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OPEN SESSION

NOTICE OF REGULAR BOARD MEETING
JOSEPH W. CLARK, CHAIRMAN

THURSDAY, JUNE 21, 2018
1:00 PM

AGENDA

1:00 PM	I.	**CALL TO ORDER AND ROLL CALL**
	II.	**APPROVAL OF BOARD MEETING MINUTES FOR MAY17, 2018**
	III.	**CHAIR'S COMMENTS**
2:00 PM	IV.	**EXECUTIVE DIRECTOR'S REPORT**
	V.	**INVESTMENT COMMITTEE REPORT -- ACTION ITEMS**
	VI.	**OPERATIONS COMMITTEE REPORT -- ACTION ITEMS**
	VII.	**BENEFITS COMMITTEE REPORT**
	VIII.	**LEGISLATIVE COMMITTEE REPORT**
	IX.	**AUDIT COMMITTEE REPORT**
	X.	**OTHER BUSINESS**
3:00 PM	XI.	**ADJOURNMENT**

ADDITIONAL MEETING MATERIALS

- ORGANIZATIONAL CHART
- CONFERENCES & MEETINGS LISTING
- TRUSTEES & STAFF TRAINING AND TRAVEL REPORT

WILL BE PROVIDED AT THE MEETING.

FY 2018 Trustee Compensation, Travel and Parking Summary

FY 2018 (as of 04/30/2018)

	Compensation [2]	Travel Reimbursed	Total Travel Paid [1]	Parking Reimbursement
Jan Adams	$0.00	$0.00	$0.00	$0.00
Lyle Blanchard	$5,965.91	$0.00	$2,092.40	$95.00
Joseph Bress	$3,551.96	$0.00	$0.00	$105.00
Joseph Clark	$1,793.22	$0.00	$0.00	$131.00
Mary Collins	$6,103.85	$0.00	$3,559.86	$172.00
Gary Hankins	$5,276.21	$0.00	$0.00	$427.50
Darrick Ross	$5,448.63	$0.00	$0.00	$190.00
Nathan Saunders	$0.00	$0.00	$0.00	$0.00
Edward Smith	$3,931.29	$0.00	$3,632.94	$308.00
Thomas Tippett	$3,586.44	$0.00	$0.00	$0.00
Michael Warren	$0.00	$0.00	$0.00	$145.00
Lenda Washington	$0.00	$0.00	$0.00	$0.00

[1] Total Travel Paid by DCRB for the Trustee, including Travel reimbursement to Trustee

[2] The Compensation column represents the total amounts paid, as submitted on the Board Member Timesheet and Disclosure of Sponsored Activities form.

WILL BE PROVIDED AT THE MEETING.

DISTRICT OF COLUMBIA RETIREMENT BOARD

ANNUAL OPEN PUBLIC MEETING SCHEDULE

As of June 21, 2018

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.

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 at (202) 343-3200 or Deborah.Reaves@dc.gov.

Proposed 2018
July - No Meeting
August – No Meeting
September 20, 2018
October 18, 2018
November 15, 2018
December 20, 2018 *

Proposed 2019
January 17, 2019
February 21, 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

* Meeting date may change.

Service Level Agreement
Fiscal Year 2018

Office of D.C. Pensions

District of Columbia Retirement Board
Benefits Administration

October 1, 2017

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1 Introduction

This Service Level Agreement (SLA) defines the responsibilities of the District of Columbia Retirement Board's (DCRB) Benefits Department and the U.S. Department of the Treasury's (Treasury's) Office of D.C. Pensions (ODCP) in providing a high level of service to our business partners, supporting organizations, and annuitants. Focus is placed on the entire spectrum of benefits administration activities including, but not limited to, business processes, customer service and quality assurance.

ODCP has three strategic goals:

- Effectively Managed Finances
  - Benefit payments are accurate and timely
  - Pension funds are effectively invested
  - Pension funds meet future needs
- Management and Organizational Excellence
  - Program is effectively managed
- Effective Quality Assurance Program
  - Program pursues continuous improvement

In line with the office's strategic goals, ODCP has identified the following expected results from successful benefits processing and related activities.

- **Accurate Processing:** Benefits determination and reporting are accurate.
- **Timely Processing:** Benefit payments and reports are processed in accordance with adopted standards.
- **Quality Customer Service:** Customer service satisfaction is high.

1.1 Background

The Balanced Budget Act of 1997 requires the Secretary of the Treasury to assume certain responsibilities for the District of Columbia Teachers' Retirement Plan and the Police Officers and Firefighters' Retirement Plan (the Plans). These responsibilities, which have been delegated to the Director of the ODCP, include investment and management of fund assets, distribution of certain pension benefits, and management control and benefit administration of the Plans.

ODCP partners with DCRB and the Bureau of the Fiscal Service (Fiscal Service) to administer the Plans. DCRB serves as the interim Benefits Administrator for the Plans. Fiscal Service's Administrative Resource Center (ARC) provides a variety of services to ODCP including managing annuitant payroll operations, debt management, split benefits reporting, as well as, system hosting and administration.

ODCP developed and implemented an integrated pension/payroll system called the System to Administer Retirement (STAR). STAR fully supports the processing needs of the Benefits Administrator and annuitant payroll operations for Federal Benefit Payments. ODCP owns, operates, and maintains STAR.

1.2 Scope

In the Memorandum of Understanding (MOU) Concerning Interim Benefits Administration of Retirement Benefits between the District of Columbia and the Department of the Treasury dated September 26, 2005, and as amended on February 8, 2007, July 18, 2008, and August 30, 2012, the responsibilities of each party are defined. This SLA complements the MOU by establishing the Acceptable Quality Levels and Monitoring Methods associated with the Required Services (or responsibilities) noted in the MOU. Unlike the MOU that outlines the responsibilities of multiple organizations, this SLA focuses only on two organizations, ODCP and the DCRB. Further, it focuses on Benefits Administration and the required tools to support the function. Therefore, not all the responsibilities noted in the MOU for each organization are addressed in this SLA.

This SLA recognizes that ODCP and DCRB provide complementary services to one another. ODCP ensures STAR is accessible and functioning as designed, while DCRB manages the benefits administration activities on behalf of Treasury.

1.3 Key Documents

The following documents are useful to assist in understanding this Service Level Agreement.

- The Memorandum of Understanding Concerning Interim Benefits Administration of Retirement Programs between the District of Columbia and the Department of the Treasury, Office of D.C. Pensions, September 26, 2005, and as amended on February 8, 2007, July 18, 2008, and August 30, 2012.
- Memorandum of Understanding for Payment of Administrative Expenses related to the Administration of Federal and District Benefit Payments and other payments between Treasury and District of Columbia Retirement Board for FY18.
- The Service Level Agreement between the Office of D.C. Pensions and the Bureau of the Fiscal Service's Administrative Resource Center, Transaction Maintenance and Verification Division/Pensions, Grants, and Loans Branch (PGL) FY18. (Pension Payroll Team)
- The Service Level Agreement between the Office of D.C. Pensions and the Bureau of the Fiscal Service's Administrative Resource Center, Office of Information and Security Services FY18. (STAR Team)
- DCRB and ODCP Guidance for Off-Cycle Payments.
- Memorandum of Understanding Concerning Debt Collection During Interim Administration of Retirement Programs, September 2, 2003.
- Memorandum of Understanding Concerning Refunds of Employee Contributions Under the District of Columbia Police Officers and Firefighters, and Teachers Retirement Program, February 1, 2005.

2 Roles and Responsibilities

ODCP is responsible for managing the D.C. Pensions Program, providing oversight of benefit administration for federal benefits, funding the federal share of benefit payments, managing STAR, providing annuity payroll services and other third party support services as described. In managing its responsibilities, ODCP will oversee the benefits administration functions to ensure full compliance in accordance with applicable federal statutes and Treasury regulations.

DCRB is responsible for benefits administration and related support services for the Plans. Additionally, DCRB is responsible for funding the District's share of retirement benefits and managing the D.C. Pensions Program. In managing its responsibilities, DCRB will perform the benefits administration functions in full compliance in accordance with applicable District and federal statutes and Treasury regulations.

3 Required Services

3.1 Office of D.C. Pensions (ODCP)

3.1.1 Benefits Administration

ODCP shall provide oversight and related support services to enable DCRB to provide benefits administration services to all annuitants and beneficiaries in the Plans.

Outcome

- Monthly pension processing completed accurately and in accordance with standards in this service level agreement.
- High level of customer satisfaction is maintained.
- Monthly quality review is completed in a timely and accurate manner.
- Report outputs meet federal, state and organizational reporting requirements.

Required Services

- Provide oversight to the Benefits Administrator for benefit administration activities related to processing federal payments.
- Provide resources to support activities, projects, and training related to processing federal benefits.
- Assist in developing, reviewing, and collecting data related to performance measures for benefits administration of federal benefits.
- Conduct quality reviews on Federal Benefit Payments and refund payments.
- Review split benefit and debt cases in coordination with DCRB.
- Conduct administrative review of appeals for federal denials, benefit changes and overpayments.
- Conduct review of waiver requests for overpayment of federal benefits.

Acceptable Quality Level

- Resources provided in accordance with level of effort needed to support benefits administration activities and projects for Federal Benefit Payments as determined by ODCP.
- Quality review conducted in accordance with the ODCP Quality Assurance Plan.
- Administrative review of appeals completed in 120 calendar days.
- Review of waiver requests completed in 120 calendar days.
- Review of split benefit and debt cases completed within 120 calendar days.

ODCP Monitoring Method

- Monitor workflow and make recommendations for improvements.
- Monthly monitoring of status through standing meeting(s).
- Monthly review of quality review results.
- Monthly review of performance measures for benefits administration.

3.1.2 Payroll Services

ODCP shall provide annuitant payroll and related support services to enable DCRB to provide benefit and related payments to all annuitants and beneficiaries in the Plans.

Outcome

- Monthly payroll processing is completed in a timely and accurate manner.
- Monthly quality reviews are completed in a timely and accurate manner.
- High level of customer satisfaction is maintained.
- Report outputs meet federal, state and organizational reporting requirements.

Required Servcies

- Provide annuitant payroll services.
- Operate and manage STAR payroll processing.
- Execute and distribute third party reports.
- Execute member notification letters regarding benefit changes that occurred during the current processing month.
- Manage the disbursing activities.
  - Reconcile and confirm payroll (on and off-cycle).
  - Schedule monthly pension payments.
  - Process off-cycle payments per standards.
  - Maintain annuitant payroll files.
  - Send annuitant payment documentation to DCRB for review, processing and filing.
  - Maintain and distribute the monthly payroll calendar.

  - Process payroll interfaces and coordinate with appropriate business partners regarding annuitant data, returned payments, adjustments, retroactive benefits, and retroactive deductions (e.g., Treasury, OPM, State Taxing Authorities).
  - Review the Preliminary Statistics data prior to the monthly meeting to identify unusual results. Discuss findings with DCRB prior to the end of Pension Processing.
  - Notify DCRB of large payments (over $50,000) via email weekly and immediately after Pension Processing ends.
  - Complete payroll processing and reporting research and analysis.
  - Make related recommendations to implement improvements and address deficiencies.
- Manage other related support services.
  - Manage tax reporting and deposits.
  - Manage year-end process and generate annual 1099-Rs and 1099-Cs.
  - Produce reprints of 1099Rs for calendar years 2010-2013.
  - Mail the returned Earning Statements to DCRB weekly.
  - Research IRS and state taxing authority regulations to determine appropriate year-end tax reporting requirements for annuity payments.
  - Implement tax regulations, benefit regulations, and third party reporting requirements.
  - Manage standard and ad-hoc payroll reporting, including necessary reports for accounting purposes.
  - Support implementation of payroll processing and reporting enhancements and fixes in STAR.
  - Coordinate the process for the Bulk File transmission, certification and payment dates with Fiscal Service.
  - Maintain capability to use Drop Zone or Fiscal Service required functionality for transmitting monthly bulk payment files to Fiscal Service.

Acceptable Quality Level

- Third party reports are distributed within 14 days of receipt by Pension Payroll.
- Notification letters of changes are mailed to the members monthly.
- 100% of all payments of $50,000 or more are reported to DCRB for review weekly and immediately after Pension Processing ends.
- In accordance with the ARC Pension Payroll Team Agreement, quality standards related to benefit payments and third party reporting include, but are not limited to:
  - 100% of the on-cycle payments are sent to the Fiscal Service Kansas City Regional Financial Center (KFC) no later than 4 business days prior to the first business day of the month.
  - 100% of the Preliminary Statistics Data is reviewed prior to the monthly meeting.
  - 1099-R reprints for calendar years 2010-2013 are mailed upon request.
  - A list of returned Earnings Statements are emailed to the Member Services Manager weekly.

- Returned Earnings Statements are mailed to the Member Services Manager weekly.
- Time required by payroll to process exception payments is within 12 business hours of the request.
- 95% of off-cycle transactions recorded in STAR within 1 pay cycle of occurrence.
- 99% of balance adjustments are processed within 90 calendar days of request from ODCP or by the end of the applicable tax year, whichever comes first.
- Monthly transmission totals on KFC payment file matches totals on payroll summary report 100% of the time.
- 100% of tax deposits are paid by statutory due dates.
- 100% of 1099-Rs and 1099-Cs are distributed by the last business day designated by IRS.
- 100% of Retirement and Insurance Transfer System (RITS) reports and supplemental RITS reports are in balance, and are processed within established deadlines to include premium payment for healthcare and life insurance.
- 100% of the reports are prepared in accordance with the monthly payroll calendar and are distributed in accordance with the established procedures. New or unusual issues are brought to the attention of program managers.
- All final reports undergo a second level review by Management prior to distribution.
- Outstanding Issues List is distributed semi-monthly.
- Split Discrepancy Report is distributed daily.
- 100% of the Stale-Dated Checks Cancellation Report is distributed monthly.
- 100% of annuitant payments are made from historical data in an emergency situation.

ODCP Monitoring Method

- Monitor workflow and make recommendations for improvements.
- Perform monthly review of preliminary and final payroll statistics.
- Monitor adherence to monthly operations calendar.
- Perform ad hoc review of balance adjustments.
- Perform semi-monthly review of the updated Outstanding Issues List provided by DCRB.
- Conduct monthly monitoring of status through standing meeting(s).
- Track 1099-R and 1099-C process against project schedule.
- Perform monthly review of third party reports.
- Perform monthly review of the improper payment reports which provides information on potential deaths of our annuitants.
- Conduct monthly review of Death Audit Reports and Do Not Pay results.
- Execute monthly student certification review.
- Monitor the Split Discrepancy Report.
- Monitor the Stale-Dated Checks Cancellation Report.

- Conduct second level review by Management of all final reports prior to distribution.

3.1.3 Debt Management

The ODCP shall provide debt collection and prevention support, including analysis and recommendations of ways to limit growth of future debt.

Outcome

- Debt is identified and managed in such a manner as to limit future growth.
- Erroneous payments are collected.
- Debt MOU, regulations, policies and procedures, and standard correspondence are reviewed and updated in a manner that supports the successful management and collection of debt.

Required Services

- Provide due process support in compliance with all ODCP and DCRB policies.
- Coordinate debt case processing with DCRB and ARC Accounting.
- Support implementation of debt processing and reporting enhancements.
- Manage debt cases and referrals for collection.
- Manage standard and ad hoc debt reporting, including necessary reports for accounting purposes.
- Provide support for debt management special projects.
- Maintain list of debt collection cases.
- Produce Monthly Debt Prevention and Collection Update Report, which includes the debt receivables report and the letter tracking log. Submit the report to DCRB and ODCP.
- Manage death audit services; submit weekly extract file to the vendor and provide results to DCRB for review and updating in STAR, if necessary.
- Maintain access to "Do Not Pay" and submit active annuitant records to DCRB for weekly examination.
- Maintain access to Credit Bureau Services to assist with debt case reviews.
- Coordinate activities with the Bureau of the Fiscal Service's Debt Management Services (DMS-FedDebt) using the Debt Collection Cross Servicing Tools.
- Maintain and update debt collection policies and procedures, processes and standard debt correspondence.
- Update and distribute the Outstanding Issues List.
- Conduct training on federal debt collections.

Acceptable Quality Level

- Processing time for initializing reclamations is within 12 business hours of notification by the Benefit Administrator.
- Reclamation reports are run as scheduled on a weekly basis.
- 95% of debt collection actions submitted to ARC Pension Payroll by the Benefits Administrator are initiated within 12 business days of the debt being referred.
- 100% of reports regarding debt are submitted by the 7th business day of the next calendar month.
- 100% review of the weekly Death Audit Reports and "Do Not Pay" results that provide information on potential deaths of our annuitants.
- Death audit services are available throughout the year.
- Access to "Do Not Pay" is maintained throughout the year.
- Access to Credit Bureau reporting services are maintained throughout the year.

ODCP Monitoring Method

- Monthly review of Debt Prevention and Collection Update Report, which includes the debt receivables report and the letter tracking log.
- Ad hoc review of debt management files.
- Monitoring through review of quality reports.
- Monthly monitoring of status through standing meeting(s).
- Management of death audit services; extract files submitted weekly to the vendors.
- Access to "Do Not Pay" maintained and file for examination extracted and submitted weekly.
- Monitoring and reporting on identified discrepancies through completion.
- Twice monthly review of the Outstanding Issues List.
- Monthly review of the improper payment reports, which provides information on potential deaths of our annuitants.
- Monthly review of Death Audit Reports and Do Not Pay results.

3.1.4 Mailing

ODCP shall prepare earnings statements, annuitant letters, year-end tax documentation, and documents related to projects for mailing.

Outcome

- Checks, earning statements, annuitant notification letters, year-end tax documents, and special project documents are generated and mailed in a timely manner.

Required Services

- Manage relationship with the Fiscal Service Mail Services.
- Mail checks to annuitants.
- Generate and prepare documents for mailing in a timely manner.
- Perform a quality review of documents before mailing.
- Provide notification to ODCP of interruptions to mailing dates.
- Periodically use a tool to perform an address cleaning to minimize returned mail by US Postal Service.

Acceptable Quality Level

- 95% of documents generated and sent to Fiscal Service Mail Services on schedule, and mailed by expected due date as agreed by all parties involved.
- 95% of all documents contain accurate information based on the data in STAR or in the approved spreadsheet.
- 100% of all annuitant checks are mailed 4 or more days prior to the official pay date.

ODCP Monitoring Method

- Review adherence to monthly operations schedule.
- Perform a quality review of a selection of the documents to ensure accuracy based on data in STAR.
- Notification by Bureau of the Fiscal Service Payment Management to ARC Pension Payroll when checks are mailed.
- Perform a quality review of addresses to ensure they meet the USPS standard.

3.1.5 Split Benefits Reconciliation and Reporting

ODCP shall perform split benefits reconciliation and provide a monthly report to reflect the benefit payment "split" for the financial responsibility of the Federal and District governments. ODCP prepares the Split Reimbursement Summary Report (SRSR) to report the federal and District liabilities for each pay period.

Outcome

- SRSR reflects the federal and District liabilities for each pay period and is reported timely and accurately.
- SRSR reflects any outstanding items shown on the Payroll Discrepancies Tracking Spreadsheet to account for any inconsistencies.
- SRSR is in balance with the Split Summary Report and On-Cycle and Off-Cycle Confirmed Payroll Summary Reports.
- SRSR reflects out-of-system activity and balance adjustments as needed.

Required Services

- Perform split benefit calculations.
- Manage split benefits reconciliation and reporting.
- Review and distribute the Payroll Discrepancies Tracking Spreadsheet.
- Produce SRSR while ensuring balance integrity with all monthly STAR payment activity.
- Reconcile the SRSR to the On-cycle and Off-cycle Confirmed Payroll Summary Reports.
- Reconcile split benefits to ensure the On-cycle Payment, Off-cycle Payment, Check Reversal Payments, Balance Adjustments, and Out-of-System activity reconcile to the gross to net payment activity for each pay group.
- Review monthly reports and spreadsheets for prior year payment reclamations, stale dated checks (checks that are 13 or more months old) not reissued, prior year collected debts, and split corrections for out-of-system activity.
- Adjust the SRSR to reflect the federal and District allocations for prior period adjustments quarterly in March, June, September, and December.
- Adjust the SRSR for any out-of-system activity that is not captured in STAR as needed.
- Maintain supporting documentation for the SRSR in the files to include out-of-system activity that is not captured in STAR and balance adjustments.
- Complete split benefits reconciliation research and analysis and make related recommendations to implement improvements and address deficiencies.
- Provide support for split benefit projects.
- Review Split Discrepancy Report to identify and reconcile items to the SRSR.
- Record balance adjustments in STAR for Split (non-pay impacting) corrections as requested by ODCP.
- Distribute Split Discrepancy Report daily to DCRB and ODCP for issue resolution within applicable processing month.
- Monitor the resolution of discrepancies where the sum of Federal plus District does not equal total gross through the end of regular pension processing.
- Notify STAR production support (Information Security Services) of discrepancies.

Acceptable Quality Level

- 100% of unresolved split discrepancies are logged as Production Trouble Tickets, and adjustments are made to balance the SRSR.
- 100% of the SRSR activity is in balance within one pay cycle.
- 100% of balance adjustments are processed within 90 calendar days of a request from ODCP, or by the end of the applicable tax year.
- 100% of prior period activity is recorded within timeframes established by all parties involved.
- 100% of the reports are prepared in a timely manner and distributed in accordance with established standards.

ODCP Monitoring Method

- Review the daily Split Discrepancy Report prior to pension processing closing.
- Review the Split Discrepancy Report on a monthly basis to monitor updates.
- Review the SRSR on a monthly basis.
- Monitor status through monthly standing meeting(s).
- Review split reconciliation reports on an ad hoc basis.

3.1.6 Information Services

ODCP shall provide the system (STAR) and support services to enable DCRB to provide benefits administration services to all District of Columbia annuitants in the Plans. Changes and modifications to the STAR system will be authorized by the STAR Change Control Board, as defined by the STAR Change Control Board Charter and following the process as outlined in the STAR Change Control Plan.

Outcome

- Monthly pension/payroll processing is completed in a timely and accurate manner.
- High level of customer satisfaction is achieved.
- Reporting outputs meet federal, state and organizational reporting requirements.
- Stakeholders, annuitants and staff are well informed.
- Special projects are delivered on time and within budget.

Required Services

- Maintain, operate and enhance STAR.
- Provide STAR end user training.
- Provide STAR end user Help Desk support services (via ARC).
- Timely and accurate problem resolution.
- Direct and manage the Change Control Board.
- Respond to data and statistical questions via queries and other data base tools.
- Ensure STAR security.
- Sponsor changes to STAR, including Change Requests (CR), Operations and Maintenance Requests (OMR), Query Requests (QR), Service Requests (SR) and Production Trouble Tickets (PTT).
- Manage system changes through the Change Control Board.
- Ensure agreed upon resources are available to support projects.

Acceptable Quality Level

- 100% of STAR end users trained in accordance with their defined roles.
- Projects delivered with cost and schedule overruns of no more than 10%.
- Staff available as needed to fulfill the requirements stated in the required service.

- Agreed upon resources available to support projects.
- In accordance with the STAR Operations and Maintenance Service Level Agreement, quality standards related to system availability and development, and Help Desk services include but are not limited to:
    - STAR System is available 99% of the attended hours on a monthly basis (approximately 4 hours of down time per month is allowed). All outages during attended hours apply against system availability. An outage is defined as downtime to any STAR end-user due to infrastructure related problems stemming from ARC.
    - Users are notified at least 4 hours in advance 100% of the time for planned outages during attended hours.
    - Users are notified at least 2 hours in advance 100% of the time for planned outages during unattended hours.
    - Users are notified of unscheduled outages as soon as they are identified.
    - Products are developed in accordance with ODCP approved schedules with a resource and schedule variance not to exceed +/- 10% of the overall project. Schedule variances are based on an agreed upon baseline schedule.
    - Products meet the requirements as specified by the Change Control Board approved Change Requests (CR).
    - Production Trouble Ticket (PTT), Operations and Maintenance Request (OMR), Query Requests (QR), and Service Request (SR) response times meet the established guidelines.
    - Response to 80% of unscheduled production system outages during attended hours will be 15 minutes or less.
    - Provide a plan for addressing DCRB requests for queries within 5 calendar days.
    - System Security requirements are met.

ODCP Monitoring Method

- ARC will submit a monthly STAR Report, which includes (but is not limited to) the following:
    - STAR hours of availability. Hours reported will be independently verified with STAR end users and the ODCP management team.
    - Incident Reporting.
    - Maintenance schedules for production servers (operating system, database, and application patch/fix/tax updates).
- Monitoring through ODCP STAR IT Quality Program includes (but is not limited to) the following:
    - Quarterly Release schedule variance reporting.
    - Review of CRs and other requests for system changes.
    - Review of PTT, OMR, QR, and SR measures.
    - Review of IT performance measure statistics.
    - Review of quality and timeliness of incident reporting.
    - Review of Configuration Item documentation.
    - Review processes outlined in the STAR IT Quality Plan.

- Functionality and performance of STAR will be monitored.
- Project plans will be reviewed.
- Monitoring of status will occur through standing meeting(s).

3.1.7 Program and Project Management

ODCP shall provide program and project management methodologies to the program.

Outcome

- Stakeholders, annuitants and staff are well informed.
- Special projects are delivered on time and within budget.
- Changes to retirement plans are implemented accurately and according to adopted standards.

Required Services

- Consult with DCRB on all novel, significant legal, policy or procedural matters related to administering Federal Benefit Payments.
- Consult with DCRB on interpretations of Replacement Plan provision for novel and significant issues relating to split benefit cases.
- Manage special projects.
- Make agreed upon resources available to support projects.
- Manage and supervise ODCP staff.
- Provide ongoing training to staff to ensure they are fully equipped to carry out the responsibilities of their positions.
- Make recommendations to DCRB for policy analysis and plan administration related decisions.
- Monitor and track federal legislation.
- Monitor services provided by service providers.
- Provide support to STAR developers to aid in the development and implementation of STAR changes.
- Provide training to DCRB on STAR changes.

Acceptable Quality Level

- Projects delivered with cost and schedule overruns of no more than 10%.
- Staff available as needed to fulfill the requirements stated in the required service.
- Agreed upon resources available to support projects.
- Ongoing training provided to staff to ensure they are fully equipped to carry out the responsibilities of their positions.
- DCRB notified prior to any information technology changes that may impact processing federal benefits.

ODCP Monitoring Method

- Monitoring of status through standing meeting(s).
- Review of project plans.
- Analyzing reports generated as a result of projects.
- Review of communication materials.
- Review of suggested change requests.

3.2 D.C. Retirement Board (DCRB)

3.2.1 Retirement Services

The DCRB Benefits Department shall provide benefit processing services via the STAR system (and other supplementary systems as needed) for all annuitants in the Plans in accordance with adopted standards. Additionally, the DCRB Benefits Department shall provide, upon request, certain pre-retirement services to members in the Plans.

Outcome

- Monthly pension processing is completed in a timely and accurate manner.
- Monthly processing of refunds and purchases of service is completed in a timely and accurate manner.
- High level of customer satisfaction is achieved.
- Report outputs meet federal, state and organizational reporting requirements.

Required Services

- Process retirement, survivor and beneficiary benefit payments using STAR.
- Calculate benefit payments.
- Initiate benefit payments.
- Ensure all payments are accurate.
- Ensure survivors' benefits and beneficiary payments are accurate. Perform a recalculation of the original annuitant's benefit when processing survivor or beneficiary benefits.
- Process routine annual/monthly/daily activities.
- Develop standard operating procedures and execute associated activities.
- Correct benefit payments timely (e.g., removal of post-56 military service).
- Research and timely correct errors identified by ODCP and DCRB.
- Ensure accurate participant information.
- Conduct research to obtain updated contact information when necessary.
- Calculate and correct split benefit payments.
- Make benefit error corrections accurately and timely.
- Notify annuitants of benefit changes.
- Ensure termination of one-time payees from STAR.

- Take appropriate action to ensure all health and life insurance benefit enrollments and changes are properly and accurately processed.
- Ensure health benefits and life insurance premiums are accurate.
- Make all required premium adjustments according to District and federal guidelines.
- Calculate refunds and lump sum payments.
- Take appropriate actions to locate missing participants, survivors and beneficiaries
- Review daily reports, such as the Payroll Error Report and the Split Discrepancy Report and make corrections accordingly.
- Consult with ODCP on all novel, significant legal, policy or procedural matters related to administering Federal Benefit Payments.
- Consult with ODCP on interpretations of Replacement Plan provisions for novel and significant issues relating to split benefit cases.
- Forward for scanning into FileNet all documentation related to processing annuitant, Qualified Domestic Relations Orders, and beneficiaries claims.
- Ensure all annuitant files are properly documented.
- Adhere to monthly payroll calendar dates.
- Run and review the Student Certification Report to ensure appropriate action is taken for the Students shown on the report.

Acceptable Quality Level

- 95% of new retirees receive first payment within 90 days of retirement.
- 95% of the new annuitant cases and one-time payments are free of monetary errors (on an annual basis).
- 95% of the recalculations are free of monetary errors.
- 100% of off-cycle payments are within established guidelines.
- 95% of the monthly pension processing activities are completed according to the agreed-upon schedule.
- 100% of errors are corrected in STAR within 3 pay cycles of identification by DCRB or notification by ODCP.
- Annuitants are notified at least 30 days prior to the change of their benefit that results in a reduction in benefits.
- 100% of one-time payees terminated within 1 month of pay month.
- 95% of all health benefits and life insurance actions are processed and recorded accurately.
- 100% review of daily reports.
- 100% of documents are provided to Member Services for scanning.
- 100% of documents are scanned.
- Documentation is available for review in the scanned files on the 15th day of the pay month.
- Documentation of research is available for review when the payee cannot be located.

- Adhere to the monthly pension and payroll calendar. (Note: Calendar can be modified as needed).
- 95% of calculations of refunds and lump sum payments are correct.
- 95% of cases that are included in error correction projects are corrected in accordance with the timeframe agreed upon by both parties.

ODCP Monitoring Method

- Monthly review of the new annuitants cases to ensure payments are accurate and timely.
- Monthly review of issues identified on the Outstanding Issues List.
- Monthly review and research of participant address based on returned earning statements.
- Monthly review of pension processing statistics, one-time payments and recalculations.
- Monthly review of Zero Check Query to ensure one-time payments are terminated.
- Quarterly review of health benefits, life insurance and data maintenance transactions.
- Quarterly review of refunds.
- Semi-annual review of purchases of post-56 military services.
- Monitoring of status through standing meeting(s).
- Monthly review of pension and payroll calendar for necessary adjustments.
- Semi-annual review of student certification process to ensure that 1) students are terminated timely and 2) process improvements and training needs are identified.

3.2.2 Debt Management

The Benefits Department shall provide debt collection and prevention support, including analysis and recommendations of ways to limit growth of future debt.

Outcome

- Debts are identified and managed in a manner to minimize future growth.
- Debt MOUs, regulations, policies and procedures, and standard correspondence are reviewed and updated in a manner that supports the successful management and collection of debt.
- Debtors are timely notified of overpayments and the debt collection process.

Required Services

- Provide due process support in compliance with all ODCP and DCRB policies.
- Notify debtor of overpayment via certified mail and regular mail.
- Send acknowledgement letter for all received correspondence.
- Forward payments to ARC Pension Payroll upon receipt from debtor.

- Coordinate debt case processing with ARC Pension Payroll and ODCP.
- Calculate and determine the debt amount(s).
- Support implementation of debt processing and reporting enhancements.
- Notify ARC Pension Payroll of identified debt.
- Respond to requests for reconsideration of debt cases.
- Respond to administrative review of District debt cases and the District's share of split debt cases.
- Make adjustments to benefit records in STAR to correct errors discovered on reports (i.e. Payroll Error Report and the Split Discrepancy Report) that affect the benefit payments.
- Clear backlogs and enhance timely responses to items on the Payroll Outstanding Issues List and Monthly Debt Prevention and Collection Update Report.
- Review the Do Not Pay and Death Audit Report results and update STAR if necessary.
- Provide support for debt management special projects.
- Attend Benefit Overpayment & Collection Re-engineering (BOCR) meetings.
- Provide updates to documents according to schedules or as needed.
- Provide case specific information on debt to ARC Pension Payroll.
- Conduct annual letter campaigns to ensure proper receipt of benefits.
- Attend training provided by ARC Pension Payroll when scheduled.
- Send debt correspondence to ARC Pension Payroll that supports debt management.
- Scan documents into FileNet accordingly.

Acceptable Quality Level

- 100% of errors are corrected in STAR within 3 pay cycles of identification by DCRB or notification by ODCP.
- 100% of issues identified on the Outstanding Issues List are reviewed and resolved within three pay cycles.
- 100% of issues identified on the Split Discrepancy Report are reviewed and corrected in STAR within 2 pay cycles of identification by DCRB or notification by ODCP. Issues not corrected within 2 pay cycles are logged and tracked as Production Trouble Tickets.
- 100% review of the monthly Death Audit Report and Do Not Pay results.
- 100% of all debt calculations are quality reviewed by a Manager prior to forwarding to ARC Pension Payroll.
- Annuitants are notified at least 30 days prior to the change of their benefit that results in a reduction in benefits.
- 100% of all requested information is provided to ARC Pension Payroll within 15 calendar days.
- 100% of debt cases are reported to ARC Pension Payroll when identified.
- Respond to administrative review of District debt cases and the District's share of split debt cases within 90 days.

- 100% of debtors are sent notification of overpayment letters in accordance with established procedures.
- 100% of debtors' responses are acknowledged via letter.
- 100% of payments received from debtor are mailed to ARC Pension Payroll.
- All debtors' information is scanned into FileNet.

ODCP Monitoring Method

- Bi-weekly review of Monthly Debt Prevention and Collection Update Report.
- Weekly review of Do Not Pay and Death Audit Report results.
- Ad hoc review of debt management files.
- Ad hoc review of FileNet.
- Daily review of daily reports, such as the Payroll Error Report and the Split Discrepancy Report.
- Monitoring through the review of quality review reports.
- Ad hoc letter campaigns as necessary.
- Monthly monitoring of status through standing meeting(s).

3.2.3 Member Services

The DCRB Benefits Department shall provide member services.

Outcome

- Annuitant data is updated in a timely and accurate manner.
- Annuitant data is accurate.
- High level of customer satisfaction is achieved.
- Report outputs meet reporting requirements.

Required Services

- Update and maintain annuitant data.
- Review and process requests for health and life insurance benefits changes (except receipt of FEGLI beneficiary designations or changes).
- Review and process direct deposit requests and updates.
- Review and process requests for income tax changes.
- Provide customer service to the annuitants, including providing information on the benefits, rights and features of the Plans.
- Conduct a monthly quality review by a Member Services Manager of Member Services transactions.
- Send at least 50 customer service surveys to randomly chosen members who have contacted DCRB during the previous month.
- Scan on entry all member documents received via US mail, email, fax, and FTP.

- Forward all members documents after scan on entry that require action to the appropriate DCRB staff.
- Scan all outgoing member correspondences, forms, and all loose papers.

Acceptable Quality Level

- 90% of customer service survey responses indicate a satisfied rating.
- Minimum of 15 customer service survey responses are documented per month.
- 25% of all Member Services transactions are reviewed by a Member Services Manager.
- 100% of all new and updated health benefits and life insurance elections are accurate (eligibility, enrollment elections and deductions).
- 100% of all direct deposit changes made by Member Services are quality reviewed by a Peer or Manager.
- 25% of all STAR data changes made by Member Services are quality reviewed by a Peer or Manager.
- 100% of all incoming member documents are scanned on entry.
- 100% of all member documents related to case processing are scanned and accessible within 15 calendar days after the pay date.

ODCP Monitoring Method

- Quarterly review of customer survey service responses.
- Monitoring of status through standing meeting(s).
- Reviewing updated tables for health and life insurance codes and premiums changes.
- Annual review of premiums for accuracy.
- Ad hoc review of annuitant files to ensure all paper documents have been captured and are present in FileNet.
- Monthly quality review cases are available in FileNet for quality review.

3.2.4 Quality Assurance Services

The DCRB Benefits Department shall ensure quality assurance services.

Outcome

- Monthly quality reviews are completed in a timely and accurate manner.
- High level of customer satisfaction achieved.
- Reporting outputs meet reporting requirements.
- Benefit payments are accurate.

Required Services

- Provide an in depth review of benefits and calculations.
- Review by manager of exception cases.
- Notify ODCP of all payments over $50,000 via email as soon as identified by DCRB. Notification must include all supporting documentation.
- Perform forensic reviews of data to identify potential areas of concern or anomalies.
- Track and correct errors found through correction projects and/or STAR changes.
- Research errors identified by ODCP and DCRB.
- Review all payments for approval by a Quality Analyst or Quality Specialist before payments are made or changed.
- Comply with District and federal statutes (including the review and approval of Qualified Domestic Relations Orders for both active and retired members).
- Develop and implement a DCRB training program to increase Benefits Administration's staff's knowledge of the Plans and benefits.
- Review reports provided by ODCP.
- Develop a yearly DCRB Quality Plan.
- Perform quality review of query and responses from disability annuitants to determine continued eligibility.
- Calculate and process purchases of service.
- Conduct annuitant verification activities, including annual letter campaigns to ensure proper receipts of payments.
- Conduct disability income verification project annually and recommend suspension for members of the Police Officers and Firefighters' Retirement Plan who are restored to earnings compacity.
- Review and compare data provided by the (EVS) Social Security Number Verification Service to STAR data. Make corrections to annuitant data as appropriate.

Acceptable Quality Level

- 100% Quality Analyst or Quality Specialist review of new annuitant and recalculated benefits prior to payment.
- 100% of new and recalculated cases are required to contain a completed STAR generated Benefit Review Summary.
- 100% of all DCRB Benefits Staff are required to complete at least two training session related to processing federal health and life insurance.
- 100% of all DCRB Benefits Staff are required to complete at least one training session related to improving knowledge of the Plans.
- 100% of all payments of $50,000 or more are reported to ODCP for review prior to payment approval by DCRB.
- A random subset of new annuitant cases receives a Manager review by the DCRB's Quality Compliance and Projects Unit.

- 95% of cases reviewed by the Quality Compliance and Projects section are error free or have errors that were identified and corrected by the the Quality Analyst and Quality Specialist level.
- 100% of disability annuitants required to report annual income is surveyed for compliance.
- 100% of responses from disability annuitants are reviewed to determine continued eligibility.
- 100% of errors are tracked, researched, and corrected in STAR within 3 pay cycles of identification by DCRB or notification by ODCP.
- 100% of exception cases, such as QDROs, court cases, and lump sum payment over $20,000 are reviewed by a manager.
- 95% of calculations of purchases of service are correct.

ODCP Monitoring Method

- Monthly review of preliminary statistics to identify payments of $20,000 or more.
- Monitoring of status through standing meeting(s).
- Annual review of completed training certificates and course documentation.

3.2.5 Program/Project Management

The DCRB Benefits Department shall provide overall program/project management and oversight for benefits administration.

Outcome

- Annuitants, staff, and stakeholders are well-informed.
- Projects are delivered timely and within budget.
- Changes to Plans are implemented accurately and timely.

Required Services

- Prepare annuitant and plan member communication materials.
- Manage special projects.
- Provide agreed upon resources to support projects.
- Manage and supervise the DCRB Benefits Administration staff.
- Make recommendations to ODCP for policy analysis and benefit administration related decisions.
- Participate in Change Control Board (CCB) meetings.
- Monitor and track District legislation.
- Own and maintain FileNet.
- Ensure the security of data.
- Maintain and manage paper and scanned records.
- Ensure records are accessible and available.

- Develop requests for changes to STAR, including CRs, OMRs, SRs, QRs, and PTTs.
- Provide support to ODCP and STAR developers to aid in the development and implementation of STAR changes.
- Respond to requests for reconsideration of benefit and debt determinations.
- Respond to requests for administrative appeals for the District's share of split benefit cases.
- Provide updated tables to Fiscal Service for health and life insurance codes and premiums changes.

Acceptable Quality Level

- Projects delivered with cost and schedule overruns of no more than 10%.
- The Benefits Department consults with ODCP on all novel, significant legal, policy or procedural matters related to administering Federal Benefit Payments.
- The Benefits Department consults with ODCP on interpretations of Replacement Plan provision for novel and significant issues relating to split benefit cases.
- Agreed upon resources will be made available to support projects.
- ODCP is notified prior to any DCRB information technology changes that may impact processing federal benefits.
- 100% of post-56 military deposits that are identified as federal are forwarded to ODCP at the end of each six month period beginning with October 1.
- Respond to benefit reconsideration request within 60 days.
- Respond to administrative review of benefit appeals for the District's share of split benefit cases within 90 days.

ODCP Monitoring Method

- Monitoring of status through standing meeting(s).
- Review of special project plans.
- Review of communication materials.
- Review of suggested change requests.

4 Reporting Requirements

The Office of D.C. Pensions shall ensure the following reports are provided to DCRB.

- Preliminary Payroll Processing Statistics are available by the 20th of the month.
- Split Discrepancy Report is provided daily during the period of regular pension processing.
- Final Payroll Processing Statistics, On-cycle and Off-cycle Confirmed Payroll Summary Reports, Split Reimbursement Summary Report, RITS Interface Summary Report, Semi Annual Headcount Report, Monthly Statistics Report, and Disbursement Summary Report are provided in accordance with the monthly payroll calendar.

- Outstanding Issues List is provided twice per month (beginning of month and mid-month).
- Debt Prevention and Collection Update Report, which includes the debt receivables report and the letter tracking log is provided by the 7th business day of the next calendar month.
- Do Not Pay and Death Audit results are provided by the 3rd business day of each week.
- Reclamation Status Report is provided weekly.
- Stale-Dated Checks Cancellation Report is provided monthly.
- Quarterly CCB Meeting minutes, including the status of Change Requests are provided quarterly.
- Payroll Error Reports are provided daily during the period of regular pension processing.
- Split Summary Report is provided monthly with the Split Reimbursement Summary Report.

The DCRB Benefits Department shall provide benefit processing data to ODCP and to the annuitant payroll operations provider to support enhanced communications and performance monitoring. Data related to the following will be provided by:

- Pension Processing Statistics are provided by the 30th of the month following payment date.
- Refunds and Purchases of Service Statistics are provided quarterly (January 30th, April 30th, July 30th and October 30th).
- Customer Service Statistics are provided quarterly (January 30th, April 30th, July 30th and October 30th).
- Quarterly Performance Report is provided by the 30th of the month following the end of the quarter.
- Monthly Performance Data are provided by the 30th of the month following the payment date.

5 Administrative

5.1 Annual Review Cycle

This SLA will be reviewed annually to identify revisions to language that more accurately reflect the services provided and to ensure the acceptable quality level of service is being provided. A new SLA will be executed between ODCP and DCRB in October of each year. Either party may initiate or propose amendments to this agreement and/or the associated operational procedures at any time.

5.2 Change Procedures

Two levels of changes may be made to this SLA at any time they are deemed necessary: 1) operational procedures and 2) major amendments and revisions to the SLA.

Operational procedure changes reflect changes or updates to the daily operations and administration procedures such as deletion of a payroll process. Operational procedure changes may be negotiated at any time by the designated individuals listed in the contact section below.

Major amendments and revisions to the SLA reflect changes in service levels, staffing, funding or assumption of additional responsibilities that have a major impact on the SLA and services provided. In this second case, when SLA changes are agreed upon, a new SLA document will be executed.

5.3 Contact Information

Questions about this SLA and the activities it covers should be addressed to:

Office of D.C. Pensions
LaShon J. Brown
Assistant Director
Benefits Administration
(202) 622-5791
lashon.brown@treasury.gov

D.C. Retirement Board
Johnetta Bond
Chief Benefits Officer
Benefits Department
(202) 343-3238
Johnetta.Bond@dc.gov

Signature

On behalf of our respective organizations, we hereby enter into this Service Level Agreement for October 1, 2017 through September 30, 2018.

Concur:

LaShon, 4/24/2018

LaShon J. Brown, (Date)
Assistant Director for Benefits Administration
Office of D.C. Pensions

Johnetta B Bond, 4/24/2018

Johnetta Bond, (Date)
Chief Benefits Officer
D.C. Retirement Board

Unintended Consequences:

How Scaling Back Public Pensions Puts Government Revenues at Risk

National Conference on Public Employee Retirement Systems

The Voice for Public Pensions

MAY 2018

The National Conference on Public Employee Retirement Systems (NCPERS) is grateful for the contribution of NCPERS Director of Research and Education Michael Kahn, Ph.D., in bringing this seminal work to light.

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Unintended Consequences: How Scaling Back Public Pensions Puts Government Revenues at Risk

EXECUTIVE SUMMARY

The argument that taxpayers cannot afford public pensions has gained traction despite a woeful lack of empirical evidence to support it. Legislators across the nation are contemplating options for the future funding of public-sector worker retirement benefits at a time when competition for finite state and local resources is fierce. The reasons are familiar: the lingering effects of recession and misguided budget priorities have taken a toll. Time and again, defined-benefit pensions for firefighters, police officers, teachers, and other public servants have ended up on the chopping block, even though plan participants have consistently held up their end of the bargain.

Unintended consequences often flow from policy actions that are made with short-term pressures in mind. There is a real risk that reducing or even dismantling public pension benefits will ultimately backfire. In this installment of ongoing research on the impact of public pensions on the U.S. economy, NCPERS set out to quantify that risk.

The question we asked is this: How does the payment of defined pension benefits and the investment of pension assets impact state and local economies and revenue generation? It is common sense that consumer spending and investment grow the economy, which in turn grows tax revenues. We hear this all the time in the context of tax cuts. Yet opponents of public pensions seem to believe that pension spending and investment do not grow the economy. True, the pension money comes from taxpayers, but it should be understood that it is part of the compensation of workers providing public services. If these services were privatized, they would cost taxpayers more. The goal of private companies is to make profit. The goal of a public service is to ensure the public good. Pensions play an important role in the recruitment and retention of a quality public workforce to ensure our collective good.[1]

1 http://crr.bc.edu/wp-content/uploads/2018/04/slp_59.pdf

Previous research has shown that pension beneficiaries bolster the economy by feeding resources back into local communities where they live, work, and spend their pension checks. However, research on how state economies and tax revenues grow when pension funds invest their assets does not currently exist. Our research fills this gap and is the first of its kind. We examine the broader question of state and local revenues generated by public pensions, and whether these revenues exceed taxpayer contributions.

Our original methodology draws on historical data from various public sources, including the U.S. Census Bureau, Bureau of Economic Analysis, and Bureau of Labor Statistics. These data span the years 1977 to 2016 in most instances. The analysis was done in three steps. First, we developed an econometric model to estimate the impact of investment of pension fund assets on state and local economies and revenues. Second, we estimated the impact of spending of pension checks by retirees on state and local economies and revenues. Third, we assessed whether revenues generated by public pensions exceed taxpayer contributions. If so, how much would taxpayers have to pay in additional taxes if public pensions were dismantled?

We measured the economy in terms of personal income. We found that the economy grows by $1,088 with the investment of each $1,000 of pension fund assets. This amount may seem small, but due to the size of the pension fund assets, $3.7 trillion in 2016, the effect on the economy and revenues is significant. The results show that investment of pension fund assets contributed $587.5 billion to the economy, which in turn yielded $125.7 billion in state and local revenues. Similarly, the results show that $303.1 billion paid to retirees in pension checks during 2016 contributed $757.8 billion to the economy and $151.9 billion to state and local revenues. Overall, when we add the impact of investment of assets and spending of pension checks by retirees, public pensions in 2016 contributed $1.3 trillion to the economy and $277.6 billion to state and local revenues.

Are public pension funds net revenue generators? The results show that in 2016 pension funds generated approximately $277.6 billion in state and local revenues. The taxpayer contribution to pension plans in the same year was $140.3 billion. In other words, pension funds generated $137.3 billion more in revenues than the taxpayer contribution. The state-by-state results indicate that pensions in 38 states had a positive impact on net revenues. In the remaining 12 states, either pensions were revenue neutral or taxpayer contributions were greatly subsidized by state and local revenues generated by public pensions.

The data that underpin our conclusions are a powerful rebuke to the argument that taxpayers cannot afford public pensions. The evidence we present here shows that if public pensions did not exist, the burden on taxpayers would rise by about $137.3 billion just to maintain the current level of services.

The implication of our findings is clear: Taxpayers cannot afford continued assaults on public pensions. Instead, policy makers must preserve and enhance public pensions, building on this time-honored method of ensuring a dignified retirement to provide retirement security for all.

Unintended Consequences: How Scaling Back Public Pensions Puts Government Revenues at Risk

INTRODUCTION

The argument that taxpayers cannot afford public pensions has taken hold with an almost mythological force, seeping into public opinion as an accepted truth. Opponents of public pensions have advanced an us-versus-them storyline in their concerted efforts to undermine and ultimately dismantle public pensions. The fervor with which they argue their case underscores the ideological imperatives that drive them. Factual information, however, has been in short supply.

NCPERS has a long history of providing reliable and verifiable data and analysis on public pensions, which are fundamentally a long-term investment, not a short-term budget issue.

Using state and local data for the last quarter century, this study sets out to examine the following questions:

- How much state and local tax revenue is generated as a result of the mere existence of public pensions?
- Do these revenues exceed taxpayer contributions to public pensions?
- How much would taxpayers have to pay in additional taxes if public pensions were dismantled?

Our hypothesis is that public pensions are significant revenue generators. We also hypothesize that state and local revenues generated by public pensions far exceed taxpayer contributions. If we continue to undermine public pensions, taxpayers will have to make up these revenues to maintain the current level of public services. The burden on taxpayers will increase if we make short-term decisions about these long-term investments.

Public pensions generate state and local revenues in two ways. First, when retirees spend their pension checks in local economies, the economy grows. When the economy grows, tax revenues grow. Second, when pension funds invest their assets in the economy, the economy and tax revenues grow. While invested assets flow into both national and international companies, significant economic and revenue impact accrues to individual states. It is logical to expect that the total state and local revenues generated by spending of retiree checks and investment of pension fund assets exceed taxpayer contributions in most states. In the remaining states, these revenues are likely to be almost the same as taxpayer contributions.

Policy makers are steadily seeking to undermine and even dismantle public pensions based on misleading information from opponents of public pensions. These opponents disseminate huge unfunded liability numbers by distorting various assumptions. They then compare the 30-year unfunded liability numbers with one-year state and local revenues instead of 30-year state and local revenues. They overlook the positive role pensions play in economic and revenue growth. In the end, they argue that taxpayers cannot afford public pensions. They propose that public pensions should be converted into do-it-yourself retirement savings plans or that benefits should be cut and employee contributions increased. Policy makers do not recognize that dismantling public pensions would increase the tax burden on their constituents.

Policy makers' attacks on public pensions are also harming state and local economies. Our earlier study shows that dismantling public pensions increases economic inequities and slows down the economy.[2] If public pensions were dismantled, our economy would suffer a loss of about $3 trillion by 2025.[3] Policy makers need to consider the positive role public pensions play in economic and revenue growth. This study examines the revenue impact of pensions for each of the 50 states so that policy makers can see how much additional revenue they would have to generate if they stayed on a path to dismantling public pensions.

The study is divided into four sections. Section I examines the existing literature on pensions and economic and revenue growth. Section II describes the data and methodology. Section III presents results, and Section IV offers conclusions.

2 http://www.ncpers.org/files/NCPERS%20Income%20Inequality%20Paper_Web(1).pdf

3 http://www.ncpers.org/files/NCPERS_2017%20Economic%20Loss.pdf

Section I

LITERATURE REVIEW

The main purpose of this study is to first estimate state and local revenues generated through spending of pension checks by retirees and investment of pension assets, and then compare these revenues with taxpayer contributions to public pensions. In the end, we want to determine whether public pensions are net revenue positive, revenue neutral, or revenue negative. In order to do this, as discussed further in Section II, we must first examine how much economic growth is attributable to spending by retirees and investment of pension assets. We can then determine how much revenue is generated by such economic growth by examining the relationship between economic growth and revenues.

Unfortunately, existing literature on whether public pensions in the United States are revenue positive, revenue neutral, or revenue negative is severely lacking. A few studies have partially explored the relationship between economic and revenue impact of public pensions, mainly by measuring revenues generated by spending of retiree checks. Studies on the impact of the investment of pension fund assets on the economy and revenues are practically nonexistent. In this section we'll review literature on the relationship between the economy and revenues, pension assets and the economy, and pension assets, the economy, and revenues.

The Economy and Revenues

Most of the literature in this area focuses on the debate about whether tax cuts grow the economy. Gale, Krupkin, and Rueben stated in their recent article, "The Relationship Between Taxes and Growth at the State Level: New Evidence," the effects of state tax policy on economic growth, entrepreneurship, and employment remain controversial.[4] While conservatives argue that tax cuts do grow the economy, most of the literature and data do not support this finding.

It is common sense that when governments cut taxes, they will have less revenue. When they have less revenue, they must cut programs or borrow money. The expected positive impact of tax cuts on the economy is wiped out by the negative impact of spending cuts and/or borrowing. More often than not, the net effect of tax cuts on the economy is negative. Consider the fact that as president from 2001 to 2009, George W. Bush presided over two major tax cuts, yet the outcome was the Great Recession, which officially lasted from December 2007 to June 2009, though its ripple effects are still with us. The best way to grow the economy is through investment in education and infrastructure, as we did during the post–World War II period.

4 William Gale, Aaron Krupkin, and Kim Rueben, "The Relationship Between Taxes and Growth at the State Level: New Evidence," *National Tax Journal*, December 2015, 68 (4), 919–942.

On the question of what drives revenues, there is again a dearth of literature. A recent study by The Tax Foundation addresses this question.[5] The study presents data from *The Economist*[6] and implies that economic growth is a key driver of revenues. When the economy is doing well, tax revenues grow, and vice versa. For example, the study notes that during the mid-1980s to late 1990s the economy grew. So did tax revenues. On the other hand, during 2007 and 2009, the economy declined. So did the revenues.

Another study that looks at the question at the state level was conducted by the Oklahoma Council of Public Affairs.[7] This study mainly focuses on income tax revenues. The study shows that economic growth, as measured by job growth, drives revenues.

Pension Assets and the Economy

Do pension fund assets contribute to economic growth? The literature on this subject is also in short supply. One study that has addressed this question focuses on 38 countries, including both European Union countries and emerging economies. This study, conducted by Davis and Hu,[8] found a positive correlation between growth in pension fund assets and economic growth.

Another study that shows a positive correlation between pension assets and economic growth focuses on 69 industrial sectors in 34 Organisation for Economic Co-operation and Development (OECD) countries for the decade of 2001–2010.9 Bijlsma, van Ewijk, and Haaijen, authors of this study, conclude that a higher level of pension assets has a significant impact on economic growth through growth in sectors dependent on external finance.

Studies focusing on individual countries and examining the relationship between pension fund assets and economic growth are even rarer. A study by W. C. Mungoma,[10] which focuses on Kenya, takes an in-depth look at data on the growth of pension fund assets and economic growth during 2002–2011. The study finds a positive relationship between pension assets and economic growth.

Pensions Assets, the Economy, and Revenues

One of the best-known studies that regularly asseses the impact of pensions on the economy and revenues is conducted by the National Institute on Retirement Security (NIRS).[11] This study, popularly known as Pensionomics, assesses the economic and revenue impact of benefits paid to retirees by public and private defined-benefit pensions in the United States. In 2014, the NIRS study finds, about $520 billion was paid in pension benefits to 24.3 million retirees, generating $1.2 trillion in total economic activity. This economic activity in turn yielded $189 billion in federal, state, and local revenues. The NIRS study also assesses this impact for public pensions on a state-by-state basis. However, it does not assess the economic and revenue impact of investment of pension assets.

Several individual pension plans conduct economic impact studies for their respective states. For example, Teacher Retirement System

5 https://taxfoundation.org/economic-growth-drives-level-tax-revenue
6 https://www.economist.com/blogs/buttonwood/2014/10/tax-policy-and-economy
7 http://www.ocpathink.org/post/what-drives-income-tax-revenues-tax-rates-or-economic-growth-2
8 https://ideas.repec.org/p/bru/bruppp/04-23.html
9 http://www.cpb.nl/sites/default/files/publicaties/download/cpb-discussion-paper-279-economic-growth-and-funded-pension-systems.pdf
10 http://erepository.uonbi.ac.ke/bitstream/handle/11295/58501/The%20Relationship%20Between%20Pension%20Fund%20Assets%20And%20Economic%20Growth%20In%20Kenya?sequence=3
11 https://www.nirsonline.org/reports/pensionomics-2016/

of Texas does such a study on a regular basis. The 2016 study shows that the system paid $9.3 billion in retirement benefits to more than 393,000 retirees, which contributed $6.1 billion to personal income growth and generated $1.34 billion in state and local revenues.[12]

Similarly, a 2016 study conducted by the Colorado Public Employee Retirement Association (PERA) shows that the system provides significant economic benefit to Colorado. This economic benefit amounts to more than $6 billion, which in turn generates $271 million in tax revenue for state and local governments.[13]

The foregoing review of studies on the economic and revenue impact of public pensions suggests that these studies focus on part of the equation – benefits paid to retirees. They do not focus on the economic and revenue impact of investment of pension fund assets. Yet there are two pension plans – the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS) – that have done studies on the economic impact of investment of their assets on the California economy. In an earlier Research Series paper, we used the economic impact data from the CalPERS and CalSTRS studies to estimate the revenue impact.[14]

In the absence of studies such as those done by CalPERS and CalSTRS, it is necessary to develop a methodology to assess the economic and revenue impact of investment of pension fund assets as well as pension benefits paid to retirees for all 50 states. The next section describes the methodology.

12 https://www.trs.texas.gov/TRS%20Documents/impact_annuity_payments_by_trs.pdf

13 https://www.copera.org/news/colorado-pera-economic-impact-grew-1-billion-two-years

14 http://www.ncpers.org/files/NCPERS%20Research%20Series_2017%20Public%20Pensions%20Are%20A%20Good%20Deal%20for%20Taxpayers_Web.pdf

Section II

DATA AND METHODOLOGY

As the foregoing review suggests, there is a dearth of studies addressing the revenue and economic impact of pensions. Some studies, such as the NIRS and Texas and Colorado retirement systems studies, partially address the economic and revenue impact, as they only focus on the impact of the spending of retiree pension checks. We sought to fill this gap by conducting the first nationwide study to assess the economic and revenue impact of pension assets. We developed our methodology from scratch to study the total impact of public pensions, including pension checks plus assets, on the economy and revenue of all 50 states.

We drew together historical data from various public sources, including the U.S. Census Bureau, Bureau of Economic Analysis, and Bureau of Labor Statistics. These data span 1977 to 2016 in most instances. With each year's data constituting one observation, the total number of observations was 40. Our analysis was performed in three steps. First, we estimated the impact of investment of pension fund assets on state and local economies and revenues. Second, we estimated the impact of spending of pension checks by retirees on state and local economies and revenues. Third, we assessed whether revenues generated by public pensions exceed taxpayer contributions. If so, how much would taxpayers have to pay in additional taxes to maintain the current level of services if public pensions were dismantled?

Estimating the Impact of Pension Fund Assets on State and Local Economies and Revenues:

Pension fund assets constitute an important source of capital for startups and existing businesses. Growth in startups and businesses grows jobs, income, and consumer spending, which in turn grow the economy and revenues. We estimate the impact of pension fund assets on state and local economies and revenues as follows:

- Using historical data, we develop a model to examine the contribution of investment of public pension fund assets to the economy at the national level, controlling for other variables that also impact the economy. We measure the economy for the purposes of this study in terms of personal income (the dependent variable in the model). The other variables used in the model include the following:

  - Education spending on K–12
  - Education spending on higher education
  - Multifactor productivity
  - Infrastructure spending
  - Pension fund assets
  - Income inequality

  All variables are measured in thousands of dollars except multifactor productivity and income inequality. Multifactor productivity is measured as an index, and income inequality is measured as the ratio of income in the top quintile to that in the bottom quintile.

- Next, we apply the beta value for the pension assets variable in the model to the pension fund assets of each state to estimate their contribution to the state economy. The beta coefficient measures the change in the economy for a unit change in a variable used in the model.
- We then adjust this contribution to the state economy by taking into account the multiplier effect and the size of the local economy in relation to the national economy. We use the multiplier effect of 2.5 in our analysis.[15] This figure should probably be higher, as most Americans spend 80 cents of every dollar of their income. However, we choose to use 2.5 in our analysis based on some of the studies cited in the literature review section. The adjustment for the size of the state economy is made by multiplying the contribution to the state economy by the ratio of the state and national economies.
- To convert the contribution of pension assets to the economy into state and local revenues, we have used historical data to develop a model to estimate a revenue quotient for each state by examining the relationship between the economy (personal income) and state and local revenues since 1977.
- We apply this revenue quotient to the adjusted contribution of pension assets to the economy to estimate state and local revenues attributable to pension assets.

Estimating the Impact of Pension Checks on State and Local Economies and Revenues

The impact of spending of retiree checks on state and local economies and revenues is estimated as follows:

- We consider the pension payments made by state and local pension plans as a direct contribution to the economy (personal income).
- We then adjust this contribution to the economy by using the multiplier effect specified above.
- To convert this adjusted contribution to the economy into state and local revenues, we use the revenue quotient specified above.

Assessing Whether Revenues Generated by Public Pensions Exceed Taxpayer Contributions

The assessment of whether revenues generated by public pensions exceed taxpayer contributions is done as follows:

- We estimate the total state and local revenues by adding the revenues generated through investment of pension fund assets and those generated through spending of pension checks by retirees.
- We then compare the total state and local revenues with taxpayer contributions to determine whether these revenues exceed taxpayer contributions.
- This comparison also allows us to determine how much additional revenues taxpayers would have to make up to receive the current level of services if public pensions were dismantled.

The data and analysis show that state and local revenues generated by the mere existence of public pensions far exceed taxpayer contributions. Taxpayers will have to pay additional taxes to receive the current level of services if public pensions are dismantled. Details of these findings are discussed in the next section.

15 The marginal propensity to consume (MPC) is equal to $\Delta C / \Delta Y$, where ΔC is change in consumption and ΔY is change in income. If consumption increases by 80 cents for each additional dollar of income, then MPC is equal to 0.8 / 1 = 0.8. For example, if the MPC is equal to 0.8, then the multiplier can be calculated as follows: Multiplier = 1 / (1 - MPC) = 1 / (1 - 0.8) = 1 / 0.2 = 5.

Section III

RESULTS

The discussion of results is organized as follows. First, we describe the results of the model to measure the economic impact of pension fund assets, taking into account other variables that also impact our economy. Second, we examine the impact of pension fund assets on the economy and revenues in each state. Third, we measure the impact of spending of pension checks by retirees on state economies and revenues. Fourth, we evaluate the total impact of pensions (pension assets and retiree spending) on state and local revenues. Finally, we compare state and local revenues with taxpayer contributions to examine whether pensions are net revenue generators.

The Economic Impact of Pension Assets

Due to lack of research focusing on the economic impact of public pension assets, we have developed a new model and methodology. The purpose of the model is to estimate the economic impact, as measured by personal income, of pension assets, controlling for other variables such as investment in education, infrastructure spending, multifactor productivity, and income inequality. All of these variables have significant impacts on the economy.

The results of our model are shown in Table 1. This table shows the beta coefficient for various variables used in the model. The model is highly predictive of economic impact, with an *R*-squared of 0.99. The *R*-squared of 0.99 means the model explains 99 perent of the variations in the economy (personal income). Since we are using the entire population, 50 states, and all available data, we need not worry about sampling statistics such as the level of significance of the beta coefficient. Yet the beta coefficients of all variables in the model are significant, at 0.05 or better, and variables are normally distributed.

Table 1 shows that while investments in education and pension assets have a positive impact on the economy, productivity, infrastructure investment, and income inequality have a negative impact. Productivity and infrastructure used to have a positive impact on the economy when labor

Table 1

Coefficients of Variables Used in the Model to Estimate the Impact of Each Variable on the Economy, 2016

Variable	Coefficient
Intercept	6,023,230,805
Investment in Infrastructure	-16.49908533
Investment in K–12 Education	13.25939831
Investment in Higher Education	31.92719972
Multifactor Productivity	-41,525,903.9
Pension Assets	1.088119101
Income Inequality	-182,301,578.9

unions were strong and income inequality was low. With rising income inequality and declining labor unions, these relationships are reversed. Most of the economic growth resulting from productivity growth and infrastructure investment now goes to the top 1 percent. Another reason infrastructure investment may not have a positive impact is that a great deal of what is done now is merely glorified maintenance and doesn't really merit being called "investment."

The positive impact of pension fund assets on the economy, Table 1 shows, is relatively small compared with the impact of investment in education, especially higher education. The economy grows by $1,088 for each $1,000 of pension fund assets. Yet due to the size of the pension fund assets, $3.7 trillion in 2016, the magnitude of the effect on the economy and revenues is significant. How much is this impact? We'll examine that next.

Table 2

Impact of Investment of Pension Assets on State and Local Economies and Revenues, 2016 (All Data Are in $1,000)

State	Pension Assets	Contribution to State Economy (Personal Income)	S&L Revenues Attributable to Investment of Pension Assets
Alabama	$35,734,586.00	$1,157,558.96	$221,899.77
Alaska	$13,691,129.00	$96,790.77	$27,818.05
Arizona	$45,029,742.00	$2,160,051.79	$376,544.69
Arkansas	$25,574,432.00	$519,840.23	$100,528.57
California	$761,443,651.00	$288,522,118.61	$64,866,086.50
Colorado	$51,562,223.00	$2,543,902.44	$467,499.58
Connecticut	$38,896,388.00	$1,651,136.26	$247,680.00
Delaware	$9,648,772.00	$75,303.23	$15,661.56
Florida	$177,360,518.00	$28,768,856.09	$5,138,811.71
Georgia	$93,547,192.00	$6,963,348.40	$1,200,100.85
Hawaii	$14,160,626.00	$174,465.72	$35,905.81
Idaho	$14,368,152.00	$163,458.68	$29,748.86
Illinois	$155,817,713.00	$17,699,958.49	$3,351,820.82
Indiana	$31,467,696.00	$1,540,438.73	$290,284.34
Iowa	$31,403,369.00	$775,441.62	$159,492.97
Kansas	$18,928,321.00	$445,061.84	$82,044.21
Kentucky	$28,514,597.00	$843,363.55	$159,547.09
Louisiana	$44,656,295.00	$1,514,340.24	$278,978.53
Maine	$12,408,641.00	$124,638.72	$23,584.93
Maryland	$68,197,392.00	$4,078,921.27	$631,210.18
Massachusetts	$74,135,018.00	$5,554,857.96	$944,040.18

Table 2 *(continued)*

Impact of Investment of Pension Assets on State and Local Economies and Revenues, 2016 (All Data Are in $1,000)

State	Pension Assets	Contribution to State Economy (Personal Income)	S&L Revenues Attributable to Investment of Pension Assets
Michigan	$83,458,541.00	$6,279,329.66	$1,200,882.55
Minnesota	$59,363,817.00	$2,920,129.40	$573,477.02
Mississippi	$25,257,079.00	$458,696.82	$98,473.13
Missouri	$71,224,105.00	$3,190,057.80	$586,874.17
Montana	$10,025,265.00	$76,865.48	$14,104.72
Nebraska	$16,009,688.00	$261,579.32	$56,098.95
Nevada	$34,931,255.00	$766,211.56	$142,441.15
New Hampshire	$7,735,542.00	$98,936.48	$14,150.98
New Jersey	$73,173,395.00	$6,889,802.06	$1,197,423.16
New Mexico	$25,777,278.00	$353,427.28	$76,256.90
New York	$452,988,711.00	$91,231,510.13	$23,148,004.01
North Carolina	$87,703,405.00	$6,437,666.48	$1,225,683.96
North Dakota	$5,103,732.00	$36,187.70	$8,524.39
Ohio	$175,253,319.00	$15,543,468.80	$3,475,963.33
Oklahoma	$30,058,380.00	$862,200.38	$146,337.66
Oregon	$70,564,979.00	$2,245,681.25	$499,948.54
Pennsylvania	$99,906,853.00	$11,098,288.40	$2,001,879.28
Rhode Island	$8,821,192.00	$80,473.04	$15,457.92
South Carolina	$29,513,757.00	$990,855.62	$217,887.91
South Dakota	$10,999,708.00	$77,980.06	$11,833.01
Tennessee	$53,042,292.00	$2,617,529.17	$464,015.74
Texas	$239,499,001.00	$52,878,800.53	$8,727,367.84
Utah	$27,240,224.00	$582,496.72	$118,609.89
Vermont	$4,096,541.00	$21,901.26	$4,147.25
Virginia	$82,711,198.00	$6,309,503.26	$1,015,354.86
Washington	$79,748,995.00	$5,432,256.67	$1,037,512.75
West Virginia	$13,625,030.00	$156,471.20	$33,852.85
Wisconsin	$98,152,527.00	$4,542,020.80	$903,293.61
Wyoming	$7,403,669.00	$40,914.08	$10,452.50
United States	$3,729,935,931.00	$587,855,095.01	$125,675,599.23

Contribution of Pension Fund Assets to the Economy and Revenues

Using the methodology outlined in Section II and the beta coefficients from Table 1, we have calculated the impact of pension assets on state economies and revenues. The results are shown in Table 2. Column 2 in this table shows state-by-state pension assets, column 3 the contribution of these assets to the economy, and column 4 revenues attributable to investment of pension assets. The results in Table 2 show that overall, pension assets contribute $587.5 billion to the economy, which results in about $125.7 billion in state and local revenues.

State-by-state data in Table 2 show that the economic and revenue impacts of pension assets in states such as California, Florida, New York, and Texas are very significant. In California, state and local pension fund assets of $761.4 billion result in a $288.5 billion contribution to the economy and

Table 3

Impact of Spending of Pension Checks on the Economy and State and Local Revenues, 2016 (All Data Are in $1,000)

State	Pension Checks	Contribution to Economy (Personal Income)	S&L Revenues Attributable to Pension Checks
Alabama	$3,678,636.00	$9,196,590.00	$1,762,952.25
Alaska	$1,267,543.00	$3,168,857.50	$910,742.35
Arizona	$4,625,373.00	$11,563,432.50	$2,015,761.43
Arkansas	$1,848,848.00	$4,622,120.00	$893,842.14
California	$52,270,240.00	$130,675,600.00	$29,378,734.68
Colorado	$5,291,653.00	$13,229,132.50	$2,431,152.18
Connecticut	$4,797,555.00	$11,993,887.50	$1,799,152.59
Delaware	$680,524.00	$1,701,310.00	$353,838.40
Florida	$11,830,922.00	$29,577,305.00	$5,283,220.19
Georgia	$7,132,093.00	$17,830,232.50	$3,072,958.01
Hawaii	$1,297,563.00	$3,243,907.50	$667,610.48
Idaho	$922,145.00	$2,305,362.50	$419,567.20
Illinois	$18,658,398.00	$46,645,995.00	$8,833,298.52
Indiana	$2,822,671.00	$7,056,677.50	$1,329,778.95
Iowa	$2,181,584.00	$5,453,960.00	$1,121,771.44
Kansas	$1,860,607.00	$4,651,517.50	$857,476.52
Kentucky	$4,077,013.00	$10,192,532.50	$1,928,218.11
Louisiana	$4,655,139.00	$11,637,847.50	$2,143,976.29
Maine	$977,015.00	$2,442,537.50	$462,192.44
Maryland	$5,210,842.00	$13,027,105.00	$2,015,935.29

Table 3 *(continued)*

Impact of Spending of Pension Checks on the Economy and State and Local Revenues, 2016 (All Data Are in $1,000)

State	Pension Checks	Contribution to Economy (Personal Income)	S&L Revenues Attributable to Pension Checks
Massachusetts	$6,953,546.00	$17,383,865.00	$2,954,363.05
Michigan	$8,877,929.00	$22,194,822.50	$4,244,621.07
Minnesota	$4,706,365.00	$11,765,912.50	$2,310,678.58
Mississippi	$2,655,600.00	$6,639,000.00	$1,425,261.92
Missouri	$5,588,421.00	$13,971,052.50	$2,570,251.20
Montana	$833,798.00	$2,084,495.00	$382,502.22
Nebraska	$1,106,087.00	$2,765,217.50	$593,035.37
Nevada	$2,287,691.00	$5,719,227.50	$1,063,222.48
New Hampshire	$752,570.00	$1,881,425.00	$269,101.96
New Jersey	$10,435,636.00	$26,089,090.00	$4,534,191.30
New Mexico	$2,182,503.00	$5,456,257.50	$1,177,264.27
New York	$31,872,176.00	$79,680,440.00	$20,217,172.14
North Carolina	$6,184,130.00	$15,460,325.00	$2,943,531.25
North Dakota	$396,417.00	$991,042.50	$233,450.31
Ohio	$15,886,846.00	$39,717,115.00	$8,881,880.67
Oklahoma	$2,493,743.00	$6,234,357.50	$1,058,131.42
Oregon	$5,343,496.00	$13,358,740.00	$2,974,011.79
Pennsylvania	$12,812,898.00	$32,032,245.00	$5,777,889.82
Rhode Island	$1,227,000.00	$3,067,500.00	$589,230.64
South Carolina	$3,462,282.00	$8,655,705.00	$1,903,378.66
South Dakota	$565,254.00	$1,413,135.00	$214,434.88
Tennessee	$3,280,554.00	$8,201,385.00	$1,453,879.39
Texas	$17,229,465.00	$43,073,662.50	$7,109,081.39
Utah	$1,448,658.00	$3,621,645.00	$737,451.20
Vermont	$341,806.00	$854,515.00	$161,811.83
Virginia	$6,119,324.00	$15,298,310.00	$2,461,875.81
Washington	$4,529,070.00	$11,322,675.00	$2,162,530.30
West Virginia	$1,125,120.00	$2,812,800.00	$608,554.69
Wisconsin	$5,796,298.00	$14,490,745.00	$2,881,844.44
Wyoming	$539,986.00	$1,349,965.00	$344,881.68
United States	$303,121,033.00	$757,802,582.50	$151,921,695.20

$64.8 billion to state and local revenues. Similarly, in New York, state and local pension fund assets of $452.9 billion contribute $91.2 billion to the economy and $23.1 billion to state and local revenues. The economies and revenues of even small states, such as Delaware, South Dakota, and Wyoming, benefit significantly from investment of their pension fund assets.

Contribution of the Spending of Pension Checks to the Economy and Revenues

The impact of spending by retirees has a much bigger impact on the economy and on state and local revenues than the investment of pension fund assets because of the dollar-for-dollar addition to personal income and the multiplier effect. Table 3 shows the state-by-state impact of

Table 4

State and Local Revenues Attributable to Spending of Pension Checks and Investment of Pension Fund Assets Compared with Taxpayer Contributions to Pension Funds, 2016 (All Data Are in $1,000)

State	S&L Revenue from Investment of Pension Assets	S&L Revenue from Spending of Pension Checks	Total S&L Revenue	Taxpayer Contribution	Net S&L Revenues Attributable to Public Pensions
Alabama	$221,899.77	$1,762,952.25	$1,984,852.02	$1,252,248.00	$732,604.00
Alaska	$27,818.05	$910,742.35	$938,560.40	$485,438.00	$453,122.00
Arizona	$376,544.69	$2,015,761.43	$2,392,306.12	$1,914,757.00	$477,549.00
Arkansas	$100,528.57	$893,842.14	$994,370.71	$846,815.00	$147,556.00
California	$64,866,086.50	$29,378,734.68	$94,244,821.18	$27,414,268.00	$66,830,553.00
Colorado	$467,499.58	$2,431,152.18	$2,898,651.76	$1,674,130.00	$1,224,522.00
Connecticut	$247,680.00	$1,799,152.59	$2,046,832.60	$3,259,181.00	-$1,212,348.00
Delaware	$15,661.56	$353,838.40	$369,499.96	$305,051.00	$64,449.00
Florida	$5,138,811.71	$5,283,220.19	$10,422,031.91	$4,111,003.00	$6,311,029.00
Georgia	$1,200,100.85	$3,072,958.01	$4,273,058.86	$2,920,850.00	$1,352,209.00
Hawaii	$35,905.81	$667,610.48	$703,516.29	$756,558.00	-$53,042.00
Idaho	$29,748.86	$419,567.20	$449,316.06	$346,861.00	$102,455.00
Illinois	$3,351,820.82	$8,833,298.52	$12,185,119.34	$11,130,532.00	$1,054,587.00
Indiana	$290,284.34	$1,329,778.95	$1,620,063.29	$1,964,478.00	-$344,415.00
Iowa	$159,492.97	$1,121,771.44	$1,281,264.41	$805,668.00	$475,596.00
Kansas	$82,044.21	$857,476.52	$939,520.73	$1,813,977.00	-$874,456.00
Kentucky	$159,547.09	$1,928,218.11	$2,087,765.20	$1,576,796.00	$510,969.00
Louisiana	$278,978.53	$2,143,976.29	$2,422,954.82	$2,690,618.00	-$267,663.00
Maine	$23,584.93	$462,192.44	$485,777.37	$360,958.00	$124,819.00
Maryland	$631,210.18	$2,015,935.29	$2,647,145.47	$2,843,185.00	-$196,040.00
Massachusetts	$944,040.18	$2,954,363.05	$3,898,403.23	$3,679,844.00	$218,559.00

Table 4 *(continued)*

State and Local Revenues Attributable to Spending of Pension Checks and Investment of Pension Fund Assets Compared with Taxpayer Contributions to Pension Funds, 2016 (All Data Are in $1,000)

State	S&L Revenue from Investment of Pension Assets	S&L Revenue from Spending of Pension Checks	Total S&L Revenue	Taxpayer Contribution	Net S&L Revenues Attributable to Public Pensions
Michigan	$1,200,882.55	$4,244,621.07	$5,445,503.62	$4,608,223.00	$837,281.00
Minnesota	$573,477.02	$2,310,678.58	$2,884,155.60	$1,313,534.00	$1,570,622.00
Mississippi	$98,473.13	$1,425,261.92	$1,523,735.05	$1,055,072.00	$468,663.00
Missouri	$586,874.17	$2,570,251.20	$3,157,125.37	$2,484,324.00	$672,801.00
Montana	$14,104.72	$382,502.22	$396,606.94	$329,504.00	$67,103.00
Nebraska	$56,098.95	$593,035.37	$649,134.32	$464,236.00	$184,898.00
Nevada	$142,441.15	$1,063,222.48	$1,205,663.63	$1,575,639.00	-$369,975.00
New Hampshire	$14,150.98	$269,101.96	$283,252.94	$393,575.00	-$110,322.00
New Jersey	$1,197,423.16	$4,534,191.30	$5,731,614.46	$3,130,361.00	$2,601,253.00
New Mexico	$76,256.90	$1,177,264.27	$1,253,521.18	$784,568.00	$468,953.00
New York	$23,148,004.01	$20,217,172.14	$43,365,176.15	$18,185,275.00	$25,179,901.00
North Carolina	$1,225,683.96	$2,943,531.25	$4,169,215.21	$1,767,606.00	$2,401,609.00
North Dakota	$8,524.39	$233,450.31	$241,974.69	$235,024.00	$6,951.00
Ohio	$3,475,963.33	$8,881,880.67	$12,357,844.00	$4,312,066.00	$8,045,778.00
Oklahoma	$146,337.66	$1,058,131.42	$1,204,469.08	$1,353,815.00	-$149,346.00
Oregon	$499,948.54	$2,974,011.79	$3,473,960.33	$1,169,411.00	$2,304,549.00
Pennsylvania	$2,001,879.28	$5,777,889.82	$7,779,769.10	$5,976,958.00	$1,802,811.00
Rhode Island	$15,457.92	$589,230.64	$604,688.56	$642,163.00	-$37,474.00
South Carolina	$217,887.91	$1,903,378.66	$2,121,266.56	$1,280,792.00	$840,475.00
South Dakota	$11,833.01	$214,434.88	$226,267.89	$130,639.00	$95,629.00
Tennessee	$464,015.74	$1,453,879.39	$1,917,895.13	$1,416,722.00	$501,173.00
Texas	$8,727,367.84	$7,109,081.39	$15,836,449.23	$6,513,808.00	$9,322,641.00
Utah	$118,609.89	$737,451.20	$856,061.09	$1,153,467.00	-$297,406.00
Vermont	$4,147.25	$161,811.83	$165,959.07	$153,590.00	$12,369.00
Virginia	$1,015,354.86	$2,461,875.81	$3,477,230.68	$3,165,961.00	$311,270.00
Washington	$1,037,512.75	$2,162,530.30	$3,200,043.05	$2,282,777.00	$917,266.00
West Virginia	$33,852.85	$608,554.69	$642,407.54	$1,029,631.00	-$387,223.00
Wisconsin	$903,293.61	$2,881,844.44	$3,785,138.05	$1,088,443.00	$2,696,695.00
Wyoming	$10,452.50	$344,881.68	$355,334.19	$175,033.00	$180,301.00
United States	$125,675,599.23	$151,921,695.19	$277,597,294.44	$140,325,433.00	$137,271,861.44

the spending of pension checks on the economy and revenues. In 2016, about $303.1 billion paid to retirees in pension checks contributed $757.8 billion to the economy and $151.9 billion to state and local revenues.

Column 2 in Table 3 shows the dollar amount of the pension checks paid to retirees in each state. Column 3 shows the contribution of spending of these checks to the economy, and column 4 shows state and local revenues attributable to pension checks. The results show that the economy and revenues in states such as California, New York, Ohio, and Texas benefit greatly from retirees' spending of their pension checks.

Overall, when we add the impact of investment of assets and spending of pension checks by retirees, public pensions in 2016 contributed $1.3 trillion to the economy and $277.6 billion to state and local revenues.

Are Public Pensions Net Revenue Positive?

Opponents of public pensions often argue that taxpayers cannot afford them. Common sense will tell us that investment of pension fund assets and spending of pension checks by retirees must have a positive impact on the economy and revenues. The results shown in Tables 2 and 3 support this commonsense contention. Next we examine whether public pensions are net revenue generators.

Column 4 in Table 4 shows the total state and local revenues generated by investment of pension assets and spending of pension checks, column 5 shows the taxpayer contribution, and column 6 shows the net revenues attributable to public pensions (column 6 = column 4 - column 5). The results in Table 4 show that in 2016, pension funds generated approximately $277.6 billion in state and local revenues. Taxpayer contributions to state and local pension plans in the same year totaled $140.3 billion. In other words, pension funds generated $137.3 billion more in revenues than taxpayers contributed. The state-by-state results indicate that state and local pensions in 38 states are net revenue positive. In the remaining 12 states, either pensions were revenue neutral or taxpayer contributions were more than 60 percent subsidized by state and local revenues generated by public pensions.

Overall, the data in Table 4 do not support the argument that taxpayers cannot afford public pensions. The data show that if public pensions were dismantled, the burden on taxpayers would rise by about $137.3 billion.

Obviously, if there were no defined-benefit plans, some money would move to defined-contribution plans. This is unlikely to affect the findings of our study. Even original proponents of 401(k)-type defined-contribution plans now agree that defined contribution is a failed experiment.[16] Our own analysis shows that the shift to defined-contribution plans increases income inequality and slows down the economy.[17] Furthermore, the econometric model used in this study shows that a unit change in income inequality will shave off $182 billion from the economy.

This is the first study of its kind that looks at the total impact of pensions on state and local economies and revenues. Since it is based on secondary data from public sources, it is not feasible to estimate the impact of in-state investments of a pension fund's portfolio as well as the impact of movements of retirees in and out of a state. Further research along these lines needs to continue.

16 http://www.wsj.com/articles/thechampionsofthe401klamenttherevolutiontheystarted1483382348

17 http://www.ncpers.org/files/NCPERS%20Income%20Inequality%20Paper_Web(1).pdf

Section IV

CONCLUSIONS

Policy makers across the country are contemplating whether they reduce or dismantle public pensions by converting them into do-it-yourself retirement savings plans or by cutting benefits and increasing employee contributions. They have not fully reckoned with the ways that undermining public pensions would ultimately increase the tax burden on their constituents and would harm their state and local economies and revenues.

These harmful policy decisions have been advocated and supported by misguided information put forth by opponents of public pensions. Their weapons in this disinformation war include distorted data about unfunded liability and apples-to-oranges comparisons that grossly understate future funding sources.

Yet, in 2016, pension funds contributed $1.3 trillion to the economy and $277.6 billion to state and local revenues. Of the $1.3 trillion contribution to the economy, $587.5 billion came from investment of pension assets and $757 billion from spending of pension checks by retirees. Similarly, of the $277.6 billion contributed to state and local revenues, $125.7 billion came from investment of assets and $151.9 billion from spending of pension checks.

Is the argument that taxpayers cannot afford public pensions true? In 2016, pension funds generated $277.6 billion in state and local revenues. During the same year, the taxpayer contribution to public pensions was $140.3 billion. In other words, pension funds generated $137.3 billion more in revenues than the taxpayer contribution ($277.6 - $140.3 = $137.3). The state-by-state results indicate that state and local pensions in 38 states are net revenue generators. In the remaining 12 states, either pensions were revenue neutral or taxpayer contributions were more than 60 percent subsidized by state and local revenues generated by public pensions.

The data do not support the argument that taxpayers cannot afford public pensions. The fact is that dismantling public pensions carries a grave cost. Far from easing the perceived burdens on taxpayers, pursuing this path would actually increase the costs to taxpayers by $137.3 billion. Taxpayers cannot afford continued dismantling of public pensions. Policy makers need to preserve and enhance public pensions. To address short-term budget problems, they should look at tax subsidies and loopholes. In the long run, they need to make their revenue structures progressive.

The Voice for Public Pensions

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WILL BE PROVIDED AT THE MEETING.

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TO: BOARD OF TRUSTEES

FROM: EDWARD SMITH, CHAIRMAN

DATE: JUNE 21, 2018

SUBJECT: OPERATIONS COMMITTEE REPORT

The Operations Committee met on Wednesday, June 13, 2018. The following matters were discussed and actions taken:

1. **Recommended Strategic Planning Contract Award**
   Joan Passerino, Director of Stakeholder Communications and Outreach, presented a summary of the staff selection process for awarding a consulting contract to develop a 5-year Strategic Plan. She also outlined the project scope, methodology, price and project implementation timeline of the recommended offeror, as well as the offeror's experience and the credentials. Committee members discussed the need for trustees to be engaged in the strategic planning process, in partnership with the executive team. The Committee unanimously voted to accept the staff recommendation, and presents it below for the Board's approval:

   Motion: To authorize the Executive Director to enter into a 1-year consulting contract with Orion Development Group for an updated 5-year strategic plan for an amount not to exceed $110,000, subject to final contract negotiations.

2. **Electoral Services Proposed Contract Award**
   Deborah Reaves, Office Manager/Board Liaison, presented the Committee with a brief description of the project scope, performance timeline, services and the contract line prices offered by Election-America that were considered in the staff evaluation and selection process. Committee members asked questions to ensure that the new contractor would meet DCRB's requirements under the Board's Election Rules. The Committee unanimously voted to accept the staff recommendation, and presents it below for the Board's approval:

   Motion: To authorize the Executive Director to enter into a contract with Election-America to provide electoral services for a one-year base period and three 1-year option periods, subject to contract negotiations and an amount currently within her delegated contract authority.

3. **Telephone System Upgrade**
   Anthony Shelborne, Chief Financial Officer, presented the Committee with a brief review of DCRB's current phone system, its contractual status, and the benefits that would be incurred by moving to the District's telephone system, DC-Net under the District's Office of the Chief Technology Officer. He identified some of the new features that DC-Net provides, and

Johnetta Bond, Chief Benefits Officer, described improvements that would enhance services to members. Although there will be a one-time $235,000 charge to upgrade DCRB equipment, the recurring monthly charges would be significantly lower than the current monthly average payment.

4. **Classification & Compensation Study – Phase I and II**
   Vernon Valentine, Human Resources Director, provided the Committee with a summary of Classification & Compensation Study – Phase I activities (market study and pay range changes for 2018). Furthermore, in response to Trustee requests, Daniel Hernandez, Director of Benefits Special Projects, walked Committee members through a series of potential pay structures that DCRB might adopt to pay its employees in the future. This issue will be discussed in future Committee meetings as well as in the strategic planning process.

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DISTRICT OF COLUMBIA RETIREMENT BOARD

MOTION:

TO AUTHORIZE THE EXECUTIVE DIRECTOR TO ENTER INTO A 1-YEAR CONSULTING CONTRACT WITH ORION DEVELOPMENT GROUP FOR AN UPDATED 5-YEAR STRATEGIC PLAN FOR AN AMOUNT NOT TO EXCEED $110,000, SUBJECT TO FINAL CONTRACT NEGOTIATIONS.

PRESENTED TO THE BOARD ON JUNE 21, 2018

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DISTRICT OF COLUMBIA RETIREMENT BOARD

MOTION:

TO AUTHORIZE THE EXECUTIVE DIRECTOR TO ENTER INTO A CONTRACT WITH ELECTION-AMERICA TO PROVIDE ELECTORAL SERVICES FOR A ONE-YEAR BASE PERIOD AND THREE 1-YEAR OPTION PERIODS, SUBJECT TO CONTRACT NEGOTIATIONS AND AN AMOUNT CURRENTLY WITHIN HER DELEGATED CONTRACT AUTHORITY.

PRESENTED TO THE BOARD ON JUNE 21, 2018

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TO: BOARD OF TRUSTEES

FROM: MARY COLLINS, CHAIRMAN

DATE: JUNE 21, 2018

SUBJECT: BENEFITS COMMITTEE REPORT

The Benefits Committee did not meet in June 2018. The next meeting is tentatively scheduled for September 2018.

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TO: BOARD OF TRUSTEES

FROM: LYLE BLANCHARD, CHAIRMAN

DATE: JUNE 21, 2018

SUBJECT: LEGISLATIVE COMMITTEE REPORT

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

COUNCIL OF THE DISTRICT OF COLUMBIA

L22-0099, "Injured Metropolitan Police Officer Relief Amendment Act of 2017"

This bill will amend the Fire and Police Medical Leave and Limited Duty Amendment Act of 2004 to limit the availability of disability retirement for a member who has sustained a life-threatening illness or injury, in the line of duty, but is able and willing to work in any less-than-full-duty capacity within the District of Columbia Fire and Emergency Medical Services Department or the Metropolitan Police Department.

Status: The bill was introduced on May 16, 2017, and became law effective June 5, 2018.

L22-0102, "Deferred Compensation Program Enrollment Act of 2017"

This bill authorizes the District's personnel authority to automatically enroll all new District employees in the District's deferred compensation program at a contribution level of no less than 5%. Employees will be able to increase, decrease, or terminate the enrollment at any time.

Status: The bill was introduced on January 23, 2017, by Chairman Mendelson and became law effective June 5, 2018.

WILL BE PROVIDED AT THE MEETING.

WILL BE PROVIDED AT THE MEETING.

DC RETIREMENT BOARD Conference Listing As of June 21, 2018					
Sponsor	**Name of Conference**	**Date**	**Location**	**Cost**	**Description**
International Foundation of Employee Benefit Plans	IFEBP's Public Employee Benefits Institute	June 25-27, 2018	Las Vegas, NV	Registration $1,785	The conference is designed for public sector trustees, administrators, and staff who work with health and welfare or pension plans. Attendees will learn the latest information about benefits, network with peers developing ideas and workable solutions to implement.
	Certificate of Achievement in Public Plan Policy (CAPPP)Part 1	October 13-14, 2018	New Orleans, LA	Registration thru 09/01/2018 $1,125	This program is designed to help enhance your understanding of the fundamental areas of public sector benefit plans by earning your Certificate and Achievement in Public Plan Policy (CAPPP). Ideal for new trustees to address core concepts and current trends in legal, legislative, plan design and fiduciary aspects of public sector benefit plans. This is an exam-based program.
	64th Annual Employee Benefits Conference	October 14-17, 2018	New Orleans, LA	Registration thru 09/04/2018 $1,565	This conference will provide information to trustees and administrators that is timely and relevant education on critical issues impacting your funds today. The experts apply concepts with small group discussions and workshops, and engage with peers at what is arguably the most important educational event of the year.
National Association of State Retirement Administrators	2018 NASRA Annual Conference	August 4-8, 2018	San Diego, CA	Registration: $1,200	This conference features leaders in the fields of retirement plan investment and administration covering a variety of subjects including investment management, world events applicable to the pension industry, the economy, human resources, trends, and more.
National Council of Teacher Retirement	96th NCTR Annual Conference	October 7-9, 2018	Washington, DC	Member: $1,250	This conference will cover topics on Neuromarketing in Pension World, Millennials and Retirement, Consultant Panel, Cyber Security, Teacher of the Year, and much more! Keynote speakers will include Political Analyst Robert Costa, and Political Strategist Donna Brazile.

DISTRICT OF COLUMBIA RETIREMENT BOARD
Training & Travel Report
As of June 21, 2018

Name	Description	Sponsor/Vendor	Location	Dates From	Dates To
Trustees					
None					
Staff					
Sheila Morgan-Johnson	Meeting and Due Diligence	Centerbridge Real Estate, Epiris, Aermont, CVC, CapVest Fund IV, Herderson Park, Anacap and Orion Capital Meeting and Due Diligence	London, England	05/28/18	06/01/18
Patrick Sahm	Meeting and Due Diligence	Centerbridge Real Estate, Epiris, Aermont, CVC, CapVest Fund IV, Herderson Park, Anacap and Orion Capital Meeting and Due Diligence	London, England	05/28/18	06/01/18
Michael Xanthopoulos	Conference	ILPA Members Conference	Chicago, IL	06/06/18	06/07/18