proper controls are in place to safeguard assets.
- Monitor and evaluate investment managers and service providers to ensure compliance with performance expectations, guidelines, and contracts, and resolve issues, as necessary.
- Negotiate and execute contracts with general partners, investment managers and service providers and coordinate legal review with counsel.
- Manage the annual reporting cycle, including the preparation of the actuarial valuation analysis and the annual financial report.
- Represent MCERP as a subject matter expert on retirement programs and activities to County executives, other County departments, key political leaders, members, and professional organizations.

Key Objectives

A significant portion of the Executive Director's responsibilities are internal and investment related. The following key objectives will measure, in part, the Executive Director's performance.

- Establish investment programs that result in the best risk return for the trust funds.
- Ensure fund offerings in the defined contribution and deferred compensation plans offer the best risk return choices at the lowest possible fees.
- Evaluate the organizational structure and recommend changes, if needed, to ensure the appropriate structure and resources are in place to effectively and efficiently manage the organization to achieve expected performance.
- Establish and maintain effective working relationships with investment managers, consultants, custodians, participants, and other County departments.
- Evaluate the risk management philosophy and practices and recommend any changes, if needed, to protect the Plans' assets.
- Implementation of the County's ESG and DEI policies.

Qualifications and Experience

The Executive Director must be a strategic thinker and strong leader. The CAO is searching for an executive with broad asset class knowledge and experience and a general understanding of retirement plan administration. A leader with an in-depth understanding of global economics and capital markets, investment strategies and vehicles, the principles and practices of institutional investing, investment operations, and investment policy development is desired.

Requirements

- Bachelor's degree in finance, accounting, economics, or other related fields; an equivalent combination of education and experience may be substituted.
- Minimum seven years of relevant institutional investment experience.
- Minimum of three years of supervisory experience.
- Experience managing a diverse workforce, and effectively coaching/mentoring employees.

Preferences

- Advanced degree.
- CFA or CAIA.
- Experience negotiating complex investment manager contracts.
- Knowledge of or experience in private market asset classes.
- Experience managing endowment, trust funds or defined benefit plan assets.
- Understanding of defined benefit and defined contribution plans.
- Working knowledge of federal and state pension laws.
- Understanding of actuarial methodologies.
- Demonstrated commitment to ESG and DEI goals.

Leadership Competencies and Characteristics

As the chief executive, the ideal candidate must be a leader who embraces public service and values strong governance. The Executive Director should have the confidence to lead and advise the CAO and Boards. Other key competencies/attributes include:

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|------------------------|--------------|
| ▪ Fortright | ▪ Diplomatic |
| ▪ Honest and integrity | ▪ Patience |
| ▪ Ethical | ▪ Adaptable |
| ▪ Transparent | ▪ Humble |

The Executive Director must be intellectually sharp and curious and a confident leader who leads with a participative and collaborative style. In addition to being visible, approachable and a good listener, other important skills and attributes include having the:

- Excellent judgment and strong analytical and problem-solving skills to identify issues and present creative, practical solutions.
- Confidence to put forward ideas and recommendations while being willing to adjust them based on input from others.
- Interpersonal skills to build consensus and effectively negotiate compromise.
- Interpersonal skills to engage and build positive relationships with the CAO, Board members, County departments, outside advisors, investment managers, and others.

- Poise and presence to expertly represent MCERP.
- Ability to articulate complex, financial and investment information in a clear and simple manner that is tailored to the audience.

Compensation

The Executive Director participates in the County's Management Leadership Service (MLS) program, which is for executives occupying certain high level merit system positions. Major components of the MLS program include a broadband classification system, performance accountability with performance-based pay, professional development opportunities, and a County-wide focus in program and policy development. For more information, [click here](#).

Employees entering this program from outside the County government must serve a 12-month probationary period before attaining merit system status. The compensation package is designed to attract the best-qualified executive and includes a very attractive benefits package. Employees may elect to participate in either the 401(a) Defined Contribution Plan or cash balance defined benefit plan. In addition, the employee will be auto enrolled in the 457 Plan but may opt out.

For additional information or to apply, please contact Hudepohl & Associates, info@hudepohl.com or (614) 854-7300.