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OPEN SESSION

NOTICE OF REGULAR BOARD MEETING JOSEPH W. CLARK, CHAIRMAN

THURSDAY, FEBRUARY 28, 2019 AT 10:00 AM

AGENDA - REVISED

- 10:00 AM I. **CALL TO ORDER AND ROLL CALL**
- II. **APPROVAL OF BOARD MEETING MINUTES FOR JANUARY 17, 2019**
- III. **CHAIR'S COMMENTS**
- IV. **EXECUTIVE DIRECTOR'S REPORT**
 ➤ **FY 2019 INTERIM FINANCIAL STATEMENTS, ANTHONY SHELBORNE, CFO**
- V. **INVESTMENT COMMITTEE REPORT**
- VI. **OPERATIONS COMMITTEE REPORT**
- VII. **BENEFITS COMMITTEE REPORT**
- VIII. **LEGISLATIVE COMMITTEE REPORT**
- IX. **AUDIT COMMITTEE REPORT – ACTION ITEM**
- 11:00 AM X. **OTHER BUSINESS – ACTION ITEM**
 ➤ **BOARD OFFICERS' ELECTIONS**
- 12:30 PM XI. **CLOSED SESSION: STRATEGIC PLANNING**
 MEETING CONVENES IN CLOSED SESSION TO TRAIN AND DEVELOP BOARD OF TRUSTEES PURSUANT TO DC CODE §2-575(B)(12)
- 2:30 PM XII. **ADJOURNMENT**

ADDITIONAL MEETING MATERIALS

- BOARD MEETING 2019 SCHEDULE – UPDATED
- TRUSTEES' CONTACT LISTING
- CONFERENCES & MEETINGS LISTING
- TRUSTEES & STAFF TRAINING AND TRAVEL REPORT

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CHAIRMAN'S REPORT

February 28, 2019

TOPIC	UPDATE
Welcome to New Active Police Officer and Active Teacher Trustees	As announced during the December and January Board meetings, Gregory Pemberton was the winner of the 2018 Active Police Officer election and Denise Daniels won the 2018 Active Teacher election. Their terms began on January 28, 2019.
New Trustee Orientation	Staff will schedule a trustee orientation in early March for the new trustees and for Bruno Fernandes, our new ex officio member, who joined the Board in September and who represents the District's Office of the Chief Financial Officer.
Board Officer Elections	As noted previously, with the change of Board members in January, we postponed the election of Board Officers until today's meeting.
Trustee Position Description and Compensation Review	As also noted previously, to assist new Trustees in knowing their duties and responsibilities upon joining the Board, I have asked staff to develop a trustee position description. I will circulate a draft to you for your input as soon as it is completed. I have also asked staff to do a review of trustee compensation practices among public pension systems. The last such review was performed by DCRB in 2005. These matters will be referred to the Operations Committee.
Sponsored Activities	As noted last month, DCRB's Comprehensive Annual Financial Report (CAFR) includes a Schedule of Trustee Sponsored Activities, where Trustees must disclose their attendance at any meetings, conferences, or other events where the event sponsor waived registration fees and/or covered the cost of travel and/or meals. Trustees must disclose any such activities for FY 2018.
Waiver of Recourse Insurance Coverage	Trustees should provide Deborah Reaves with their \$25.00 payment for the Fiduciary Liability Insurance policy. Checks, made payable to AON Risk Services, are due at today's Board meeting. Any questions should be referred to Deborah Reaves at (202) 343-3226.
Trustee Financial Disclosure Statement	Trustees should give their completed Financial Disclosure and Trustee Acknowledgement forms to Erie Sampson by the April 18 Board meeting for filing by the April 30, 2019 due date. A copy of the form, which has already been emailed to you, is attached for your information.
Council of Institutional Investors (CII) Programs	As note last month, on March 4, 2019, CII is offering an educational program entitled, "Pension Fund Trustee Training – Fiduciary Fitness," from 8:30 a.m. to 2:30 p.m. at the Mandarin Oriental Hotel, Washington, DC. The program will focus on fiduciary skills, investment skills, and current and emerging practices. In addition, from 7:15 p.m. to 9:15 p.m., there will be a private dinner and roundtable discussion chaired by Tom Byrne, former chair of the New Jersey Division of Investment.
New Parking Operator	DCRB has been notified by the IBEW Building management that effective February 2, 2019, Colonial Parking was selected as the new parking operation for the building's parking garage. Garage hours and rates will remain the same, Colonial will continue to honor current validations.

<p>Other</p>	<p>For your information:</p> <ul style="list-style-type: none"> ➤ The next Board meeting will be held at 1 p.m. on Thursday, March 21. ➤ To assure that all meetings will have a quorum, DCRB's Office Management staff poll all Committee or Board members prior to the meetings to confirm attendance. ➤ Please note: While construction continues on the adjacent building, the garage entrance on 7th Street will remain closed. We will follow up with you when we learn of the date that it will reopen. ➤ Since it is difficult to hear the votes of those participating remotely, I will specifically ask for a voice vote from anyone attending a meeting via telephone. <p>As a reminder:</p> <ul style="list-style-type: none"> ➤ In accordance with a provision in the Trustee Travel Policy, following your attendance at a conference, Trustees are asked to complete a report describing what they learned at the conference and its benefit to the Board. Section 4 of the Conference Travel Report for Trustees and Staff provides space for you to list your ideas and insights gained at the conference. ➤ Notice should be provided to the Chairman and to Deborah Reaves if you plan to participate at a meeting electronically. The IT staff will provide WebEx information prior to every meeting. ➤ Trustees who receive questions or complaints from members on issues administered by DCRB should contact the Executive Director and the Department Chief, who is responsible for the issue rather than departmental staff.
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DISTRICT OF COLUMBIA RETIREMENT BOARD

MOTION:

TO WAIVE BOARD RULE 1501.6, TO ALLOW THE CHAIRMAN OF THE BOARD TO SERVE IN THE SAME ELECTED OFFICE FOR AN ADDITIONAL ONE-YEAR TERM.

PRESENTED TO THE BOARD ON FEBRUARY 28, 2019

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DISTRICT OF COLUMBIA RETIREMENT BOARD

MOTION:

**TO WAIVE BOARD RULE 1501.6, TO ALLOW THE VICE
CHAIR/SECRETARY OF THE BOARD TO SERVE IN THE SAME ELECTED
OFFICE FOR AN ADDITIONAL ONE-YEAR TERM.**

PRESENTED TO THE BOARD ON FEBRUARY 28, 2019

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DISTRICT OF COLUMBIA RETIREMENT BOARD

MOTION:

TO WAIVE BOARD RULE 1501.6, TO ALLOW THE TREASURER OF THE BOARD TO SERVE IN THE SAME ELECTED OFFICE FOR AN ADDITIONAL ONE-YEAR TERM.

PRESENTED TO THE BOARD ON FEBRUARY 28, 2019

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EXECUTIVE DIRECTOR REPORT
February 28, 2019

Activities	Updates
Strategic Planning	Ralph Smith, of the Orion Development Group, met with both DCRB's Executive Leadership Team and the Strategic Planning Project's Implementation Team earlier this month to further discuss our Priority #1 initiatives and corresponding metrics. Ralph is here with us today to lead this afternoon's Strategic Planning Retreat for Trustees and project staff.
2019 Performance and Budget Hearings	On February 25, 2019, DCRB testified before the District Council's Committee of the Whole. Copies of my testimony, and that of our Chairman, are attached for your information. If you did not have an opportunity to watch the testimony on February 25th, a video of the testimony is available on the Council website. I want to thank Chairman Clark and Ed Koebel, of Cavanaugh Macdonald, for accompanying us and participating in the hearing. Also, for your information, DCRB's Budget Hearing is scheduled for March 25, 2019.
DCRB Winter (Police/Fire) Newsletter	The DCRB newsletter (Winter Edition) for police officers and firefighters is in its final stages of preparation and an electronic copy should be distributed to active members in early March. Paper copies of the newsletter will be mailed to retirees about a week later. Among other things, this edition includes articles about the taxation of disability retirement payments, the eligibility of domestic partners for survivor benefits, the 2019 COLA, and the active police officer election results. An electronic copy of the newsletter will be emailed to you in advance of its distribution to members.
Revised Organization Chart	Attached for your information is an updated DCRB organization chart. Currently, there are approximately 24 vacant positions. We are working to fill the key vacancies as soon as possible. The procurement positions are not listed, since procurement tasks are currently being performed by the District's Office of Contracts and Procurement pursuant to an MOU.
IT Equipment Issuance Policy	DCRB's CFO has been tasked with developing a policy for the issuance, maintenance, and retrieval of IT equipment. This policy will apply to Trustees and Staff.
DCRB Quarterly Financial Report	Attached for your information is a report reflecting DCRB's financial results for the quarter ending December 31, 2018. Our Chief Financial Officer, Anthony Shelborne, will provide you with a short presentation of the report.

Audit of Charter School Contribution Amounts	The Memorandum of Agreement (MOA) between the Office of regarding the implementation of the public charter schools specifically requires the boards to execute financial audit of the mandated annual report. DCRB will conduct an audit of the charter school contribution amounts in FY 2019-2020, and will work with OFT to update the MOA, and, as needed, the MOU related to the charter schools, which were originally drafted in 2003 and 2002, respectively.
Certificate of Achievement in Public Plan Policy (CAPPP)	DCRB is planning to invite the International Foundation of Employee Benefit Plans to our offices this year to provide Trustees and Staff with the opportunity to earn the CAPPP certificate. Part I of the program will be offered on Thursday and Friday, April 25 – 26, 2019 and Part II is scheduled for Thursday and Friday, May 2-3, 2019. We will provide you with an update and further information on the program as the presentation times draw near.



**PERFORMANCE OVERSIGHT HEARING ON
THE DISTRICT OF COLUMBIA RETIREMENT BOARD
FOR FISCAL YEAR 2018**

Testimony of

**Sheila Morgan-Johnson, Executive Director
District of Columbia Retirement Board**

Before the

**Honorable Phil Mendelson, Chairman
Committee of the Whole
Council of the District of Columbia**

**John A. Wilson Building, Room 123
1350 Pennsylvania Avenue, NW
Washington, DC 20004**

February 25, 2019

OPENING REMARKS

Good afternoon Chairman Mendelson and members of the Committee of the Whole. I am Sheila Morgan-Johnson, Executive Director of the District of Columbia Retirement Board (DCRB or the Board). I am pleased to testify on DCRB's FY 2018 performance. With me today to also respond to the Committee's questions are Ed Koebel of Cavanaugh Macdonald Consulting, our independent actuary and members of DCRB's senior staff. Before discussing the mission and priorities of DCRB, I would like to acknowledge the guidance and support provided by our Board of Trustees and the assistance of this Committee and your staff over the past year.

OUR HISTORY AND MISSION

DCRB was created by Congress in 1979 as an independent agency of the District of Columbia Government. The Board is a fiduciary that has the exclusive authority and discretion to manage the assets of the District of Columbia Teachers' Retirement Fund and the District of Columbia Police Officers and Fire Fighters' Retirement Fund (collectively referred to as the Fund). These assets are held in trust for the sole benefit of members of the District of Columbia Police Officers and Firefighters' Retirement Plan and the District of Columbia Teachers' Retirement Plan (referred to as the Plans), as well as their eligible survivors and beneficiaries.

The District is responsible for members covered under the District Replacement Plans (the District Plans), which were adopted on July 1, 1997. Fund assets, which are pooled for investment purposes, may only be used to pay benefits and expenses necessary to administer the retirement program. DCRB also serves as the third-party administrator for benefits earned through June 30, 1997, under the frozen plans (the Frozen Plans), which are the responsibility of the U.S. Department of the Treasury (U.S. Treasury). U.S. Treasury reimburses DCRB for costs we incur for these third-party administrator services. Any reimbursement of administrative expenses from U.S. Treasury offsets the amount required from the Fund each year.

For the District Plans, the District Government, as the employer, is the Plan Sponsor, and is responsible for the design of the Plans, for certain benefits administration activities, and for paying the required employer contributions into the Fund. In addition to employer contributions, Fund income includes employee contributions, which are a fixed percentage of their pay, and investment earnings.

DCRB's mission consists of the following two overarching goals: (1) to prudently invest and manage the assets of the Fund, and (2) to administer retirement benefits by providing members with accurate and timely pension payments, as well as excellent customer service. Agency operations are managed in accordance with our fiduciary responsibilities and relevant legal authorities. The projects and initiatives in progress and planned for the future are undertaken to support this mission.

STATUS OF THE FUND AND THE PLANS

As of September 30, 2018, the total membership of the District Plans and the Frozen Plans was 26,431. It should be noted that approximately 74 percent (19,590) of those members are now covered under the District Plans and/or jointly funded by the District and federal governments. Although the current majority of benefit payments are paid by U.S. Treasury for accrued federal benefits, the District is becoming responsible for an increasing portion of the total benefits.

Last year, Cavanaugh Macdonald performed a Thirty-Year Projection Study (Study), the purpose of which was to determine funding requirements by estimating the future assets, liabilities, contributions and benefit payments for each of the Plans over time. The Study also serves as a guide for investment decisions. The Study projected that District payments to annuitants are expected to surpass those of the U.S. Treasury around 2031, just twelve years from now.

The Board's Actuarial Valuation Report for Fiscal Year (FY) 2018 indicates that the aggregate funded ratio for the District Plans was 106.2 percent (up from 105.2 percent in FY 2017). The individual Plan ratios were: 93.0 percent for the Teachers' Plan and 112.0 percent for the Police Officers and Firefighters' Plan. Separately, the ratios are 113.7 percent for Police Officers and 108.2 percent for Firefighters.

At a prior Investment Committee meeting, the District's Chief Financial Officer, Jeffrey DeWitt, advised Trustees and senior management that the Plans' strong funded status is having a positive impact on the District's bond rating, and complimented the Board on its proactive approach with regard to the Projection Study for long-term planning purposes. It is also important to note that the Center for State and Local Government Excellence reported that in 2016, only four (4) public plans (including the District's Police/Fire Plan) were funded at 100% or higher. In addition, as of June 30, 2018, the aggregate funded ratio of the nation's largest public pension plans was 72.1 percent.

As of September 30, 2018, the Fund was valued at \$8.2 billion, an increase of approximately \$445 million in total asset value over the previous twelve months. Since the close of the fiscal year, the equity markets have been quite volatile. For example, the Russell 3000 Index was down 14.3 percent, and the MSCI EAFE Index fell by 12.5 percent during the first quarter of FY 2019. As a result, the value of the Fund declined to \$7.8 billion by year-end. With the equity market rally in January, however, the value of the Fund was back to \$8.2 billion as of January 31, 2019.

OUR GOALS

Prudently Invest and Manage Fund Assets

One of DCRB's major ongoing responsibilities is to prudently invest Fund assets, with the goal of earning a return that meets or exceeds our actuarial investment return assumption of 6.5 percent. This target is intended to sustain the Fund's viability over the long-term investment horizon. I am pleased to report that as of September 30, 2018, the Fund generated an annualized gross return of 8.8 percent since its inception in October 1982, surpassing the 6.5 percent long-term actuarial return target. For FY 2018, a volatile year for the market, the Fund earned a gross return of 5.4 percent.

In building a solid foundation for achieving long-term, sustainable risk-adjusted net returns, we routinely review investment manager performance against benchmark returns, rebalance the portfolio to maintain compliance with asset allocation targets and ranges, and monitor and evaluate fees. In addition to systematically reviewing the investment performance and operational processes of investment service providers, DCRB completed the following investment activities in FY 2018:

- Analyzed different negative market return scenarios. DCRB's investment consultant provided Trustees with an illustration of how the performance of the Fund's current asset allocation could be impacted by a decline in the valuation of U.S. equity securities, and a reallocation of those assets to high-quality fixed-income securities to avoid extreme equity losses.
- Offered continuing education to Trustees and Staff on fiduciary responsibilities, ethics, risk management and mitigation strategies, the private markets' legal process, cybersecurity awareness, agricultural and private credit education, and overall investment compliance.

The integration of a strong governance, risk, and compliance program is critical to sustaining longer-term investment returns. During FY 2019, DCRB will enhance our formal assessment of operational risks to identify, manage, and mitigate non-market risks. We will accomplish this by focusing on business, legal, and operational risks as core factors for committing capital to new investment managers and as part of ongoing monitoring efforts.

We will further validate the accuracy of fees paid to our investment managers to ensure compliance with investment agreements. This is a key initiative of the U.S. Securities and Exchange Commission. In addition, the Board is reviewing with our investment consultant various asset class mixes that are forecasted to achieve the long-term target return within acceptable risk parameters.

Finally, during FY 2019, DCRB will engage a consultant to conduct an operational fiduciary audit. This is a top-to-bottom analysis of the Agency's operations, processes and performance needed to ensure that DCRB is following best practices and planning for Fund sustainability as the District contribution increases and we are serving more District-funded members without a federal reimbursement.

Provide Members with Accurate and Timely Payments and Excellent Customer Service

Another of DCRB's major responsibilities is to administer retirement benefits. Among our primary tasks is to ensure the accurate and timely payment of benefits to retired Plan members and their survivors and beneficiaries, and to provide them with excellent customer service. These services include providing members with information about the Plans, responding to their questions, and keeping them aware of changes and issues related to their benefits.

Annual Benefits Statements

During FY 2018, DCRB provided annual Estimated Benefits Statements (Statements) to all active members of the Plans. We expect to issue 2019 Statements in the fall of this year.

Member Focused Communications

During FY 2017, DCRB completed a benchmarking project to determine how our benefits administration operations compared with best practices and to other public pension systems of our size. The results revealed that DCRB significantly lags its peers in the adoption of member focused technology. For example, DCRB currently lacks an annuitant self-service website portal, where members can update their personal information and receive timely and targeted communications. During FY 2018, we began discussions with U.S. Treasury and the District's Office of the Chief Technology Officer (OCTO) to explore the development of an online self-service application that will allow annuitants to access their benefit and tax-related information.

Other Retirement Modernization Efforts

During FY 2018, DCRB completed an audit of its Information Technology (IT) operations and internal systems to ensure that proper safeguards are in place to protect the Fund, and that our IT footprint is consistent with the needs of the Agency. The audit resulted in changes to the structure and focus of that department. We also leveraged District resources, in the form of services provided by OCTO, and replaced our telephone system using District services, which resulted in enhancements to our customer service capabilities and cost savings to DCRB. Our strategy is to position the IT Department to focus more on service delivery that will help members, operate more efficiently, using a combination of internal staff and OCTO services for specific, targeted projects. To save time and costs, we will continue to seek opportunities to leverage services provided by OCTO to: help us assess the data management system, assist with the relocation and modernization of the network, and enhance our pension operations.

Legislative and Compliance Initiatives

2017 Summary Plan Descriptions

In early 2018, DCRB distributed updated Summary Plan Descriptions (SPDs) for each of the Plans to all Plan members. The new SPDs clarify Plan provisions, benefits administration policies and processes, and summarize the provisions of the Plans in a format that is easier to read and understand.

Technical Amendments to the District Plans

In late September 2017, the Teachers, Police, and Firefighters Retirement Benefits Technical Amendment Act of 2017 was introduced by the Council. This legislation is currently undergoing Congressional review and is expected to become law later this month. We appreciate the assistance of the Council in moving this legislation forward.

Strategic Planning and Initiatives

Last year, in my first year as Executive Director, I set the course for DCRB's continued advancement under my leadership with a re-evaluation of the Agency's current goals and objectives to ensure that they continue to align with DCRB's mission. As a part of that process, DCRB began a Strategic Planning Project in August 2018 that involves the Board and all DCRB employees.

In tandem with the Strategic Planning Project, and in preparation for the eventual acquisition of a pension management information system, we are refocusing our efforts on reviewing, analyzing, and documenting the major processes that are a part of our benefits administration operations. The purpose of this project is to update processes that were adopted several years ago in a paper environment, assure alignment with the processes of our partner agencies, document process steps from end-to-end, and eliminate or adjust antiquated activities prior to memorializing the processes in a new system.

Other Initiatives

In addition to the initiatives already noted, we will continue to partner with District agencies in other areas, such as the District of Columbia Human Resources Department for training and the Office of Contracts and Procurement for procurement assistance.

CONCLUSION

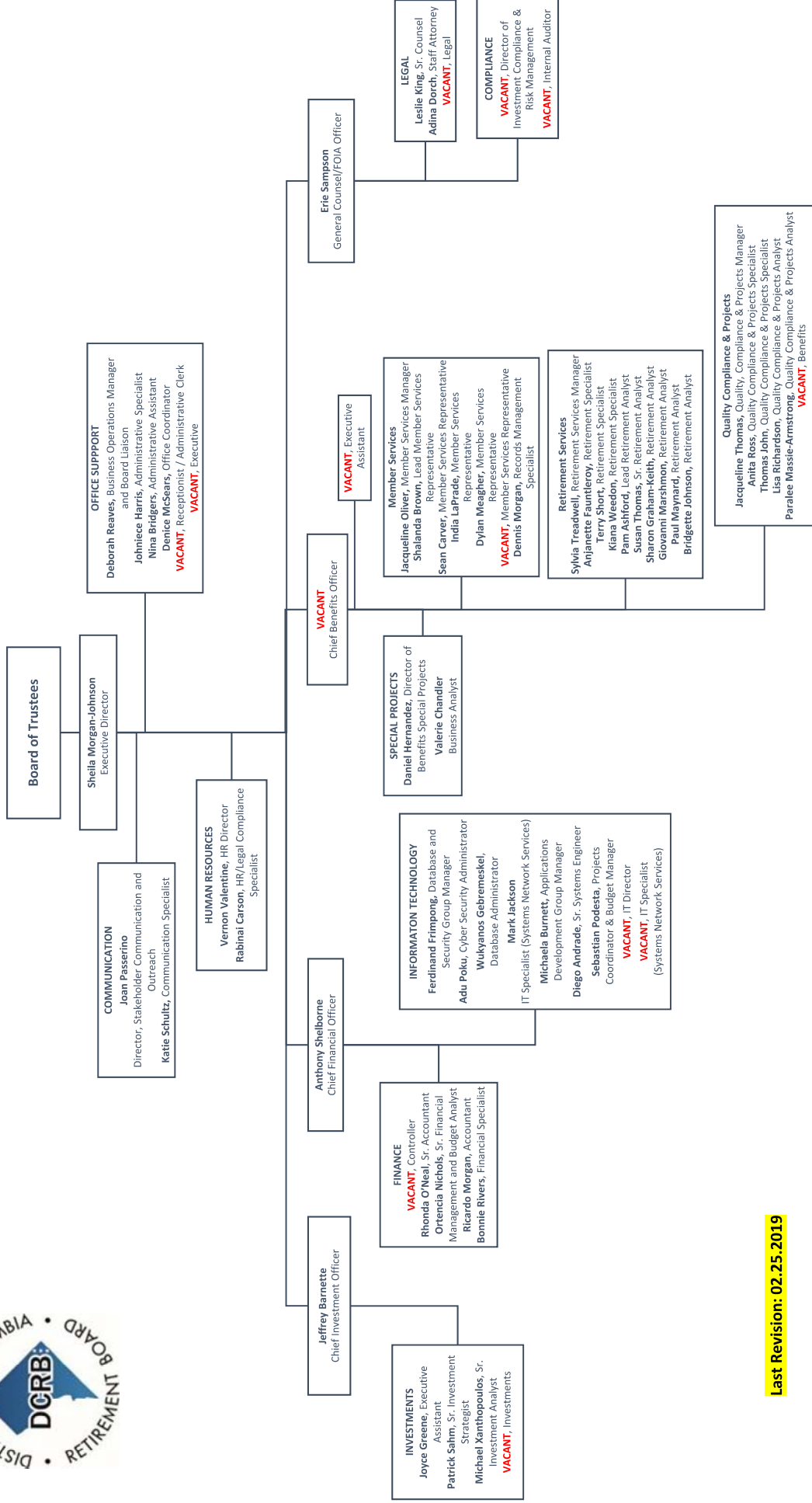
In summary, I am pleased to report that the Fund is in sound financial condition and that we continue striving to pay our Plan members accurately and timely. Further, the Trustees are engaged and committed to our mission, and we have a knowledgeable and experienced senior management team leading the Agency's strategic initiatives. Together, we continue to move forward in creating a comprehensive retirement system to serve the needs of Plan participants over the long-term.

In closing, I would like to thank you for your support, the Board for its guidance, and the DCRB staff for their hard work. I am happy to answer any questions you may have.

This concludes my testimony.



The District of Columbia Retirement Board (DCRB)



Last Revision: 02.25.2019

DCRB Interim Financial Report

Financial Review

DCRB's two basic financial statements, presented in the Comprehensive Annual Financial Report and in the annual Audited Financial Statements, are the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. The statement names follow the Government Accounting Standards Board, or GASB. The Condensed and Combined Statements are presented here; these versions consolidate both funds, for ease of review and comprehension.

The Fiduciary Net Position is a measure of DCRB's assets and liabilities at the close of the period (December). It provides a snapshot of the assets and liabilities on December 31, 2018, which is the end of the first quarter for fiscal year (FY) 2019, or Q1 2019. The fiduciary net position declined to approximately \$7.8 billion by year-end, because of the volatility of the equity markets from October to December. *[For example, the Russell 3000 Index was down 14.3 percent during the first quarter of FY 2019.]* Investment sales receivable decreased from \$26.6 million in Q1 2018 to \$2.6 million in Q1 2019. These balances can fluctuate from period to period, based on the open trades and dates of settlement.

The Changes in Fiduciary Net Position shows revenues (additions) and expenses (deductions) that took place during the first quarter. Additions to, or deductions from (in the case of losses on investments), the fiduciary net position, which are needed to finance statutory benefit obligations, come from several sources. They include the District (employer) contribution (which occurs once annually), employee contributions, net earnings (or losses) on investments, the U.S. Treasury (in the form of reimbursement of some administrative expenses), and miscellaneous sources. For the period ended December 31, 2018, total revenues were (\$358,979), as compared to \$449,400 for the period ended December 31, 2017.

DCRB Condensed and Combined Statements of Fiduciary Net Position

As of December 31, 2018, with comparative totals for 2017*
(Dollar amounts in thousands)

	1Q 2019	1Q 2018
Assets		
Cash and short-term investments	\$ 69,871	\$ 46,322
Receivables	1,172	1,936
Investment sales receivable	2,550	26,561
Investments, at Fair Value	7,729,722	8,094,195
Total assets	7,803,315	8,169,014
Liabilities		
Accounts payable	7,126	7,623
Investment commitments payable	9,702	9,030
Total liabilities	16,828	16,653
Net position restricted for pensions	\$ 7,786,487	\$ 8,152,361

DCRB Condensed and Combined Statements of Changes in Fiduciary Net Position

(Dollar amounts in thousands)

	1Q 2019	1Q 2018
Additions		
District Government	\$ 144,627	\$ 164,642
Plan member contributions	8,659	8,952
Net investment income (loss)	(512,718)	274,732
Other income	1,053	1,074
Total additions (reductions)	(358,379)	449,400
Deductions		
Benefit payments	49,196	45,003
Refunds	2,679	3,025
Administrative expenses	3,135	4,054
Total deductions	55,010	52,082
Net increase (decrease)	\$ (413,389)	\$ 397,318
Net position restricted for pensions benefits:		
Beginning of fiscal year	8,199,876	7,755,043
End of period (Dec)	\$ 7,786,487	\$ 8,152,361

Financial Review - continued

Administrative Expenses – In carrying out its mission, DCRB incurs administrative expenses. These expenses, made up of personal services and non-personal services, support the DCRB operations that are managed in accordance with our fiduciary responsibilities and relevant legal authorities. The projects and initiatives in progress, across all departments (Trustees, Executive, Benefits, Investments, Operations/Finance, Information Technology, and Projects (Projects was eliminated in FY 2020) are undertaken to support this mission. The expenses of all departments are shown in the table below. In some cases, certain line-item expenses only occur in one or two departments.

Notes:

Telephone – Savings realized, starting in October, because of installing the new telephone system.

Professional fees – lower costs incurred to date in the IT and Projects departments. Audit costs – Q1 2019 has one payment to the IT audit company, and that cost did not exist in Q1 2018; the audit costs in the first quarter of 2018 only included the financial auditor.

Actuary – there were timing differences in the billing and payment. In Q1 2019, the payment was made in January and will be reflected in the next set of financials.

Legal fees—external – the investment counsel fees with were higher in Q1 2019, as compared to Q1 2018, due to timing differences.

Retirement system maintenance fees (STAR costs) – Timing differences related to the payments to Treasury.

DCRB - Supplementary Information

Schedules of total administrative expenses

	1 Q 2019	1 Q 2018
Personal services		
Salaries	\$ 1,173,790	\$ 1,232,292
Fringe benefits	417,209	527,335
Total personal services	1,590,999	1,759,627
Non-personal services		
Office supplies, printing and postage	21,315	36,890
Telephone	9,973	21,928
Rent and operating expenses	604,053	601,198
Travel, Transit and Parking	40,214	34,302
Professional fees	403,764	726,413
Insurance	13,791	39,426
Dues & memberships	19,670	10,204
Audit costs	104,750	52,000
Actuarial fees	-	83,258
Legal fees - external	115,080	42,702
Investment-related fees	3,659,812	3,765,830
Retirement system maint fees (STAR)	325,040	776,504
Furniture, fixtures and equipment	14,789	48,416
Total non-personal services	5,332,251	6,239,071
Total administrative expenses	\$ 6,923,250	\$ 7,998,698

WILL BE PROVIDED AT THE MEETING.

NO WRITTEN REPORT PROVIDED

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TO: BOARD OF TRUSTEES

FROM: MARY COLLINS, CHAIR

DATE: FEBRUARY 28, 2019

SUBJECT: BENEFITS COMMITTEE REPORT

The Benefits Committee met on Thursday, February 7, 2019. The following report reflects matters discussed at the Committee meeting, as well as activities and projects that occurred since the January 2019 Board meeting.

Annuitant Verification Project

As a standard best practice to ensure that benefits are not paid to deceased annuitants, staff mailed verification letters to selected annuitants in the fall of 2018. As of January 22, 2019, DCRB received a 74 percent response. Non-responders will be mailed additional certified letters before suspending benefit payments.

Recalculations - Retired Fire and Union Members and Survivors

Annuities will need to be adjusted for members who retired between October 1, 2015 and August 2018, and survivors whose annuities were calculated during that period, due to the new Fire Union contract that was approved in July 2018. DCRB has estimated approximately 150 annuitants will require annuity recalculations.

New Metropolitan Police Department Collective Bargaining Agreement

On November 16, 2018, the DC Council approved a new collective bargaining agreement with the Fraternal Order of Police/Metropolitan Police Department. DCRB has confirmed with OPRS that this contract will be retroactive and applicable to retired members.

Equalization (Police Union)

New District pay schedules related to the Police Union bargaining contract noted above will affect Tier I Police members who retired before February 15, 1980, and who are covered by occupations in the Police Union. DCRB is scheduled to apply all equalization rates, including retroactive amounts due to contract completion, in the retired members' March 1, 2019 payments. All other eligible Police/Fire groups received their equalization increases in December 2018.

Benefits Department Monthly Statistics

Activity	November	December
Retirement Claims Received	304	344
Processed Retirements	116	129
Average DCRB Processing Days (Calendar)	72	66

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TO: BOARD OF TRUSTEES
FROM: LYLE BLANCHARD, CHAIRMAN
DATE: FEBRUARY 28, 2019

SUBJECT: LEGISLATIVE COMMITTEE REPORT

The following report reflects activities of interest since the January Board Meeting:

HEARINGS

DCRB's annual performance oversight hearing was held Tuesday, February 25, 2019, before Chairman Mendelson, Chair of the Committee of the Whole, 1350 Pennsylvania Ave., NW, Room 123, Washington, D.C., 20004.

DCRB's annual agency budget oversight hearing is scheduled for Monday, March 25, 2019, before Chairman Mendelson, Chair of the Committee of the Whole, 1350 Pennsylvania Ave., NW, Room 412, Washington, D.C., 20004.

The Committee of the Whole is scheduled to mark up and report DCRB's budget for Fiscal Year 2020 on between April 30, and May 2, 2019.

COUNCIL OF THE DISTRICT OF COLUMBIA

L22-0215, "Teachers, Police, and Firefighters Retirement Benefits Technical Amendment Act of 2018"

Status: The bill became official law on February 22, 2019.

WILL BE PROVIDED AT THE MEETING.



DISTRICT OF COLUMBIA RETIREMENT BOARD
PROCEDURES FOR ELECTION OF OFFICERS
FEBRUARY 28, 2019

-
- ❖ Pursuant to the Board Rules, the election of officers is conducted by secret ballot.
 - ❖ Each election is decided by majority vote.
 - ❖ If no candidate in a particular election receives a majority vote, the balloting will continue until one candidate obtains a majority vote.

Procedure for Election of Officers

- (1) A blank ballot is handed out by the election teller.
- (2) Nominations are received for each office in the following order:
 - (a) Chairman
 - (b) Vice-Chair/Secretary
 - (c) Treasurer

After each nomination is confirmed, the name of the nominee(s) is placed on the ballot sheet.

- (3) After nominations for each office are closed:
 - a) Trustees will write the name of the candidate of choice on their ballot;
 - b) Ballots are collected and counted by Teller; and
 - c) The Chairman announces the election results.

Current DCRB Board Officers

Position	Officer	Term
Chairman	Joseph Clark	2017, 2018
Vice-Chair/Secretary	Gary Hankins	2017, 2018
Treasurer	Lyle Blanchard	2016, 2017, 2018

EXECUTIVE BOARD OFFICERS

1. The Board shall annually elect from its membership a Chairperson, Vice-Chairperson/Secretary, and Treasurer.¹ The election shall take place at the first regular Board meeting in February. Each officer shall serve for a term of one (1) year and until their successors are elected, unless their membership on the Board expires sooner. An Executive Board Officer may be reelected to serve in the same position for no more than two (2) consecutive terms, unless the Board affirmatively waives this requirement in a Board motion.
2. The elections shall take place in the order of Chairperson, Vice-Chairperson/Secretary, and Treasurer, with calls for nominations followed by a secret ballot vote. Any trustee may make nomination(s) for Executive Board Officer positions, including him or herself. When one candidate secures a majority vote for the position up for election, the current Chairperson shall declare that the position is filled until the newly elected officer is replaced or reelected at the next election. This process shall be repeated until all positions are elected.
3. An Executive Board Officer may be removed from his or her elected position by a vote of two-thirds (2/3) of the members of the Board. Such removal proceedings shall be accompanied by a detailed order issued by the Board stating the reasons for removal. D.C. Code § 1-711(b)(10).
4. A vacancy of a position occurs upon expiration of a member's term, resignation, death, removal, or any reason which, in the opinion of the holder of the position, prevents the holder of the position from carrying out his or her duties. Whenever a vacancy occurs, the Chairperson (or Acting Chairperson) shall convene the Board to reelect the vacant position as follows:
 - a. *Chairperson*: Board convenes within fourteen (14) business days after notice of the vacancy. At that time, the Board shall elect one (1) of its members as Chairperson for the remainder of the outstanding term.
 - b. *Vice-Chairperson/Secretary and/or Treasurer*: At the first Board meeting following the occurrence of the vacancy, the Board shall elect one (1) of its members to fill the vacant position for the remainder of the outstanding term.
5. The Chairperson shall be the chief presiding officer of the Board whose principal role shall be to lead the Board in the conduct of Board business.
6. The Vice-Chairperson/Secretary shall assist the Chairperson as requested.
 - a. In the case of a vacancy in the office of Chairperson, the Vice Chairperson/Secretary shall serve as Acting Chairperson until the Board elects a new Chairperson in accordance with the above procedures.
7. The Treasurer shall provide audit oversight of the Funds and shall also serve as the Chair of the Audit Committee.
 - a. In the case of a vacancy in the offices of Chairperson and Vice-Chairperson/Secretary, the Treasurer shall serve as Acting Chairperson until the Board elects a new Chairperson or in the case of a vacancy in the office of Vice-Chairperson/Secretary, the Treasurer shall service as Acting Vice-Chairperson/Secretary until the Board elects a new Vice-Chairperson/Secretary in accordance with the above procedures.

¹ Effective beginning with the February 18, 2016 election, Executive Board Officers were amended. At the May 21, 2015 Board meeting, motions were passed abolishing the positions of Parliamentarian and Sergeant-At-Arms and consolidating the positions of Vice-Chairperson and Secretary. The Treasurer's responsibilities were also expanded to include Audit Committee Chair.

DISTRICT OF COLUMBIA RETIREMENT BOARD

Legislative Milestones

Pre-DCRB & Home Rule

- The Federal Government was responsible for both funding & administering benefits from the Judges', Police & Fire and Teachers' Retirement Plans.
- Benefits from the Plans were paid from the general coffers of the U.S. Treasury on a “pay-as-you-go” basis when members retired.
 - *Resulted in unfunded pension liabilities*

District of Columbia Retirement Reform Act of 1979 (Reform Act)

- Congress created the District of Columbia Retirement Board (DCRB or the Board)
 - *Exclusive authority and discretion to manage the newly created Police & Fire and Teachers' Retirement Funds on an actuarially sound basis.*
 - *Set forth DCRB's structure, authority and responsibilities.*
 - *Modeled after ERISA's fiduciary duties.*
- The District performed benefits administration for all 3 Retirement Plans.

National Capital Revitalization and Self-Government Improvement Act of 1997 (the Revitalization Act)

- Due to costs inherited by the District from the Federal Government's unfunded pension liabilities, Congress required:
 - *Federal Government to assume the unfunded pension liabilities.*
 - *Federal Government to assume responsibility for Judges' Retirement Plan.*
 - *Assets of Police & Fire and Teachers' Retirement Plans be split between the Federal and District Governments.*
 - *Police & Fire and Teachers' Retirement Plans to be frozen as of June 30, 1997 and the responsibility of U.S. Treasury.*
 - *Interim Benefits Administration Period during which the District would continue administering the Frozen Plans.*
 - *District to establish and be responsible for Replacement Police & Fire and Teachers' Retirement Plans as of June 30, 1997.*

Police Officers, Fire Fighters, and Teachers Retirement Benefit Replacement Act of 1998 (Replacement Plan Act)

- District created Replacement Police & Fire and Teachers' Retirement Plans for service after June 30, 1997:
 - *District responsible for Replacement Plans.*
 - *Replacement Plans mirrored Frozen Plans.*
 - *Provided for full funding of benefits based on actuarial cost method.*
- DCRB custodian of, and fiduciary for, Replacement Plan assets.
- District continued as benefits administrator of Replacement and Frozen Plans.

Fiscal Year 2005 Budget Support Act of 2004 (the Budget Support Act)

- District amended Retirement Reform Act & Replacement Plan Act:
 - *Transferred benefits administration activities for Replacement Plan benefits from the District's OPRS to DCRB.*
- 2005 Memorandum of Understanding among Treasury, OPRS, and DCRB transferred benefits administration of Frozen Plan benefits from OPRS to DCRB.
 - *DCRB is benefits administrator for Replacement and Frozen Retirement Plans.*
 - *Treasury provides payroll services for most Plan benefits.*

DISTRICT OF COLUMBIA RETIREMENT BOARD

Assessments & Future Strategic Considerations

Prior Strategic Assessments for District Pension Consolidation

- 1979 – 1982
 - DCRB was created as an investments-only Board in 1979.
 - Almost immediately, there were recommendations to also include benefits administration in its responsibilities.
 - *General consensus: that it would be in the best interest of members and the District to centralize those responsibilities under the Board.*
- 1983
 - The Board hired the Segal Company to study the issue, as well as the Board's fiduciary obligations under the statutes.
 - Segal found the "present procedures to be overly elaborate and to lack sufficient coordination;" "a certain amount of duplication;" and "some record keeping is not being adequately addressed."
 - Segal also noted that even though DCRB was not responsible for benefits administration, it had a fiduciary duty to oversee the process.

Prior Strategic Assessments

- 1983

- Mercer-Meidinger, the Board's auditor, recommended that the Board formally approve a request to the City to transfer the functions of calculating benefits, record keeping, and counseling to DCRB.

- 1994

- The Raines Commission, a Task Force established by Congresswoman Norton, recommended consolidating retirement benefits administration and investment activities under DCRB.
- During 1994, legislation was introduced to consolidate responsibility for benefits administration under DCRB.

Prior Strategic Assessments

- 1995
 - The Control Board recommended consolidating all District retirement programs under one entity.
 - The City Administrator convened a working group and two best practices studies.
- 1998
 - The District hired Mercer-Meidinger to study all of its retirement programs.
 - OPM conducted a study of OPRS benefits administration operations and found . . .
- 2003
 - At a working group meeting, a consensus was reached to support consolidation of retirement administration under DCRB.
 - A Pensions Task Force was formed to draft legislation and discuss details.

Prior Strategic Assessments

- 2004
 - The Task Force reached a consensus in February to support the inclusion of legislation to affect the consolidation in the Fiscal Year 2005 Budget Support Act of 2004.
 - Legislation was drafted to consolidate administration of the District's pension plans under DCRB.
 - The Act was adopted by the Council on June 29 and became law after Congressional review on September 30.
- 2005
 - Benefits administration for the Replacement Plans was **transferred** from OPRS to DCRB on September 26, 2005.

Transfer to DCRB

- Under the 2005 Budget Support Act, only those administrative activities then being performed by OPRS were transferred to DCRB:
 - Calculation of benefits,
 - Payment of benefits,
 - Recordkeeping for those in payment status, and
 - Retiree communication and assistance.

DISTRICT OF COLUMBIA RETIREMENT BOARD

ANNUAL OPEN PUBLIC MEETING SCHEDULE

As of February 21, 2019

The District of Columbia Retirement Board (DCRB) holds Open Board of Trustee meetings on the third Thursday of each month at 1:00 p.m., unless specified differently. The meetings will be held in the DCRB Board Room (2nd floor) at 900 7th Street, N.W., Washington, D.C 20001. The meeting place and time are subject to change without prior notice.

Please call one (1) business day prior to the meeting to ensure the meeting has not been cancelled or rescheduled. For additional information, please contact Deborah Reaves, Board Liaison, at (202) 343-3200 or email Deborah.reaves@dc.gov

2019 Annual Open Board Meeting Schedule

January 17, 2019

February 28, 2019

March 21, 2019

April 18, 2019

May 16, 2019

June 20, 2019

July 18, 2019

August – No Meeting

September 19, 2019

October 17, 2019

November 21, 2019

December 19, 2019

D.C. RETIREMENT BOARD Conference Listing As of February 27, 2019					
Sponsor	Name of Conference	Date	Location	Cost	Description
International Foundation of Employee Benefit Plans (IFEBCP)	Certificate of Achievement in Public Plan Policy (CAPP) Employee Pensions-Part I	April 25-26, 2019	Washington, DC	DCRB Sponsored	The Certificate of Achievement in Public Plan Policy (CAPP) program is ideal for enhancing your understanding of the fundamental areas of public sector benefit plans. Provides essential education for new trustees as well as attendees in need of a refresher that addresses core concepts and current trends in legal, legislative, plan design and fiduciary aspects of public sector benefit plans.
	CAPP in Employee Pensions-Part II	May 2-3, 2019	Washington, DC	DCRB Sponsored	The Certificate of Achievement in Public Plan Policy (CAPP) program is ideal for enhancing your understanding of the fundamental areas of public sector benefit plans. Provides essential education for new trustees as well as attendees in need of a refresher that addresses core concepts and current trends in legal, legislative, plan design and fiduciary aspects of public sector benefit plans.
	CAPP in Employee Pensions-Part I and II	Part I-June 18-19, 2019 Part II- June 20-21, 2019	Boston, MA	Registration thru May 9, 2019 \$1,150	The Certificate of Achievement in Public Plan Policy (CAPP) program is ideal for enhancing your understanding of the fundamental areas of public sector benefit plans. Provides essential education for new trustees as well as attendees in need of a refresher that addresses core concepts and current trends in legal, legislative, plan design and fiduciary aspects of public sector benefit plans.
	Washington Legislative Update	May 20-21, 2019	Washington, DC	Registration thru April 8, 2019 \$1,250	The program is designed for those who need to understand the legal, legislative and regulatory environment surrounding employee benefits. The content is designed for trustees, administrators and plan professionals who work with the public sector, single employer, and multiemployer.
	Public Employee Benefits Institute	June 24-26, 2019	San Francisco, CA	Registration thru May 13, 2019 \$1,515	The Public Employee Benefits Institute is designed to address benefit topics most critical to public plans and share ideas and discuss important issues with your peers.
Council of Institutional Investors (CII)	Pension Fund Trustee Training-Fiduciary Fitness	March 4, 2019	Washington, DC	Registration \$395	The program will cover fiduciary skills, investment skills and current and emerging practices. The morning session will focus on fundamentals and will be a great intro or refresher course. The afternoon session will cover more advanced topics.

DISTRICT OF COLUMBIA RETIREMENT BOARD Training & Travel Report As of February 27, 2019					
Name	Description	Sponsor/Vendor	Location	Dates	
Trustees				From	To
Mary Collins	Conference	NCPERS 2019 Legislative Conference	Washington, DC	01/27/19	01/29/19
Staff					
Leslie King	Seminar	National Association Public Pension Attorneys (NAPPA) 2019 Winter Seminar	Tempe, AZ	02/20/19	02/22/19
Joan Passerino	Conference	NCPERS 2019 Legislative Conference	Washington, DC	01/27/19	01/29/19
Erie Sampson	Seminar	NAPPA	Tempe, AZ	02/20/19	02/21/19