

Re: Opposition to Bill 28-24 – Actuarial Governance of the Retirement System

Dear Council President Fani-González and Council Vice President Balcombe and Members of the County Council:

Thank you for the opportunity to provide testimony on Bill 28-24. While the bill proposes a single, significant change to the retirement system, I am concerned its unintended outcome will be to eliminate one of the important checks and controls that make our current hybrid system so successful. Specifically, it would remove the current shared responsibility for setting actuarial assumptions between the Chief Administrative Officer (CAO) and the Board of Investment Trustees and vest sole authority with the Board. Today, under the law, while the CAO makes the final decision on the Investment Rate of Return and the actuarial assumptions that are more related to benefits than investments, the process is one that is shared where the BIT has the ability to work with the CAO on setting these assumptions. The bill voids this shared responsibility in favor of providing full authority to the BIT, negating an important check and control that is a hallmark of our hybrid system.

Summary Position

I strongly recommend **not advancing Bill 28-24**. Maintaining shared authority between the CAO and the Board is vital to sound governance and risk management for the retirement system.

Key Concerns with Bill 28-24

1. **Loss of Shared Controls:** The bill transfers responsibility for selecting the system's actuary and approving non-investment actuarial assumptions solely to the Board, removing the existing balance with the CAO and weakening oversight.
2. **Mismatch of Expertise:** Under law, the Board's role is focused on investments; the only actuarial assumption directly tied to investments is the investment rate of return. Benefit-side assumptions are the province of the CAO, supported by subject-matter experts in Human Resources, Management and Budget, and Finance. Board investment staff do not possess this benefit-side expertise and neither do Board Members.
3. **Practical Constraints:** The Board meets only four times per year and is unlikely to build or maintain the depth of experience needed to evaluate benefit-side actuarial assumptions. In practice, the Board would either rely solely on the external actuary—an approach that reduces independent scrutiny—or depend on CAO staff anyway, undermining the intended purpose of the shift.
4. **Current Legal Context:** Today, the CAO holds decision authority for benefit-side actuarial assumptions, with provisions for Board participation. The bill's proposed reallocation is unnecessary and ill-suited to the Board's statutory role.

Recommended Path Forward

Rather than making a one-off change, I recommend that the Council allow the Office of Legislative Oversight (OLO) to continue the comprehensive work begun in its November 2025 report and to commission a **comprehensive review** of the retirement and pension systems. That review should examine the law, the Board's governance manual, and applicable regulations to ensure coherence

and sound policy. The system has not undergone a thorough, end-to-end review in decades; now is the time to do that work before considering structural changes like those proposed in Bill 28-24.

Thank you for your consideration.

Respectfully,

Michael Coveyou

Member of the Board of Investment Trustees and Director of the Department of Finance