



**OPEN SESSION**  
**NOTICE OF REGULAR BOARD MEETING**  
**JOSEPH BRESS, CHAIRMAN**

**AGENDA**  
**THURSDAY, JULY 17, 2014 AT 1:00PM**

1:00 PM **ROLL CALL**

**APPROVAL OF BOARD MEETING MINUTES FOR JUNE 19, 2014 [TAB 1]**

**CHAIRMAN'S COMMENTS [TAB 2]**

- ELECTION OF BOARD OFFICER: PARLIAMENTARIAN
- TRUSTEES' TRAVEL REQUEST FORM

**EXECUTIVE DIRECTOR'S REPORT [TAB 2]**

**INVESTMENT COMMITTEE REPORT**

➤ **ACTION ITEMS**

**OPERATIONS COMMITTEE REPORT [TAB 3]**

➤ **ACTION ITEMS**

- OPERATIONS COMMITTEE CHARTER
- PRESENTATION ON RETIREMENT MODERNIZATION FY 2015 SPENDING REQUEST -- PETER DEWAR

**BENEFITS COMMITTEE REPORT [TAB 4]**

➤ **ACTION ITEMS**

- BENEFITS COMMITTEE CHARTER

**LEGISLATIVE COMMITTEE REPORT**

**AUDIT COMMITTEE REPORT [TAB 4]**

**OTHER BUSINESS [TAB 5]**

- CONTRACT LOG
- CERTIFIED SMALL BUSINESS ENTERPRISES
- CONFERENCES & MEETINGS LISTING

2:30 PM **ADJOURNMENT**

**ADDITIONAL MEETING MATERIALS**

➤ TRAINING AND TRAVEL REPORT



**EXECUTIVE DIRECTOR REPORT**  
**July 17, 2014**

Executive Updates	Update
<b>DCRB Response to Chairman Mendelson</b>	On June 25, 2014, DCRB responded to DC Council Chairman Mendelson’s request for information regarding DCRB Board Member Compensation. No further follow-up questions have been received from Chairman Mendelson’s office.
<b>Legal Issues</b>	Joseph G. O’Rourke vs. DCRB (CA No. 2014 003772B): Retired member with eight years of service under the Police Officers and Firefighters’ Retirement Plan sued DCRB on June 25, 2014 requesting longevity pay be used in his retirement calculation.
<b>Office Branding</b>	DCRB has initiated the process of securing a vendor to assist with our office signage needs including the installation of privacy film for glass offices, elevator and entrance branding, and employee nameplates. The timeframe for completion of such a project is estimated to be 4-6 weeks, depending on the amount of custom work and fabrication required.
<b>DCRB Human Resources</b>	<p><b>New Staff: Anjanette Fautleroy</b></p> <p>Ms. Fautleroy joined DCRB on June 16<sup>th</sup> as a Retirement Specialist in the Benefits Department. Ms. Fautleroy previously worked for the DC Office of Pay and Retirement Services, Accenture, and Washington Gas. She brings knowledge of payroll and HRIS systems, customer service, and analytical skill into her new position here at DCRB.</p>
<b>Standard &amp; Poor's Pension Funding Report June 24, 2014</b>	<p>According to a recent Standard &amp; Poor's report, U.S. state pension funded levels continue to decline but have likely bottomed out as the effects of the 2008 and 2009 equities market downturn make their way out of the valuations. This was based on Standard &amp; Poor's Ratings Services' 2014 annual survey. The report stated that strong market performance in 2013 and 2014 coupled with a shift to market valuation of assets will probably contribute to improved funded ratios in the near future. Although this is likely the low point, which is good news, they believe pension funded level recovery could be slow and uneven and sizable funding gaps will remain for most states. While reform efforts continue, which will help over the long term, they see continued pressure related to market volatility, increased competition for limited state financial resources, and changes in actuarial assumptions. To read the article in its entirety, please click</p> <p><a href="http://www.standardandpoors.com/spf/upload/Events_US/US_PF_Webcast_Pensart1.pdf">http://www.standardandpoors.com/spf/upload/Events_US/US_PF_Webcast_Pensart1.pdf</a></p>

900 7<sup>th</sup> Street, NW, 2<sup>nd</sup> Floor  
Washington, DC 20001  
www.dcrb.dc.gov



Telephone (202) 343-3200  
Facsimile (202) 566-5001  
E-mail: dcrb.@dc.gov

**TO:** BOARD OF TRUSTEES  
**FROM:** DARRICK O. ROSS, CHAIRMAN  
**DATE:** JULY 17, 2014  
**SUBJECT:** OPERATIONS COMMITTEE REPORT

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The Operations Committee met June 9, 2014. The following report reflects highlights from the Operations Committee Meeting.

### **RETIREMENT MODERNIZATION PROGRAM**

The Director of Information Technology has identified a need to initiate new and continue several projects which, requires funding beyond September 30, 2014 when current Program funds expire. The projects that are allocated under the requested Program extension into FY 2015 include the Master Data Management project, the completion of the Data Reclamation project, the Pension Consulting and Oversight acquisition and the issuance of a Request for Proposal (RFP) for the Pension Information Management System.

Pursuant to the Board's Procurement Rules ("Rules"), staff will issue competitive RFPs for projects that are part of the Retirement Modernization Program ("Program"). In compliance with the Rules as of October 2012, contracts up to \$250,000 for goods and services procured using the Federal and District of Columbia Supply Schedules and contracts not using these sources up to \$100,000 can be approved by the Executive Director. However, for projects that are part of the Program, the Executive Director is authorized to approve all contracts awarded regardless of the amount provided that in sum, they do not exceed \$3,400,000.

**Motion:** To authorize the Executive Director to expend up to \$3,400,000 on Phase IV (FY15) of the DCRB Retirement Modernization Program with quarterly reporting to the Board.

### **OPERATIONS COMMITTEE CHARTER**

A new Operations Committee Charter is being presented for approval.

**Motion:** To approve Operations Committee Charter.

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Jeffrey Barnette • Lyle M. Blanchard • Barbara Davis Blum • Joseph W. Clark • Mary A. Collins • Gary W. Hankins  
Darrick O. Ross • Nathan A. Saunders • Edward C. Smith • Thomas N. Tippet • Michael J. Warren • Lenda P. Washington

**Joseph M. Bress**  
Chairman

**Eric O. Stanchfield**  
Executive Director

## **Board Rules: Standing Committees/Operations**

1504.9 The Operations Committee shall be responsible for the following matters and shall report these matters to the Board for its action:

- (a) Researching alternative municipal board organizational structures and presenting options and making recommendations to the Board with regard to the structure and organization of the Board;
- (b) Defining and presenting alternative organizational structures for officers of the Board, terms of office, hierarchy, and procedures for succession;
- (c) Defining options and recommending overall staff requirements to the Board;
- (d) Defining and presenting options to the Board for standing committees of the Board, including responsibilities and authority;
- (e) Recommending sources and procedures for obtaining insurance and bonding for Board members;
- (f) Planning for the preparation and distribution of required financial reports (such as annual reports, financial statements, and actuarial statements) and estimating costs of preparation and publication;
- (g) Review and consider recommendations made in the management letter accompanying the audit report;
- (h) Developing and recommending bylaws and operating procedures;
- (i) Developing and recommending an annual plan and operating budget, including oversight mechanisms for staff, expenses and related matters, and determining the Board's authority for expenditures under the approved budget;
- (j) Acting as liaison to and overseeing procedures used by the District government for payments;
- (k) Oversight of election of representatives for the Teachers, and Police and Firefighters participant groups;
- (l) Periodic evaluation of the performance of the Executive Director, with recommendations to the Board;
- (m) Oversight and periodic evaluation of the performance of the accountants, the auditor, the actuaries, and the outside general counsel(s) including oversight of any request for an increase in fees;

- (n) Determining requirements for office space, equipment, location, and estimating cost, presenting alternatives, and making recommendations on these matters;
- (o) Researching alternatives for securing office space, such as renting, borrowing space from the District, and contracting for sale/leaseback;
- (p) Determining alternatives and making recommendations to the Board regarding record keeping requirements, procedures, and filing systems;
- (q) Arranging for all meetings to be recorded on tape and for minutes to be prepared;
- (r) Developing procedures for Board members time, expense, and reimbursement reporting to the District government;
- (s) Developing procedures to reconcile and satisfy amounts payable to the Board's vendors for reporting to the District government;
- (t) Defining function of outside contractors (including but not limited to master custodian, investment consultant, accountants, auditor, general counsel, and actuary, but excluding investment managers selected by the Investment Committee), and describing requirements, such as experience and certifications;
- (u) Defining criteria and procedures for qualifying, interviewing, recommending, and selecting candidates to be outside contractors;
- (v) Defining functions and responsibilities of the Executive Director, and describing requirements, such as experience and certifications, and recommending salary range;
- (w) Evaluating and recommending methods of recruiting the Executive Director and outside vendors;
- (x) Identifying contractors who might be considered affiliated parties to the Fund, and recommending guidelines for their Association with the Fund; and
- (y) Managing the process of selecting and hiring the Executive Director and outside vendors, and recommending candidates for these positions.

Member Services  
900 7<sup>th</sup> Street, NW  
2<sup>nd</sup> Floor  
Washington, DC 20001  
www.dcrb.dc.gov



Telephone (202) 343-DCRB  
(866) 456-DCRB  
TTY/Federal Relay (800) 877-8339  
Facsimile (202) 566-5001  
E-mail: dcrb.benefits@dc.gov

**TO:** BOARD OF TRUSTEES  
**FROM:** EDWARD SMITH, CHAIRMAN  
**DATE:** JULY 17, 2014  
**SUBJECT:** BENEFITS COMMITTEE REPORT

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The Benefits Committee met June 9, 2014. The following report reflects highlights from the Benefits Committee Meeting.

#### **DCPS School Year Teacher Retirements**

DCRB Benefits has received a list of approximately 65 DCPS employees who have been approved for retirement under the Teachers' Retirement Plan. Approximately 45 (70%) of those listed have a retirement date of 6/30/2014. DCRB Benefits in conjunction with DCPS HR, DCPS Payroll, and the OCFO/OPRS, are working together to have these annuitants on the STAR payroll by August 1, but no later than September 1. In previous years those retiring on 6/30 had to wait until October or November for their first annuity payment.

#### **Equalization Increases for Tier 1 Retired Police & Firefighter Annuitants**

DCRB Benefits Department received Resolution 20-482, which provided the MPD Police Service union pay schedules with a 4% increase, effective April 7, 2013. We have approximately 500 Tier 1 annuitants who will receive both the increase annuity payment and retroactive payments in their August 1, 2014 check. We have approximately 140 MPD annuitants who retired after April 2013 who require recalculations. We have scheduled these increases for September 2014.

#### **Current Benefits Projects**

The Quality, Compliance & Projects Unit is currently working on the Annuitant Verification Project and the Disability Income Review Projects. The results of these projects will be provided at future meetings.

#### **Business Process Reengineering**

The final stages of the BPR project have been implemented. The refund process has been reviewed and the payment process has been transferred to the DCRB Finance Department.

Benefits will continue to determine refund eligibility, contribution balances, and amounts eligible for refund.

Only one position from the BPR project (Member Services Representative) is unfilled but an offer should be made and accepted for this position with a begin date of July 28, 2014. One additional position has been designed; a Director of Special Benefits Projects and recruitment is currently underway.

### **COLA LOOK-BACK ERROR AND 80% MAXIMUM BENEFIT PUBLICATION ERROR**

The Office of DC Pensions (ODCP) will begin the review associated with the COLA Look-Back error and the 80% Maximum Benefit Publication Error in August 2014. The Cola Look-back error is 100% federal liability. DCRB's next steps are as follows:

- Continue to collaborate with Treasury to review data
- Apply the March 2014 COLA to the annuitant file.
- Analyze the results for annuitants who are impacted by other projects
- Review legal options concerning prospective annuity adjustments and past overpayments, District liability, and annuitant impact

### **CSRS/FERS ISSUE**

Neither the Teachers' Retirement Plan nor the Police Officers and Firefighters' Retirement Plan expressly permit the purchase of Federal Employees Retirement System (FERS) service as "government service".

The interpretation and practice under both Plans has been to only allow the purchase of Civil Service Retirement System (CSRS) service, which is supported by the legislative history of the Plans.

The Benefits Committee Chair would like staff to revisit the purchase of FERS service for all members?

### **BENEFITS COMMITTEE CHARTER**

A new Business Committee Charter is being presented for approval.

### **COMMUNICATIONS**

#### **Member Satisfaction Survey New Survey Methodology –**

In an attempt to gain additional participation in DCRB's Member Satisfaction Survey, the member services department is testing a new approach to survey administration: we are actively pursuing email addresses from all walk-ins, callers and other correspondents in the hopes that we can move forward to an email only survey distribution of this monthly survey. This will reduce staff time and expenses related to survey production and mailing, data entry, and survey tracking.

**Member Forms Redesign**

As reported at the May Board meeting, rebranding efforts have begun at DCRB with the launch of the new logo. This month, all member forms are in the process of being updated to reflect the new logo and color scheme.

**Online Retirement Calculator**

This month, the DCRB online Benefits Calculator has been improved to provide precise output for the user regarding the calculation of adjusted service years.





## **CHARTER DISTRICT OF COLUMBIA RETIREMENT BOARD BENEFITS COMMITTEE**

### **INTRODUCTION**

The Benefits Committee has been established to develop and oversee the execution of prudent policies and procedures relating to levels of benefits and the delivery of services to Plan participants and beneficiaries.

### **AUTHORITY**

To monitor and recommend to the District of Columbia Retirement Board (Board) actions with respect to member benefits, including levels of service, member communications, and all other questions relating to the design and administration of the District of Columbia Police Officers and Firefighters' Plan and the Teachers' Retirement Plans' (the "Plans") benefits structure established pursuant to the Police Officers, Fire Fighters, and Teachers Retirement Benefit Replacement Plan Act of 1998.

### **COMPOSITION**

The Committee shall be composed of a minimum of three (3) members. All members shall be appointed by the Chairperson of the Board.

### **MEETINGS**

The Committee will meet as determined by the Committee Chair in consultation with the Chief Benefits Officer and Chair of the Board.

### **RESPONSIBILITIES**

The Benefits Committee shall be responsible for the following matters and shall report these matters to the Board for its action:

1. Review Board policies and procedures for the compliance and administration of member benefits;
2. Recommend goals and objectives concerning the delivery of member services; and

3. Oversee the management of the third-party benefits administration responsibilities are fulfilled as outlined in the September 26, 2005 Memorandum of Understanding Concerning Interim Benefit Administration of Retirement Programs (MOU).
4. Review the Benefits Committee Charter every two years or as deemed necessary by the Board.



# **CHARTER**

## **DISTRICT OF COLUMBIA RETIREMENT BOARD**

### **AUDIT COMMITTEE**

#### **INTRODUCTION**

The Audit Committee has been established to assist the Board in fulfilling its fiduciary oversight responsibilities for the:

- Financial Reporting Process
- Systems of Internal Control
- External Audit of the Financial Statements
- Internal Audit Process

#### **AUTHORITY**

It is the responsibility of the Audit Committee to maintain free and open communication among the Committee, independent auditor (whether external auditor of a public accounting firm or internal auditor), and the management of the District of Columbia Retirement Board (DCRB). In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention, and will be granted access to all books, records, facilities, and personnel of DCRB. The Committee will have a clear understanding with management that the independent auditors are ultimately accountable to the full Board of Trustees.

#### **COMPOSITION**

The Committee shall be composed of a minimum of three (3) members. All members shall be appointed by the Chairperson of the Board. Where practical, members shall serve for three years and may be reappointed for two additional three-year terms. A member may be removed only by the Board as a whole and not by the Chairperson alone.

Each Committee member will be independent from management and at least one member should be designated as the Audit Committee "financial expert"<sup>1</sup> as defined by the Securities and Exchange Commission and possess an understanding of accounting principles generally accepted in the United States for public pension funds issued by the Governmental Accounting Standards Board. If a financial expert is not available on the Committee, an experienced professional will be selected possessing the qualities listed in the Securities and Exchange Commission's "audit committee financial expert" definition. Candidates for this non-voting position will be approved by this Committee.

## **MEETINGS**

The Committee will meet at least three times a year, with authority to convene additional meetings as circumstances require. The Committee will invite members of management, the independent auditor or others to attend meetings and provide pertinent information, as necessary. Subject to open meeting laws, the Committee will hold executive sessions and private meetings with the auditors.

## **RESPONSIBILITIES**

The Audit Committee shall:

1. Ensure the independence of the auditor and approve all auditing, other attestation services, and pre-approve non-audit services performed by the external auditor;
2. Oversee the audit procurement process, recommend award to the Board, assess the performance of, and periodically recommend to the Board the issuance of an RFP for, an independent auditor;
3. Discuss with the independent auditor the overall scope and plans for the audit;

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<sup>1</sup> In defining the term "financial expert" for purposes of the Sarbanes-Oxley Act of 2002, the Board should consider whether a person has, through education and experience as a public accountant or auditor or a principal financial officer, comptroller, or principal accounting officer of an issuer, or from a position involving the performance of similar functions: (a) an understanding of generally accepted accounting principles and financial statements; (b) experience in-- (1) the preparation or auditing of financial statements of generally comparable issuers; and (2) the application of such principles in connection with the accounting for estimates, accruals, and reserves; (c) experience with internal accounting controls; and (d) an understanding of audit committee functions. Sarbanes-Oxley Act of 2002. *See*, 107 P.L. 204, Title IV, § 407, 116 Stat. 745.

4. Review the independent auditor's reports and management's response. The Committee shall forward a separate committee report of its review for the Board;
5. Review with general counsel the status of legal matters that may have an effect on the financial statements;
6. Ensure management maintains an effective system of internal controls and provide the mechanisms for periodic assessment of internal controls;
7. Oversee the internal audit function, which includes approving any contract and all hires or terminations related to this role;
8. Report Committee activities, findings and related recommendations to the Board, following each committee meeting;
9. Review the Committee's charter annually, reassess the adequacy of this charter, and recommend any proposed changes to the Board;
10. Encourage the continuing education of Committee members to maintain their financial and risk expertise relative to the financial management and operations of DCRB; and
11. Provide for unanimous consent approvals of actions taken outside of normal scheduled meetings, if any are necessary.
12. Review of the Audit Committee Charter every two years or as deemed necessary by the Board.