



**DISTRICT OF COLUMBIA RETIREMENT BOARD
MEETING MINUTES
MAY 16, 2013
1:00 PM**

MEMBERS PRESENT

Joseph M. Bress, Chairman
Lyle M. Blanchard
Barbara Davis Blum
James E. Bunn
Judith C. Marcus
Edward C. Smith
Thomas N. Tippet
Michael Warren
Jeffrey Barnette, ex-officio

DCRB STAFF PRESENT

Eric Stanchfield, Executive Director
Sheila Morgan-Johnson
Joan Passerino
Daniel Hernandez
Patrick Sahn
Sue Scrapper
Peter Dewar
Sebastian Podesta
Deborah Reaves
Katie Schultz
Florence Jones
Denice McSears

MEMBERS NOT PRESENT

Diana K. Bulger
Nathan Saunders
George R. Suter
Darrick O. Ross

OTHERS PRESENT

Brenda Mathis, OCFO
Ed Koebel, Cavanaugh Macdonald (via phone)
Jonathan Craven, Cavanaugh Macdonald (via phone)

ROLL CALL

Chairman Bress called the meeting to order at 1:39 p.m. Ms. Deborah Reaves called the roll.

APPROVAL OF MINUTES

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

Motion #1: To approve the April 25, 2013 Board meeting minutes.

A voice vote was called and the motion was approved 7-0, with one abstention. (See Tally #1)

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

Motion #2: To go into closed session subject to D.C. Code § 2-575(b)(2) to discuss a contract issue.

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

DC RETIREMENT BOARD LEASE AMENDMENT

Presentation by CB Richard Ellis (CBRE)

Mr. Mike McShea and Mr. Mark Bezold gave a presentation regarding the search process conducted by CBRE and DCRB staff for an office space.

The following motion was made by Mr. Bress, and it was seconded by Mr. Bunn:

Motion #3: To delegate to the Executive Director, upon consultation with the Board Chair, full authority to negotiate a lease amendment.

A voice vote was called, and the motion was passed 7-0, with one abstention. (See Tally #3)
Mr. Blanchard abstained from the vote because his law firm represents Akridge.

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

Motion #4: To exit closed session.

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

CHAIRMAN'S COMMENTS

Chairman Bress updated the Board on the following items:

- DCRB Budget: Councilmember Phil Mendelson, Chair of the Committee of the Whole, held a meeting on May 9th to consider the "Report and Recommendations of the Committee of the Whole on the Fiscal Year 2014 Budget and Corresponding Budget Support Act." The committee mark-up approved DCRB's FY2014 budget. The Committee of the Whole will vote on the Final FY2014 Budget on June 18th;
- Police Officers and Firefighters' Retirement Fund: The Police Officers and Fire Fighters' Retirement Fund is currently 110.1 percent funded. This Fund has a better funding ratio than that of the Teachers' Retirement Fund, which is currently at 94.4 percent and is expected to dip below 90 percent over the next two years. For the Police Officers and Fire Fighters' Fund, DCRB's actuary testified at the April 18th budget hearing that based on the actuarial 30-year projection study currently being conducted, the Fund should stay over 100 percent funded over the 30-year period. The following are policy recommendations:
 - Ensure that the funding ratio for the Police Officers and Firefighters' Retirement System stays at or over 100 percent.
 - Ensure that the District's contribution to the Fund does not include disproportionately large increases over time as it has done in the recent past;
- Teachers' Retirement Fund: The Teachers' Retirement Fund was 94.4 percent funded. The goal is to increase this ratio to 100 percent, which will be possible since the change in the funding method to the entry age normal method used by the actuary in calculating the District's annual contribution. For the next two years, the funding ratio will continue to decrease, and is projected to reach below 90 percent; however, by 2032, the funding ratio should be at 100 percent. According to the actuary, compared with other jurisdictions, the District's level of unfunded accrued liability for the Fund, currently

around \$95 million based on the 2012 valuation, is small. The following are policy recommendations:

- Work toward the goal of 100% funding (zero unfunded liability) in the Teachers' Retirement Fund.
- Rather than having overfunding for a period and then underfunding for a period, work to ensure a more consistent funded ratio for the long term.
- **Fiduciary Training:** Six board members did not attend the Fiduciary training session held last month. As part of the Trustee Retreat on June 20, fiduciary training will be given to those who missed it and those trustees who want to repeat the training. The Fiduciary training session will be at the end of the Trustee Retreat agenda and is required training.

EXECUTIVE DIRECTOR'S REPORT

Mr. Stanchfield updated the Board on the following items:

- **DCRB Testimony:** Councilmember Phil Mendelson, Chair of the Committee of the Whole, held a hearing on April 26, 2013 on B20-64, "Teachers' Retirement Amendment Act of 2013." This bill will allow any "excessed" teacher with 20 or more years of creditable service, to elect involuntary retirement under the Teachers' Retirement Plan. Joan Passerino provided testimony on behalf of DCRB and Trustee Nathan Saunders provided testimony on behalf of the Washington Teachers Union. On May 7th, the Council of the Whole approved the emergency declaration in time for the end of the upcoming school year;
- **DCRB Spring Newsletter:** All members should receive the 2013 Spring Newsletter by the end of May. The newsletter will also be emailed to active members with active valid emails listed in the PeopleSoft HRIS system;
- **Office Lease:** DCRB has secured a letter of intent with Akridge/IBEW and a contract amendment will be presented to the Board. DCRB management has met with prospective architects to discuss space needs, floor layout, and the transition plan. A decision on the architect, the exact date of movement, and reconstruction will be announced within the next few weeks. The schedule predicts that the 2nd floor office move will occur by September 1st, with the remodelling completed by the 2nd quarter of FY 2014;
- **April 2013 PBS Frontline Retirement Special:** On April 21, 2013, PBS Frontline broadcasted "The Retirement Gamble Facing Us All." This 50-minute special describes the movement to 401k or IRA plans that are pushed by the financial industry which are not always in the best interest of the employee. This report also highlights what other previous studies have shown: one-third of Americans have no retirement savings at all and one-half say that they cannot afford to save for retirement. The online broadcast can be streamed at: <http://www.pbs.org/wgbh/pages/frontline/retirement-gamble>;
- **Public Employee Pension Transparency Act (PEPTA):** On April 18, 2013, Congressman Devin Nunes (R-CA) introduced the newest version of his "Public Employee Pension Transparency Act," HR 1628, and its companion, S 779, was introduced in the Senate on April 23, 2013, by Senator Richard Burr (R-NC). The new legislation continues to require that, in order to retain tax-exempt status for their bonds, sponsors of State and local pension plans (other than defined contribution plans) must file an annual report as well as potential supplementary reports with the Secretary of the Treasury related to their pension finances. In effect, PEPTA would require every public pension plan to keep two sets of books. One would be the set that plans currently produce, which would reflect the reality of balance investment portfolios – including stocks and other sensible investment

alternatives as well as bonds – that have, over the past 25 years, averaged 8.8% returns, based on median returns for periods ended 9/30/2012. The other set would assume that all public plan assets were invested in U.S. Treasury bonds (even though this is not the case for any public plan), which currently yield around 3 percent;

- National Hearings: The Subcommittee on the Federal Workforce, The Postal Service and The Census, Committee on Oversight and Government Reform, United States House of Representatives held a hearing on May 9, 2013, “Is OPM Processing Federal Worker Pension Claims On Time?” This hearing focused on retirement processing problems related to case backlog, accuracy of annuities, and internal financial controls. Many of the issues and findings provide insights on how the Federal Government is trying to improve their operations, similar to improvements DCRB is trying to implement. The full testimony can be read at <http://oversight.house.gov/hearing/is-opm-processing-federal-wordker-pension-claims-on-time>;
- New Staff: Michael Xanthopoulos will join the Investment Staff in the role of Investment Analyst on May 20, 2013;
- New Contracted Staff: Robin Chester has joined DCRB as a member of the Administrative Support Team as a contract employee;
- Financial Disclosure Forms: This is an annual requirement that has to be filed by certain DCRB staff and all Trustees. Mr. Stanchfield noted that he files a separate form.

OPERATIONS COMMITTEE REPORT

In the absence of the Operations Committee Chair, it was noted that there was no written report.

- Final Projection Study: This information was originally provided at the previous Board meeting. The Board’s actuaries answered questions from with regards to the final materials provided.

The following motion was made by Mr. Bress, which was seconded by Ms. Blum:

Motion #5: To approve the Thirty Year Projection Study as of 10/01/2012 as presented by the Board’s actuary, Cavanaugh Macdonald LLC.

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

GENERAL COUNSEL’S REPORT

Ms. Erie Sampson, General Counsel, stated that there was no written General Counsel’s report.

INVESTMENT COMMITTEE

Ms. Blum, the Investment Committee Chair, referred to the written report.

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

Motion #6: To terminate the Investment Manager that was approved in the Investment Committee meeting.

A voice vote was called and the motion was passed 7-0. (See Tally #6)

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

Motion #7: To adopt the Derivative Policy and Procedure Addendum statement.

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

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

Motion #8: To commit \$15 million to GEM Realty Fund V, LP, real estate, subject to contract negotiations.

A voice vote was called, and the motion was passed 6-0, with one abstention. (See Tally #8)

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

Motion #9: To commit €15 million to HIG Europe Capital Partners II, LP, private equity, subject to further due diligence and contract negotiations.

A voice vote was called, and the motion was passed 5-2, with one abstention. (See Tally #9)

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

Motion #10: To approve additions to the Private Equity Forward Calendar.

A voice vote was called, and the motion was passed 8-0. (See Tally #10)

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

Motion #11: To extend the Board's current contract with Meketa Investment Group for 60 days under the same terms and conditions, while the staff negotiates an amended agreement.

A voice vote was called, and the motion was passed 5-3. (See Tally #11)

OTHER BUSINESS

The following items were discussed by the Board:

- **Recusal Language:** Proposed recusal language to be used by DCRB trustees was discussed by the Trustees. The Trustee would use the recusal language when recommending potential investments to the Board.

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

Motion #12: To adopt the following recusal language: "The DCRB trustees, as fiduciaries, must exercise a high standard of care in managing the assets of the Fund, which belong to the participants and beneficiaries of District of Columbia Teachers' Retirement Plan and Police Officers and Firefighters' Retirement Plan. We are required to act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like

character and with like aims. All investments are for the exclusive benefit of Plan participants and beneficiaries. Accordingly, to ensure the highest standard of care is maintained, whenever a trustee presents a potential investment to the attention of the Investment Committee Chair, Executive Director, or the Chief Investment Officer, that trustee must disclose this fact to his/her co-fiduciaries at the next scheduled board meeting and the trustee must recuse him or herself from the due diligence and voting process involving the prospective investment manager.”

A voice vote was called, and the motion was passed 7-0, with one abstention. (See Tally #12)

BENEFITS COMMITTEE REPORT

In the absence of Mr. Suter, the Benefits Committee Chair, Mr. Smith updated the Board on the following committee items:

- Business Process Reengineering (BPR): The RFQ for Benefits staff training resulted in two candidates, only one of which responded to DCRB’s request for an interview. However, since the evaluation panel agreed that the firm interviewed was not suitable for the project’s training needs, the BPR team began evaluating other training alternatives. The two alternatives being considered are the District’s Workforce Development Administration and utilizing an existing contract with a District-based human resources consulting firm. Assuming that one of these alternatives will fit DCRB’s needs; the project team anticipates that training will begin in early June. The job descriptions and grade levels for positions in the new Benefits Department structure are in the final stages of being analyzed and, once approved, postings for existing openings and staff placement will occur;
- Data Reclamation Project: An agreement has been signed with DCHR to engage their staff in the data reclamation cleanup effort, and to address specific member records identified by the Data Reclamation Team. The team has been working with DCPS to research and augment the service history of their employees and, to date, they have reviewed sixty (60) records, which is on pace to exceed eighty (80) for the quarter. Additionally, the project team met recently with MPD to identify data gaps and map out a process for addressing them. Since stakeholder engagement is such an important part of managing the project, the team plans to send a project status memo to the leadership of participating agencies, informing them of progress on the project, issues encountered to date, and inviting them to follow-up meetings;
- Summary Plan Descriptions: The 2012 SPDs are expected to be distributed later in the month;
- Newsletter: The Spring 2013 Newsletter will be mailed to participants next week.

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

LEGISLATIVE COMMITTEE REPORT

No legislative committee report was brought before the Board.

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

OTHER BUSINESS

- DCRB Staff Travel Authorization: The following motion was made by Mr. Bress and was seconded by Mr. Tippett:

Motion #13: To authorize Sheila Morgan-Johnson, CIO, and Patrick Sahn, Senior Investment Analyst, to travel to Toronto, Canada to perform on-site due diligence on Gryphon International Investment Corp., the Board's international manager, which is on the Watch List.

A voice vote was called, and the motion passed 7-0. (See Tally #13)

- Mr. Warren noted that he referred Thayer Hotel Management Fund VI to the Investment Committee only as a fund that has performed well over time but without any understanding on his part of how it would fit into the Board's investment structure.

ADJOURNMENT

Motion #14: Mr. Smith moved to adjourn the meeting at 3:08 p.m. Ms. Blum seconded the motion.

A voice vote was called and the motion was approved 7-0. (See Tally #14)

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

Tally #1			Date: May 16, 2013		
To approve the April 25, 2013 Board meeting minutes.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.					√
Bunn, James E.	√				
Marcus, Judith C.	√				
Ross, Darrick O.					√
Saunders, Nathan					√
Smith, Edward C.	√				
Suter, George R.					√
Tippett, Thomas N.	√				
Warren, Michael J.			√		

Tally #2			Date: May 16, 2013		
To go into closed session subject to D.C. Code § 2-575(b)(2) to discuss a contract issue.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.					√
Bunn, James E.	√				
Marcus, Judith C.	√				
Ross, Darrick O.					√
Saunders, Nathan					√
Smith, Edward C.	√				
Suter, George R.					√
Tippett, Thomas N.	√				
Warren, Michael J.	√				

Tally #3		Date: May 16, 2013			
To delegate to the Executive Director, upon consultation with the Board Chair, full authority to negotiate a lease amendment.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.			√		
Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.					√
Bunn, James E.	√				
Marcus, Judith C.	√				
Ross, Darrick O.					√
Saunders, Nathan					√
Smith, Edward C.	√				
Suter, George R.					√
Tippett, Thomas N.	√				
Warren, Michael J.	√				

Tally #4		Date: May 16, 2013			
To exit closed session.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.					√
Bunn, James E.	√				
Marcus, Judith C.	√				
Ross, Darrick O.					√
Saunders, Nathan					√
Smith, Edward C.	√				
Suter, George R.					√
Tippett, Thomas N.	√				
Warren, Michael J.	√				

Tally #5		Date: May 16, 2013			
To approve the Thirty Year Projection Study as of 10/01/2012 as presented by the Board's actuary, Cavanaugh Macdonald LLC.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.					√
Bunn, James E.	√				
Marcus, Judith C.	√				
Ross, Darrick O.					√
Saunders, Nathan					√
Smith, Edward C.	√				
Suter, George R.					√
Tippett, Thomas N.	√				
Warren, Michael J.	√				

Tally #6		Date: May 16, 2013			
To terminate the Investment Manager that was approved in the Investment Committee meeting.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.					√
Bunn, James E.	√				
Marcus, Judith C.	√				
Ross, Darrick O.					√
Saunders, Nathan					√
Smith, Edward C.	√				
Suter, George R.					√
Tippett, Thomas N.	√				
Warren, Michael J.					√

Tally #7			Date: May 16, 2013		
To adopt the Derivative Policy and Procedure Addendum statement.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.					√
Bunn, James E.	√				
Marcus, Judith C.	√				
Ross, Darrick O.					√
Saunders, Nathan					√
Smith, Edward C.	√				
Suter, George R.					√
Tippett, Thomas N.	√				
Warren, Michael J.					√

Tally #8			Date: May 16, 2013		
To commit \$15 million to GEM Realty Fund V, LP, real estate, subject to contract negotiations.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.					√
Bunn, James E.			√		
Marcus, Judith C.	√				
Ross, Darrick O.					√
Saunders, Nathan					√
Smith, Edward C.	√				
Suter, George R.					√
Tippett, Thomas N.	√				
Warren, Michael J.					√

Tally #9		Date: May 16, 2013			
To commit €15 million to HIG Europe Capital Partners II, LP, private equity, subject to further due diligence and contract negotiations.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.					√
Bunn, James E.			√		
Marcus, Judith C.		√			
Ross, Darrick O.					√
Saunders, Nathan					√
Smith, Edward C.		√			
Suter, George R.					√
Tippett, Thomas N.	√				
Warren, Michael J.	√				

Tally #10		Date: May 16, 2013			
To approve additions to the Private Equity Forward Calendar.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.					√
Bunn, James E.	√				
Marcus, Judith C.	√				
Ross, Darrick O.					√
Saunders, Nathan					√
Smith, Edward C.	√				
Suter, George R.					√
Tippett, Thomas N.	√				
Warren, Michael J.	√				

Tally #11		Date: May 16, 2013			
To extend the Board's current contract with Meketa Investment Group for 60 days under the same terms and conditions, while the staff negotiates an amended agreement.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.					√
Bunn, James E.		√			
Marcus, Judith C.	√				
Ross, Darrick O.					√
Saunders, Nathan					√
Smith, Edward C.		√			
Suter, George R.					√
Tippett, Thomas N.		√			
Warren, Michael J.	√				

Tally #12		Date: May 16, 2013			
To adopt recusal language.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.					√
Bunn, James E.			√		
Marcus, Judith C.	√				
Ross, Darrick O.					√
Saunders, Nathan					√
Smith, Edward C.	√				
Suter, George R.					√
Tippett, Thomas N.	√				
Warren, Michael J.	√				

Tally #13		Date: May 16, 2013			
To authorize Sheila Morgan-Johnson, CIO, and Patrick Sahn, Senior Investment Analyst, to travel to Toronto, Canada to perform on-site due diligence on Gryphon International Investment Corp., the Board's international manager, which is on the Watch List.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.					√
Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.					√
Bunn, James E.	√				
Marcus, Judith C.	√				
Ross, Darrick O.					√
Saunders, Nathan					√
Smith, Edward C.	√				
Suter, George R.					√
Tippett, Thomas N.	√				
Warren, Michael J.	√				

Tally #14		Date: May 16, 2013			
To adjourn the meeting.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.					√
Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.					√
Bunn, James E.	√				
Marcus, Judith C.	√				
Ross, Darrick O.					√
Saunders, Nathan					√
Smith, Edward C.	√				
Suter, George R.					√
Tippett, Thomas N.	√				
Warren, Michael J.	√				