



**DISTRICT OF COLUMBIA RETIREMENT BOARD
MEETING MINUTES
MAY 19, 2011
1:30 PM**

MEMBERS PRESENT

Michael J. Warren, Chairman
Lyle M. Blanchard
Barbara Davis Blum
Deborah Hensley
Judith C. Marcus
Darrick O. Ross
Edward C. Smith
George R. Suter
Thomas N. Tippett
Lasana K. Mack, Ex-Officio

DCRB STAFF PRESENT

Eric Stanchfield, Executive Director
Erie Sampson, General Counsel
Sheila Morgan-Johnson
Joan Passerino
Daniel Hernandez
Michael Williamson
Jason Ostroski*
Leslie King
Donnie Bryant*
Corinne Koch
Deborah Reaves
Katie Schultz*
Florence Jones*
Denice McSears

MEMBERS NOT PRESENT

Joseph M. Bress (via Phone)
Diana K. Bulger
Joseph W. Clark

OTHERS PRESENT

Brenda Mathis, OCFO
Roger Norman, JP Morgan
Willie Greene, Loop Capital Markets
Daniel Gabriel, Intern

*Not present at Roll Call

ROLL CALL

Chairman Warren called the meeting to order at 1:40 p.m. Ms. Deborah Reaves called the roll.

APPROVAL OF MINUTES

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

Motion #1: To approve the April 21, 2011, Board meeting minutes.

A voice vote was called and the motion was approved 8-0 with 1 abstention and the amendment to Tally #10 of the April 21, 2011, Board meeting minutes. (See Tally #1)

Without any objection, Chairman Warren continued the meeting out of order to allow the General Counsel's report to be moved to the end of the agenda and to allow the Investment

Committee motions to be made in closed session, in accordance with DC Code §1-909.05(e), (f) and §405(b)(1), (2) of the Open Meetings Amendment Act of 2010.

CHAIRMAN'S COMMENTS

Chairman Warren noted that DCRB has made an enormous amount of progress in the past few months that allows it to better serve its members. Some of the areas in which DCRB has made changes include:

- Investment Portfolio: These changes will reduce risk and increase returns;
- Performance of the Fund: The performance of the Fund has been very strong with the Fund outperforming its benchmark, and the Fund was valued at \$4.98 billion on May 18, 2011. This trajectory puts DCRB's Fund in increasingly better position relative to its peers. Chairman Warren thanked the Board for its leadership and staff for their superlative work.

GENERAL COUNSEL REPORT

Ms. Sampson, the General Counsel, noted that items from her report would be discussed later in the meeting during closed session.

OPERATIONS COMMITTEE REPORT

In the absence of Mr. Clark, Operations Committee Chair, Chairman Warren noted that there is no Operations Committee report for the month of May.

No action items were recommended by the Committee.

LEGISLATIVE COMMITTEE REPORT

Mr. Blanchard, Legislative Committee Chair, noted that there is no Legislative Committee report for the month of May.

No action items were recommended by the Committee.

BENEFITS COMMITTEE REPORT

Mr. Suter, Benefits Committee Chair, updated the Board on the following activities:

- Pension Protection Sustainability Amendment Act of 2011: Councilmember Mary Cheh's staff has advised that, although some Council members are interested in the savings that the CFO's Office projected as a result of this bill, it will not be included in her FY 2012 budget recommendations to the full Council. This does not preclude the possibility that other Councilmembers may attempt to include these savings into the FY 2012 Budget Support Act of 2011 or that the bill is dead;
- Teachers' Plan Voluntary Contribution Provision: The DC Teachers' Retirement Plan (the "Plan") has a provision that permits teachers to make after-tax contributions of up to 10% of their pay, in addition to their mandatory Plan contribution (DC Code §38-2021.01(b)). The voluntary contribution provision is a carryover from the Civil Service Retirement System plan, and has been a part of the Plan since 1920. When the Plan was frozen in 1997, that provision was continued as a part of the District's Replacement Plan. The statute governing the Replacement Plan, however, indicated that voluntary contributions would be accounted

for and invested separate from the Plan trust, but that the earnings rate applicable to such contributions would be equal to the “average annual return” achieved by the trust. Because it is virtually impossible for DCRB to find an investment vehicle that will precisely mirror the earnings of the trust, and because teachers now have other retirement investment opportunities (e.g., 403(b) Plans, 457 Plan, IRAs, etc.) available to them, the Benefits Committee is recommending that the Board recommend request that the District Council repeal the voluntary contribution provision.

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

Motion #2: That the Board recommends that the City Council repeal Teachers’ Plan provisions in D.C. Code § 38-2021.01(B) and 38-2023.14(A), and authorize Board staff to work with Council staff regarding the repeal.

A voice vote was called and the motion was approved 8-0 with 1 abstention. (See Tally #2)

Discussion: Mr. Tippett inquired if Ms. Marcus had any information to add to the discussion, given her experience. Ms. Marcus is in favor of the motion but would caution the Board to do further research before sending the recommendation to the DC Council. She noted that teachers may not be eligible to participate in the 457 Plan. Mr. Smith noted that this issue was discussed at the Benefits Committee meeting in detail.

- 2011 Cost-of-Living Adjustments (COLAs): As indicated last month, Treasury’s Bureau of Public Debt (BPD) inadvertently mailed incorrect COLA notification letters to 12,630 annuitants on March 30th. Treasury, BPD, and DCRB staffs have discussed this matter and have agreed on several procedural and quality control changes that will assure that this error does not recur. On May 12, 2011, the Benefits Committee agreed that because the message area of the monthly earning statement allows for lengthier information, the need for the COLA announcements and COLA letters, which are the only current mass mailings, are no longer needed. Treasury, BPD, and DCRB staff have scheduled a meeting on May 23rd to further discuss this matter;
- EMT Lateral Transfer Act Implementation Activities: Sworn uniformed firefighters who transferred in the Police/Fire Plan from the District’s 401(a) Plan can now transfer their 401(a) account balances into the Police/Fire Plan to purchase benefit accrual credit;
- Lateral Law Enforcement Purchase of Service Rules: DCRB received requests from members about extending the installment payment period for the purchase of prior service under the “Lateral Appointment of Law Enforcement Officers Amendment Act” due to the large amounts involved. After reviewing the inquiry, members may be able to pay for the purchase in installment payments of up to 10 years. DCRB’s actuary will modify the purchase of service software to accommodate the 10-year installment payment period;
- Police/Fire Plan 80% Maximum Benefit Provision: DCRB and Treasury have been working together over the past several months to determine the number and magnitude of any over- or underpayment resulting from the codification error in DC Code 5-712(c);
- New staff: Corinne Koch was hired as the Deputy Chief Benefits Officer. Ms. Koch comes to DCRB from the El Paso Firemen & Policemen’s Pension Fund, where she worked for two years providing operations consultation. Prior to El Paso, Ms. Koch served for 11 years as Retirement Benefits Manager for the South Dakota Retirement System.

EXECUTIVE DIRECTOR'S REPORT

Mr. Stanchfield provided updates on current projects and activities. The written report was provided to the members on the following topics:

- D.C. Pensions Split Benefit Regulations: These proposed regulations were submitted for publication in the Federal Register for a 60-day review period, which ended on January 21, 2011. The comment period was extended for an additional 90 days through April 21, 2011. DCRB requested another extension on April 14th, but no decision on the extension request has been made;
- D.C. Contribution Additional Inquiry: DCRB was asked to respond to the question raised by Councilmember Mendelson regarding the projected increase in employer contributions presented during the hearing on April 4th. Those projections show the employer contribution increasing from \$116.7 million in FY 2012 to \$211.9 million in FY 2015. The councilmember asked for the reason(s) for the projected increase, and Cavanaugh MacDonald provided a response on May 4th;
- Mortality Rates: DCRB was asked to respond to the question raised by Councilmember Cheh regarding life expectancy of DCRB retirees and survivors. The councilmember asked for information on the actual life spans of current members and the life expectancies generated by the assumed rates of mortality used for DCRB actuarial valuations. Cavanaugh MacDonald provided a response on May 4th;
- Study by Yael V. Hochberg and Joshua D. Rauh (of the Kellogg School of Management Northwestern University): Mr. Stanchfield made Trustees aware of the recent publication of a study entitled, "Local Overweighting and Underperformance: Evidence from Limited Partner Private Equity Investments";
- DCRB Financial Management System Update: The Analyzed and Design phases of the project are completed and the next step in June and July will include Building and Validation phases, with the final Deployment phase occurring in August/September;
- HR Update: Employee Training sessions on the topic of "Office Ergonomics" were conducted by the training firm 1stRehab on May 10th. Supervisory and "Respect in the Workplace" training sessions will be conducted next.

INVESTMENT COMMITTEE REPORT

Ms. Blum, Investment Committee Chair, provided updates on the following items:

- Fund Performance: At the end of April, the Fund's value was approximately \$4.97 billion, earning 2.9% for the month, 5.8% for the three months, and 16.1% for the one-year ending April 30, 2011 (all net of fees). For the three-month period ended April 30, 2011, the domestic equity composite returned 7.0%, international equity composite returned 7.4%, U.S. fixed income composite returned 2.0%, alternative composite returned 8.0%, and real estate composite returned 5.1%. In addition, based on final performance and benchmark data as of March 31, 2011, the Fund outperformed the Policy Portfolio in the first three months of 2011 (4.2% vs. 4.0%) and also over the 12 months (14.4% vs. 13.9%), net of fees. This places the Fund's performance at the cusp of the top quartile (26th percentile) of the TUCS Universe of Public Pension Funds with assets >\$1 billion for the one-year period as of March 31, 2011.

Ms. Sampson noted that DCRB will slightly change its methods to record and post Board

meeting minutes and schedules in compliance with the Open Meetings Amendment Act of 2010 (D.C. Law 18-350). Board meeting minutes must be made available to the public within three days of being approved by the Board and Board meeting agendas must be posted prior to the Board meeting.

Chairman Warren made the following motion, which was seconded by Mr. Tippet:

Motion #3: To enter into Closed Session at 2:10 p.m. to discuss the District's Procurement Practices Act (Open Meetings Act of 2010, §405(b)(4)(A); attorney-client privilege).

A voice vote was called and the motion was approved 9-0. (See Tally #3)

Chairman Warren made the following motion, which was seconded by Mr. Tippet:

Motion #4: To exit Closed Session and return to regular Open Session at 2:17 p.m.

A voice vote was called and the motion was approved 8-0. (See Tally #4)

OTHER BUSINESS

- Legal Response to Letter to D.C. Firefighters Association: Mr. Smith noted he met with Councilmember Mary Cheh's staff to discuss the Pension Protection and Sustainability Amendment Act of 2011.
- Trustees and staff discussed similar pension reform legislation in other states.

Chairman Warren made the following motion, which was seconded by Ms. Blum:

Motion #5: To enter into Closed Session to discuss investment matters (D.C. Code § 1-909.05(e), (f); Open Meetings Amendment Act of 2010, §405(b)(1)) at 2:28 p.m.

A voice vote was called and the motion was approved 8-0. (See Tally #5)

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

Motion #6: To exit Closed Session and return to regular Open Session at 3:26 p.m.

A voice vote was called and the motion was approved 9-0. (See Tally #6)

ADJOURNMENT

Motion #7: Chairman Warren moved to adjourn the meeting at 3:27 p.m. The motion was seconded by Ms. Blum.

A voice vote was called and the motion was approved 9-0. (See Tally #7)

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

Tally #1		Date: May 19, 2011			
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis	√				
Bress, Joseph M.					√
Bulger, Diana K.					√
Clark, Joseph W.					√
Hensley, Deborah			√		
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Smith, Edward C.	√				
Suter, George R.	√				
Tippett, Thomas N.	√				
Warren, Michael J.	√				

Tally #2		Date: May 19, 2011			
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis	√				
Bress, Joseph M.					√
Bulger, Diana K.					√
Clark, Joseph W.					√
Hensley, Deborah			√		
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Smith, Edward C.	√				
Suter, George R.	√				
Tippett, Thomas N.	√				
Warren, Michael J.	√				

Tally #3		Date: May 19, 2011			
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis	√				
Bress, Joseph M.					√
Bulger, Diana K.					√
Clark, Joseph W.					√
Hensley, Deborah	√				
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Smith, Edward C.	√				
Suter, George R.	√				
Tippett, Thomas N.	√				
Warren, Michael J.	√				

Tally #4		Date: May 19, 2011			
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.					√*
Blum, Barbara Davis	√				
Bress, Joseph M.					√
Bulger, Diana K.					√
Clark, Joseph W.					√
Hensley, Deborah	√				
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Smith, Edward C.	√				
Suter, George R.	√				
Tippett, Thomas N.	√				
Warren, Michael J.	√				
* Not present during the vote.					

Tally #5		Date: May 19, 2011			
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.					√*
Blum, Barbara Davis	√				
Bress, Joseph M.					√
Bulger, Diana K.					√
Clark, Joseph W.					√
Hensley, Deborah	√				
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Smith, Edward C.	√				
Suter, George R.	√				
Tippett, Thomas N.	√				
Warren, Michael J.	√				
* Not present during the vote.					

Tally #6		Date: May 19, 2011			
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis	√				
Bress, Joseph M.					√
Bulger, Diana K.					√
Clark, Joseph W.					√
Hensley, Deborah	√				
Ross, Darrick O.	√				
Marcus, Judith C.	√				
Smith, Edward C.	√				
Suter, George R.	√				
Tippett, Thomas N.	√				
Warren, Michael J.	√				

Tally #7			Date: May 19, 2011		
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis	√				
Bress, Joseph M.					√
Bulger, Diana K.					√
Clark, Joseph W.					√
Hensley, Deborah	√				
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Smith, Edward C.	√				
Suter, George R.	√				
Tippett, Thomas N.	√				
Warren, Michael J.	√				