

Introduced by: President Young, Henry, Middleman, J. C. Castello, Purcell

Prepared by: Department of Legislative Reference

Date: October 10, 2018

Referred to: JUDICIARY AND LEGISLATIVE INVESTIGATIONS Committee

Also referred for recommendation and report to municipal agencies listed on reverse.

DORSEY
Barnett
Wm
Stokes
Sreed
Clarke
Pisinger
Schleifer

CITY COUNCIL 18-0105R

WITHDRAWN

A RESOLUTION ENTITLED

A CITY COUNCIL RESOLUTION concerning

Legislative Oversight Hearing – Employees’ Retirement System and Retirement Savings Plan

FOR the purpose of requesting the Employees’ Retirement System Board of Trustees chairs and members from the current term of office and last term of office and the Retirement Savings Plan Board of Trustees chairs and members from the current term of office and last term of office, the current and preceding executive directors of the Employees’ Retirement System and the Retirement Savings Plan, the Operations Manager of the Retirement Savings Plan, the Chief Investment Officer of the Employees’ Retirement System, and the City Solicitor to report to the City Council on the workings of the Employees’ Retirement System and the Retirement Savings Plan; to clarify how pension funds are managed; and to identify measures that can be implemented to make both the Employees’ Retirement System (“ERS”) and the Retirement Savings Plan (“RSP”) more transparent to the employees of Baltimore City.

(Handwritten signatures and initials)
Marty Blake
Robert Stokes
A. J. M.
Edward Berry

****The introduction of an Ordinance or Resolution by Councilmembers at the request of any person, firm or organization is a courtesy extended by the Councilmembers and not an indication of their position.**

Agencies

- Baltimore City Public School System
- Baltimore Development Corporation
- City Solicitor
- Comptroller's Office
- Department of Audits
- Department of Finance
- Department of General Services
- Department of Housing and Community Development
- Department of Human Resources
- Department of Planning
- Other: *Employees' Retirement System*
- Other: *Office of the Inspector General*
- Other: *Retirement Savings Plan Board of Trustees*
- Department of Public Works
- Department of Real Estate
- Department of Recreation and Parks
- Department of Transportation
- Fire Department
- Health Department
- Mayor's Office of Employment Development
- Mayor's Office of Human Services
- Mayor's Office of Information Technology
- Office of the Mayor
- Police Department
- Board of Estimates
- Board of Ethics
- Board of Municipal and Zoning Appeals
- Comm. for Historical and Architectural Preservation
- Commission on Sustainability
- Employees' Retirement System
- Board of Environmental Control Board
- Fire & Police Employees' Retirement System
- Labor Commissioner
- Parking Authority Board
- Planning Commission
- Wage Commission
- Other:
- Other:
- Other:
- Other:
- Other:
- Other:

Boards and Commissions

- Board of Estimates
- Board of Ethics
- Board of Municipal and Zoning Appeals
- Comm. for Historical and Architectural Preservation
- Commission on Sustainability
- Employees' Retirement System
- Environmental Control Board
- Fire & Police Employees' Retirement System
- Labor Commissioner
- Parking Authority Board
- Planning Commission
- Wage Commission
- Other:
- Other:
- Other:
- Other:
- Other:

City of Baltimore

City Council
City Hall, Room 408
100 North Holliday Street
Baltimore, Maryland
21202

Meeting Minutes - Final

Judiciary and Legislative Investigations

Wednesday, October 24, 2018

5:00 PM

Du Burns Council Chamber, 4th floor, City Hall

18-0105R
CHARM TV 25

CALL TO ORDER

INTRODUCTIONS

ATTENDANCE

- Present** 5 - Member Eric T. Costello, Member Mary Pat Clarke, Member Leon F. Pinkett III, Member John T. Bullock, and Member Robert Stokes Sr.
- Absent** 2 - Member Edward Reisinger, and Member Brandon M. Scott

ITEMS SCHEDULED FOR PUBLIC HEARING

18-0105R

Legislative Oversight Hearing - Employees' Retirement System and Retirement Savings Plan

For the purpose of requesting the Employees' Retirement System Board of Trustees chairs and members from the current term of office and last term of office and the Retirement Savings Plan Board of Trustees chairs and members from the current term of office and last term of office, the current and preceding executive directors of the Employees' Retirement System and the Retirement Savings Plan, the Operations Manager of the Retirement Savings Plan, the Chief Investment Officer of the Employees' Retirement System, and the City Solicitor to report to the City Council on the workings of the Employees' Retirement System and the Retirement Savings Plan; to clarify how pension funds are managed; and to identify measures that can be implemented to make both the Employees' Retirement System ("ERS") and the Retirement Savings Plan ("RSP") more transparent to the employees of Baltimore City.

Sponsors: President Young, Bill Henry, Sharon Green Middleton, Brandon M. Scott, Eric T. Costello, Leon F. Pinkett, III, Ryan Dorsey, Kristerfer Burnett, Zeke Cohen, Robert Stokes, Sr., Shannon Sneed, Mary Pat Clarke, Edward Reisinger, John T. Bullock, Isaac "Yitzy" Schleifer

Hearing recessed. Additional hearings may be scheduled at a later date.



HEARING NOTES

City Council Resolution: 18-0105R

Legislative Oversight Hearing - Employees' Retirement System and Retirement Savings Plan

Committee: Judiciary and Legislative Investigations

Chaired By: Councilmember Eric Costello

Hearing Date: October 24, 2018
Time: 5:00 PM to 6:00 PM
Location: Clarence "Du" Burns Chamber
Total Attendance: ~40
Committee Members in Attendance:
Eric Costello John Bullock Mary Pat Clarke
Leon Pinkett Robert Stokes

- Bill Synopsis in the file? yes no n/a
- Attendance sheet in the file? yes no n/a
- Agency reports read? yes no n/a
- Hearing televised or audio-digitally recorded? yes no n/a
- Certification of advertising/posting notices in the file? yes no n/a
- Evidence of notification to property owners? yes no n/a
- Final vote taken at this hearing? yes no n/a
- Motioned by: n/a
- Seconded by: n/a
- Final Vote: n/a

Major Speakers

(This is not an attendance record.)

Henry Raymond, Employees' Retirement System and Retirement Savings Plan
Andre Davis, City Solicitor
Hilary Ruley, Law Department

Major Issues Discussed

- 1) Chairman Costello opened the proceedings and introduced the Council members in attendance.
- 2) President Young discussed the reasons for the resolution and goals for the hearing. Specifically, the goals were to ensure that retirement funds are safe, that measures have been taken to address the recent Inspector General findings, and that no extraneous employees are improperly hired in the future.
- 3) Chairman Costello confirmed that all appropriate officials were in attendance. Henry Raymond and Comptroller Pratt appeared on behalf of the Employee Retirement System (ERS) and Retirement Savings Plan (RSP) Boards of Trustees. The ERS and RSP Executive Director position is currently vacant. David Randall appeared as the Acting Executive Director for the ERS. Corey Robey appeared as the RSP Administrator and Operations Manager. The ERS Chief Investment Officer position is vacant.
- 4) Henry Raymond gave a presentation on the ERS and RSP, and the steps taken or planned to address the recent Inspector General findings (presentation in file).
- 5) Councilmembers in attendance asked the following questions:
 - a) Why do the ERS and RSP need separate Executive Directors moving forward? Mr. Raymond indicated that the RSP Administrator position would be reclassified as Executive Director, so there would not be a new hire as a result of the change.
 - b) What process was used to hire the former ERS Chief Investment Officer; were background, financial, and residency checks done; and was the position advertised? Mr. Raymond and the Law Department indicated that they could not discuss the matter publicly because of legal restrictions regarding personnel matters. The Law Department will provide additional information to the Committee to the extent allowed by state law.
 - c) The issues identified by the Inspector General relate to the misuse of funds, rather than theft? Mr. Raymond confirmed that that was correct.
 - d) How many investment professionals were on staff at the ERS in 2015-16, and how long have those positions been vacant? Mr. Raymond did not have the information available, but said he would follow-up to provide that information to the committee.
 - e) How does the ERS Board perform its investment oversight function without investment professionals on staff? The Board relies on an outside financial advisor (Marquette) for guidance, updates on investment performance, and reallocations.
 - f) When will the current vacancies be filled, and what process is being used? Mr. Raymond indicated that the vacancies will be filled as soon as possible, and that he would send additional details about the process to the Committee.
 - g) Is a Chief Investment Officer needed? Mr. Raymond stated that the goal is to hire a new Executive Director with the background to perform the Chief Investment Officer functions.
 - h) Where do funds in forfeiture accounts come from? When employees leave before vesting, the City takes back the money that it contributed to the employee's retirement savings. Those funds can be reused to offset future City contributions or for administrative expenses.

- i) How much is in forfeiture accounts now? Mr. Raymond did not have an exact figure, but stated that it is in the hundreds of thousands of dollars.
 - j) Are the ERS and RSP Boards required to meet, and how often? The Boards meet quarterly, and add special meetings when needed. Board members can be removed for frequent absences, but that has not been a problem in the past.
 - k) Is there currently a problem with City employees whose mandatory contributions should be taken out of their pay not having the contributions deducted? Has that been a problem in the past and, if so, how was it corrected? Mr. Raymond indicated that he would look into the issue and provide additional information to the Committee.
 - l) Is the ERS prohibited from investing in certain countries? Yes, and it will provide a list to the Committee.
- 6) Chairman Costello recessed the hearing without public testimony, and stated that the Committee intended to schedule a follow-up hearing at a later date.

Further Study

Was further study requested?

Yes No

If yes, describe.

The Committee requested the following additional information from the respective agencies:

1. ERS will send an outline of the process for hiring to fill the two vacant positions previously held by investment professionals (due by Friday, 10/26).
2. ERS will inform the committee how long the positions previously held by investment professionals have been vacant (due by Friday, 11/2).
3. The Law Dept. will provide information on whether the Chief Investment Officer position was advertised and, if so, what media/publications were used to advertise it, to the extent allowed under state law (due by Friday, 11/2).
4. The Law Dept. will provide the state law reference that prohibits the public discussion of personnel matters (due by Friday, 11/2).
5. ERS will report on how many City employees whose mandatory contributions should be taken out of their pay are not having the contributions deducted, whether the same issue has happened in the past, and, if so, how it was corrected (due by Friday, 11/2).
6. ERS will provide a list of countries that retirement funds cannot be invested in (due by Friday, 11/2).
7. ERS will report in three months on progress implementing the changes discussed in the presentation.

Committee Vote

E. Costello:.....
M. Clarke:.....
J. Bullock:.....
L. Pinkett:.....
E. Reisinger:.....
B. Scott:.....
R. Stokes:.....

Matthew Peters

Matthew L. Peters, Committee Staff

Date: October 24, 2018

cc: Bill File
OCS Chrono File

Legislative Oversight Hearing – Employees’ Retirement System and Retirement Savings Plan

October 24, 2018

Henry J. Raymond

Chief Financial Officer

Chairman, Retirement Savings Plan

Chairman, Employees’ Retirement System



Highlights



Overview

Findings

Steps Put in Place

Role of Financial Advisors and Plan Administrators

Overview

- The purpose of this hearing on City Council Resolution 18-0105R is to clarify how pension funds are managed, to identify measures that can be implemented to make both ERS and RSP more transparent to its stakeholders.
- The findings of the Office of the Inspector General (OIG) are important ones that relate to the misuse of City funds.
- The ERS and RSP Plans Participants Funds are stable, secure and safe and were not impacted by the situations described in the OIG report. Further, investment earnings were not impacted.
- The Plans have separate plan administrators and separate financial advisors.

Findings

- The Inspector General findings have no relation to plan participant accounts, contributions or investments.
- The misused funds were City funds, not plan participant funds.
- All plan participant funds are safe, secure and stable.

Steps Put in Place

The following steps that have been or are currently being put in place in the ERS and RSP Pension Plans:

- Currently Article 22A is being reviewed by the legal department with the intent to clarify certain sections of the document.
- All expenses associated with the plans will be paid through the City accounts payable system.
- Both pension plan boards will receive reporting of all activity within the plan expense accounts at least quarterly; including monitoring of operational expenses.
- Separate Executive Directors for each pension plan (ERS and RSP).

Marquette's Role

The Board selected Marquette to perform investment advisory services for the City of Baltimore Deferred Compensation and Retirement Savings Plans.

- The contract is effective from October 1, 2018 through September 30, 2023 with two successive one-year renewal options.
- As investment advisor for the plans, Marquette is responsible for the following items: reviewing the investment policy statement for the Pension Systems Savings and Deferred Compensation Plan, quarterly investment fund performance report, assisting the Board in investment fund search and selection, and investment option study.

Nationwide's Role

The Board selected Nationwide to perform non-discretionary recordkeeping and administrative services for the City of Baltimore Deferred Compensation and Pension System Plans.

- The contract is effective from July 1, 2018 through June 30, 2023 with two successive one-year renewal options.
- As record keeper for the plans, Nationwide is responsible for working with the Boards to establish an account for each plan participant, processing plan contributions, sending out quarterly statements, and processing distribution requests from Plan distributions.

QUESTIONS

City of Baltimore

City Council
City Hall, Room 408
100 North Holliday Street
Baltimore, Maryland
21202

Meeting Agenda - Final

Judiciary and Legislative Investigations

Wednesday, October 24, 2018

5:00 PM

Du Burns Council Chamber, 4th floor, City Hall

18-0105R
CHARM TV 25

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INTRODUCTIONS

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ITEMS SCHEDULED FOR PUBLIC HEARING

18-0105R

Legislative Oversight Hearing - Employees' Retirement System and Retirement Savings Plan

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Sponsors:

President Young, Bill Henry, Sharon Green Middleton, Brandon M. Scott, Eric T. Costello, Leon F. Pinkett, III, Ryan Dorsey, Kristerfer Burnett, Zeke Cohen, Robert Stokes, Sr., Shannon Sneed, Mary Pat Clarke, Edward Reisinger, John T. Bullock, Isaac "Yitzy" Schleifer

ADJOURNMENT

THIS MEETING IS OPEN TO THE PUBLIC

CITY OF BALTIMORE

CATHERINE E. PUGH, Mayor



OFFICE OF COUNCIL SERVICES

LARRY E. GREENE, Director
415 City Hall, 100 N. Holliday Street
Baltimore, Maryland 21202
410-396-7215 / Fax: 410-545-7596
email: larry.greene@baltimorecity.gov

BILL SYNOPSIS

Committee: Judiciary and Legislative Investigations

City Council Resolution 18-0105R

Legislative Oversight Hearing - Employees' Retirement System and Retirement Savings Plan

Sponsor: *President Young, et al*

Introduced: *October 15, 2018*

Purpose:

For the purpose of requesting the Employees' Retirement System Board of Trustees chairs and members from the current term of office and last term of office and the Retirement Savings Plan Board of Trustees chairs and members from the current term of office and last term of office, the current and preceding executive directors of the Employees' Retirement System and the Retirement Savings Plan, the Operations Manager of the Retirement Savings Plan, the Chief Investment Officer of the Employees' Retirement System, and the City Solicitor to report to the City Council on the workings of the Employees' Retirement System and the Retirement Savings Plan; to clarify how pension funds are managed; and to identify measures that can be implemented to make both the Employees' Retirement System ("ERS") and the Retirement Savings Plan ("RSP") more transparent to the employees of Baltimore City.

Effective: Upon Enactment.

Hearing Date/Time/Location: October 24, 2018/5:00 p.m./Clarence "Du" Burns Chamber

AGENCY REPORTS

Employees' Retirement System
Retirement Savings Plan Board of Trustees
Dept. of Finance
Inspector General
Office of the Comptroller
City Solicitor

ANALYSIS

Current Law

Article 22 of the Baltimore City Code established the City's retirement systems, including the Employees' Retirement System ("ERS"), Elected Officials' Retirement System, and the Fire and Police Employees' Retirement System.

Article 22, Section 5 created the Board of Trustees for the ERS and provided the Board with certain responsibilities and powers for administering the ERS. Under Article 22, Section 21, the Board of Trustees for the ERS also oversees the Elected Officials' Retirement System.

Article 22A of the Baltimore City Code established the City's Retirement Savings Plan ("RSP") and created a Board of Trustees to administer the Plan.

Background

The resolution requests that certain current and former officials of the ERS and RSP report to the City Council regarding the management of funds and measures that can be implemented to make the ERS and RSP more transparent.

A January 2018 article in the Baltimore Sun reported that the ERS had an unfunded liability of \$644 million, compared to a \$10 million surplus in the Elected Officials' Retirement System. The article also noted that the Fire and Police Employees' Retirement System, which is administered by its own Board of Trustees, had an unfunded liability of more than \$1 billion.

In September 2018 the Inspector General released a report finding that an official from the RSP had improperly used over \$218,000 from retirement forfeiture accounts to renovate the RSP offices. The Inspector General recommended amending Article 22A to define how forfeiture funds can be used. Additionally, the Inspector General recommended that the RSP Board of Trustees oversee all RSP expenses and consider adopting guidelines similar to those applicable to private employers under the Employee Retirement Income Security Act of 1974 as best practices for the RSP. The Inspector General also noted that two former RSP officials were no longer employed by the City.

In October 2018 the Inspector General released a report finding that a member of the ERS Board of Trustees had an undisclosed business relationship with an ERS official the Board member was significantly involved in hiring. The Inspector General also found conflicts of interest, absenteeism, and residency issues related to the individuals investigated. The

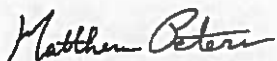
Baltimore Sun identified the Board member as former Chair Jerome Sanders and the official as former Chief Investment Officer Eliot Powell.

The Inspector General's Investigative Report Synopses are attached.

ADDITIONAL INFORMATION

Fiscal Note: None

Information Source(s): Baltimore City Code, Office of the Inspector General, Baltimore Sun, Resolution 18-0105R.



Analysis by: Matthew L. Peters

Analysis Date: October 22, 2018

Direct Inquiries to: (410) 396-1268

OFFICE OF THE INSPECTOR GENERAL CITY OF BALTIMORE



Isabel Mercedes Cumming
Inspector General

Investigative Report Synopsis

OIG Case # 2018-0871

Issued: September 12, 2018

CITY OF BALTIMORE

CATHERINE E. PUGH, Mayor



OFFICE OF INSPECTOR GENERAL

ISABEL MERCEDES CUMMING, Inspector General
640 City Hall
100 N. Holliday Street
Baltimore, Maryland 21202

September 12, 2018

Dear Citizens of Baltimore City,

The Office of the Inspector General (OIG) conducted an investigation regarding the improper use of funds related to retirement accounts by employees of the Retirement Savings Plan (RSP) as a result of a hotline request by a City Councilperson. What follows is the public synopsis of the Report of Investigation.

The mission of the OIG is to promote accountability, efficiency, and integrity in City government, as well as to investigate fraud, financial waste, and abuse in City government. The OIG investigation found that an official, at RSP, had approved \$218,213.20 from retirement forfeiture accounts to renovate RSP offices. The OIG found that the official did not follow proper procedures for obtaining approval for the use of the funds, withheld forfeiture fund accounting information from other City employees, disregarded explicit legal challenges by the former retirement plan administrator, and directed money to flow through three separate entities before paying the contractor for work performed.

The OIG interviewed members of the Board of Trustees, current and former retirement system employees, representatives for the former plan administrator, and the property management company for the building in which the RSP is located. The OIG obtained copies of invoices and checks to determine the amount paid and the path of the money.

The investigation determined that the official personally approved all expenses and the manner in which they would be paid. The OIG found little to no accountability and oversight in the use of retirement forfeiture account funds. Baltimore City Code, Article 22A permits forfeiture accounts be used for "reasonable Plan administrative expenses" or "to reduce the employer contribution . . . for the plan year in which the forfeiture occurred." The official made the determination unilaterally that the cost of renovations was reasonable and did not allow for proper discussions by the Board to take place. The OIG found no consideration for the second option to use forfeiture accounts to reduce the City's General Fund contribution toward the RSP. The expenses were not brought before the Board of Estimates, as was necessary, because of the amount spent.

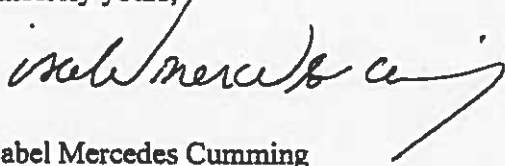
The OIG recommended making amendments to Article 22A to define specifically how retirement system forfeiture funds can be used. The OIG also recommended Board of Trustees oversight of all RSP expenses and consideration by the Board of adoption for the City of

guidelines similar to those applicable to private employers under the Employee Retirement Income Security Act of 1974, as best practice for the RSP.

The OIG consulted with the Baltimore City State Attorney's Office. The State Attorney declined the case for prosecution. Two officials formerly employed by RSP are no longer employed by the City of Baltimore.

The Mayor and the Board of Trustees concurred with the OIG findings.

Sincerely yours,



Isabel Mercedes Cumming
Inspector General

Cc: Hon. Catherine E. Pugh, Mayor of Baltimore City
Hon. Bernard C. Young, President, City Council
Hon. Joan M. Pratt, Baltimore City Comptroller
Honorable Members of the Baltimore City Council
Hon. Andre M. Davis, City Solicitor

OFFICE OF THE INSPECTOR GENERAL CITY OF BALTIMORE



Isabel Mercedes Cumming
Inspector General

Investigative Report Synopsis

OIG Case # 19-0030-I

Issued: October 4, 2018

CITY OF BALTIMORE

CATHERINE E. PUGH, Mayor



OFFICE OF INSPECTOR GENERAL

ISABEL MERCEDES CUMMING, Inspector General
640 City Hall
100 N. Holliday Street
Baltimore, Maryland 21202

October 4, 2018

Dear Citizens of Baltimore City,

The Office of the Inspector General (OIG) conducted an investigation regarding time and attendance fraud by an official of the Employees' Retirement System (ERS). The complaint was received from a Baltimore City Councilperson. During the investigation, the OIG also found conflicts of interest, residency issues, and a prior relationship between the ERS official and a member of the ERS Board of Trustees (Board). What follows is the public synopsis of the Report of Investigation.

The mission of the OIG is to promote accountability, efficiency, and integrity in City government, as well as to investigate fraud, financial waste, and abuse in City government. The OIG investigation found a high-ranking ERS official was frequently absent from the ERS office. Specifically, of 157 workdays from December 2017 to August 2018, the official was physically absent more than 60 percent of the time. The official claimed he worked remotely, however the OIG found no Telework Agreement in place.

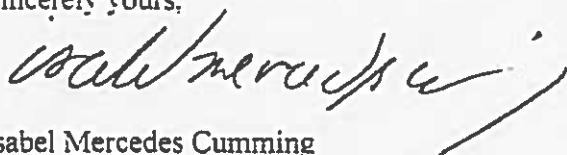
The OIG discovered that a member of the Board had recruited the official to the City. The Board member also sat on the interview panel and wrote many of the interview questions. The OIG investigation revealed that the two had a personal relationship and several business partnerships dating back to 1985. They are currently involved in several business ventures and have an office in the Baltimore area. The OIG reviewed disclosure forms and found that neither reported the other as a business partner. At no point in the hiring process, or anytime thereafter, did the official or Board member disclose their business relationship.

Additionally, the investigation revealed the ERS official and Board member are not domiciled in Baltimore City as required by Article IV of the City Charter. Each holds a Florida driver's license and one admitted to filing and paying taxes as a resident of Florida and the other intended to do so this year. The OIG learned the pair planned to share a rented apartment in Anne Arundel County when in Maryland.

The OIG also found that the official recommended that the ERS should invest no less than \$15 million into a fund managed by an investment firm with whom the official held personal investments. The official did not immediately recuse himself from the discussion surrounding the ERS investment. Prior to any deliberation conducted by the Board, the official confidentially sent an email to a representative of the management firm giving notice of the recommendation. The official did recuse himself from discussions of the investment after consulting with counsel.

The Mayor referred the OIG findings to the ERS Board of Trustees for corrective action. The ERS official is no longer employed by the City of Baltimore and the Board of Trustees member is no longer on the Board.

Sincerely yours,



Isabel Mercedes Cumming
Inspector General

Cc: Hon. Catherine E. Pugh, Mayor of Baltimore City
Hon. Bernard C. Young, President, Baltimore City Council
Hon. Joan M. Pratt, Comptroller of Baltimore City
Honorable Members of the Baltimore City Council
Hon. Andre M. Davis, City Solicitor



CITY OF BALTIMORE

CITY COUNCIL HEARING ATTENDANCE RECORD

Committee: Judiciary and Legislative Investigations

Chairperson: Eric Costello

Date: October 24, 2018

Time: 5:00 PM

Place: Clarence "Du" Burns Chambers

Subject: Resolution - Legislative Oversight Hearing - Employees' Retirement System and Retirement Savings Plan

CC Bill Number: 18-0105R

PLEASE PRINT

IF YOU WANT TO TESTIFY PLEASE CHECK HERE



FIRST NAME	LAST NAME	ST. #	ADDRESS/ORGANIZATION NAME	ZIP	EMAIL ADDRESS	TESTIFY	FOR	AGAINST	YES	NO	WHAT IS YOUR POSITION ON THIS BILL?	LOBBYIST: ARE YOU REGISTERED IN THE CITY?
John	Doe	100	North Charles Street	21202	Johndoenbmore@yahoo.com	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
Cynthia	McGann		1776 R St. NW # 800	20006	clm@smstlaude.com	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
Nancy	Ray		320 Saint Dunstons Rd Baltimore, MD	21212	nboydray@gmail.com	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
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(*) NOTE: IF YOU ARE COMPENSATED OR INCUR EXPENSES IN CONNECTION WITH THIS BILL, YOU MAY BE REQUIRED BY LAW TO REGISTER WITH THE CITY ETHICS BOARD. REGISTRATION IS A SIMPLE PROCESS. FOR INFORMATION AND FORMS, CALL OR WRITE: BALTIMORE CITY BOARD OF ETHICS, C/O DEPARTMENT OF LEGISLATIVE REFERENCE, 626 CITY HALL, BALTIMORE, MD 21202. TEL: 410-396-4730. FAX: 410-396-8483.

**CITY OF BALTIMORE
COUNCIL BILL 18-0105R
(Resolution)**

Introduced by: President Young, Councilmembers Henry, Middleton, Scott, Costello, Pinkett,
Dorsey, Burnett, Cohen, Stokes, Sneed, Clarke, Reisinger, Bullock, Schleifer

Introduced and read first time: October 15, 2018

Assigned to: Judiciary and Legislative Investigations Committee

REFERRED TO THE FOLLOWING AGENCIES: City Solicitor, Employees' Retirement System, Office
of Inspector General, Department of Finance, Office of the Comptroller, Retirement Savings Plan
Board of Trustees

A RESOLUTION ENTITLED

1 A COUNCIL RESOLUTION concerning

2 **Legislative Oversight Hearing – Employees' Retirement System**
3 **and Retirement Savings Plan**

4 FOR the purpose of requesting the Employees' Retirement System Board of Trustees chairs and
5 members from the current term of office and last term of office and the Retirement Savings
6 Plan Board of Trustees chairs and members from the current term of office and last term of
7 office, the current and preceding executive directors of the Employees' Retirement System
8 and the Retirement Savings Plan, the Operations Manager of the Retirement Savings Plan,
9 the Chief Investment Officer of the Employees' Retirement System, and the City Solicitor to
10 report to the City Council on the workings of the Employees' Retirement System and the
11 Retirement Savings Plan; to clarify how pension funds are managed; and to identify measures
12 that can be implemented to make both the Employees' Retirement System ("ERS") and the
13 Retirement Savings Plan ("RSP") more transparent to the employees of Baltimore City.

14 **Recitals**

15 The Employees' Retirement System Board of Trustees has fiduciary and plenary authority
16 over the administration of the Employees' Retirement System's programs and investments. The
17 Retirement Savings Plan Board of Trustees, formed in 2014, evaluates the investment
18 performance of the Retirement Savings Plan fund line-up on a quarterly basis and also initiates
19 and assesses the retirement readiness of Baltimore City's workforce.

20 Both systems hold significant sums of money, and there have been concerns about the
21 management of the systems. In January of 2018, the Baltimore Sun reported that the pension
22 fund for Baltimore City's elected officials, which is managed by the ERS Board, outperformed
23 the pension funds for both city workers and for police and firefighters, also managed by the ERS
24 Board. The pension fund for elected officials had a \$10 million surplus, while the pension fund
25 for City workers had an unfunded liability of \$644 million, and the pension fund for police and
26 firefighters had an unfunded liability of over \$1 billion.

27 In September 2018, the Inspector General released a report finding that an official from the
28 RSP approved \$218,213.20 from retirement forfeiture accounts to renovate the RSP offices. The
29 OIG recommended amending Article 22A to define how forfeiture funds can be used. The OIG

EXPLANATION: Underlining indicates matter added by amendment.
~~Strike-out~~ indicates matter deleted by amendment.

Council Bill 18-0105R

1 also recommended RSP Board of Trustees' oversight of all RSP expenses as well as
2 consideration by the Board of adoption for the City of guidelines similar to those applicable to
3 private employers under the Employee Retirement Income Security Act of 1974 as best practice
4 for the RSP.

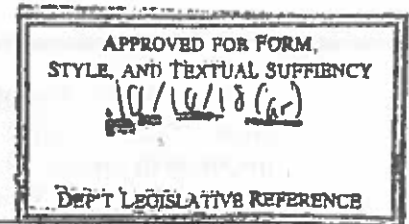
5 This month, the OIG's office released a report finding that a member of the ERS Board had
6 an undisclosed business relationship with an ERS official the Board member was significantly
7 involved in hiring. The OIG also found conflicts of interest, absenteeism, and residency issues
8 regarding the two individuals who were investigated. The Baltimore Sun published a front page
9 article on the investigation and delved into the decades-long business relationship between the
10 Board member and the ERS official.

11 It is of the utmost importance that Baltimore City employees trust the systems that manage
12 their pensions. Since there has been controversy surrounding both the ERS and the RSP, an
13 investigative hearing should be held so that former and current representatives of both systems
14 can explain how the systems manage pensions and how the systems are being reformed so that
15 past problems do not reoccur.

16 **NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF BALTIMORE,** That the City
17 Council requests that the Employees' Retirement System Board of Trustees chairs and members
18 from the current term of office and last term of office and the Retirement Savings Plan Board of
19 Trustees chairs and members from the current term of office and last term of office, the current
20 and preceding executive directors of the Employee Retirement System and the Retirement
21 Savings Plan, the operations manager of the Retirement Savings Plan, the Chief Investment
22 Officer of the Employees' Retirement System, and the City Solicitor report to the City Council
23 on the workings of the Employees' Retirement System and the Retirement Savings Plan; clarify
24 how pension funds are managed; and identify measures that can be implemented to make both
25 the Employees' Retirement System (ERS) and the Retirement Savings Plan (RSP) more
26 transparent to the employees of Baltimore City.

27 **AND BE IT FURTHER RESOLVED,** That a copy of this Resolution be sent to the Employees'
28 Retirement System Board of Trustees, the Retirement Savings Plan Board of Trustees, and the
29 Mayor's Legislative Liaison to the Baltimore City Council.

INTRODUCTORY*
CITY OF BALTIMORE
COUNCIL BILL _____ R
(Resolution)



Introduced by: President Young

A RESOLUTION ENTITLED

A COUNCIL RESOLUTION concerning

**Legislative Oversight Hearing – Employees’ Retirement System
and Retirement Savings Plan**

FOR the purpose of requesting the Employees’ Retirement System Board of Trustees chairs and members from the current term of office and last term of office and the Retirement Savings Plan Board of Trustees chairs and members from the current term of office and last term of office, the current and preceding executive directors of the Employees’ Retirement System and the Retirement Savings Plan, the Operations Manager of the Retirement Savings Plan, the Chief Investment Officer of the Employees’ Retirement System, and the City Solicitor to report to the City Council on the workings of the Employees’ Retirement System and the Retirement Savings Plan; to clarify how pension funds are managed; and to identify measures that can be implemented to make both the Employees’ Retirement System (“ERS”) and the Retirement Savings Plan (“RSP”) more transparent to the employees of Baltimore City.

Recitals

The Employees’ Retirement System Board of Trustees has fiduciary and plenary authority over the administration of the Employees’ Retirement System’s programs and investments. The Retirement Savings Plan Board of Trustees, formed in 2014, evaluates the investment performance of the Retirement Savings Plan fund line-up on a quarterly basis and also initiates and assesses the retirement readiness of Baltimore City’s workforce.

Both systems hold significant sums of money, and there have been concerns about the management of the systems. In January of 2018, the Baltimore Sun reported that the pension fund for Baltimore City’s elected officials, which is managed by the ERS Board, outperformed the pension funds for both city workers and for police and firefighters, also managed by the ERS Board. The pension fund for elected officials had a \$10 million surplus, while the pension fund for City workers had an unfunded liability of \$644 million, and the pension fund for police and firefighters had an unfunded liability of over \$1 billion.

In September 2018, the Inspector General released a report finding that an official from the RSP approved \$218,213.20 from retirement forfeiture accounts to renovate the RSP offices. The OIG recommended amending Article 22A to define how forfeiture funds can be used. The OIG also recommended RSP Board of Trustees’ oversight of all RSP expenses as well as consideration by the Board of adoption for the City of guidelines similar to those applicable to private employers under the Employee Retirement Income Security Act of 1974 as best practice for the RSP.

* WARNING: THIS IS AN UNOFFICIAL, INTRODUCTORY COPY OF THE BILL.
THE OFFICIAL COPY CONSIDERED BY THE CITY COUNCIL IS THE FIRST READER COPY.

This month, the OIG's office released a report finding that a member of the ERS Board had an undisclosed business relationship with an ERS official the Board member was significantly involved in hiring. The OIG also found conflicts of interest, absenteeism, and residency issues regarding the two individuals who were investigated. The Baltimore Sun published a front page article on the investigation and delved into the decades-long business relationship between the Board member and the ERS official.

It is of the utmost importance that Baltimore City employees trust the systems that manage their pensions. Since there has been controversy surrounding both the ERS and the RSP, an investigative hearing should be held so that former and current representatives of both systems can explain how the systems manage pensions and how the systems are being reformed so that past problems do not reoccur.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF BALTIMORE, That the City Council requests that the Employees' Retirement System Board of Trustees chairs and members from the current term of office and last term of office and the Retirement Savings Plan Board of Trustees chairs and members from the current term of office and last term of office, the current and preceding executive directors of the Employee Retirement System and the Retirement Savings Plan, the operations manager of the Retirement Savings Plan, the Chief Investment Officer of the Employees' Retirement System, and the City Solicitor report to the City Council on the workings of the Employees' Retirement System and the Retirement Savings Plan; clarify how pension funds are managed; and identify measures that can be implemented to make both the Employees' Retirement System (ERS) and the Retirement Savings Plan (RSP) more transparent to the employees of Baltimore City.

AND BE IT FURTHER RESOLVED, That a copy of this Resolution be sent to the Employees' Retirement System Board of Trustees, the Retirement Savings Plan Board of Trustees, and the Mayor's Legislative Liaison to the Baltimore City Council.

ACTION BY THE CITY COUNCIL

OCT 15 2018

FIRST READING (INTRODUCTION) _____ 20 _____

PUBLIC HEARING HELD ON _____ 20 _____

COMMITTEE REPORT AS OF _____ 20 _____

_____ FAVORABLE _____ UNFAVORABLE _____ FAVORABLE AS AMENDED _____ WITHOUT RECOMMENDATION

Chair

COMMITTEE MEMBERS:

COMMITTEE MEMBERS:

SECOND READING: The Council's action being favorable (unfavorable), this City Council bill was (was not) ordered printed for Third Reading on:

_____ 20 _____

_____ Amendments were read and adopted (defeated) as indicated on the copy attached to this blue backing.

THIRD READING _____ 20 _____

_____ Amendments were read and adopted (defeated) as indicated on the copy attached to this blue backing.

THIRD READING (ENROLLED) _____ 20 _____

_____ Amendments were read and adopted (defeated) as indicated on the copy attached to this blue backing.

THIRD READING (RE-ENROLLED) _____ 20 _____

WITHDRAWAL _____ 20 _____

There being no objections to the request for withdrawal, it was so ordered that this City Council Ordinance be withdrawn from the files of the City Council.

President

Chief Clerk