



Pension Oversight Commission

June 30, 2026

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


Mr. Opel Jones, Chairperson  
Howard County Council  
3430 Court House Drive  
Ellicott City, MD 21043

Dear Dr. Ball and Ms. Jones:

Enclosed for your review, is 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 2025, ending June 30, 2025.

Please feel free to contact us, should you have any questions.

Sincerely,

DocuSigned by:  
  
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Jae Chon  
Chair

cc: Mr. Dave Jordan, Commission Member  
Mr. Lou Hutt, Jr., Commission Member  
Ms. Michelle RhodesBrown, Commission Member  
Mr. Ira Greenstein, Commission Member  
Mr. Anish Bedi, Commission Member  
Ms. Anju A. Bennett, Chair, Retirement Plan Committees  
Mr. Scott Southern, Howard County  
Mr. Gary Kuc, Howard County

# ANNUAL REPORT BY THE HOWARD COUNTY PENSION OVERSIGHT COMMISSION FOR THE FISCAL YEAR ENDED JUNE 30, 2025

## **Introduction**

The Howard County Pension Oversight Commission (the “Commission”) hereby submits an 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, 2025. This report includes:

- A. Actuarial Review
- B. Investment Review
- C. Plan Cost Analysis
- D. Administration Review
- E. Commission Recommendations

## **Actuarial Review**

### **Introduction**

The Howard County Retirement Plan and the Howard County Police and Fire Employees’ Retirement Plan are defined benefit pension plans. The amount of benefit paid under a defined benefit plan is determinable by a stated plan formula. Benefits to eligible members are paid upon retirement, termination, disability, and death.

As a government employer, Howard County has the option of funding for the benefits as they become payable (pay-as-you-go) or funding for the benefits in advance based upon what benefits are expected to be payable (pre-funding). Most government employers prefund their defined benefit plans. Pre-funding is desirable for several reasons, including:

- It is unfair to expect future taxpayers to pay for benefits being earned by current employees.
- The accumulation of assets in a trust fund helps ensure money will be available to provide for benefits as they become payable.
- Investment earnings may help reduce future costs.

## **Annual Actuarial Valuation Report**

As part of the decision to pre-fund, a determination must be made as to the appropriate level of annual contribution necessary to meet future benefit commitments. This determination is known as the annual actuarial valuation report. Bolton has been retained to complete the calculations supporting the contribution recommendations presented in the report.

The Commission has reviewed the Actuarial Valuation Reports for both the Howard County Retirement Plan and the Howard County Police & Fire Employees' Retirement Plan dated July 1, 2025.

The report covered the following information as it pertains to each plan:

- Executive summary with recommendations for the plan
- Determination of the county contributions
- Valuation of plan assets
- Summary of participant data
- Summary of plan provisions
- A description of the Actuarial Methods and Assumptions used in the report.

## **County Contributions**

One objective of the valuation report is to determine the ADC or Actuarially Determined Contribution. The ADC is the amount that if contributed consistently and combined with investment earnings would be sufficient to pay promised benefits in full over the long term. Below outlines the ADC recommended for the Plans.

For the Howard County Retirement Plan, the ADC increased as a dollar amount and had a slight decrease in percentage of total payroll. A mix of a gain in investment income and a slight loss in liabilities primarily due to larger than expected salary increases for active employees and higher retiree COLAs led to the change in the ADC. The ADC for the Howard County Police & Fire Employees Retirement Plan increased as a dollar amount but also had a slight decrease in percentage of total payroll. The plans' over performance in assets was offset by larger than expected salary increases for active employees.

Plan	2024 Valuation for FY26	Recommended Percentage of Payroll FY27	2025 Valuation for FY27	Recommended Percentage of Payroll FY27
Howard County Retirement Plan	\$24,230,780	13.4%	\$25,785,511	13.3%
Police and Fire Employees' Retirement Plan	\$41,506,530	36.7%	\$43,545,201	36.6%

The ADC's for the plan are based on a number of assumptions, including investment return, inflation, and other actuarial determined assumptions that are presented in the valuation report to the Retirement Plan Committee (RPC) for review and consideration. The County upon recommendation from the RPC has consistently made contributions as a percentage of payroll that have been at or in excess of the ADC determined by Bolton. The chart below reflects the trailing five-year County contributions expressed as a percentage of payroll.

<b>Fiscal Year</b>	<b>Howard County Retirement Plan Recommended ADC</b>	<b>Effective Contribution Howard County Retirement Plan</b>	<b>Police &amp; Fire Employees' Retirement Plan Recommended ADC</b>	<b>Effective Contribution Police &amp; Fire Employees' Retirement Plan</b>
2026	13.4%	13.4%	36.7%	36.7%
2025	13.1%	13.1%	36.0%	36.0%
2024	10.5%	12.3%*	32.1%	35.3%*
2023	9.7%	10.8%*	34.2%	34.8%*
2022	11.7%	11.8%*	35.8%	35.8%

\*Contribution Rate was higher than the ADC

### **Actuarial Funding Method**

The actuarial funding method used in the valuation reports prepared by Bolton is the Projected Unit Credit Cost Method (PUC). The recommended contribution equals the sum of the normal cost and the amount necessary to amortize the unfunded liabilities according to the amortization policy. Amortization payments increase 2.75% annually. Active plan amendments are amortized over the lesser of average future service and 15 years. Inactive plan amendments are now amortized over the lesser of average life expectancy and 10 years. The PUC funding method appears to be appropriate for these plans currently.

The table below shows the change in the Plans' funded ratio from the last valuation:

<b>Plan</b>	<b>FY 2024 Funded Ratio</b>	<b>Actuarial Unfunded Liability (\$)</b>	<b>FY 2025 Funded Ratio</b>	<b>Actuarial Unfunded Liability (\$)</b>
Howard County Retirement Plan	91.9%	\$58,710,732	92.6%	\$56,798,933
Police and Fire Employees' Retirement Plan	88.6%	\$117,462,687	90.1%	\$107,743,024

## Actuarial Asset Method

The actuarial asset method selected must reflect the market value of assets. There are a number of asset methods, including market value, smoothed value, discounted cash flow, and book value. The method chosen will result in different impacts on the recommended contribution. A market value method will result in contributions increasing/decreasing as plan assets decrease/increase. A smoothed asset method will distribute market value gains and losses over a period of time, smoothing the increases/decreases in the recommended contribution.

The actuarial asset method used in the valuation is the smoothed asset method. Gains and losses are spread over a five-year period. The actuarial values of assets used by Bolton can be no less than 50% of the market value of assets and no more than 150% of the market value of assets. As such, the recommended contribution will not increase as significantly if the investment return is less than assumed. Likewise, the recommended contribution will not decrease significantly if the investment return is greater than assumed. This results in a more stable recommended contribution level. The five-year asset smoothing method appears to be appropriate for these plans at this time.

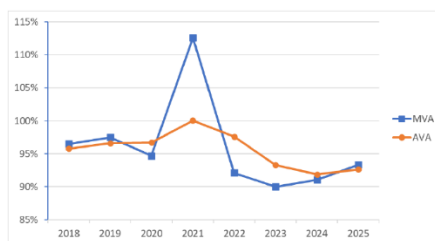
The charts below included in the January 21, 2026 actuarial valuation results presentation and the actuarial valuation full report from Bolton, illustrate how utilizing the smoothing method decreases volatility in the funded status of the retirement plans. The charts show that the market value of assets can vary wildly from one year to the next. By using the actuarial value of the assets, the County can minimize the impact to the funded ratio and stabilize the ADC in an effort to have a more predictable budgetary impact.

In addition, the charts show that over a longer horizon, investment returns can fluctuate but the rates of return on the actuarial value of assets have been within an acceptable range of the plans' investment return assumption and the committee's effort to continually monitor the investment return assumption.



### Employees Plan

Historical Funded Status



Historical Investment Returns



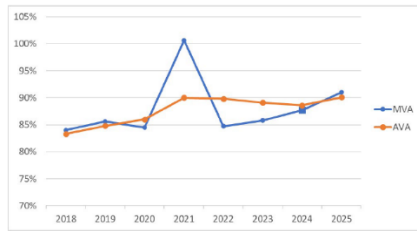
## Summary of Funding Progress

Valuation Date	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded (1) / (2)	Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)	Assumed Return as of Valuation Date
7/1/2015	353,643,683	377,130,985	93.8%	23,487,302	101,084,710	23.2%	7.50%
7/1/2016	378,013,335	400,511,707	94.4%	22,498,372	108,629,633	20.7%	7.50%
7/1/2017	410,364,203	430,966,335	95.2%	20,602,132	112,610,325	18.3%	7.50%
7/1/2018	444,806,500	464,096,773	95.8%	19,290,273	118,293,181	16.3%	7.45%
7/1/2019	473,916,694	490,694,433	96.6%	16,777,739	120,927,565	13.9%	7.40%
7/1/2020	504,722,445	521,857,041	96.7%	17,134,596	127,047,877	13.5%	7.35%
7/1/2021	560,095,647	557,115,711	100.5%	(2,979,936)	131,026,235	-2.3%	7.25%
7/1/2022	597,861,529	612,745,199	97.6%	14,883,670	136,333,542	10.9%	7.25%
7/1/2023	626,539,950	671,177,385	93.3%	44,637,435	145,495,946	30.7%	7.15%
7/1/2024	664,152,213	722,862,945	91.9%	58,710,732	163,669,880	35.9%	7.15%
7/1/2025	715,005,516	771,804,449	92.6%	56,798,933	177,836,087	31.9%	7.15%



## Police & Fire Plan

Historical Funded Status



Historical Investment Returns



## Summary of Funding Progress

Valuation Date	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded (1) / (2)	Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)	Assumed Return as of Valuation Date
7/1/2015	432,178,934	528,450,952	81.8%	96,272,018	62,709,059	153.5%	7.50%
7/1/2016	468,532,092	574,445,462	81.6%	105,913,370	63,703,392	166.3%	7.50%
7/1/2017	516,832,773	625,923,529	82.6%	109,090,756	68,184,464	160.0%	7.50%
7/1/2018	567,208,064	680,870,945	83.3%	113,662,881	69,130,510	164.4%	7.45%
7/1/2019	613,994,576	723,693,753	84.8%	109,699,177	72,763,780	150.8%	7.40%
7/1/2020	660,266,552	768,071,460	86.0%	107,804,908	75,432,134	142.9%	7.35%
7/1/2021	739,199,104	821,136,660	90.0%	81,937,556	78,748,795	104.0%	7.25%
7/1/2022	799,437,259	889,964,934	89.8%	90,527,675	81,332,064	111.3%	7.25%
7/1/2023	847,500,593	951,338,101	89.1%	103,837,508	94,719,393	109.6%	7.15%
7/1/2024	908,457,353	1,047,248,641	86.7%	138,791,288	101,108,707	137.3%	7.15%
7/1/2025	984,529,309	1,092,272,333	90.1%	107,743,024	107,708,063	100.0%	7.15%

## **Assumption Changes**

Bolton conducts the Actuarial Valuation review of the “Plans” experience over the last fiscal year. Bolton utilizes assumptions along with the experience to determine the cost to the County to keep the Plan funded in order to pay benefits into the future. If the experience dictates a change in the assumptions Bolton will recommend that the Retirement Plan Committee adopt new assumptions. No assumption changes were recommended for this valuation period

Every year the Committee reevaluates the Investment Return Assumption to see if it is appropriate with recent market activity. Since investments can be volatile from year to year and across the different asset classes that are in the portfolio, this assumption is closely monitored. It was determined that the current investment return assumption of 7.15% remains within an acceptable range based on the plans current investment policy. The Committees will continue to reevaluate this assumption on an annual basis and recommend adjustments if the assumption does not align with expected returns.

## **ANNUAL INVESTMENT REVIEW**

The net assets of the Howard County Retirement Plan and the Howard County Police and Fire Employees Retirement Plan are combined in a master trust (the Master Trust). The following represents an investment review of the combined Master Trust assets for the fiscal year ending June 30, 2025.

### **MASTER TRUST NET ASSETS**

The 2025 fiscal year saw another year where investment returns outperformed the plans investment return assumption, by continuing to have strong equity returns and strong outperformance by Hedge Funds and Private Debt versus the index. Total Master Trust net assets as of fiscal year-end were \$1.7 billion. The gain of 9.9% placed the combined Master Trust in the 68<sup>th</sup> percentile for the fiscal year as compared to other public funds of its size. During the past three-year fiscal period, the annualized gain of 9.4% placed the fund in the 52<sup>nd</sup> percentile ranking versus other Public Funds in its peer group and is above the plans 7.15% discount rate.

The Howard County Retirement Plan net assets increased during the period from \$658 million to \$720 million. The net investment gain for the period was \$65 million. The Retirement Plan represented about 42% of Master Trust net assets as of June 30, 2025.

The Howard County Police & Fire Employees Retirement Plan net assets increased during the period from \$899 million to \$993 million. The net investment gain was \$91 million for the period after investment management fees. The Police and Fire Plan comprised about 58% of Master Trust net assets as of June 30, 2025.

## ASSET ALLOCATION SUMMARY

The following table compares asset class allocations with Investment Policy targets and acceptable ranges as of June 30, 2025. All asset classes at fiscal year-end were within the range of acceptable long-term policy guidelines at fiscal year-end:

Asset Class	Total Plan	Target Policy %	Range %
U.S. Equity	29.2	23	18-28
Int'l Equities	10.9	10	5-15
Int'l Emerging Markets	5.6	6.0	0-10
<b>EQUITY</b>	<b>45.7</b>	<b>42</b>	<b>32-52</b>
Private Equity	11.9	13	8-18
Private Debt	4.0	5	0-10
Hedge Funds	8.2	8	3-13
<b>ALTERNATIVE INV</b>	<b>24.1</b>	<b>24.5</b>	<b>19-30</b>
Core/Non-Core Real Estate	3.1	4	2-6
Other Real Assets	1.1	4	0-8.5
<b>REAL ASSETS</b>	<b>4.3</b>	<b>6.0</b>	<b>2-11</b>
Core Fixed Income/Tips	16.7	17.5	12.5-27.5
Absolute Return Fixed Income	3.7	4	0-9
Global Multi-Sector	2.2	2	0-8
High Yield	2.7	2.5	0-8.5
<b>FIXED INCOME</b>	<b>25.3</b>	<b>26</b>	<b>13-33</b>
<b>CASH EQUIVALENTS</b>	<b>0.8</b>	<b>0.0</b>	<b>0-5</b>

## NEW INVESTMENTS

In Fiscal Year 2025 The Retirement Plan Committees continued to diversify the “Plans” portfolio by approving investments in seven new strategies including one strategy that replaced the existing international equity manager, Ballie Gifford. Continued poor performance led to the replacement. The Fund Names and commitments for the new investments are listed below:

Fund Name	Investment	Type
Hildred Equity Partners II	\$ 15 Million	Private Equity
Vista Foundation Fund V	\$ 10 Million	Private Equity
Backcast Credit Opportunities II	\$ 15 Million	Private Debt
MFS International Equity	\$ 75 Million	International Equity Replacing Ballie Gifford
Digital Alpha Fund III	\$ 20 Million	Real Assets
Arlington Capital Partners Fund VII	\$ 15 Million	Private Equity
Nova Infrastructure Fund II	\$ 20 Million	Real Assets

Each of the new investments are direct investments. This allows the County to continue to diversify the portfolio while eliminating a layer of fees that are associated with non-direct types of investment opportunities.

## **PLAN COST ANALYSIS**

The operating cost for the Howard County Retirement Plan in the fiscal year totaled \$34,608,516. Included in the costs were \$32,499,645 for plan benefit payments. The remaining expenses came from Investment \$1,416,547 and administrative services of \$692,324.

The operating cost for the Howard County Police and Fire Employees' Retirement Plan in the fiscal year totaled \$49,809,104. Included in the costs were \$47,057,615 for plan benefit payments. The remaining expense came from Investment: \$1,985,443 and Administration: \$766,046.

The chart below outlines the administrative cost to the Plans which the Commission feels are reasonable based on the size of the plan.

<b>Service</b>	<b>Retirement Plan</b>	<b>Police &amp; Fire Employees' Plan</b>
Actuarial Services	\$125,105	\$148,297
Attorney Fees	\$83,732	\$129,968
Plan Salaries	\$426,473	\$426,473
Fiduciary Insurance	\$29,476	\$36,096
Travel & Training	\$7,375	\$4,659
Investment Consultant	\$146,000	\$146,000
Audit Fees	\$20,460	\$20,460
Seminar/ Printing Fees	\$92	\$93
<b>Total</b>	<b>\$838,713</b>	<b>\$912,046</b>

## **Investment Costs**

A recent fee study analysis conducted by NEPC compares the Plans fees versus the Universe Median and provided insight into the reasonableness of cost for some of the Plan's investments. In many cases the fees the Plans are paying to investment managers ranked in the top quartile.

<b>Domestic Equity</b>	<b>HC Fee</b>	<b>Universe Median</b>	<b>Universe Ranking</b>
LSV – Large Cap Value	0.42%	0.60%	10
Westfield – Large Cap Growth*	0.25%	0.65%	2
Blackrock Non-Lendable – Large Cap	0.02%	0.05%	1
William Blair - SMA	0.86%	0.85%	50
William Blair – S/C Value R6	0.79%	0.95%	12
Brown Capital - Small Growth*	0.25%	0.90%	1

International Equity	HC Fee	Universe Median	Universe Ranking
Mondrian - Int'l Equity	0.48%	0.70%	18
GQG EM Equity	0.70%	0.85%	23
Arga EM Equity	0.70%	0.85%	23

Fixed Income	HC Fee	Universe Median	Universe Ranking
Dodge & Cox - Core Fixed	0.24%	0.30%	20
State Street U.S. Aggregate Bond Index*	0.02%	0.09%	1
State Street U.S. Treasury Index*	0.02%	0.04%	1
State Street – TIPS*	0.02%	0.04%	1
Payden - Absolute Return	0.48%	0.65%	18
Artisan – HY	0.68%	0.50%	90
Loomis Multisector Fixed Income	0.36%	0.40%	25

The nature of Private Equity funds makes benchmarking fees very difficult. NEPC’s long standing relationships with these fund managers often lead to a negotiated discounted fee structure.

In the recent past the Plans have switched to investing in more direct investment managers to limit the layering of fees that come with investing in a fund of funds strategy.

Given the information provided, the Commission believes that the Plans are operating with reasonable fees for the services provided.

## **PLAN ADMINISTRATION**

The Howard County Retirement Plan and the Howard County Police and Fire Employees’ Retirement Plan are administered by the Joint Retirement Plan Committees (the “Committees”). The Committees delegate day-to-day operations to the Retirement Unit within the County’s Office of Human Resources. Committee members serve as fiduciaries of the Plans and are therefore obligated to act in the best interests of plan participants and beneficiaries.

The Committees meet ten times annually to evaluate the overall health and performance of the Plans. During this fiscal year, they also convened two special meetings. The Committees updated their bylaws to modernize language and procedures and adopted minor revisions to the Investment Policy Statement to better align with the Plans’ forward-looking investment strategy.

In addition, members received training on compliance with the Maryland Open Meetings Act. NEPC provided updates on market volatility following the U.S. tariff actions in April.

During the year, the Committees replaced a consistently underperforming investment manager, Baillie Gifford, reallocating approximately \$75 million to MFS International Equity. The Committees also continued to closely monitor the performance of small-cap investment manager Brown Capital.

In November, NEPC informed the Committees of its merger with Hightower Investment Advisors. The merger is expected to enhance NEPC's resources and capabilities. Howard County's dedicated investment advisory team also received retention incentives, helping to ensure continuity in the near term.

The Committees considered a securities litigation matter involving ASML Holding N.V., presented by their portfolio monitoring firm, Robbins Gellar. They determined it was in the best interest of the trust to seek appointment as lead plaintiff in order to recover potential investment losses. Although the Committees authorized participation, the master trust was not selected as lead plaintiff due to other plans having incurred greater losses.

The Committees review the annual actuarial valuation presented by Bolton and assess the reasonableness of key assumptions. They also consider whether adjustments are needed to improve the Plans' financial health or mitigate investment risk. The discount rate remained unchanged for this fiscal year but is reviewed at least annually and has been adjusted in prior years to remain consistent with long-term return expectations.

Both retirement plans were audited by CliftonLarsonAllen. The auditors reported no difficulties and identified no corrected misstatements.

## **Commission Recommendations**

Overall, the Pension Oversight Commission accepts the recommendations of the actuaries regarding the ADC, for both the Retirement Plan and the Police and Fire plans, and continuation of the current targets and assumptions. That stated, however, the Commission notes several areas of concern for the County to closely monitor, in addition to reviewing the results of the experience study during the upcoming year.

The Commission recommends that the Joint Retirement Plan Committees remain highly vigilant regarding the compounding impacts of inflation. Recent experience shows that inflation acts as a dual pressure on the Plans—simultaneously driving up liabilities through higher-than-expected active employee salary increases and elevated retiree Cost-of-Living Adjustments (COLAs), while potentially compressing real, inflation-adjusted investment returns over the long term. To safeguard the recent improvements in the Plans' funded ratios and mitigate budgetary volatility

for the County, the Committees should actively evaluate how persistent inflationary pressures affect future Actuarially Determined Contributions (ADC) and regularly stress-test how traditional diversifiers react to sudden interest rate spikes, particularly given recent positive asset class correlations.

The Committees should also take care to ensure that the Plan's investment allocations remain within the acceptable range set forth in the committees Invest Policy Statement. It should be noted that at the end of fiscal year 25 the allocation to US Equities at 29.2% was slightly higher than the policy range of 18-28%.