



DISTRICT OF COLUMBIA RETIREMENT BOARD
MEETING MINUTES
JANUARY 23, 2014
11:00 AM

MEMBERS PRESENT

Joseph M. Bress
Lyle M. Blanchard
Barbara Davis Blum
Diana K. Bulger
Gary W. Hankins
Judith C. Marcus
Darrick O. Ross
Nathan A. Saunders
Thomas N. Tippet
Michael J. Warren
Jeffrey Barnette, Ex-Officio

DCRB STAFF PRESENT

Eric Stanchfield, Executive Director
Erie Sampson, General Counsel
Tom Anderson
Sheila Morgan-Johnson
Johnetta Bond
Daniel Hernandez
Corinne Koch
Peter Dewar
Leslie King
Patrick Sahn
Michael Xanthopoulos
Susan Scrapper
Deborah Reaves
Yolanda Smith
Robin Chester
Denice McSears
Nina Bridgers

MEMBERS NOT PRESENT

Edward C. Smith

OTHERS PRESENT

Hazel Bradford, Pension and Investment
John Henry, OCFO
Brenda Mathis, OCFO
Daniel Michon, Recording Services
Owen Ward, Audit Partner, CliftonLarsonAllen LLP

ROLL CALL

Chairman Bress called the meeting to order at 11:40 a.m. Ms. Deborah Reaves called the roll.

APPROVAL OF MINUTES

Chairman Bress made the following motion, which was properly seconded.

Motion #1: To approve the Board meeting minutes for December 19, 2013.

A voice vote was called and the motion was approved 10-0.

CHAIRMAN'S COMMENTS

Chairman Bress updated the Board on his meeting with Council Chairman Mendelson regarding the Fossil Fuel Divestment Act of 2013.

Chairman Bress announced that elections for Board Officer will be held next month and a new retired teacher Trustee, Mary Collins, will be joining the Board on January 28th. Chairman Bress also reminded the Board that fiduciary training will occur in April.

EXECUTIVE SESSION

Motion #2: Chairman Bress moved to enter into Executive Session pursuant to D.C. Code §§ 2-575(b)(1) and 1-909.05(e), (f) to discuss pending District legislation at 11:44 a.m.

The motion was seconded and a voice vote was called and the motion was approved 10-0.

Motion #3: Chairman Bress moved to return to open session at 12:30 p.m.

The motion was seconded and a voice vote was called and the motion was approved 10-0.

EXECUTIVE DIRECTOR'S REPORT HIGHLIGHTS

Mr. Stanchfield presented the following information to the Board:

- DCRB will be issuing a request for proposal for actuarial audit services within the next few months.
- The DC Office of Boards and Commissions contacted DCRB regarding candidates for the vacant Mayoral-Appointed Trustee position. DCRB forwarded the application on former trustee, Mr. Joseph Clark.
- DCRB received the first round of performance questions from Council Chairman Mendelson on January 15th.
- The construction of DCRB's office space on the 2nd floor is progressing as planned.
- Various staff vacancies are being filled and all eligible staff received FY14 pay increases.

GENERAL COUNSEL REPORT HIGHLIGHTS

Ms. Sampson presented information on the following litigation matters:

- *Rivera v. The District of Columbia Retirement Board and the U.S. Department of the Treasury* (Case No. 13-5222 (BJR)):

In this appellate litigation matter involving a posthumous *nunc pro tunc* qualified court order under the DC Spouse Equity Act of 1988, DCRB and Treasury filed separate briefs in the US District Court of Appeals explaining why this matter should be or should not be certified to the DC Court of Appeals since there is no local case law on this subject.

- *Tribune Company Fraudulent Conveyance Litigation*, Case No. 11 MD 2296 (RJS/Case No. 12 MD 2296 (RJS)):

1. Noteholder Action – The court's order granting the Tribune Defendants' Phase I motion to dismiss the state law creditors' fraudulent transfer claims was appealed to

the Second Circuit. The appeal has been consolidated with another appeal involving similar issues, which should fast track the decision.

2. Litigation Trust Action – The claims of the Litigation Trustee for the Tribune Litigation Trust were not impacted by the Phase I motion to dismiss. The court, however, ordered that the claims against Defendants who received less than \$50,000 and/or who were mere conduits of the transfers, be dismissed. The remaining claims in the Litigation Trust Action can move forward and the Litigation Trustee and Liaison counsel for the Defendants are to work together to develop a protocol for Phase II motions to dismiss. The protocol will identify the grounds for dismissal and a proposed briefing and hearing schedule. In the interim, the Litigation Trust litigation remains stayed and no answer, response or dispositive motion need be filed. Outside counsel will continue to monitor the appeal and confer with liaison counsel regarding the protocol for Phase II motions to dismiss, and will apprise DCRB of any developments.

- *California State Teachers Retirement System v. Vivendi:*

There was a hearing on December 5, 2013. A deadline was set for January 29, 2014 for Plaintiffs to amend their last submission and provide any additional documents in support. Defendants have until April 2, 2014 to respond. DCRB counsel is in the process of preparing an amended submission and will provide DCRB's General Counsel a draft in advance of that filing. Note: The action against Vivendi and its former CEO, representing over 100 institutions and claims of over €1 billion, is currently pending in the Commercial Court in Paris.

Ms. Sampson reminded the Board about upcoming fiduciary and ethics training. Ms. Sampson also stated that Financial Disclosure Forms should be submitted at the April 17th Board meeting.

INVESTMENT COMMITTEE REPORT HIGHLIGHTS

Ms. Blum, the Investment Committee Chair, presented three motions, which were all seconded by Mr. Tippett:

Motion #4: To conduct a replacement search for one manager and that the Board remain invested in that manager while the search is being conducted.

A voice vote was called and the motion was approved 10-0.

Motion #5: To change the DCRB Energy Benchmark to the Cambridge Associates Energy Upstream & Royalties and Private Equity Energy Index from Cliffwater Private Energy Index.

A voice vote was called and the motion was approved 10-0.

Motion #6: To approve one addition to the Real Assets & Private Equity Forward Calendar.

A voice vote was called and the motion was approved 10-0.

BENEFITS COMMITTEE REPORT HIGHLIGHTS

In the absence of Committee Chair, Trustee Smith, Chairman Bress referred the Board to the written report and highlighted the following items:

- Business Process Reengineering (BPR) is progressing as planned and most of the STAR training for staff in their new roles occurred on December 18th. Training on the student certification process for staff in new roles has been tentatively scheduled for January 30th. The Benefits Department management team is now working with staff to identify and document remaining training needs for individuals in new role assignments. Based on this feedback, training and/or reference materials will be developed for staff use. The Department continues to conduct interviews for job openings with anticipation that offers will be made for all open Benefit positions by January 31st. Additionally, the Department is working to finalize outstanding implementation items with the consultant, Linea.
- As previously reported, the Treasury's Office of D.C. Pensions (ODCP) will soon be hiring contractors to begin work on the COLA Lookback project. This project will be funded and managed by ODCP; however, ODCP will need assistance from the DCRB Benefits Department on this project. ODCP has indicated that concerns previously raised by the Benefits Committee will be discussed with Treasury's General Counsel.
- In the first week of January 2014, the DC health insurance plan, Aetna Open Access HMO, sent a letter to current plan participants indicating that there would be a name change of the plan and that new insurance cards would be mailed to policy holders. DCRB estimates that 188 members were affected.

LEGISLATIVE COMMITTEE REPORT HIGHLIGHTS

Mr. Blanchard referred the Board to the written report and highlighted:

- *B20-627, "Post-Employment Benefits Trust Fund Jurisdiction Amendment Act of 2013"*
This proposed bill would amend the Police Officers, Fire Fighters, and Teachers Retirement Benefit Replacement Plan Act of 1988 to include the District's Annuitants Health and Life Insurance Employer Contributions Trust Fund. Chairman Mendelson is holding a public hearing on January 28, 2014 at 1:30 p.m. in the John A. Wilson Building, 1350 Pennsylvania Ave., NW, Room 412, Washington, D.C.

OPERATIONS COMMITTEE REPORT HIGHLIGHTS

DCRB's auditor, Owen Ward, Audit Partner of CliftonLarsonAllen LLP, presented the January 2014 Independent Auditors' Report to the Board. Mr. Ward presented the following highlights to the Board:

- CliftonLarsonAllen LLP, issued an unqualified clean opinion of DCRB financial statements as of September 30, 2013 (Fiscal Year 2013).
- Mr. Ward highlighted footnote 3 of the report, which highlighted the significant accounting policies of the District of Columbia.

- GASB (Governmental Accounting Standards Board) 67 will require employers to indicate funding status on their balance sheets. DCRB will report to District Government either a liability or benefit. There will be additional scrutiny from both the District Government and auditors, so additional communication between groups will be the key to success.

Chairman Bress asked a question about the Board's responsibility as it pertains to the new reporting standards. Mr. Ward indicated that continued communications with the actuary will be important since assumptions are more defined now. The District Government will place the liability on the statements in FY15 when DCRB provides the information at the end of FY14.

Mr. Warren asked about the District Government balance sheet implications for September 30, 2015. Mr. Ward indicated that he has not seen the forecast yet and changes to assumptions might impact funding status. Mr. Warren followed up with a question about the risk-free rate and how this affects the fully-funded status.

Mr. Anderson mentioned to the Board that any accrued liability past 15 years (normally the lifetime of member of system) will have to be calculated at the risk free rate and the funding period will have an impact. Up to 15 years, systems may use assumed rate of return for calculating liabilities, but otherwise GASB will require funds to use the risk free rate. For DCRB's Funds, it should be fairly small. Mr. Anderson went on to mention that in DCRB's testing 2 years ago, there was only \$200 million net pension liability. DCRB will have to conduct a sensitively analysis in the future.

EXECUTIVE SESSION

Chairman Bress moved to enter into Executive Session at 12:59 pm.

Motion #7: To enter Executive Session pursuant to D.C. Code § 2-575(b)(11) to discuss financial information related to the Auditor's Report and Management Letter.

The motion was seconded and a voice vote was called and the motion was approved 10-0.

Motion #8: Chairman Bress moved to return to open session at 1:25 p.m.

The motion was seconded and a voice vote was called and the motion was approved 10-0.

Motion #9: Chairman Bress moved to establish an Audit Committee.

Trustee Blum seconded the motion.

A voice vote was called and the motion was approved 10-0.

Trustee Hankins volunteered to be the audit committee chair.

ADJOURNMENT

Motion #10: Chairman Bress moved to adjourn the meeting at 1:35 p.m.

The motion was seconded.

A voice vote was called and the motion was approved 10-0.

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

Tally #1		Date: January 23, 2014			
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Bress, Joseph M., Chair	√				
Blanchard, Lyle	√				
Blum, Barbara Davis	√				
Bulger, Diana K.	√				
Hankins, Gary W.	√				
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Saunders, Nathan	√				
Smith, Edward C.					√
Tippett, Thomas N.	√				
Warren, Michael J.	√				

Tally #2		Date: January 23, 2014			
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Bress, Joseph M., Chair	√				
Blanchard, Lyle	√				
Blum, Barbara Davis	√				
Bulger, Diana K.	√				
Hankins, Gary W.	√				
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Saunders, Nathan	√				
Smith, Edward C.					√
Tippett, Thomas N.	√				
Warren, Michael J.	√				

Tally #3			Date: January 23, 2014		
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Bress, Joseph M., Chair	√				
Blanchard, Lyle	√				
Blum, Barbara Davis	√				
Bulger, Diana K.	√				
Hankins, Gary W.	√				
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Saunders, Nathan	√				
Smith, Edward C.					√
Tippett, Thomas N.	√				
Warren, Michael J.	√				

Tally #4			Date: January 23, 2014		
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Bress, Joseph M., Chair	√				
Blanchard, Lyle	√				
Blum, Barbara Davis	√				
Bulger, Diana K.	√				
Hankins, Gary W.	√				
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Saunders, Nathan	√				
Smith, Edward C.					√
Tippett, Thomas N.	√				
Warren, Michael J.	√				

Tally #5		Date: January 23, 2014			
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Bress, Joseph M., Chair	√				
Blanchard, Lyle	√				
Blum, Barbara Davis	√				
Bulger, Diana K.	√				
Hankins, Gary W.	√				
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Saunders, Nathan	√				
Smith, Edward C.					√
Tippett, Thomas N.	√				
Warren, Michael J.	√				

Tally #6		Date: January 23, 2014			
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Bress, Joseph M., Chair	√				
Blanchard, Lyle	√				
Blum, Barbara Davis	√				
Bulger, Diana K.	√				
Hankins, Gary W.	√				
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Saunders, Nathan	√				
Smith, Edward C.					√
Tippett, Thomas N.	√				
Warren, Michael J.	√				

Tally #7		Date: January 23, 2014			
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Bress, Joseph M., Chair	√				
Blanchard, Lyle	√				
Blum, Barbara Davis	√				
Bulger, Diana K.	√				
Hankins, Gary W.	√				
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Saunders, Nathan	√				
Smith, Edward C.					√
Tippett, Thomas N.	√				
Warren, Michael J.	√				

Tally #8		Date: January 23, 2014			
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Bress, Joseph M., Chair	√				
Blanchard, Lyle	√				
Blum, Barbara Davis	√				
Bulger, Diana K.	√				
Hankins, Gary W.	√				
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Saunders, Nathan	√				
Smith, Edward C.					√
Tippett, Thomas N.	√				
Warren, Michael J.	√				

Tally #9		Date: January 23, 2014			
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Bress, Joseph M., Chair	√				
Blanchard, Lyle	√				
Blum, Barbara Davis	√				
Bulger, Diana K.	√				

Hankins, Gary W.	√				
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Saunders, Nathan	√				
Smith, Edward C.					√
Tippett, Thomas N.	√				
Warren, Michael J.	√				

Tally #10			Date: January 23, 2014		
To adjourn the meeting at 1:35 p.m.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Bress, Joseph M., Chair	√				
Blanchard, Lyle	√				
Blum, Barbara Davis	√				
Bulger, Diana K.	√				
Hankins, Gary W.	√				
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Saunders, Nathan	√				
Smith, Edward C.					√
Tippett, Thomas N.	√				
Warren, Michael J.	√				