

ADDENDUM

GO Item #2
February 5, 2026
Worksession

MEMORANDUM

February 2, 2026

TO: Government Operations and Fiscal Policy (GO) Committee

FROM: Christine Wellons, Chief Legislative Attorney

SUBJECT: Bill 28-24, Employees' Retirement System and Other Post Employment Benefits – Administration – Powers and Duties

PURPOSE: Worksession – recommendation expected

Enclosed is the Fiscal Impact Statement (FIS) regarding Expedited Bill 28-24. The Office of Management and Budget (OMB) states: "The impact on County expenditures cannot be reliably calculated at this time but could be significant.... Implementation of the bill may result in significant but unknown immediate and long-term costs because there are several areas that might be impacted, and the degree of impact is also unknown."



Fiscal Impact Statement

Office of Management and Budget

Bill 28-24

Employees' Retirement System and Other Post Employment Benefits - Administration - Powers and Duties

Bill Summary

This bill transfers from the Chief Administrative Officer (CAO) to the Board of Investment Trustees (BIT) the selection and retention of the actuary for the retirement system. It also transfers from the CAO to the BIT the determination of 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.

Fiscal Impact Summary

The impact on County expenditures cannot be reliably calculated at this time but could be significant, as described below. Implementation of the bill may result in significant but unknown immediate and long-term costs because there are several areas that might be impacted, and the degree of impact is also unknown.

Shifting the responsibilities of selection and retention of the actuary for the retirement system and the determination of actuarial assumptions from the CAO to the BIT could have significant and far-reaching impacts on the administration of the retirement system. The extent of the impact of this bill is unknown due to several factors. Examples of primary and secondary areas of impact include:

Experience Study

The County's 5-year Experience Study that reviews actual experience against actuarial assumptions used for the annual actuarial valuation of the Montgomery County Employees' Retirement System is critical to the management of the investment programs. Areas of the study include:

- Inflation
- Investment Rate of Return
- Retiree Cost of Living increase
- Mortality
- Salary increases
- Retirement assumptions
- Withdrawals
- Disability

Fiscal Impact Analysis

Currently, the actuary provides the CAO with a range of actuarially acceptable values for the assumptions reviewed. The CAO uses this information along with the context from other County fiscal considerations to determine the final assumption. BIT would most likely not consider or not similarly weigh the County's overall fiscal context in making the decision, as their fiduciary responsibility is limited to the retirement system funds. In the event the Board makes a different choice on an assumption, the cost impact of this for any single assumption could be significant both to the annual required contribution and the long-term liability, affecting the ability to fund other priorities. The CAO has a fiduciary responsibility to the taxpayers of Montgomery County, while BIT does not; this difference is highly likely to result in different



decisions within the range of actuarially acceptable values for assumptions.

Actuarial Services

The County would still hold the responsibility for financial reporting for the plan as the plan sponsor, and especially as sponsor of a multi-agency plan that includes participating agencies, and as a result the County may need to procure a secondary actuary for plan sponsor financial reporting purposes. There may be an annual cost savings to the County if the BIT chooses to fund the cost of the contract of the primary actuary. However, any cost savings to the County will result in additional costs to the plan which ultimately will have an impact on annual required contributions to the plan. It is estimated that actuarial costs will be \$100,000.

Risk Management

There is increased potential for litigation related to failure to uphold fiduciary responsibility by the BIT, an all-volunteer, non-professional board. This may necessitate increased liability insurance coverage for BIT. The Office of the County Attorney also notes that the BIT would still need to coordinate closely with the CAO because the selection and retention of the actuary and the determination of actuarial assumptions can also impact CAO functions.

Collective Bargaining

If changes are made to actuarial assumptions that differ from the choices the CAO would have made, the impacts could be felt in County interactions in collective bargaining, impacting the potential costs of proposals/agreements related to wages and retirement benefits.

Capital Budget/Capital Improvements Program and Operating Budget/Public Services Program

If changes are made to actuarial assumptions, the impacts could be felt in the Capital and Operating budgets, impacting the prioritization of new budget requests by impacting the amount of funding available. In the absence of additional resources for the County, any extra contribution requirement to fund plan liabilities from changed assumptions would have to come at the expense of other County requests.

Bond Ratings and Debt Service

Actuarial assumptions (by actuaries retained by BIT) that lead to higher liabilities, could affect the County's bond ratings and borrowing costs.

Employees' Retirement System and Other Post Employment Benefits

If BIT adopts actuarial assumptions that increase projected liabilities, future retirement system obligations may grow faster than originally anticipated. Similar impacts could occur with retiree health benefits if assumptions change/shift.

Audits, Compliance Reviews, Governance Support

The increased complexity of implementing this bill may require additional internal audits or external compliance reviews. BIT may require training or professional advisory services to manage actuarial responsibilities.

Transition and Implementation

Shifting actuarial responsibilities from the CAO to BIT may involve legal reviews, policy updates, staff coordination, and process changes. Communicating changes to employees and retirees may require additional outreach and resources. While the bill is not expected to impact the County technology systems any integration for reporting or oversight could require minor system modifications.



Staff Impact	The bill is not expected to impact staff time or duties.
Actuarial Analysis	Implementation of the bill may impact retiree pension or group insurance costs by a significant but unknown amount.
Information Technology Impact	The bill is not expected to impact the County Information Technology (IT) or Enterprise Resource Planning (ERP) systems.
Other Information	
<i>Later actions that may impact revenue or expenditures if future spending is projected</i>	The bill does not authorize future spending, however, future additional costs may result as described above.
<i>Contributors</i>	Adaora Azubike, Department of Finance Karen Hawkins, Department of Finance Shantee Jackson, Office of Management and Budget Silvia Kinch, Office of the County Attorney Corey Orlosky, Office of Management and Budget Jennifer Shovlin, Office of Human Resources

