



Pension Oversight Commission

June 30, 2019

Dr. Calvin Ball, County Executive
Howard County Government
3430 Court House Drive
Ellicott City, MD 21043

Ms. Deb Jung
3430 Court House Drive
Ellicott City, MD 21043

Dear Dr. Ball and Ms. Jung:

Enclosed is, for your review, the Annual Report of the Pension Oversight Commission for the Howard County Retirement Plan and the Howard County Police and Fire Employees' Retirement Plan. The Annual Report is presented as one document for both Plans and covers the fiscal year 2019, ending June 30, 2019.

Should you have any questions, please feel free to contact us.

Sincerely,

Todd D. Snyder
Chair

cc: Mr. Mitchell Stringer, Commission Member
Mr. Ken Barnes, Commission Member
Mr. Jae Chon, Commission Member
Ms. Wanda Hutchinson, Chair, Retirement Plan Committees
Mr. Scott Southern, Howard County
Ms. Cynthia Peltzman, Howard County

ANNUAL REPORT BY THE HOWARD COUNTY PENSION OVERSIGHT Commission FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Introduction

The Howard County Pension Oversight Commission (the “Commission”) hereby submits its annual report of the status of the Howard County Retirement Plan (the “Retirement Plan”) and the Police and Fire Employees’ Retirement Plan (the “Police and Fire Plan” and together with the Retirement Plan, the “Plans”) to the County Executive and the County Council for the fiscal year ended June 30, 2019. This report includes:

- i. The Commission’s assessment of the appropriateness of the actuarial assumptions used;
- ii. A statement of revenues, including contributions, investment earnings, and forfeitures;
- iii. The cost of the Plans, including an analysis of fees, commissions and expenses;
- iv. An evaluation of the administration of the Plans;
- v. Any proposal or amendment of the Plans that the Commission may wish to recommend;
- vi. Events Subsequent to FYE 2019; and
- vii. Considerations and Recommendations

The Commission notes that this report was prepared during the impact of the COVID-19 pandemic, which adversely affected the ability of various parties to participate in the process.

A. Actuarial Review

County’s Pension Contributions

The Commission reviewed the Actuarial Valuation Reports for both the Retirement Plan and the Police and Firefighter’s Retirement Plan (the “Plans”) dated July 1, 2019 submitted by Bolton Partners Inc, actuaries for the Plans. The purpose of an actuarial valuation is (1) to determine the actuarially determined contribution (“ADC”) – the amount that, if contributed consistently and combined with investment earnings, would be sufficient to pay promised benefits in full over the long-term) and (2) to measure the funding progress of the Plans. The principle objective of these reports is to determine the Plans’ contributions for the fiscal year 2021 (starting July 1, 2020). The ADC for each of the Plans increased as follows:

	FY 2021 ADC	FY 2020 ADC	% Increase
Police and Fire Plan	\$30,756,436	\$30,577,565	0.58%
Retirement Plan	\$15,548,241	\$14,808,044	5.00%

The ADCs for the Plans are based on a number of assumptions, including investment return, inflation rate and other actuarial assumption changes approved by the Plans’ combined Retirement Plan Committee (“RPC”) in January 2019 (see discussion in Subsequent Events later in the report).

The county's contributions for the Plans expressed as a as a percentage of payroll for the five fiscal year ends beginning July 2016 are as follows:

	Employee Retirement Plan	Police and Firefighters Plan
FYE 2021	11.8%	34.2%
FYE 2020	11.6%	35.4%
FYE 2019	11.5%	33.1%
FYE 2018	11.7%	32.5%
FYE 2017	11.6%	30.6%
FYE 2016	12.4%	30.0%

The County has consistently made the ADC payment to the Plans. The County made contributions in excess of the ADC in 2012 and 2017 for the Retirement Plan. Contributions have remained in a consistent range and as a percentage of payroll appear reasonable. Persistent underfunding would ultimately jeopardize the sustainability of a pension plan.

Another measure of plan risk is Unfunded Actuarial Accrued Liabilities as a percentage of payroll. For the Retirement Plan, the ratio is 13.9%, which is a very strong number and represents a continued decline since 2013. For the Police and Firefighters Plan, the ratio is 150.8%, which is the lowest level since 2009 but continues to reflect the legacy of the plan's large original liability (about 37% funded) at the inception of the plan in 1995. Benefits are also "richer" for the Police and Firefighters' plan, which results in greater liabilities when compared with the Employee plan.

The primary risk incurred by a defined benefit plan sponsor (the County in this case) is the risk of substantial increases in annual contributions. If the contributions are not fully paid, interest accrues on the unpaid portion at the plan's expected long-term rate of return. Changes in the expected long-term rate of return (the discount rate) will change the ADC, with a reduction in the assumed rate resulting in a higher ADC.

Funded Ratios

The Actuarial Reports for the Plans dated July 1, 2019 submitted by Bolton Partners Inc. indicated the funding level, based on Market Value of Assets, for the Plans increased at FYE 2019 compared to FYE 2018, as follows:

	FYE 2018	FYE 2019
Retirement Plan	95.8%	96.6%
Police and Fire Plan	84.0%	85.6%

Generally, the ratios are calculated using the market value of the plan assets as of June 30, 2019 and the present value of the plan liabilities, each calculated using various assumptions. A ratio of less than 100% indicates that plan assets are less than estimated plan liabilities. The Government Finance Officers Association (GFOA) recommends a target funded ratio of 100% or more (full funding) in their Best Practice¹. Funding levels are higher assuming actuarial value of assets, which applies "smoothing" to investment returns.²

¹ "Sustainable Funding Practices for Defined Benefit Pension Plans and Other Postretirement Benefits," January 2016.

²Smoothing spreads market value investment gains or losses in excess of the assumed return over a 5-year period.

The funded ratios of the Plans for as of June 30, 2019 does not appear to be reported in the Auditor's Report (prepared by CliftonLarsonAllen LLP), although it was reported in the prior fiscal year. The Auditor's Report does disclose each Plan's net position as a percentage of its total pension liability, which, as of June 30, 2019, was 83.56% for the Police and Fire Plan, and 92.73% for the County Retirement Plan.

Funded Ratio Sensitivity

Table 2. Net Pension Liabilities Sensitivity to Changes in the Discount Rate

	1% Decrease (6.45%)	FY2019 Discount Rate (7.45%)	1% Increase (8.45%)
Net Pension Liability FY2019			
Police and Fire Plan	\$ 226,894,760	\$ 121,826,122	\$ 35,907,646
Employees Plan	\$ 106,093,630	\$ 37,468,303	\$ (19,626,035)

Source: Howard County Police and Fire Employees' Retirement Plan Financial Statements, June 30, 2018 and Howard County Retirement Plan Financial Statements, June 30, 2018

NEPC, the Plans' investment manager, recently presented a 6.6% base case 5-7 year return in its June 30, 2019 report to the RPC.

B. Statement of revenues, including contributions, investment earnings, and forfeitures

The following is a summary of certain financial information as of, and for the year ended, June 30, 2019:

	Police and Fire Plan	Retirement Plan
Fiduciary Net Position	\$619,358,433	\$447,759,510
Net Investment Income	\$39,639,186	\$35,807,945
Benefits	\$27,571,00	\$16,809,399
Net Change in Fiduciary Position	\$47,456,397	\$37,644,625
% Net Change vs 2018	(15)%	9.18%

A summary of investment performance follows:

1 Year Composite Return 6/30/19- Gross of fees	7.50%
1 Year Return 6/30/19 by investment type (net)	
US Equity	6.8%
International Equity	4.5%
Fixed Income	7.8%
Real Assets	3.8%
Private Equity	17.8%
Hedge Funds	3.8%
Cash	2.3%
Portfolio Diversification as of 6/30/19	
Equities	42.7%
Debt	28.5%
Alternatives (real assets, private equity and hedge funds)	28.1%
Cash	0.9%

C. Cost of the Plans, including an analysis of fees, commissions and expenses

According to the 2019 NCPERS Public Retirement Systems Study (January 22, 2020), the overall average expenses to administer the funds and to pay investment management fees for 2019 was 55 basis points. In the past, the Commission was able to compare this level of fees to the variance between gross returns and net returns for the Plans. However, the Commission was unable to locate such data for this year, but it does not appear that fees have materially changed from prior years. However, like prior years, the Commission does not have access to detailed information on fees and expenses for the Plans' investments in alternative investments and real assets, and while some information is reported, these amounts do not appear to be fully and completely reported in the information available to the public.

D. Evaluation of the Administration of the Plans

The evaluation of the administration of the Plans is included in the Considerations and Recommendations section below.

E. Any proposal or amendment of the Plans that the Commission may wish to recommend.

Any proposal or amendment of the Plans is included in the Considerations and Recommendations section below.

F. Certain Events During FYE 2019

The Commission is including a discussion of events subsequent to FYE 2019 (June 30, 2019) that it believes are significant and should be reported prior to the release of the FYE 2020 Report.

Experience Study

Bolton Partners prepared an experience study for the Plans for the period from July 1, 2013 through June 30, 2017. The purpose of the study (dated September 20, 2018) is to determine potential changes in actuarial valuation assumptions (e.g., mortality rates, retirement rates, employee turnover rates, disability incidence) that occurred over the prior four years, as well as an update of the investment return and inflation rate assumptions. The prior experience study was prepared in 2014. The RPC adopted the changes to the actuarial assumptions as proposed by Bolton. The cost impact of these changes is reflected in the County's 2020 ADC for the Plans.

Investment Return (discount rate) Assumption

The Commission notes that the gradual adoption of the recommended changes to the inflation rate and investment return assumptions, while within the range recommended by Bolton, defers the RPC's ability to mitigate risk associated with the Plans' investment allocations. At an RPC meeting on January 31, 2019, the proposed reduction in the investment return was discussed. Bolton said the proposed reduction in the return assumption from 7.5% to 7.45% was within the acceptable range (7.5%-7.0%). In response to a comment from a member of the RPC, Bolton agreed that risk "wouldn't be taken off the table" unless the return assumption was lowered to 7%, i.e., the investment advisor must manage the money more aggressively to achieve the 7.45 % return than they would for a lower return assumption. Bolton added that if funds were available, then the return assumption should be lowered. The RPC discussed the fiduciary duties of the RPC given the trade-off between budgetary impact versus risk management of the Plan. Lonny Robbins noted that the county budget was approved in the fall of 2018 before the ADC for FY 2020 was proposed. The Retirement Plan Committee ("RPC") adopted the changes to the actuarial assumptions as proposed by Bolton. However, one member abstained from the vote.

Inflation Rate Assumption

Bolton evaluated several factors in developing their recommendation for the inflation rate, including the CPI-U Baltimore-Columbia-Towson MD, the inflation assumption embedded in the investment manager's (Summit) 10- and 30- year investment return assumptions, and the inflation expectations reflected in the spread between nominal Treasury yields and TIPS (inflation protected securities) yields. In its written experience study, Bolton recommended a lowering of the inflation assumption and "urged" the RPC to consider lowering the return assumption from 7.5% to 7.25% in consideration of their recommendation to lower the inflation rate to 2.5%. Ultimately, Bolton recommended that the inflation assumption be lowered from 2.75% to 2.7% and the investment return assumption from 7.5% to 7.45%, further recommending that these assumptions be revisited each year and further reductions considered.

Other Assumptions

Bolton recommended other changes to actuarial assumptions, including updating mortality tables to more recent standard tables, adjusting retirement rates, turnover rates, disability rates and salary rates. These changes, somewhat different for the Employee plan and the Police and Firefighters' plan, had a modest impact on the ADC for FYE 2020.

Impact of Actuarial Assumption Changes to FY 2020 ADC

The following estimated costs are based on 7/1/2017 actuarial valuations.

FY 2019 ADC

	Employee Plan	Police and Fire
-No assumption changes	\$14,296,317	\$27,975,552
-With assumption changes		
7.5% investment return	\$14,872,557	\$28,895,005
7.25% investment return	\$15,777,070	\$32,118,340

For the Employee plan for FY 2020 using FY 2018 actuarial valuations, the ADC assuming no change to assumptions (7.5% investment return and 2.75% inflation) would be \$14,634,848. The ADC based on the assumptions approved by the RPC (7.45% return assumption and 2.7% inflation rate assumption) is \$14,808,044, a difference of \$173,196.

For the Police and Firefighters plan for FY 2020 using 2018 actuarial valuations, the ADC assuming no changes to assumptions (7.5% investment return assumption and 2.75% inflation assumption) would be \$29,878,725. The ADC based on the assumptions approved by the RPC (7.45% return assumption and 2.7% inflation rate assumption) is \$30,577,565, a difference of \$698,840.

If the investment return were changed from 7.5% to 7.25%, the combined ADC increase would be \$4,127,848. The impact of the ADC increases as the investment return assumption is reduced, along with the resulting risk mitigation benefit, should be considered as the 2020 county budget is prepared.

Change in Investment Manager

NEPC was selected by the RPC to replace Summit Strategies as the Plans' investment manager. Summit was acquired by Mercer consulting in August 2018, with the acquisition closing on November 15, 2018. The Commission was informed that Mercer did not want to retain Summit's public pension consulting practice, as it is not consistent with their business model. The RPC selected AndCo to replace Summit temporarily while they conducted a search for a permanent replacement for Summit. The RPC solicited proposals for investment managers to assume that role for the RPC. After an evaluation process, the RPC approved NEPC as the new investment manager for the plans.

Investment Policy – Allocation Changes

At the April 25, 2019 RPC meeting, NEPC recommended changes to the long-term target allocations in the Investment Policy Statement. The recommended changes reduce the risk of the plan slightly (standard deviation decreasing from 11.66% to 11.51%). The expected return is unchanged at 6.57%. The recommended changes include a greater allocation to large cap equities (from 15% to 19%) and a decreased exposure to hedge funds (from 12.5% to 8%). The fixed income allocation was increased from 30% to 35%, with the increase reflecting a decrease in core fixed income with new allocations to TIPS and private debt. NEPC expressed concern over the high fees associated with hedge funds, lower returns than passive equity strategies, and the limited degree of non-correlation to other asset classes provided by hedge funds.

NEPC also recommended that the RPC make direct investments in funds rather than solely use fund of fund arrangements for hedge funds and investments in private debt. Direct investments require a greater degree of due diligence by the RPC compared with fund of fund arrangements. This due diligence requires a level of expertise beyond that which

exists on the RPC. The Commission recommends that the RPC hire a senior financial analyst, preferable with a CFA, to provide such expertise to the RPC.

Internal Controls

We understand that the Plans do not obtain a separate report regarding the effectiveness of the Plans' internal controls. The Plans' auditor issued a report to each of the Plans indicating generally, among other things that the auditor, (i) during the course of its audit, did not identify any deficiencies in internal control that it considered to be material weaknesses and (ii) does not express an opinion on the effectiveness of the Plan's internal control.

G. Events Subsequent to FYE 2019

1. COVID-19 Pandemic

Recently, the world has been addressing the significant repercussions from the COVID-19 pandemic³ including mandated government quarantines and disruption of business activity, and the related impact on the financial system (the "COVID-19 Event"). While the primary concern relating to COVID-19 is the health and safety of the population, the event has raised significant questions regarding current and future economic prosperity, resulting in shock to the financial system that precipitated a sharp decline in certain asset values, such as traded equities, bonds and certain commodities. While certain equities and asset values appear to have recovered, the COVID-19 Event likely will have a significant impact on many investments, and the future has become less certain.

With respect to investments that are not actively traded, while the effect of the COVID-19 Event eventually may be reflected in asset valuations, the impact will depend on the integrity of the valuation systems and the ability to value assets in light of the many market uncertainties that exist.⁴ In addition, some valuation adjustments may be delayed for funds that conduct only periodic valuations. It is also reasonable to assume that private offerings that do not periodically value their investment will not be immune. The Commission recommends that the Plans carefully examine the various factors that may affect investments in less liquid and private funds, including: (i) integrity of valuation policies and practices, (ii) overall manager financial condition, (iii) risks related to fund-level indebtedness, such as repo financing or ability to obtain financing, (iv) the impact on manager operations, and (v) impact on fund liquidity, especially for fund that have redemption plans, or that require new capital to implement business plans. Certain matters that might be worthy of consideration are included in a publication of Division of Corporation Finance of the SEC: CF Disclosure Guidance: Topic No. 9 and Topic No 9A (<https://www.sec.gov/corpfin/coronavirus-covid-19> and <https://www.sec.gov/corpfin/covid-19-disclosure-considerations>).

³ See <https://www.cdc.gov/coronavirus/2019-nCoV/index.html> and <https://www.who.int/emergencies/diseases/novel-coronavirus-2019>

⁴ As of the date of this report, numerous public disclosures have been made by funds relating to uncertainties regarding valuation of real estate and other assets. See also: <https://home.kpmg/xx/en/home/insights/2020/05/covid-19-valuation-real-estate-amid-uncertainty.html> and https://www.ey.com/en_us/financial-services-emeia/how-covid-19-impacts-on-investment-fund-asset-valuations

2. Change in Investment Return Assumption

At the January 23, 2020 meeting of the RPCs, the committee unanimously adopted a resolution to decrease the investment return assumption from 7.45% to 7.40% for both Plans as recommended by Bolton (the actuary). The resolution also included the adoption of a decrease in the inflation/COLA assumption from 2.70% to 2.65%. The RPCs agreed to revisit these assumptions next year and consider further reductions. The Commission notes that the minutes of that meeting do not reflect any discussion of the impact of a lower discount rate that is closer to NEPC's return assumptions for the next 5-7 years (e.g., 6.5%) on the Plans' funding ratio.

H. Considerations and Recommendations

1. The Pension Oversight Commission Statute is Poorly Designed and Presents Challenges for an Effective Oversight Function

The Commissioners believe that challenges exist for the Commission, as established by the Howard County Code, to conduct effective oversight function for several reasons, including:

- A. **Lack of Statutory Authority to Access Information.** The Commission has no statutory authority to obtain access to information from the Plans and the County. Commission is reliant upon the subject of the oversight to elect to provide information or to answer questions. The County has historically acted defensively to many requests. For example, for this year's report, the Commission requested access in December 2019 to the Plans' auditor and actuary, to ask questions and gain information, but the access was not granted. Further, as detailed in prior reports, and as discussed in more detail in item 5 below, access to non-public information is severely restricted, including lack of access to information relating to over 25% of the Plans' investment portfolio.
- B. **Selection of Commissioners.** Commission members are selected by the County Executive with consent of the legislative branch. Since the executive branch is a large part of the group under the oversight, it would be better to have the legislative branch appoint Commission members.
- C. **No Requirement to Address or Respond to Matters Raised by the Oversight Function.** To our knowledge, there is no requirement that any party (e.g., the Plans, the RPC, the County Executive or its delegates or the County Council) address or respond to the Commission's annual report, or event that any party meet with the Commission to review any findings. While some meetings have occurred, these have not been regular nor seemingly productive.
- D. **Lack of a Full Commission.** The Commission has been operating since June of 2019 with only four members. The County Executive has not, as of this date, appointed a replacement for the commission who resigned a year ago in June of 2019.
- E. **Limited Resources.** The Commission has limited resources to perform its function. The Commission members are not compensated, and the County does not provide significant resources to fulfil its function. While the County has allocated a single person to assist the Commission, that individual has many other duties and typically only provides limited administrative functions, such as setting up meetings, requesting information, drafting meeting minutes, etc. While the Commission does not have staff, it historically seeks to leverage the professional service providers retained by the County (auditor, actuary, investment manager) to explain information and answer questions. However, more recently, the Commission has been denied access to these service providers, making the Commission's job even more difficult, even though access had

been provided historically across multiple administrations. A more effective oversight function would include access to unbiased professional assistance, and possibly a budget to retain experts as needed.

The Commission believes the challenges listed above significantly limit the oversight function and that the County make changes to improve effectiveness. As an alternative, given the Plans' size in excess of \$1billion in assets, an internal auditor with reporting authority outside the Executive branch could be considered.

2. Investment Return Assumption

The Commission believes that the investment return assumption is high and should be re-assessed in light of current market conditions, especially given the uncertainty regarding the COVID-19 Event. While the markets have bounced back some, the economic environment remains highly uncertain. The Plans had a negative return of approximately (10.3)% gross in the first quarter of 2020. For the trailing year, the fund was down (1.9)% gross. We refer to the lengthy discussion of the return assumption in our report for FYE 2018, and the rationale for lowering the return is stronger given current market conditions. NEPC, the Plans' investment manager, recently presented a 6.6% base case 5-7 year return in its June 30, 2019 report to the RPC, and the Commission believes the assumed rate of 7.4% is high. We also suggest that the Plans' document a full and robust discussion of the impact of various different rates of return on the funding ratio.

3. Lack of Transparency to the Public

The increased use of private investment with little transparency to the public limits the ability of Howard County citizens to assess the health of the Plans. In its recent risk alert, titled Observations from Examinations of Investment Advisors Managing Private Funds⁵, the United States Securities Exchange Commission highlights general areas of risks for private funds, including conflicts of interest, and fees and expenses. If one were to read the offering documents of these private investments, which the Commission does not have access to, they likely would be full of risk factor disclosures and other terms that may impact the public's assessment of the health and risks of the Plans. These private investments are assessed and selected behind closed doors in "closed meetings" where there is little or no transparency as to the decisions and risks to the public, yet it is the public that may ultimately bear the risk of these investments should they perform below expectations. The Commission believes that the public should be better informed.

4. Scope of Commission; Lack of Access

For multiple years, the Commission has raised the issue of lack of access to information to perform its oversight function. The Code lists specific items to be contained in the Commission's annual report, including:

1. The Commission's assessment of the appropriateness of the actuarial assumptions used;
2. A statement of revenues, including contributions, investment earnings, and forfeitures;
3. The cost of the Plans, including an analysis of fees, commissions and expenses; and

⁵ <https://www.sec.gov/ocie/announcement/risk-alert-private-funds>

4. An evaluation of the administration of the Plans.

To perform its function, the Commission has sought information regarding the investments of the Plans, including the private non-publicly reporting investments where the Commission is provided virtually no access to information. The lack of access to such information prevents the Commission from conducting its assessment of key matters within the scope of the Commission's mandate. Certain representatives of the County have indicated that they believe a review of the investments of the Plans is outside the scope of the Commission report. We disagree:

1. **The Commission is charged with a report on the actuarial assumptions.** It is reasonable that such report would assess and understand the reasonableness of the assumptions used, as those assumptions drive the most important measures in evaluating the status and overall financial health of the Plans. A key assumption, if not the most important, is the estimated return of the investments held by the Plans. Approximately 28% of the Plans' investments are made through investments that do not provide public reporting, or disclosures, that are meaningful to assess the risks and potential returns. The Commission is not provided with any offering memoranda, analysis of investment risks, strategies, assets or the many other factors that would allow the Commission to assess whether the projected returns on these investments is reasonable. It would appear that proper oversight would allow a full and robust assessment of investments that form the basis for key actuarial assumptions.
2. **The Commission is charged with a report on statement of revenues and investment earnings.** Returns on private investments, such as hedge funds, private equity and real estate, can be quite complex, and rely heavily on unrealized gains based on valuation of Level 3 assets. While the audit report summarizes broad categories of investment returns, it does not provide the Commission with substantial information to assess whether the valuation methodologies are reliable, or whether the reported returns truly reflect underlying performance of the private non-publicly reporting investments. The Commission is not provided access to investor reports or financial statements for private investments, nor any other investor communications. For this report, the Commission requested, in December 2018, to speak with the auditor and the Plans' investment manager to gain further information, but the request was never fulfilled, and we understand the Plans' were evaluating whether to provide access. It is noteworthy that access to such service providers has routinely been provided in prior years across multiple administrations. While the financial statements are audited, audits are not bullet proof and if the legislature intended to rely entirely on the audit for a report on the financial performance of the Plans, it would not have included language in the oversight statute for the Commission seeking an independent report on financial performance. It would appear that proper oversight would allow a full and robust assessment of the reliability of financial returns for the Plans, including details of all investments, not just publicly-reporting investments.

3. **The Commission is charged with a report on the cost of the Plans, including an analysis of fees, commissions and expenses.** While some information is available to the Commission through public information, key information remains unknown, such as the level of underlying fees charged in fund of funds vehicles and details of fee sharing arrangements, such as the mechanics of hurdle rates, clawbacks, earnouts, or other forms of compensation to managers. Given the notable focus on improper fees indicated in the recent SEC release⁶, it would appear that proper oversight would include a full and complete understanding of fee and expense arrangements.

4. **The Commission is charged with a report on an evaluation of the administration of the Plans.** The Plans are administered by the County and the County has delegated authority to a Retirement Plan Committee. The Merriam-Webster dictionary defines “administration” to include (i) the performance of executive duties, (ii) a body of persons who administer. Effectively, all executive decisions regarding the Plans are made by a body of individual fiduciaries operating as the two Retirement Plan Committees. These individuals make all decisions on investments through the power delegated by the County. The Commission is unable to evaluate how these committees make their investment decisions on private investments, what is considered, what questions are asked, what is not asked, what role the investment manager plays, legal counsel, etc. There is limited transparency to the Commission and the public. Further, the Retirement Plan Committees can establish processes and procedures for administration of the Plans, presumably including how investments are made and monitored. In December of 2018, we requested from the County numerous items including “[a] comprehensive compilation of all adopted policies, procedures and processes used in connection with the administration of the Plans.” The response to that request, was that the items requested “cannot be provided since it does on (sic) exist in the requested form. However, the processes and procedures of the plan administration are reviewed annually when the plan is audited.” Thus, despite the requirement in the Code that the Commission report on an evaluation of the administration of the Plans, the County seemingly has decided that the auditor review is sufficient for processes and procedures. Further, rather than providing what it could provide in some, or any, form, in response to the Commission’s request, the response was that nothing would be provided. It would appear that proper oversight of the plans would allow access and review of investments, including investment policies and procedures.

⁶ See Footnote 5 above