



January 26, 2026

Honorable members of the Montgomery County Council:

The Fraternal Order of Police Lodge 35, the International Association of Firefighters Local 1664 and the UFCW Local 1994 MCGEO, along with their three appointed Trustees to the Board of Trustees for the Employees' Retirement System, fully support the passage of Bill 28-24. This legislation would enact much-needed and long-overdue corrections to the administration of the Employees' Retirement System in order to bring it in line with well-established best practices for public employees defined benefit retirement systems and good governance of public funds.

Under County Code and state law, the Board of Trustees has a fiduciary duty to ensure proper management of the funds' assets. In order to properly exercise this fiduciary duty, the Board must have the authority to select the actuary for the plan, and to determine, in consultation with that actuary, the actuarial assumptions used to value the plan's promised benefits. Board authority to select an actuary and determine actuarial assumptions is acknowledged as best practice among pension funds, and is by far the dominant practice for public pension funds of similar size and scope to the Retirement System. The current system, under which the County Administrative Officer, holds that power, is not consistent with best practices. Placing this authority in the County Administrative Officer, who does not share the same fiduciary duties as does the Board, creates an unacceptable risk of a conflict of interest between the temporary political demands on the County, and the need to ensure that the plan is appropriately funded in order to meet its long-term obligations to the County employees. Allowing the CAO to set the actuarial assumptions, including the assumed rate of return for investments, puts the Board of Trustees in an impossible position. They are charged with managing the investments in order to ensure that the Plan may pay the promised benefits. But if those future benefits are funded based on an unrealistic investment return, it becomes impossible, or nearly impossible, for the Trustees to do so. They have the choice between selecting prudent investments that they know will not fund the promised benefits (because those investments will not realize the assumed rate of return selected by the CAO), or seeking out more volatile, return-seeking investments that put the trust assets at more risk. In addition, using an unrealistic actuarial assumption for the return on investments effectively conceals potential funding deficits in the plan from the public.

The Trustees cannot appropriately fulfill their fiduciary duties in this environment. The duty of care requires that fiduciaries set the actuarial assumed rate of return "prudently." This duty of prudence requires fiduciaries to obtain appropriate expert advice regarding the actuarial assumptions, and to set a rate that is appropriate given market conditions. The Trustees' fiduciary duty of loyalty also requires that the Trustees set an actuarial assumed rate of return that is solely in the interest of plan participants and beneficiaries. Due to these fiduciary obligations, the Board of Trustees is the most appropriate entity to select the actuary and determine the actuarial assumptions necessary to ensure that the plan is appropriately funded. Without this correction to the plan governance, the County increases the risk that future taxpayers will carry an additional funding burden, increases the risk that it will not be able to meet its obligations to employees, and risks undermining its creditworthiness.

For these reasons, the unions that represent the covered County employees, as well as the Trustees they have appointed to the Board, fully support the proposed legislation and urge its prompt passage by the Council.

Sincerely,

Gino Rene
President, UFCW 1994 MCGEO

Jeff Buddle
President, IAFF Local 1994

Lee Holland
President, FOP Lodge 35