



DISTRICT OF COLUMBIA RETIREMENT BOARD
MEETING MINUTES
NOVEMBER 15, 2012
1:00 PM

MEMBERS PRESENT

Michael J. Warren, Chairman
Lyle M. Blanchard*
Barbara Davis Blum
Joseph M. Bress
Diana K. Bulger
James E. Bunn
Deborah Hensley
Judith C. Marcus
Darrick O. Ross*
Edward C. Smith
George R. Suter
Thomas N. Tippet
Jeffrey Barnette, ex-officio

DCRB STAFF PRESENT

Eric Stanchfield, Executive Director
Erie Sampson, General Counsel
Sheila Morgan-Johnson
Joan Passerino
Daniel Hernandez
Vernon Valentine
Patrick Sahn
Peter Dewar*
Corinne Koch*
Leslie King
Deborah Reaves
Katie Schultz
Yolanda Smith

OTHERS PRESENT

Tom Cavanaugh, Cavanaugh MacDonald
Jonathan Craven, Cavanaugh MacDonald
Ed Koebel, Cavanaugh MacDonald

* Not present at roll call.

ROLL CALL

Chairman Warren called the meeting to order at 1:50 p.m. Ms. Deborah Reaves called the roll.

APPROVAL OF MINUTES

Mr. Smith made the following motion, which was seconded by Mr. Bress:

Motion #1: To approve the October 18, 2012, Board meeting minutes. *A voice vote was called and the motion was approved 10-0.*

CHAIRMAN'S COMMENTS

Chairman Warren updated the Board on the following items:

- Investment Returns: The returns are looking strong, and more information will be shared with the Board following the close of the fiscal year;
- Meeting Agenda: Because Mr. Warren must leave by 2:30 p.m., the meeting will be conducted out of order and Mr. Bress will replace him for the rest of the meeting as the Acting Chairman of the Board.

Mr. Warren made the following motion, which was seconded by Ms. Bulger:

Motion #2: To move the meeting agenda out of order. *A voice vote was called and the motion was approved 12-0.*

OPERATIONS COMMITTEE REPORT

On behalf of the Operations Committee, Mr. Bress updated the Board on the following items:

- Presentation by Cavanaugh MacDonald Consulting, LLC: The Board's actuaries presented and discussed the proposed District of Columbia Retirement Board Funding Policy, the purpose of which is to state the overall funding goals for DCRB, the benchmarks that will be used to measure progress in achieving these goals, and the methods and assumptions that will be employed to develop the benchmarks.

Mr. Bunn made the following motion, which was seconded by Ms. Marcus:

Motion #3: To approve the proposed DCRB Funding Policy which requires DCRB: to use the entry age normal funding method to meet its funding goals; to use a 20-year amortization period for the unfunded actuarial accrued liability; to use a seven-year smoothing period; to conduct an actuarial experience study at least every three to five years; and to have an independent audit of the actuarial valuation results at least every five years. *A voice vote was called and the motion was approved 12-0. (See Tally #3)*

Projection of Expected Employer Contributions: Cavanaugh Macdonald gave an overview of their projections of expected employer contributions based on modeler results from the September 30, 2012 valuation results. A discussion about real rates of return and how conservative the Board should aim to be in terms of strategies followed.

Mr. Bunn made the following motion, which was seconded by Ms. Blum:

Motion #4: To use the following actuarial valuations in projecting employer contributions: 6.5% interest rate, 3.5% inflation rate, and 4.25% payroll growth assumption rate. *A voice vote was called and the motion was approved 9-3.*

Mr. Bress made the following motion, which was seconded by Ms. Bulger:

Motion #5: To enter into closed session (2:40p.m.) pursuant to D.C. Code §§1-736(c), 1-909.05(e) and 2-575(b)(10) to discuss personnel matters. *A voice vote was called and the motion was approved 11-0.*

Mr. Bress made the following motion, which was properly seconded:

Motion #6: To exit closed session (3:30p.m.). *A voice vote was called and the motion was approved 11-0.*

GENERAL COUNSEL'S REPORT

Ms. Erie Sampson, General Counsel, updated the Board on current litigation:

- Rivera v. The District of Columbia Retirement Board and The U.S. Department of the Treasury (denial of surviving spouse annuity to former spouse)
- Deutsche Bank Trust Company Americas, et al. v. Richard M. Ader, et al.; Case No. 1:11-cv-00601-CMH-TRJ

- California State Teachers Retirement System v. Vivendi, S.A.No.2012029636 Paris, France Commercial Tribunal
- Dennis Rubin v. DC Fire & Emergency Medical Services & DC Retirement Board, OEA Matter no. J-0111-12

INVESTMENT COMMITTEE

In the absence of Ms. Blum, the Investment Committee Chair, Ms. Marcus made a motion to present all four Investment action items to the Board as one block, which was seconded by Ms. Bulger:

Motion #7: To approve the following action items in one block:

1. To approve the additions to the Private Equity Forward Calendar pursuant to the Alternative Investment Manager Governance Policy. (Affinity Asia Pacific Fund IV, LP, RRJ Capital Master Fund II, LP)
2. To commit up to \$15 million to EnCap Energy Capital Fund IX, L.P. a private energy fund.
3. To approve the addition to the Private Equity Forward Calendar and commit \$15 million to HIG Bayside Loan Opportunity Fund III (Europe), L.P.
4. To authorize the Investment Committee Chair/Board Chair and Investment staff to accompany Cliffwater on due diligence visits to various investment managers in London, England.

A voice vote was called and the motion was approved 8-0. (See Tally #7)

Mr. Suter made the following motion, which was seconded by Mr. Bunn:

Motion #8: To approve an investment up to 2% of the total fund in the Copper Rock International Small Cap Strategy. *A voice vote was called and the motion was approved 7-0.*

EXECUTIVE DIRECTOR'S REPORT

Mr. Stanchfield updated the Board on the following items:

- PPCC Recognition Award: DCRB received the Public Pension Coordinating Council award for funding for the fourth year in a row;
- Bill 19-570, Equity in Survivor Benefits Amendment Act of 2012: The Committee of the Whole and the Committee on the Judiciary held a joint hearing Monday, September 24, 2012. The Bill would amend the Police Officers and Firefighters' and Teachers' Retirement Plans to reduce the age from 60 to 55 before when remarriage by a widow or widower will terminate an annuity. Joan Passerino provided testimony;
- Councilmember Bowser Meeting: DCRB staff met with Councilmember Bowser on September 28, 2012, to brief her on the Plan amendments (see below) related to federal tax law changes and the repeal of the Teachers' Plan's voluntary contribution provision;
- B19-1017, Retirement of Public-School Teachers Omnibus Amendment Act of 2012; B19-1018, Police Officers, Fire Fighters, and Teachers Retirement Benefit Replacement Act of 1998 Amendment Act of 2012; and B19-1019, Police and Firefighter's Retirement

and Disability Omnibus Act of 2012: On Wednesday, November 14th, DCRB Trustee Lyle Blanchard and DCRB Chief Benefits Officer Joan Passerino provided testimony on these bills. Other testimony included Lisa Tavares (Venable Law Firm), Kristopher Baumann, and Nathan Saunders. Ed Smith provided submitted written testimony;

- FY14 DCRB Budget: Staff members in DCRB are in the final stages of developing the DCRB FY 2014 budget. Initial departmental budget submissions to Finance were completed the week of November 5th, and additional review and analysis will occur within the next two weeks;
- DCRB FY13 Staff Pay Increase Proposal: DCRB proposed to grant a “Step Parity Increase” of 3% to all eligible staff members;
- 2012 Communications Survey: DCRB launched an on-line communications survey to members in late August 2012, which will close on Friday, November 16, 2012. The survey’s intent was to gather feedback from members on our various forms of communication so that we could re-evaluate the communications strategies in the future;

BENEFITS COMMITTEE REPORT

Mr. Suter noted that the Benefits Committee met on November 1, 2012. He updated the Board on the following committee items:

- Disability Retirement Annual Income Verification: DCRB will begin conducting annual income reviews in 2013 as required under the Plans for disability annuitants to ensure their continued benefits eligibility.

Mr. Suter made the following motion, which was seconded by Mr. Bunn

Motion #9: That the Board adopt the proposed Annual Income Review Rule for DCRB to administer its annual income review duties for certain retired disability annuitants under the District of Columbia Police Officers and Firefighters’ Retirement Plan and the District of Columbia Teachers’ Retirement Plan: *A voice vote was called and the motion was approved 7-0.*

DISTRICT OF COLUMBIA RETIREMENT BOARD BENEFITS ADMINISTRATION RULES

1700 PURPOSE AND GOVERNANCE

1700.1 In accordance with section 121(a) of the District of Columbia Retirement Reform Act, as amended, Public Law 96-122 (codified at D.C. Official Code § 1-711(a) (2011 Repl.)), the District of Columbia Retirement Board (DCRB) has exclusive authority and discretion to manage and control the District of Columbia Police Officers and Fire Fighters’ Retirement Fund (Police and Fire Retirement Fund) and the District of Columbia Teachers’ Retirement Fund (Teachers’ Retirement Fund) and to implement and administer the retirement program for the District of Columbia police officers, firefighters and teachers. DCRB is also authorized to issue rules for the management and administration of the retirement program.

1701 ANNUAL INCOME REVIEW

1701.1 Annual Income Review for Teacher Disability Annuitants. Any teacher disability annuitant who retired under D.C. Code Official Code § 38-2021.04(a) (2001 Ed.) and who has not reached voluntary retirement age as defined in D.C. Official Code § 38-2021.03 (2001 Ed.) must file annually with DCRB a notarized statement of employment and earnings and any additional information as requested by DCRB to verify employment income beginning for the first calendar year after retirement up to and including the calendar year in which the annuitant reaches voluntary retirement age.

1701.2 Annual Income Review for Police Officer and Firefighter Disability Annuitants Under Age 50. Any police officer or firefighter annuitant who was hired on or after February 15, 1980, retired under D.C. Official Code § 5-709 or § 5-710 (2008 Repl.), and who is under age fifty (50), must file annually with DCRB a notarized statement of employment and earnings and any additional information as requested by DCRB to verify employment income beginning for the first calendar year after retirement up to and including the calendar year in which the annuitant reaches age 50.

1701.3 Notarized Annual Earnings Statement. DCRB will notify annuitants at the beginning of each of calendar year if

they are required to file an annual income report, what they must file, when they must file, and the penalty for failure to file. Information required to be filed may include, but is not limited to, tax returns, Forms W-2 and 1099, proof of non-filing of a tax return or extension of time to file a tax return. After review of the initial filing, annuitants may be required to file additional notarized statements and information.

- (a) Any willful failure or refusal to timely submit the required annual income report may result in the disability annuity being suspended until DCRB receives all the information requested. The annuitant will not be eligible to receive an annuity or any portion of an annuity for the period beginning on the date after the final day for timely filing the annual income report and ending on the date on which DCRB receives all the required information.
- (b) Any willful submission of materially false income information will result in forfeiture of the disability annuity.

1701.4 Due Process Rights. DCRB will determine continued entitlement to the disability annuity on the basis of the annual income review. Prior to any annuity termination, reduction or offset, DCRB will inform the annuitant of its decision in writing and the annuitant's due process rights in accordance with D.C. Official Code § 1-751 (2011 Repl.).

1701.5 Restoration to Earning Capacity for Teacher Disability Annuitants and Annuity Termination.

- (a) If a teacher disability annuitant who is subject to the annual income review in § 1701.1 has earned income from wages or self-employment or both during that calendar year equal to at least 80 percent of the current pay rate for the position occupied immediately before retirement, the annuitant's earning capacity is restored. DCRB will terminate the disability annuity on January 1 of the following calendar year in which earning capacity was restored. The annuitant must return any overpayments to the Teachers' Retirement Fund. DCRB may recoup overpayments by offsetting any reinstated annuity or other annuity entitlement.
- (b) A terminated disability annuity will be reinstated at the same rate in effect when it was terminated on January 1 of any year following a year during which an annuitant's earning capacity falls below the 80 percent earnings limit, or sooner as DCRB determines administratively practicable, if the annuitant has not reached voluntary retirement age and has not recovered from his/her disability and has not been reappointed to a position that is equal or similar to the one occupied at retirement.
- (c) An annuitant who has not reached voluntary retirement age may file a request for reinstatement of a terminated disability annuity, as instructed by DCRB, any time after one full year elapses during which his or her earning capacity falls below the 80 percent earnings limit.
- (d) An annuitant whose disability annuity has been terminated and not restored prior to reaching voluntary retirement age may request a deferred retirement annuity or a refund of any remaining employee contributions. A deferred retirement annuity election or refund of employee contributions bars any restoration of a terminated disability annuity.

1701.6 Restoration to Earning Capacity for Police Officer and Firefighter Disability Annuitants Under Age 50 and Annuity Termination.

- (a) If, in any calendar year after the annuitant's year of retirement, a police officer or firefighter disability annuitant who is subject to the annual income review in § 1701.2, has earned income from wages or self-employment or both equal to at least 80 percent of the current compensation rate for the position occupied immediately before retirement, the annuitant's earning capacity is restored. DCRB will stop the disability annuity payment forty-five (45) days from the date of the written determination that earning capacity has been restored. The annuitant must return any overpayments to the Police and Fire Retirement Fund. DCRB may recoup overpayments by offsetting any reinstated annuity or other annuity entitlement.
- (b) An annuitant's terminated disability annuity will be reinstated retroactive to January 1 of a calendar year in which the annuitant's earning capacity falls below the 80% earnings limit for any full calendar year if the annuitant is under age 50 and has not recovered from his/her disability and has not been reemployed in the department from which he/she retired at the same or equivalent grade or rank held at retirement.
- (c) An annuitant who is under age 50 may also file a request for reinstatement of a terminated disability annuity, as instructed by DCRB, any time after one full year elapses during which his or her earning capacity falls below the 80 percent earnings limit.
- (d) An annuitant whose disability annuity has been terminated and not reinstated prior to age 50 may request a deferred retirement annuity or a refund of any remaining employee contributions. The election of a deferred retirement annuity or refund of employee contributions bars any restoration of a terminated disability annuity.

1701.7 Annuity Reduction for Police Officer and Firefighter Disability Annuitants Under Age 50.

- (a) If DCRB determines that a police officer or firefighter disability annuitant who is subject to the annual income review in § 1701.2 has income in any calendar year after the annuitant's year of retirement from wages or self-employment or both during that calendar year in excess of the difference between 70 percent of the earnings limit and the disability annuity, the annuitant's disability annuity will be reduced by \$.50 for each \$1 of income received in excess of the difference during that calendar year.
- (b) If income from wages or self-employment or both during that calendar year is in excess of the difference between 100 percent of the earnings limit and the disability annuity, the disability annuity will be further reduced by \$.20 for each \$1 of income received in excess of the difference during that calendar year.

- (c) Reductions will begin after the end of the calendar year as soon as administratively practicable as determined by DCRB and will be prorated equally over twelve (12) consecutive months. The annuitant must return any overpayments to the Police and Fire Retirement Fund. DCRB may recoup overpayments by offsetting the reduced or reinstated annuity or other annuity entitlement.
- (d) For purposes of this § 1701.7, the earnings limit is the greater of:
 - (A) the current salary of the position occupied immediately before retirement, or
 - (B) the current entry salary for active members divided by .70.
- (e) A reduced annuity will be reinstated in whole or in part, as determined by DCRB, as soon as administratively practicable if the annuitant's income from wages or self-employment or both is significantly less than the earnings limit for any full calendar year.
- (f) An annuitant who is under age 50 may file a request for reinstatement of a reduced annuity, as instructed by DCRB, any time after one full year elapses during which his or her earned income falls below the earnings limit in § 1701.7(d).
- (g) Any annuity reduction under this § 1701.7 may be waived by DCRB, if it determines, in its discretion, a waiver is reasonably practicable. Principles of equity and good conscience will be considered. An annuitant may request a waiver as instructed by DCRB.

1701.8 Current Rate of Pay for the Position Occupied Immediately Before Retirement.

- (a) A disability annuitant's earned income for a calendar year is compared to the gross annual rate of basic pay in effect on December 31 of that year for the position occupied immediately before retirement. The earned income for disability annuitants is based on the rate for the grade and step which reflects the total amount of basic pay (both the grade and step and any additional basic pay) in effect on the date of retirement.
- (b) Income. The total amount of income from all sources is used to determine earning capacity (see definition of earned income in § 32(c)(2) of the Internal Revenue Code). This includes income received as gross wages from employers, net earnings from self-employment, and deferred income that is earned in a calendar year. In determining an annuitant's income for a calendar year, the following apply:
 - (1) Income is from two sources: wages and self-employment. All income that is subject to Federal employment taxes (i.e., Social Security or Medicare taxes) or self-employment taxes is earned income.
 - (2) Only income earned from personal work efforts or services is considered in determining earning capacity. All forms of non-work-related unearned income are excluded (e.g., pensions, inheritances, investment interest/dividends not related to self-employment).
 - (3) For determining annual income from wages or self-employment or both, income is earned in the calendar year the annuitant actually renders the personal work effort or service and either actually or constructively receives the remuneration.
 - (4) Income includes any District of Columbia salary offset amount.
 - (5) Income earned by a spouse is not included.
- (c) Wages. This term means the gross amount of all remuneration for services performed by an employee for his or her employer before any deductions or withholdings.
- (d) Self-Employment Income.
 - (1) This term means remuneration that is received as an independent contractor, either as
 - (A) a sole proprietor;
 - (B) a professional in one's own practice; or
 - (C) a member of a partnership or corporation and regardless of whether the business entity is operated for profit.
 - (2) "Net earnings" from self-employment means gross revenue of the business from all sources before any other deductions or withholdings, minus
 - (A) allowable business expenses;
 - (B) any job-connected disability expenses; and
 - (C) any return from investment allowance.

LEGISLATIVE COMMITTEE REPORT

As already noted in the Executive Director's report, Mr. Blanchard and Ms. Passerino and the Venable Law Group testified in a public hearing on B19-1017, "Retirement of Public School Teachers Omnibus Amendment Act of 2012"; B19-1018, "Police Officers, Fire Fighters, and Teachers Retirement Benefit Replacement Act of 1998 Amendment Act of 2012"; and B19-1019, "Police and Firefighters' Retirement and Disability Omnibus Amendment Act of 2012."

There were no action items brought before the Board by this committee.

OTHER BUSINESS

No other business to report.

ADJOURNMENT

Motion #10: Ms. Hensley moved to adjourn the meeting at 3:40 p.m. Mr. Suter seconded the motion. *A voice vote was called and the motion was approved 8-0.*

**DISTRICT OF COLUMBIA RETIREMENT BOARD
RECORD OF OFFICIAL BOARD ACTIONS**

Motion #1		Date: November 15, 2012			
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.					√
Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.	√				
Bunn, James E.	√				
Hensley, Deborah	√				
Marcus, Judith C.	√				
Ross, Darrick O.					√
Smith, Edward C.	√				
Suter, George R.	√				
Tippett, Thomas N.	√				
Warren, Michael J.	√				

Motion #2		Date: November 15, 2012			
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.	√				
Bunn, James E.	√				
Hensley, Deborah	√				
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Smith, Edward C.	√				
Suter, George R.	√				
Tippett, Thomas N.	√				
Warren, Michael J.	√				

Motion #3		Date: November 15, 2012			
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				

Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.	√				
Bunn, James E.	√				
Hensley, Deborah	√				
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Smith, Edward C.	√				
Suter, George R.	√				
Tippett, Thomas N.	√				
Warren, Michael J.	√				

Motion #4		Date: November 15, 2012			
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.	√				
Bunn, James E.	√				
Hensley, Deborah		√			
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Smith, Edward C.		√			
Suter, George R.	√				
Tippett, Thomas N.		√			
Warren, Michael J.	√				

Motion #5		Date: November 15, 2012			
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.	√				
Bunn, James E.	√				
Hensley, Deborah	√				
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Smith, Edward C.	√				
Suter, George R.	√				
Tippett, Thomas N.	√				

Warren, Michael J.					√
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Motion #6		Date: November 15, 2012			
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.	√				
Bunn, James E.	√				
Hensley, Deborah	√				
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Smith, Edward C.	√				
Suter, George R.	√				
Tippett, Thomas N.	√				
Warren, Michael J.					√

Motion #7		Date: November 15, 2012			
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis					√
Bress, Joseph M.	√				
Bulger, Diana K.	√				
Bunn, James E.	√				
Hensley, Deborah					√
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Smith, Edward C.	√				
Suter, George R.	√				
Tippett, Thomas N.					√
Warren, Michael J.					√

Motion #8		Date: November 15, 2012			
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis					√

Bress, Joseph M.	√				
Bulger, Diana K.					√
Bunn, James E.	√				
Hensley, Deborah					√
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Smith, Edward C.	√				
Suter, George R.	√				
Tippett, Thomas N.					√
Warren, Michael J.					√

Motion #9			Date: November 15, 2012		
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis					√
Bress, Joseph M.	√				
Bulger, Diana K.					√
Bunn, James E.	√				
Hensley, Deborah					√
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Smith, Edward C.	√				
Suter, George R.	√				
Tippett, Thomas N.					√
Warren, Michael J.					√

Motion #10			Date: November 15, 2012		
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis					√
Bress, Joseph M.	√				
Bulger, Diana K.					√
Bunn, James E.	√				
Hensley, Deborah	√				
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Smith, Edward C.	√				
Suter, George R.	√				
Tippett, Thomas N.					√
Warren, Michael J.					√