

**Statement of Sara Harris, President of the Montgomery County Retired
Employees' Association (MCREA), on Bill 28-24
January 27, 2026**

I am Sara Harris, president of the Montgomery County Retired Employees' Association. I am submitting my complete testimony for the hearing record. Today I want to make the following key points:

First, until 2022 the investment boards for County's retirement and retiree health benefits trust funds achieved top-tier results. Over the prior 15 years, the ERS, our pension plan, was in the **top 10%** compared to our peers nationwide and reached a funded status of more than 100%. But over the past three years, the boards' focus shifted from investment issues to governance issues. The ERS's performance has fallen to the **bottom 10%** and the funded status has fallen below 100%.

Second, the investment boards need to refocus on what made them so successful until 2022: a governance model of shared responsibility between the boards and the County Chief Administrative Officer. This model has been strengthened by **Memorandums of Understanding (MOUs)** signed by the two board chairs and the CAO on December 3, 2025. **We retirees strongly support this highly successful model.**

Third, we strongly oppose the different model embodied in Bill 28-24. Under that model, the boards alone would select the actuary and set actuarial assumptions. But on October 25, 2025, the boards overwhelmingly endorsed the shared responsibility model and the MOUs. Trustees recognized that they are not actuarial experts. They have demanding jobs of their own and meet only four times a year. They also recognized that the shared responsibility model provides strong internal controls and guardrails for retirement assets that now total more than **\$8 billion**. These internal controls and guardrails protect the financial security of retirees and employees. **Weakening them would be a serious mistake.**

In addition, I want to make an important related point:

At present, the investment boards' decisions are neither transparent nor accountable. There is no online archiving of board meetings, which is a best practice of public retirement funds nationwide. **If the boards do not provide archiving promptly on their own, we believe that the Council should mandate it.**

**Complete Testimony of Sara Harris, President of the Montgomery County Retired
Employees' Association (MCREA), on Bill 28-24
January 27, 2026**

MCREA represents approximately 8,000 County retirees and beneficiaries who rely on County-developed well managed and financed trust funds for their retirement and health care benefits. We have a long history of collaborating with the County Council to protect these benefits.

The governance model for the two investment boards – one for the County's retirement plans (including the ERS, the County's pension plan) and the other for the consolidated retiree health benefits trust (the CRHBT) – is **shared responsibility between the boards and the County Chief Administrative Officer**. Until 2022, this model produced top-tier results, including an annualized investment return for the ERS in the **top 10%** of our peers nationwide over the prior 15 years and a funded status of more than 100%.

But over the past three years, the boards shifted their focus from investment issues to governance issues. The ERS's performance has fallen to the **bottom 10%** of our peers and the funded status has fallen below 100%. See the attached performance comparisons (including the mediocre performance of the Maryland State Pension System). **We retirees strongly support the shared responsibility model that made the boards so successful until 2022.**

Comments on Bill 28-24

Bill 28-24, which deals with selecting the actuary and setting actuarial assumptions for the two trust funds, departs from this model. Under current law the CAO, the Plan Administrator specified in the County Code, selects the actuary and sets the assumptions after consulting with the actuary and the investment boards. Bill 28-24 would shift these decisions to the boards.

This proposed shift would weaken the strong internal controls and guardrails of the shared responsibility model that protect the trust funds' massive assets -- currently more than \$8 billion. These internal controls and guardrails ensure that our retirement and retiree health care benefits will be fully secure. Weakening them would be a serious mistake.

The proposed shift also raises other fiscal and legal questions. Would the County be obligated to pay the additional cost of whatever change in the investment return assumption the boards decide to make? For example, one option for the ERS is to lower the current investment return assumption, 7.5%, to 7.25% or less. (The ERS's annualized returns over time have exceeded 7.5%. In October 2025 the ERS' general investment consultant re-endorsed the 7.5% assumption.)

A shift to 7.25% would require an estimated \$14 million more in the County contribution to the ERS. (The FY26 County contribution is already \$90.7 million, up from \$64.9 million in FY24 and \$81.0 million in FY25, due chiefly to pension benefit improvements.) Setting even lower investment return assumptions of 7.0% or 6.8%, as one trustee suggested, would require an even larger additional County contribution. **Wouldn't Bill 28-24 require the County to pay such additional costs whether or not they are needed?**

The legal question relates to other actuarial assumptions, such as amortization rules that result in pension benefit improvements and the time period needed to pay for them. County Code section 33-61D(b)(3) states that trustees may not "deal with the assets of the retirement system for their own interest or account." Doesn't this mean that trustees who participate in the County's defined benefit plan **could not serve on the board**, or would have to **recuse themselves** from any discussion or vote on actuarial assumptions they set that may lead to increased pension benefits for participants?

We believe that a much more effective approach than Bill 28-24 is to implement the attached Memorandums of Understanding (MOUs) that the two board chairs and the CAO signed on December 3, 2025. These MOUs between the boards and the CAO provide true collaboration on setting actuarial assumptions and hiring and overseeing the executive director. They are already being implemented.

Bill 28-24 belongs to a different governance model that – in one formulation, would make the boards "**independent**" of the County. In addition to controlling actuarial assumptions, the boards (not the CAO) would hire, compensate, and oversee the executive director and staff. This model would create serious risks and conflicts of interest. **MCREA strongly opposes it. Consider the concerns of trustees:**

At their meeting on February 7, 2025, trustees from both boards said that because they have demanding jobs of their own and meet only four times a year, they cannot alone effectively oversee an executive director who administers more than **\$8 billion** in retirement assets, the County's largest asset pool. Trustees from the CRHBT said that they lack basic information on whether governance changes make sense. On October 25, 2025 the boards overwhelmingly endorsed the MOUs and the shared responsibility model.

As noted above, this model provides **strong internal controls and guardrails** that protect the trust funds' massive assets and ensure that our retirement and retiree health care benefits will be fully secure. Weakening them would be a serious mistake.

In sum, we oppose Bill 28-24 and support the current governance model of shared responsibility between the boards and the CAO. This model, strengthened by the December 3, 2025 MOUs between the boards and the CAO, is best equipped to restore outstanding performance and protect the interests of employees, retirees, beneficiaries, and taxpayers. **This model will provide the boards with needed calm and stability and enable them to restore top-tier results.**

We also want to address an important related issue: transparency and accountability.

On September 16, 2025 I urged the boards to record and archive their meetings (via livestream or transcripts) for the benefit of retirees and the larger public. **At present, the boards' decisions are neither transparent nor accountable:** Livestreaming of board meetings is real-time only, and there is no archiving or other record of how the boards make decisions.

As part of the livestreaming and archiving process, links to open session items should be posted in advance on the boards' website. Minutes and performance data should be posted far more quickly than the current multi-month delay. That is what the Council and many County agencies have long done. **It is a best practice of public retirement funds nationwide.**

This kind of **transparency** is essential because the boards' investment decisions affect the financial security of tens of thousands of retirees and beneficiaries from the County, MCPS, and Montgomery College. **If the boards do not promptly provide archiving on their own, we believe that the Council should mandate it.**

Attachments:

December 3, 2025 MOU between the BIT and the CAO

December 3, 2025 MOU between the CRHBT and the CAO

June 30, 2025 ERS performance comparison from the MCERP website

December 31, 2021 ERS performance comparison from the MCERP website

June 30, 2025 Maryland State Pension System performance from their website

Note 1

The three County union trustees (up from one out of nine trustees when the BIT was established) have no term limits and are the only BIT members who can remain on the board **indefinitely**. The County Executive must appoint nominees of the three unions. By contrast, MCREA has to submit 3-5 names to the County Executive for appointment as the one trustee representing retirees. The Executive is not required to appoint any one of these nominees, and the trustee the Executive does appoint may serve only two three-year terms, not **indefinitely**. These differences are clear in **section 33-59** of the County Code:

(3) The County Executive must appoint 3 voting certified employee organization representatives, subject to County Council confirmation, as members of the Board, who

serve indefinitely while each remains the designee of the certified employee representative. These trustees must not vote on any matter involving the County deferred compensation plan. These trustees should be:

(A) one representative nominated by the employee organizations certified as the representative of the Office, Professional, and Technical (OPT) and Service, Labor and Trades (SLT) bargaining units; and

(B) one representative nominated by the employee organization certified as the representative for the fire and rescue employee unit; and

(C) one representative nominated by the employee organization certified as the representative for the police employee bargaining unit under Article V.

(4) The following 6 trustees must be appointed by the Executive and confirmed by the Council:

(B) A retired County employee who is a member of the retirement system. Before appointing this trustee, the Executive must consider, and should select from, a list of 3 to 5 individuals recommended by the Montgomery County Retired Employees' Association. The Executive must notify the Council when nominating an individual not recommended by the Association. A 3-year term for this trustee ends on March 1 of every third year after the trustee is confirmed by the Council.

MCREA believes that – **as a matter of equity** – the appointment process for the trustee representing retirees in section 33-59 should be amended to require the Executive to appoint:

(B) A retired County employee who is a member of the retirement system and designated by the Montgomery County Retired Employees' Association, who serves indefinitely while remaining the designee of MCREA.

This change would parallel the appointment process for the County union trustees.

MEMORANDUM OF UNDERSTANDING BETWEEN THE BOARD OF INVESTMENT TRUSTEES AND THE CHIEF ADMINISTRATIVE OFFICER

Purpose: The purpose of this memorandum is to establish a process for the Board of Investment Trustees of the Employees' Retirement System (BIT) to work collaboratively with the Chief Administrative Officer (CAO) on the following subjects of mutual interest and concern to promote transparency, mitigate risk, and better provide for the fulfillment of the fiduciary roles of the trustees:

1. Developing a formal process for procuring certain service providers, including actuarial services, and determining the prudent investment rate of return assumption for the ERS based on the actuary's recommendation.
2. Clarifying the Board's role in hiring, evaluating, overseeing, and compensating the Executive Director, and exploring options for managing retention risk, ensuring competitive compensation, and establishing positive pay-for-performance initiatives for staff while still maintaining their merit system protections.

Service Providers:

1. Background:
 - a. Section 33-47(a) & (c) of the Montgomery County Code (MCC) provides:
Responsibility for administration. The chief administrative officer shall be responsible for the administration of the retirement system.

Chief administrative officer. Except for the powers of the board, the chief administrative officer has the power and the duty to take all actions and to make all decisions to administer the retirement system.
 - b. Section 33-47(d)(6)-(8) of the MCC provides:
Powers and duties of the Chief Administrative Officer. The Chief Administrative Officer has, but is not limited to, the following powers and duties:
 - (6) Select and retain the actuary for the retirement system;
 - (7) After consultation with the board and the actuary for the retirement system, determine the actuarial cost method, and the mortality, turnover, interest rates, and other assumptions to be used in actuarial and other computations for the retirement system;
 - (8) Consider the recommendation of the actuary for the retirement system on contributions the county makes under this article.
 - c. Section 33-47(f) of the MCC provides:
Exemption. Chapter 11B does not apply to the procurement of goods and services for the retirement system by the Chief Administrative Officer.
 - d. Section 33-164(c) of the MCC provides:
Procurement. Chapter 11B does not apply to the procurement of goods and services for the Trust Fund by the Director of Finance. (2008 L.M.C., ch. 3, § 1.)
 - e. This Memorandum of Understanding (MOU) incorporates by reference the MOU signed by the Chair of the Board of Investment Trustees and the County Attorney.
2. Process for Reviewing Actuarial Consultant's Recommendations on the Investment Rate of Return
 - a. Beginning with the Actuarial Services for the upcoming 2026 valuation of the Employees'

Retirement System (ERS), the staff of the Montgomery County Employee Retirement Plans (MCERP), the Office of Human Resources, the Office of Management and Budget, and the Department of Finance, will jointly be responsible for the procurement of these services.

- i. Such procurement will be subject to the oversight and supervision of the CAO or the CAO's designee.
- b. After completion of the Actuarial review by the selected consultant the CAO and CAO's staff will meet with the Executive Director of the MCERP, the Chair and Vice-Chair of the BIT, the Director of Finance, the Director of the Office of Management and Budget, and the Director of the Office of Human Resources, and the Actuarial consultant to review and discuss the Actuary's recommendations for the investment rate of return. Subsequent meetings of this group may be necessary for additional discussion of the recommendation.
 - i. The goal of these meetings is to reach a consensus on whether to accept, modify, or seek additional research, analysis, and clarification of the Actuarial Consultant's recommendation related to the investment return assumption.
 - ii. After a consensus is reached, a presentation will be made to the BIT for the input of the board.
 - iii. The CAO and the BIT may agree on up to a three-year phase-in of the consultant's recommendation for any modification to the investment return assumption.
 - iv. If the actuarial investment return assumption approved by the CAO materially varies from the Actuary's recommendations, then the CAO and the Board would need to document the factual and analytical basis for the variance.

Hiring, evaluating, overseeing, and compensating the Executive Director:

1. Background

- a. The position of the Executive Director of the MCERP is classified as Management Leadership Service (MLS) I. The class specification for MLS I provides:

A position in this class functions in one of the following three high level management roles: 1) director of a principal, mission-critical office or equivalent organizational unit who reports directly to the County Executive or Chief Administrative Officer; 2) exercises delegated full line management responsibility for human capital and financial resources of the organization; and 3) plans, develops, implements and evaluates policies and work programs; typically characteristic of merit executive directors of principal offices or equivalent entities of the executive branch.

2. Hiring

- a. The process for hiring the Executive Director will include the following steps.
 - i. The CAO or the CAO's designee will meet with the Chair of the BIT (Board Chair) to discuss the job announcement for the Executive Director and agree on the strategy for the recruitment of the new Executive Director including whether to use an Executive Recruiter or have the Montgomery County Government Office of Human Resources (OHR) manage the recruitment process; timeline; levels of interview; interview questions; and other related matters.
 - ii. All interviews of the Executive Director candidates will be conducted through a panel that will include the respective Board Chairs ("BIT and CRHBT") or designees; the CAO or designee; and a representative of OHR.
 - iii. The Board Chairs will provide timely reports to their respective Boards through email or in-person briefings on the status of the recruitment and the estimated timeline for the onboarding of the Executive Director.
 - iv. After completion of the interviews, the Board Chairs will make a recommendation on

the candidate to fill the Executive Director vacancy to the CAO, including recommended compensation and other relevant terms of the employment offer.

- v. If the CAO does not accept the recommendation of the Board Chairs, then another candidate will be recommended for hire to the CAO, or the recruitment process will be restarted to identify a candidate that will meet the hiring criteria of the Board Chairs and the CAO.
- vi. OHR will extend the offer to the recommended candidate with the authorization of the CAO. The offer will be subject to the successful completion of a background investigation of the candidate.

3. Overseeing

- a. Establishing the annual performance plan for the Executive Director and subsequent performance evaluation will be based on Montgomery County Personnel Regulation (MCPR) 2001, Section 11 Performance Planning and Evaluation¹, and incorporate the following steps:
 - i. In June of each year, the BIT Board Chair will review and discuss the annual work program of the Executive Director with the CAO or CAO's designee and the Executive Director based on implementation of the strategic plan for the MCERP and the investment strategy for the ERS Trust.
 - ii. On or about July 1 each year, the annual work program, including goals, objectives, competencies, and performance measures, will be finalized, approved, and signed by the Executive Director, the Board, and the CAO or CAO's designee.
 - iii. The Board Chair will meet during January of each year to discuss the mid-year evaluation of the performance of the Executive Director with the CAO or designee and the Executive Director.
 - iv. Prior to the mid-year evaluation, the Board Chair will confidentially ask for the feedback of their respective board members on the performance of the Executive Director in the implementation of the annual work program.
 - v. At any time during the year, the Board Chair will timely notify the CAO or designee if there are any concerns with the Executive Director's performance or conduct. The CAO or designee will also be responsible for communicating with the Board Chair if there are any concerns with the performance of the Executive Director. The CAO or designee, in conjunction with the Board Chair, will determine what next steps will be taken. However, in accordance with the County Code, any final decision on continued employment rests solely with the CAO.
 - vi. Any performance concerns and mitigation plans must be communicated to the Executive Director on a timely and discreet basis and allow the Executive Director a reasonable opportunity to appropriately address the issues raised by the Board Chair, other Board members, or the CAO.
 - vii. All personnel matters, including performance evaluation results, disciplinary actions, and related issues, must be strictly confidential.

4. Compensating the Executive Director

- a. The compensation of the Executive Director will be based on
 - i. The pay ranges established annually by the County Government for the MLS I salary schedule.
 - ii. Montgomery County Personnel Regulation 2001, Section 10 Employee Compensation².
 - iii. Annual compensation adjustments will have three components as established under

¹ https://www.montgomerycountymd.gov/HR/Resources/Files/Regulation/MCPR_SECTION_13_July172018_w_PLS.pdf

² <https://www.montgomerycountymd.gov/HR/Resources/Files/Regulation/MCPR%202001%20Section%2010.pdf>

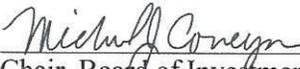
MCPR 2001,10-10. (Appendix a)

1. General Wage Adjustment approved by the County Council for unrepresented employees provided the Executive Director receives a performance rating of Below Expectations or higher.
 2. Pay for performance based on the rating and current salary level in the annual performance evaluation per the matrix in MCPR 2001,10-10.
 3. With approval by the CAO, the Executive Director of the Montgomery County Employee Retirement Plans is eligible to receive a lump-sum award that exceeds 4 percent of base salary but does not exceed 25 percent of base salary for exceptional performance based on the MCERP Executive Director Incentive Plan Description 2024 or subsequent modifications to this document agreed to by the Board Chair and the CAO. (Appendix (2) (C) (i))
 4. With the Approval of the CAO, the Executive Director may also receive performance awards established under MCPR 2001, Section 13 Performance Awards.
 - a. Awards under MCPR 2001, 13 include one-time monetary awards for Employee of the Year, Department Recognition Award, Paid Time Off awards, and other honorary awards.
 - iv. As deemed necessary, the overall compensation and benefits level of the Executive Director will be evaluated by the County Government.
 1. The evaluation should be completed by an independent third-party consultant with experience in evaluating employee compensation for public pension plans.
 2. The comparison with Executive Directors and CIOs should be based on public pension plans, endowments, foundations, regional County and Municipal governments, and state agencies. A peer group will be constructed of plans with similar asset sizes, staffing, and investment programs.
5. Compensating Investment Staff
- a. During FY 2027, MCG OHR will conduct a salary and benefits review of all MCERP positions to determine the competitiveness of the current grade and salary. These positions include, but are not limited to, the following
 - i. Investment Compliance Manager
 - ii. Investment Officer
 - iii. Investment Portfolio Manager
 - iv. Senior Investment Manager; and
 - v. Senior Investment Officer (Deputy Chief Investment Officer)

Note: The review should include newly created investment staff positions or reclassified investment staff positions with new titles and grades.
 - b. The salary and benefits review should be completed by an independent third-party consultant with experience in evaluating employee compensation for the peer group noted above.
 - c. The salary and benefits review for investment staff should be based on comparables with investment staff at public pension plans, endowments, foundations, regional County and Municipal governments, and state agencies. A peer group will be constructed of plans with similar asset sizes, staffing, and investment programs.
 - d. MCG OHR will provide the Board Chair with a copy of the completed salary review with their comments on the adequacy of current compensation levels and the risk for job turnover, retention, and recruitment based on current salary levels.

- e. At the request of the Board Chair, MCG OHR staff and the CAO or designee, will meet with the Board Chair to discuss the results of the salary and benefits survey and whether changes should be made to the assigned grade and salary of the investment staff, pay for performance, and other performance awards that would enhance employee morale, retention, and recruitment.

This Memorandum of Understanding is entered into between the Board of Investment Trustees and the Chief Administrative Officer, this day of Dec. 3, 2025.



Chair, Board of Investment Trustees



Chief Administrative Officer

**MEMORANDUM OF UNDERSTANDING BETWEEN THE BOARD OF
TRUSTEES OF THE CONSOLIDATED RETIREE HEALTH BENEFIT TRUST
AND THE CHIEF ADMINISTRATIVE OFFICER**

Purpose: The purpose of this memorandum is to establish a process for the Trustees of the Consolidated Retiree Health Benefits Trust Board of Trustees (CRHBT) to work collaboratively with the Chief Administrative Officer (CAO) on the following subjects of mutual interest and concern to promote transparency, mitigate risk, and better provide for the fulfillment of the fiduciary roles of both the CAO and the trustees:

1. Developing a formal process for procuring certain service providers, including actuarial services, and determining the prudent investment rate of return assumption for the fund based on the actuary's recommendations and supporting data.
2. Clarifying the Board's role in hiring, evaluating, overseeing, and compensating the Executive Director and exploring options for managing retention risk, ensuring competitive compensation, and establishing positive pay-for-performance initiatives for staff while still maintaining their merit system protections.

Service Providers:

1. Background:
 - a. This Memorandum of Understanding (MOU) incorporates by reference the MOU signed by the Chair of the Board and the County Attorney.
2. Process for Reviewing Actuarial Consultant's Recommendations on the Investment Rate of Return
 - a. Beginning with the Actuarial Services for the upcoming 2026 valuation of the Montgomery County Other Post Employment Benefits and the impact of the actuarially required contributions on the Consolidated Retiree Benefits Trust (CRHBT), the staff of the Montgomery County Employee Retirement Plans (MCERP), the Office of Human Resources, the Office of Management and Budget and the Department of Finance, jointly, will be responsible for the procurement of these services.
 - i. Such procurement will be subject to the oversight and supervision of the CAO or the CAO's designee.
 - b. After completion of the Actuarial review by the selected consultant, the CAO and CAO's staff will meet with the Executive Director of the MCERP, the Chair and Vice-Chair of the CRHBT Board, and the Directors or designees of the departments delineated above, and the Actuarial consultant to review and discuss the Actuary's recommendations. Subsequent meetings of this group may be necessary for additional discussion of the recommendations.
 - i. The goal of these meetings is to reach a consensus on whether to accept, modify, or seek additional research, analysis, and clarification of the Actuarial Consultant's recommendation related to the investment return assumption.
 - ii. After a consensus is reached, a presentation will be made to the CRHBT board for the input of the board.
 - iii. The CAO and CRHBT may agree on up to a three-year phase-in of the consultant's recommendation for a modification of the investment return actuarial assumption.
 - iv. If the actuarial investment return assumption approved by the CAO materially varies from the Actuary's recommendation, then the CAO and the Board would need to document the factual and analytical basis for the variance.

Hiring, evaluating, overseeing, and compensating the Executive Director:

1. Background

- a. The position of the Executive Director of the MCERP is classified as Management Leadership Service (MLS) I. The class specification for MLS I provides:

A position in this class functions in one of the following three high level management roles: 1) director of a principal, mission-critical office or equivalent organizational unit who reports directly to the County Executive or Chief Administrative Officer; exercises delegated full line management responsibility for human capital and financial resources of the organization; and plans, develops, implements and evaluates policies and work programs; typically characteristic of merit executive directors of principal offices or equivalent entities of the executive branch; (emphasis added)

2. Hiring

- a. The process for hiring the Executive Director will include the following steps.
 - i. The CAO or the CAO's designee will meet with the Chair of the CRHBT to discuss the job announcement for the Executive Director and agree on the strategy for the recruitment of the new Executive Director including whether to use an Executive Recruiter or have the Montgomery County Government Office of Human Resources (OHR) manage the recruitment process; timeline; levels of interview; interview questions; and other related matters.
 - ii. All interviews of the Executive Director candidates will be conducted through a panel that will include the Board Chair or designee; the CAO or designee; and a representative of OHR.
 - iii. The Board Chair will provide timely reports to the Boards through email or in-person briefings on the status of the recruitment and the estimated timeline for the onboarding of the Executive Director.
 - iv. After completion of the interviews, the Board Chair will make a recommendation on the candidate to fill the Executive Director vacancy to the CAO, including recommended compensation and other relevant terms of the employment offer, in consultation with OHR.
 - v. If the CAO does not accept the recommendation of the Board Chair, another candidate may be recommended for hire to the CAO, or the recruitment process will be restarted to identify a candidate who will meet the hiring criteria of the Board Chair and the CAO.
 - vi. OHR will extend the offer to the recommended candidate with the authorization of the CAO. The offer will be subject to the successful completion of a background investigation of the candidate.

3. Overseeing

- a. Establishing the annual performance plan for the Executive Director and subsequent performance evaluation will be based on Montgomery County Personnel Regulation (MCPR) 2001, Section 11 Performance Planning and Evaluation¹, and incorporate the following steps:
 - i. In June of each year, the Board Chair will review and discuss the annual work program of the Executive Director with the CAO or the CAO's designee and the Executive Director based on implementation of the work plan for the Board and the investment strategy.

¹ https://www.montgomerycountymd.gov/HR/Resources/Files/Regulation/MCPR_SECTION_13_July172018_w_PLS.pdf

- ii. On or about July 1 each year, the annual work program, including goals, objectives, competencies, and performance measures, will be finalized, approved, and signed by the Executive Director, the Board, and the CAO or the CAO's designee.
 - iii. The Board Chair will meet during January of each year to discuss the mid-year evaluation of the performance of the Executive Director with the CAO or designee and the Executive Director.
 - iv. Prior to the mid-year evaluation, the Board Chair will confidentially ask for the feedback of their respective boards on the performance of the Executive Director in the implementation of the annual work program.
 - v. At any time during the year, the Board Chair will timely notify the CAO or designee if there are any concerns with the Executive Director's performance or conduct. The CAO or designee will also be responsible for communicating with the Board Chair if there are any concerns with the performance of the Executive Director, and, as applicable, an action plan for remediation. However, in accordance with the County Code, any final decision on continued employment rests solely with the CAO.
 - vi. Any performance concerns and mitigation plans must be communicated to the Executive Director on a timely and discreet basis and allow the Executive Director a reasonable opportunity to appropriately address the issues raised by the Board Chair, other Board members, or the CAO.
 - vii. All personnel matters, including performance evaluation results, disciplinary actions, and related issues, must be strictly confidential.
4. Compensating the Executive Director
- a. The compensation of the Executive Director will be based on
 - i. The pay ranges established annually by the County Government for the MLS I salary schedule.
 - ii. Montgomery County Personnel Regulation 2001, Section 10 Employee Compensation².
 - iii. Annual compensation adjustments will have three components as established under MCPR 2001,10-10. (Appendix a)
 - 1. General Wage Adjustment approved by the County Council for unrepresented employees, provided the Executive Director receives a performance rating of Below Expectations or higher.
 - 2. Pay for performance based on the rating and current salary level in the annual performance evaluation per the matrix in MCPR 2001,10-10.
 - 3. With approval by the CAO, the Executive Director of the Montgomery County Employee Retirement Plans is eligible to receive a lump-sum award that exceeds 4 percent of base salary but does not exceed 25 percent of base salary for exceptional performance based on the MCERP Executive Director Incentive Plan Description 2024 or subsequent modifications to this document agreed to by the Board Chair and the CAO. (Appendix (2) (C) (i))
 - 4. With the Approval of the CAO, the Executive Director may also receive performance awards established under MCPR 2001, Section 13 Performance Awards.
 - a. Awards under MCPR 2001, 13 include one-time monetary awards for Employee of the Year, Department Recognition Award, Paid Time Off awards, and other honorary awards.
 - iv. As deemed necessary, the overall compensation of the Executive Director will be

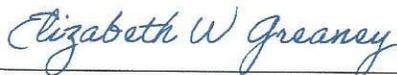
² <https://www.montgomerycountymd.gov/HR/Resources/Files/Regulation/MCPR%202001%20Section%2010.pdf>

evaluated by the County Government:

1. The evaluation should be completed by an independent third-party consultant with experience in evaluating employee compensation for public pension plans.
 2. The comparison with Executive Directors and CIOs should be based on public pension plans, endowments, foundations, regional County and Municipal governments, and state agencies. A peer group will be constructed of plans with similar asset sizes, staffing, and investment programs.
 3. The trusts will bear the cost of any such compensation study in a manner that is consistent with the allocation of similar shared costs.
5. Compensating Investment Staff
- a. During FY 2027, MCG OHR will conduct a total compensation review of all MCERP positions to determine the competitiveness of the current grade, salary, and benefits. These positions include, but are not limited to, the following:
 - i. Investment Compliance Manager
 - ii. Investment Officer
 - iii. Investment Portfolio Manager
 - iv. Senior Investment Manager; and
 - v. Senior Investment Officer (Deputy Chief Investment Officer)

Note: The review should include newly created investment staff positions or reclassified investment staff positions with new titles and grades.
 - b. This review should be completed by an independent third-party consultant with experience in evaluating employee compensation for the peer group noted above.
 - c. The review for investment staff should be based on comparables with investment staff at public pension plans, endowments, foundations, regional County and Municipal governments, and state agencies. A peer group will be constructed of plans with similar asset sizes, staffing, and investment programs.
 - d. The consultant will secure agreement from the Board on the peer group of institutions upon which the benchmarking will be performed.
 - e. MCG OHR will provide the Board Chair with a copy of the completed review with their comments on the adequacy of current compensation levels and the risk for job turnover, retention, and recruitment based on current salary levels.
 - f. At the request of the Board Chair, MCG OHR staff and the CAO or designee will meet with the Board Chair to discuss the results of the review/survey and whether changes should be made to the assigned grade and salary of the investment staff, pay for performance, and other performance awards that would enhance employee morale, retention, and recruitment.

This Memorandum of Understanding is entered into between the Board of Trustees and the Chief Administrative Officer, this 3rd day of Dec., 2025.



Chair, Consolidated Retiree Health Benefits Trust Board of Trustees

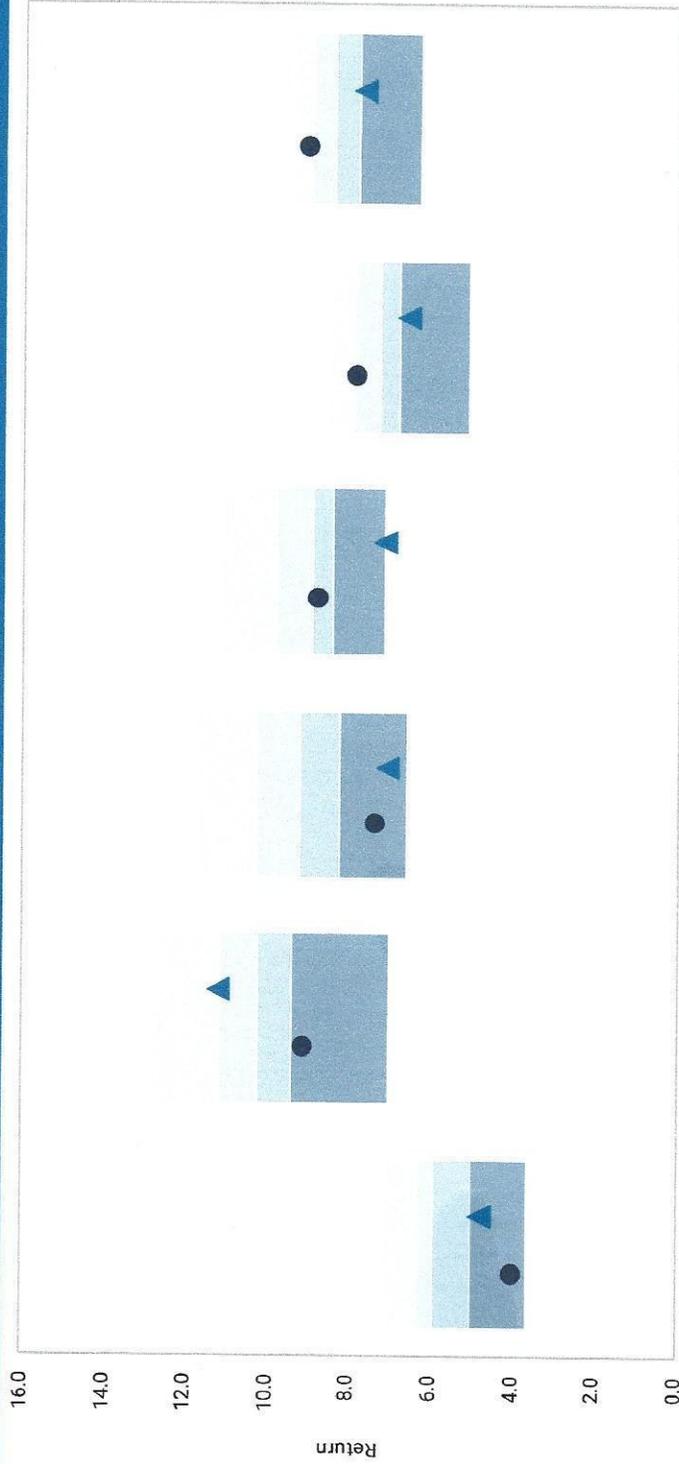


Chief Administrative Officer

TOTAL FUND VERSUS PUBLIC DB > \$1B

JUNE 30, 2025

Total Fund Composite vs. InvMetrics Public DB > \$1 Billion



	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	15 Yrs (%)
● Total Fund Composite	4.1 (88)	9.2 (83)	7.4 (91)	8.9 (60)	7.9 (26)	9.1 (18)
▲ Total Fund Policy Index	4.8 (79)	11.2 (24)	7.1 (92)	7.2 (95)	6.6 (81)	7.7 (82)
5th Percentile	7.1	12.9	11.8	11.2	8.6	9.5
1st Quartile	6.3	11.2	10.3	9.9	8.0	9.0
Median	6.0	10.3	9.3	9.0	7.4	8.5
3rd Quartile	5.0	9.5	8.3	8.5	6.9	7.9
95th Percentile	3.7	7.1	6.6	7.2	5.2	6.4

Population 114

96

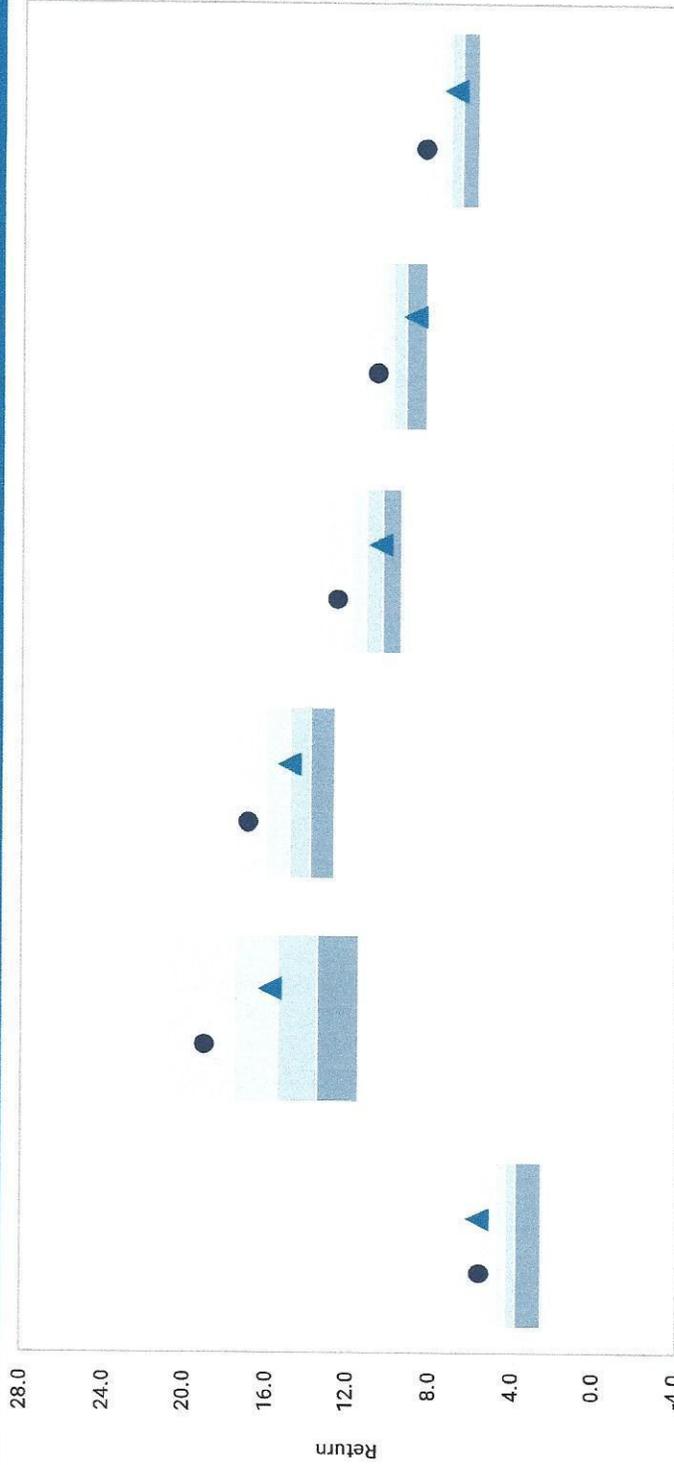
Returns are gross of investment manager fees. GQG, Arrowstreet, Directional HF, Diversifying HF, GMO, Polunin EM, Trinity and Marathon EMD returns are net of investment manager fees.



TOTAL FUND VERSUS PUBLIC DB > \$1B

DECEMBER 31, 2021

Total Fund Composite vs. InvMetrics Public DB > \$1 Billion



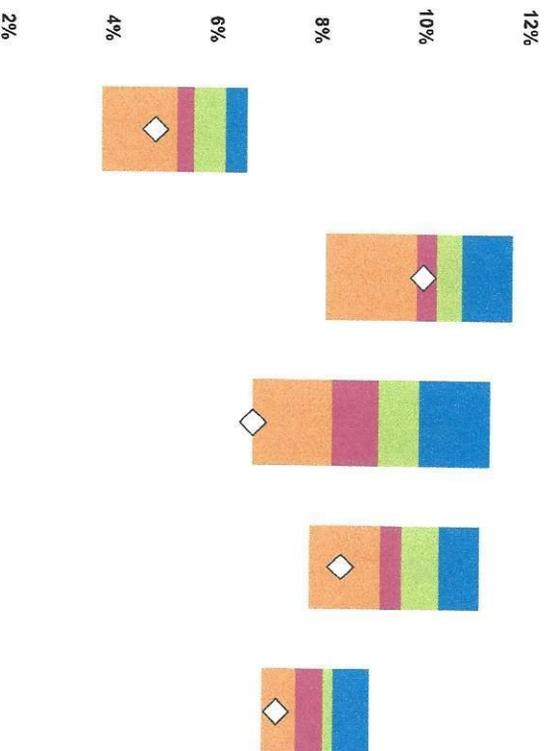
	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	15 Yrs (%)
● Total Fund Composite	5.6 (6)	19.1 (14)	17.0 (15)	12.7 (12)	10.7 (22)	8.5 (7)
▲ Total Fund Policy Index	5.8 (5)	15.9 (50)	14.9 (55)	10.6 (74)	8.9 (88)	7.0 (62)
5th Percentile	5.6	21.0	17.7	13.1	11.5	8.5
1st Quartile	4.8	17.6	16.2	12.1	10.6	7.7
Median	4.3	15.6	15.0	11.3	10.1	7.3
3rd Quartile	3.9	13.6	14.0	10.5	9.4	6.7
95th Percentile	2.6	11.6	12.8	9.5	8.4	5.9

Population 157 155 153 152 137 127

Returns are gross of investment manager fees. GQG, Arrowstreet, Directional HF, Diversifying HF, GMO, Polunin EM, Trinity and Marathon EMD returns are net of investment manager fees.



Total System vs. Public Plans >\$25 Billion Universe¹ As of June 30, 2025



	2025 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
Total System	4.8	10.0	6.8	8.5	7.2
25th Percentile	6.2	10.7	9.9	10.3	8.3
Median	5.6	10.3	9.2	9.6	8.1
75th Percentile	5.3	9.9	8.3	9.2	7.6
Rank (%)	85	85	95	88	92
Policy Benchmark	4.2	9.4	5.9	7.3	6.6
Rank (%)	92	81	99	99	95

¹ Represents the TUOS Public >\$25 bn peer group as of June 30, 2025. Total System performance is gross of fees. Includes 33 plans.

MCREA Comments on Recommendations in OLO Report 2025-14

January 28, 2026

To be attached to MCREA Testimony Document submitted on January 27, 2026

OLO issued Report 2025-14, *Retirement Benefit Trust Fund Governance in Montgomery County*, on November 18, 2025. See [OLOReport2025-14.pdf](#) .

The report contains extensive and valuable information. Two important points should be made at the outset:

1. There is no clear definition of the problem that Bill 28-24 is supposed to address. The investment boards have not performed well over the last three years, but their basic structure and governance are sound, with long-term results in the top10% of their peers nationwide. Two sayings come to mind: “If it ain’t broke, don’t fix it.” And “Don’t mess with success.”
2. The report was released shortly before the MOUs between the boards and the CAO were signed on December 3, 2025. These detailed MOUs provide true collaboration not only on setting actuarial assumptions but on hiring and overseeing the executive director. They provide the best path forward for the retirement system and should be strongly supported.

The report makes six recommendations, A-F. See pages 68-75.

A. Amend Section 33-60 of the County Code to clarify that the BIT’s responsibilities include trust fund asset management and investment but do not include any other retirement system administrative functions. MCREA supports this recommendation.

B. Amend Section 33-159 of the County Code to enumerate the specific responsibilities of the CAO in administering the CRHBT. MCREA supports this recommendation.

C. Retain the current practice of assigning the CAO with the responsibility to select the retirement benefit actuary. MCREA supports Option 1, which retains current practice.

D. Amend the County Code to shift responsibility for determining most actuarial assumptions from the CAO to the BIT. MCREA opposes this shift and supports Option 1, which retains current practice.

*These assumptions are now carefully reviewed jointly by Finance, OMB, OHR, and MCERP staff before the CAO is involved. This process of **shared responsibility** works well and has*

been strengthened by the MOUs signed on December 3, 2025 by the board chairs and the CAO.

The boards do not have the expertise to set actuarial assumptions on their own. These include demographic assumptions such as mortality, rates of termination, disability, deaths, retirement, and amortization methods. Economic assumptions including cost-of-living increases, increases in the social security wage base, expenses, and salary increases, are also set by the CAO. For the OPEB plan there are many more assumptions for health care benefits, including rate of growth in real income, excess medical growth, expected health share of GDP, and health share of GDP resistance point.

OLO itself says: "Nonetheless, OLO sees a potential advantage in the CAO retaining authority over select assumptions such as future year employee salary increases." The **shared responsibility** model avoids this confusion. Moreover, trustees who are in the defined benefit plan would face a **conflict of interest** and **violate County law** if they support actuarial changes that would improve their own benefits.

E. Amend the County Code to assign responsibility for hiring the MCERP Executive Director after the CAO oversees the recruitment process, vets applicants' qualifications, and provides a short-list of qualified candidates to the BIT. MCREA opposes this change and supports Option 1, which retains current practice.

Here too the **shared responsibility** model embedded in the MOUs is more realistic. The boards meet only four times a year and lack the expertise to hire and oversee the executive director on their own. The MOUs require true collaboration between the boards and the CAO on all aspects of hiring, compensating, and overseeing the executive director. This approach is now being effectively implemented in the recruitment of a new executive director.

F. Assess whether the current size and composition of the BIT and CRHBT foster sound and healthy stewardship of the retirement and retiree health benefit trusts. MCREA supports careful consideration of Option 2, which proposes restructuring the BIT and the CRHBT.

The OLO report says on pages 73-75: "To the extent Councilmembers feel confident that the current board structures work well and can be expected to remain functional in the future, then there may be no reason to restructure the BIT and CRHBT. However, should Councilmembers believe that the current structure of the boards hampers their ability to function properly, then OLO would recommend amending the County Code to create smaller-sized boards, each with a majority of subject matter experts."

OLO adds: "One possible configuration for a restructured BIT would reduce the size of the board to nine voting members: six subject matter expert trustees, one trustee representing labor, one trustee representing retirees, and one trustee representing the County Government. An 11-member CRHBT could include all BIT members plus

two additional trustees, one representing MCPS and one representing Montgomery College.”

MCREA believes that the Council should seriously consider some kind of restructuring for future action. The boards (13 members on the BIT and 19 on the CRHBT) are now unwieldy. They also lack balance.

Restructuring options should be the subject of further discussion. Issues to be addressed include the optimal number of trustees, the optimal mix of subject matter (investment) experts and stakeholders, and the optimal composition of stakeholders. These issues need to be addressed for both the BIT and the CRHBT. Over time, the right kind of restructuring could restore balance to the boards and revive their ability to achieve top-tier investment results.

The investment boards entrust more than \$8 billion in retirement assets to investment managers, lawyers, and consultants. The strong internal controls and guardrails of the current shared responsibility model are essential to ensure the integrity of the boards’ decisions and the financial security of retirees. The right kind of restructuring the boards could protect and strengthen those controls and guardrails