

900 7th Street, NW, 2nd Floor
Washington, DC 20001
www.dcrb.dc.gov



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OPEN SESSION
NOTICE OF REGULAR BOARD MEETING
JOSEPH W. CLARK, CHAIRMAN

THURSDAY, MAY 17, 2018
1:00 PM

REVISED AGENDA

- 1:00 PM I. **CALL TO ORDER AND ROLL CALL**
- II. **APPROVAL OF BOARD MEETING MINUTES FOR APRIL 19, 2018**
- III. **CHAIR’S COMMENTS -- ACTION ITEM**
- 2:00 PM IV. **EXECUTIVE DIRECTOR’S REPORT**
- **PRESENTATION ON FY 2018 PRELIMINARY FINANCIAL STATEMENTS**
 ANTHONY SHELBORNE, CFO
- V. **INVESTMENT COMMITTEE REPORT -- ACTION ITEMS**
- VI. **OPERATIONS COMMITTEE REPORT**
- VII. **BENEFITS COMMITTEE REPORT**
- VIII. **LEGISLATIVE COMMITTEE REPORT**
- IX. **AUDIT COMMITTEE REPORT**
- X. **OTHER BUSINESS**
 ➤ **FINAL TRUSTEES’ ELECTION RULES**
- 3:00 PM XI. **ADJOURNMENT**

ADDITIONAL MEETING MATERIALS

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

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CHAIRMAN'S REPORT

May 17, 2018

TOPIC	UPDATE
Committee Assignments for 2018	Last month, I asked that you provide me with your committee preferences for this calendar year. The attached chart of proposed standing committee membership is based on responses that I received. If anyone is interested in filling the vacancy on the Benefits Committee, please see me after this meeting. As a reminder, Trustees may serve on only two committees, not including the Investment Committee.
Sexual Harassment Training for Trustees	This is to let you know that sexual harassment training will be scheduled for Trustees in the coming month.
No Board Meeting in July and August	To avoid Trustees needing to miss meetings due to vacations, as we did last year, there will be no Board meeting in July and August.
Trustees' Financial Disclosure Statements for Calendar Year (CY) 2017	Attached for your information is a copy of a letter to the Secretary of the District Council transmitting annual financial disclosure statements (Statements) for Trustees for CY 2017. As indicated in the letter, the Statements were forwarded to the Council Secretary by the April 30, 2018 due date.
June Investment Committee Will Begin at 11:00 a.m.	Due to our need to have an Audit Committee meeting at 10:00 a.m. prior to the June Board meeting, the June Investment Committee meeting will begin at 11:00 a.m., followed by the Board meeting.
Summary Plan Descriptions (SPDs)	Summary Plan Descriptions, updated as of December 31, 2017, will be distributed by the end of this month to all annuitants in paper form, and to all active members via a link to an electronic copy. As required, we are providing a supply of paper copies to the various human resources offices for their distribution to active members who prefer paper. Electronic copies of the SPDs were emailed to all Trustees on May 11 th , and they will be posted to the DCRB website after the distribution to members is completed.
Spring Newsletter	The spring DCRB newsletter is being drafted and is expected to be distributed to members around the end of this month. Since this newsletter serves as a Summary Annual Report to members on the financial health of the Plans, it is devoted almost entirely to financial and investment information reflected in the CAFR. This newsletter also introduces members to the Council appointees to the Board.
Actuarial Funding Policies and Practices	As a follow-up to our discussions with Cavanaugh Macdonald regarding our options related to the current Police/Fire Plan funding surplus, they provided us with the attached white paper on funding policy discussions among the members of the Conference of Consulting Actuaries Public Plans Community.
Communications With Staff	In order to keep up-to-date on your questions and issues, please copy the Executive Director on communications you send to DCRB staff.

<p>Other</p>	<p>For your information:</p> <ul style="list-style-type: none"> ➤ To assure that all meetings will have a quorum, DCRB's Office Management staff poll all Committee or Board members prior to the meetings to confirm attendance. ➤ The next Board meeting will be held on June 21, 2018 at 1:00 p.m. ➤ Please note: While construction continues on the adjacent building, the garage entrance on Seventh Street (7th Street) will remain closed. We will follow up with you when we learn of the date that it will reopen. <p>As a reminder:</p> <ul style="list-style-type: none"> ➤ In accordance with a provision in the Trustee Travel Policy, following your attendance at a conference, Trustees are asked to complete a report describing what they learned at the conference and its benefit to the Board. Section 4 of the Conference Travel Report for Trustees and Staff provides space for you to list your ideas and insights gained at the conference. ➤ Notice should be provided to the Chairman and to DCRB staff if you plan to participate at a meeting electronically. The IT staff will provide WebEx information prior to every meeting. ➤ Trustees who receive questions or complaints from members on issues administered by DCRB should contact the Department Chief, who is responsible for the issue rather than members of their staff.
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April 30, 2018

Via Personal Delivery

Ms. Nyasha Smith
Secretary to the Council
Council of the District of Columbia
1350 Pennsylvania Avenue, NW, Suite 5
Washington, DC 20004

RECEIVED
BY: <u>Aura Garcia</u>
DATE: <u>4/30/18</u>

Re: DCRB Trustees' Financial Disclosure Statements for CY 2017

Dear Ms. Smith:

Pursuant to D.C. Official Code § 1-909.01(a) (2001), enclosed are the annual financial disclosure statements submitted by the following District of Columbia Retirement Board members:

Jan Adams, Mayoral Appointee
Lyle M. Blanchard, Council Appointee
Joseph M. Bress, Council Appointee
Joseph W. Clark, Mayoral Appointee
Mary A. Collins, Retired Teacher
Gary W. Hankins, Retired Police
Darrick O. Ross, Active Police
Nathan A. Saunders, Active Teacher
Edward C. Smith, Active Firefighter
Thomas N. Tippet, Retired Firefighter
Michael J. Warren, Council Appointee
Lenda P. Washington, Mayoral Appointee

Should you have any questions regarding this submittal, please do not hesitate to contact me or the trustee directly. A substantively identical letter has been sent to the Mayor.

Sincerely,

A handwritten signature in blue ink, appearing to read "Erie F. Sampson".

Erie F. Sampson
General Counsel

Enclosures

Janice Adams • Jeffrey Barnette • Lyle M. Blanchard • Joseph M. Bress • Mary A. Collins • Gary W. Hankins
Darrick O. Ross • Nathan A. Saunders • Edward C. Smith • Thomas N. Tippet • Michael J. Warren • Lenda P. Washington

Joseph W. Clark
Chairman

Sheila Morgan-Johnson
Executive Director

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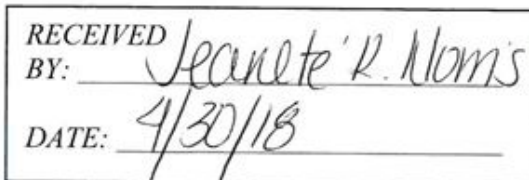


Telephone (202) 343-3200
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April 30, 2018

Via Personal Delivery

Betsy Cavendish, Esq.
General Counsel to the Mayor
1350 Pennsylvania Avenue, NW, Suite 300
Washington, DC 20004



Re: DCRB Trustees' Financial Disclosure Statements for CY 2017

Dear Ms. Cavendish:

Pursuant to D.C. Official Code § 1-909.01(a) (2001), enclosed are the annual financial disclosure statements submitted by the following District of Columbia Retirement Board members:

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Erie F. Sampson
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Joseph W. Clark
Chairman

Sheila Morgan-Johnson
Executive Director



**Conference of Consulting Actuaries
Public Plans Community (CCA PPC)**

Actuarial Funding Policies and Practices for Public Pension Plans

October 2014



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Paul Angelo



Tom Lowman

An Open Letter

**From: Paul Angelo, Chair and
Tom Lowman, Vice Chair Conference of
Consulting Actuaries Public Plans Community**

To: Interested Parties in the Public Pension Arena

**Re: Public Plans Community White Paper on
Public Pension Funding Policy**

On behalf of the Conference of Consulting Actuaries' Public Plans Community (CCA PPC), the following "White Paper" is presented to provide guidance to policymakers and other interested parties on the development of actuarially based funding policies for public pension plans. The CCA PPC includes over 50 leading actuaries whose firms are responsible for the actuarial services provided to the majority of public-sector retirement systems in the US. All of the major actuarial firms serving the public sector are represented in the CCA PPC as well as in-house actuaries from several state plans. As a result, the CCA PPC represents a broad cross section of public-sector actuaries with extensive experience providing valuation and consulting services to public plans, and it is that experience that provides the knowledge base for this paper.

The White Paper is based on over two years of extensive and detailed funding policy discussions among the members of the CCA PPC, and reflects the experience of those members in providing actuarial consulting services to state and local public pension plans throughout the US. While there were naturally disagreements and compromises during those discussions, the White Paper reflects the resulting majority opinions of the CCA PPC as developed through those discussions. We believe this White Paper reflects a substantial consensus among the actuaries who provide valuation and consulting services to public pension plans.

This White Paper represents groundbreaking actuarial research in that it develops a principles based, empirically grounded Level Cost Allocation Model (LCAM) for use as a basis for funding policies for public pension plans throughout the US. In particular, we believe that the funding policies developed herein could serve as a rigorously defensible basis for an "actuarially determined contribution" under Statements 67 and 68 of the Governmental Accounting Standards Board.

AN OPEN LETTER

The distinguishing feature of this approach is that it begins with stated policy objectives and then develops specific policy guidance consistent with those objectives. One of the main results is that an effective funding policy often represents a balancing of policy objectives. Another is that adherence to the policy objectives may lead to a narrower range of acceptable practices than is sometimes found in current practice.

The LCAM White Paper is intended to provide guidance not just in the evaluation of particular current policy practices but also in the development of actuarially based funding policies in a consistent and rational manner. For that reason, the reader is strongly encouraged to focus not only on the specific practice guidance but also on the detailed discussions and rationales that lead to that guidance. Also note that while this discussion is comprehensive it is not all-inclusive. There is a list of "items for future discussion" at the end of the paper. In addition, there may be other "level cost allocation models" that are appropriate in some circumstances.

The CCA PPC would like to acknowledge and thank the California Actuarial Advisory Panel for their seminal work in developing the principles-based level cost allocation model on which this White Paper is based. We also thank all the members of the Conference of Consulting Actuaries Public Plans Community who helped in the development of this paper.

Introduction

This “white paper” is based on funding policy discussions among the members of the Conference of Consulting Actuaries Public Plans Community (CCA PPC) and reflects the majority opinions the CCA PPC members¹. Those discussions relied heavily upon and generally concurred with the funding policy white paper prepared by the California Actuarial Advisory Panel (CAAP) and the level cost allocation model developed therein². For that reason, the CCA PPC has chosen to build directly on the CAAP document in developing its own funding policy guidance.

The CCA PPC wishes to express its sincere appreciation to the CAAP for its seminal work in preparing a principles-based funding policy development. However, while much of the text of this CCA PPC white paper comes directly from the CAAP document, this white paper is presented solely as the majority opinions of the CCA PPC.

This CCA PPC white paper is intended for a national audience, as part of a nation-wide review and discussion of funding policies for public pension plans. Our hope is that the principles and policies developed herein may provide an actuarial basis for others developing funding practices and that legislative, regulatory and other industry groups may build these concepts into their guidance.

This white paper develops the principal elements and parameters of an actuarial funding policy³ for US public pension plans. It includes the development of a Level Cost Allocation Model (LCAM) as a basis for setting funding policies. This white paper does not address policy issues related to benefit plans where a member’s benefits are not funded during the member’s

1 These comments were developed through the coordinated efforts of the Conference of Consulting Actuaries’ (CCA) Public Plans Steering Committee. However, these comments do not necessarily reflect the views of the CCA, the CCA’s members, or any employers of CCA members, and should not be construed as being endorsed by any of those parties.

2 See “Actuarial Funding Policies and Practices for Public Pension and OPEB Plans and Level Cost Allocation Model” at http://www.sco.ca.gov/caap_resources.html

3 As used in this paper, an “actuarial funding policy” has the same meaning as a “Contribution Allocation Procedure” as defined in the Actuarial Standards of Practice (ASOPs). We further note that the actuarial policies that determine the level and timing of contributions must also include policies related to setting the actuarial assumptions. As noted at the end of this section, this paper does not address policies and practices related to setting actuarial assumptions.

INTRODUCTION

working career, e.g., plans receiving “pay-as-you-go” funding or “terminal” funding.

While this white paper develops guidance primarily for pension plans, we believe the general policy objectives presented here are applicable to the funding of OPEB plans as well. However, application of those policy objectives to OPEB plans may result in different specific funding policies based on plan design, legal status and other features distinctive to OPEB plans. We encourage those involved in the valuation and funding of OPEB plans to consider the applicability to those plans of the policy guidance developed here.

Some pension plans have contributions rates that are set on a fixed basis, rather than being regularly reset to a specific, actuarially determined rate. The CCA PPC believes that such plans should develop an actuarially determined contribution rate for comparison to the fixed rate. However, this white paper does not address procedures for evaluating that comparison, or for determining whether the fixed rate is sufficient or when and how the fixed rate should be changed. The CCA PPC intends to prepare a separate white paper on fixed rate plans including these considerations.

As developed here the LCAM is a level cost actuarial methodology⁴, which is consistent with well-established actuarial practice. The LCAM is a principles-based mathematical model of pension cost. The model policy elements are developed in a logical sequence based on stated general policy objectives, and in a manner consistent with primary factors that affect the cost of the pension obligation.

The particular model that we develop is based on a combination of policy objectives and policy elements that has been tested over many years and, we believe, is well understood and broadly applicable. However, there are other models and policy objectives that

practitioners may use that are internally consistent and may be as appropriate in some circumstances as the model that is developed herein, and it is not our intention to discourage consideration of such other policies⁵. Furthermore, there are situations where the policy parameters developed herein may require additional analysis to establish the appropriate parameters for each such situation⁶. It is up to the actuary to apply professional judgment to the particulars of the situation and recommend the most appropriate policies for that situation, including considerations of materiality.

Our approach begins with identifying the policy objectives of such a funding policy, and then evaluating the structure and parameters for each of the particular policy elements in a manner consistent with those objectives, as well as with current and emerging actuarial science and governing actuarial standards of practice.

This white paper is intended as advice to actuaries and retirement boards⁷ in the setting of funding policy. While the analysis is somewhat restrictive in the categorization of practices, this guidance is not intended to supplant or replace the applicable Actuarial Standards of Practice (ASOPs). Like all opinions of the CCA PPC, this guidance is nonbinding and advisory only. Furthermore, it is not intended as a basis for litigation, and should not be referenced in a litigation context.

Given the wide range of such policies currently in practice in the U.S., this development also acknowledges that plan sponsors and retirement boards may require some level of policy flexibility

4 Here a “level cost actuarial methodology” is characterized by economic assumptions based on the long term expected experience of the plan and a cost allocation designed to produce a level cost over an employee’s active service. This is in contrast to a “market-consistent” actuarial methodology where economic assumptions are based on observations of current market interest rates, and costs are allocated based on the (non-level) present value of an employee’s accrued benefit.

5 In particular, the LCAM developed here incorporates the widely prevalent practice of managing asset volatility directly through the use of an asset smoothing policy element. Some practitioners are developing direct contribution rate smoothing techniques as an alternative to asset smoothing. The CCA PPC is considering development of a separate white paper on direct smoothing as an alternative to asset smoothing.

6 For example, plans that are closed to new entrants may require additional analyses and forecasts to determine whether the policy parameters herein provide for adequate funding.

7 Here “retirement boards” is meant to refer generally to whatever governing bodies have authority to set funding policy for public sector plans.

INTRODUCTION

to reflect both their specific policy objectives and their individual circumstances. To accommodate that need for reasonable flexibility and yet also provide substantive guidance, this development evaluates various policy element structures and parameters or ranges according to the following categories:

- LCAM Model practices (i.e., practices most consistent with the LCAM developed herein)
- Acceptable practices
- Acceptable practices, with conditions
- Non-recommended practices
- Unacceptable practices.

These categories are best understood in the context of the different elements that comprise an actuarial funding policy and the various policy alternatives for each of those policy elements. They are intended to assist in the evaluation of specific policy elements and parameters relative to the general policy objectives stated herein, and are developed separately for each of the three principal policy elements discussed in this white paper (cost methods, asset smoothing methods and amortization policy). They are not intended as a grading or scoring mechanism for a system's overall actuarial funding policy.

Generally, throughout this discussion, "model practices" means those practices most consistent with general policy objectives and the LCAM as developed here based on those policy objectives⁸. Acceptable practices are generally those that while not fully consistent with the LCAM as developed here, are well established in practice and typically do not require additional analysis to demonstrate their consistency with the general policy objectives. Practices that are acceptable with conditions may be acceptable in some circumstances, on the basis of additional analysis to show consistency with the general policy objectives or to address risks or concerns associated with the practices. Systems that adopt practices that under this

model analysis are not recommended should consider doing so with the understanding that they reflect policy objectives different from those on which this LCAM is based or should consider the policy concerns identified herein.

This evaluation of practice elements and parameters was developed in relation to the LCAM and its general policy objectives, based on experience with the many independent public plans sponsored by states, counties, cities and other local public employers in the US, and is intended to have general applicability to such plans. However, for some plans, special circumstances or situations may apply. The specific applicability of the results developed here should be evaluated by their governing boards based on the advice of their actuaries.

Note that while the selection of actuarial assumptions is an essential part of actuarial policy for a public sector pension plan, the selection of actuarial assumptions is outside the scope of this discussion. For example, a pension plan should perform a comprehensive review of both economic and demographic assumptions on a regular basis as part of its actuarial policies. Another important consideration in determining a plan's funding requirements is the plan's investment policy and related investment portfolio risks. While actuarial assumptions, plan investments and even benefit design are all elements that affect funding requirements, they are beyond the scope of this paper.

This white paper is also not intended to address the measurement of liabilities for purposes other than funding, e.g., settlement obligations or other market-consistent measures⁹.

Finally note that some retirement systems have features that may require funding policy provisions and analyses that are not specifically addressed herein. One example is systems with "gain sharing" provisions whereby favorable investment experience is used as the basis for increasing member benefits and/or reducing employer and/or member contributions. The policies developed here should not be interpreted as being adequate to address these plan features without additional analysis specific to those features.

⁸ Some commentators have interpreted "model practices" as synonymous with "best practices." That is not the intent of this categorization of practices. Given their circumstances retirement boards may find that other practices, particularly those categorized and acceptable or acceptable with conditions, are considered both appropriate and reasonably consistent with the policy objectives stated herein.

⁹ See footnote 4

Transition Policies

In order to avoid undue disruption to a sponsor's budget, it may not be feasible to adopt policies consistent with this white paper without some sort of transition from current policies. For example, a plan using longer than model amortization periods could adopt model periods for future unfunded liabilities while continuing the current (declining) periods for the current unfunded liabilities. Such transition policies should be developed with the advice of the actuary in a manner consistent with the principles developed herein. We have included in our discussion transition policies appropriate to each of the principal policy elements.

General Policy Objectives

The following are policy objectives that apply generally to all elements of the funding policy. Objectives specific to each principal policy element are identified in the discussion of that policy element.

1. The principal goal of a funding policy is that future contributions and current plan assets should be sufficient to provide for all benefits expected to be paid to members and their beneficiaries when due.
2. The funding policy should seek a reasonable allocation of the cost of benefits and the required funding to the years of service (i.e. demographic matching). This includes the goal that annual contributions should, to the extent reasonably possible, maintain a close relationship to the both the expected cost of each year of service and to variations around that expected cost.
3. The funding policy should seek to manage and control future contribution volatility (i.e., have costs emerge as a level percentage of payroll) to the extent reasonably possible, consistent with other policy goals.
4. The funding policy should support the general public policy goals of accountability and transparency. While these terms can be difficult to define in general, here the meaning includes that each element of the funding policy should be clear both as to intent and effect, and that each should allow an assessment of whether, how and when the plan sponsor is expected to meet the funding requirements of the plan.
5. The funding policy should take into consideration the nature of public sector pension plans and their governance. These governance issues include (1) agency risk issues associated with the desire of interested parties (agents) to influence the cost calculations in directions viewed as consistent with their particular interests, and (2) the need for a sustained budgeting commitment from plan sponsors.

Policy objective 1 means that contributions should include the cost of current service plus a series of amortization payments or credits to fully fund or recognize any unfunded or overfunded past service costs (note that the latter is often described as "Surplus").

Policy objectives 2 and 3 reflect two aspects of the general policy objective of interperiod equity (IPE). The "demographic matching" goal of policy objective 2 promotes intergenerational IPE, which seeks to have each generation of taxpayers incur the cost of benefits for the employees who provide services

GENERAL POLICY OBJECTIVES

to those taxpayers, rather than deferring those costs to future taxpayers. The “volatility management” goal of policy objective 3 promotes period-to-period IPE, which seeks to have the cost incurred by taxpayers in any period compare equitably to the cost for just before and after.

These two aspects of IPE will tend to move funding policy in opposite directions. Thus the combined effect of policy objectives 2 and 3 is to seek an appropriate balance between intergenerational and period-to-period IPE, that is, between demographic matching and volatility management.

Policy objective 3 (and the resulting objective of balancing policy objectives 2 and 3) depends on the presumed ongoing status of the public sector plan and its sponsors. The level of volatility management appropriate to a funding policy may be less for plans where this presumption does not apply, e.g., plans that are closed to new entrants.

Policy objective 4 will generally favor policies that allow a clear identification and understanding of the distinct role of each policy component in managing both the expected cost of current service and any unexpected variations in those costs, as measured by any unfunded or overfunded past service costs. Such policies can enhance the credibility and objectivity of the cost calculations, which is also supportive of policy objective 5.

Policy objective 5 seeks to enhance a retirement board’s ability to resist and defend against efforts to influence the determination of plan costs in a manner or direction inconsistent with the other policy objectives. This favors policies based on a cost model where the parameters are set in reference to factors that affect costs rather than the particular cost result. This separation between the selection of model parameters and the resulting costs enhances the objectivity of the cost results. As a result, any attempt to influence those results must address the objective parameters rather than the cost result itself.

A common example of agency risk is that, because plan sponsors may be more aware of and responsive to the interests of current versus future taxpayers, there

may be incentives to defer necessary contributions to future periods. This may be countered by avoiding policy changes that selectively reduce contributions.

For plans with an ongoing service cost for active members, policy objective 5 also reflects a policy objective to avoid encumbering for other uses the budgetary resources necessary to support that ongoing service cost. This introduces an asymmetry between funding policies for unfunded liabilities versus surpluses, which is discussed in the policy development for surplus amortization.

Note that the model funding policies developed here are substantially driven by these policy objectives. In some situations other plan features or policies (e.g., investment policy, reserving requirements, and plan maturity) may also be a consideration in setting funding policy. Such considerations are not addressed in this analysis.

Principal Elements of Actuarial Funding Policy

The type of comprehensive actuarial funding policy developed here is made up of three components:

1. An **actuarial cost method**, which allocates the total present value of future benefits to each year (Normal Cost) including all past years (Actuarial Accrued Liability or AAL).
2. An **asset smoothing method**, which reduces the effect of short term market volatility while still tracking the overall movement of the market value of plan assets.
3. An **amortization policy**, which determines the length of time and the structure of the increase or decrease in contributions required to systematically (1) fund any Unfunded Actuarial Accrued Liability or UAAL, or (2) recognize any Surplus, i.e., any assets in excess of the AAL.

An actuarial funding policy can also include some form of "direct rate smoothing" in addition to both asset smoothing and UAAL/Surplus amortization. Two types of this form of direct rate smoothing policies were evaluated for this development:

1. Phase-in of certain extraordinary changes in contribution rates, e.g., phasing-in the effect of assumption changes element over a three year period.
2. Contribution "collar" where contribution rate changes are limited to a specified amount or percentage from year to year.

As noted earlier, it is also possible to use direct contribution rate smoothing techniques as an *alternative* to asset smoothing, rather than in addition to asset smoothing. While that approach is outside the scope of this discussion, the CCA PPC is considering development of a separate white paper on direct rate smoothing as an alternative to asset smoothing.

Actuarial Cost Method

The Actuarial Cost Method allocates the total present value of future benefits to each year (Normal Cost) including all past years (Actuarial Accrued Liability¹ or AAL).

Specific policy objectives and considerations

1. Each participant's benefit should be funded under a reasonable allocation method by the expected retirement date(s), assuming all assumptions are met.
2. Pay-related benefit costs should reflect anticipated pay at anticipated decrement.
3. The expected cost of each year of service (generally known as the Normal Cost or service cost) for each active member should be reasonably related to the expected cost of that member's benefit.
4. The member's Normal Cost should emerge as a level percentage of member compensation².
5. No gains or losses should occur if all assumptions are met, except for:
 - a. Investment gains and losses deferred under an asset smoothing method consistent with these model practices, or
 - b. Contribution losses or gains due to a routine lag between the actuarial valuation date and the date that any new contributions rates are implemented, or
 - c. Contribution losses or gains due to the phase-in of a contribution increase or decrease.
6. The cost method should allow for a comparison between plan assets and the accumulated value of past Normal Costs for current participants, generally known as the Actuarial Accrued Liability (AAL).

¹ Here "liability" indicates that this is a measure of the accrued (normal) cost while "actuarial" distinguishes this from other possible measures of liability: legal, accounting, etc.

² This objective applies most clearly to benefits (like, for example, most public pension benefits) that are determined and budgeted for as a percentage of individual and aggregate salary, respectively. For benefits that are not pay related it may be appropriate to modify this objective and the resulting policies accordingly.

ACTUARIAL COST METHOD

Discussion

1. Any actuarial cost model for retirement benefits begins with construction of a series or array of Normal Costs that, if funded each year, under certain stability conditions will be sufficient to fund all projected benefits for current active members. The following considerations serve to specify the cost model developed here.
 - a. The usual stability conditions are that the current benefit structures and actuarial assumptions have always been in effect, the benefit structures will remain in effect, and future experience will match the actuarial assumptions. Special considerations apply if in the past the benefit structure has been changed for current active members changing the benefits for members with service after some fixed date.
 - b. Consistent with Cost Method policy objective #3 and with the general policy objective of transparency, the Normal Cost for each member is based on the benefit structure for that member. This means that a separate Normal Cost array is developed for each tier of benefits within a plan. This argues against Ultimate Entry Age, where Normal Cost is based on an open tier of benefits even for members not in that open tier.
 - c. Consistent with Cost Method policy objective #4, the Normal Cost is developed as a level percentage of pay for each member, so that the Normal Cost rate for each member (as a percentage of pay) is designed to be the same for all years of service. This provides for a more stable Normal Cost rate for the benefit tier in case of changing active member demographics. This argues against Projected Unit Credit.
 - d. Also consistent with Cost Method policy objective #4, the Normal Cost for all types of benefits incurred at all ages is developed as a level percentage of the member's career compensation. This argues against funding to decrement. For plans with a DROP (Deferred Retirement Option Program) this also argues for allocating Normal Cost over all years of employment, including those after a member enters a DROP.
 - e. Consistent with Cost Method policy objective #6, the Normal Cost is developed independent of plan assets, and the Actuarial Accrued Liability (and so also the UAAL) is based on the Normal Costs developed for past years. This argues against Aggregate and FIL as model practices.
 - i. These methods should be considered as a fundamentally different approach to the determination and funding of variations from Normal Cost.
 - ii. Plans using these methods should also measure and disclose costs and liabilities under the Entry Age method, similar to the requirements of current accounting standards.
 - f. Historical practice includes the use of a variation of the Entry Age method (an "Aggregated" Entry Age method) where the Normal Cost and AAL are first determined for each member in a tier of benefits under the usual Entry Age method. However, the actual Normal Cost for the tier is then determined as the Normal Cost rate for the tier applied to the compensation for the tier, where the Normal Cost rate for the tier of benefits is determined as the present value of future Normal Costs for all active members in the tier, divided by the present value of compensation for all members in the tier.
 - i. This variation introduces an inconsistency between the Normal Cost that is funded and the Normal Cost on which the AAL is based.
 - ii. This inconsistency can be shown to produce small but systematic gains or losses, generally losses.

ACTUARIAL COST METHOD

2. Consistent with all the above, under the cost model developed here the Normal Cost rate would change only when the projected benefits for the tier change either in amounts or in present value.
 - a. The Normal Cost rate (both in total and by member) will vary from valuation to valuation due to demographic experience and assumption changes.
 - b. The Normal Cost rate will not change when an individual member reaches an age or service where, under the consistent benefit structure for the member's tier, the member's benefit eligibility or accrual rate changes. This is because that event was anticipated in the projected benefits for the tier, so that the projected benefits are substantially unaffected by such predictable changes in eligibility or benefit accrual.
 - c. Similarly the Normal Cost rate for a member should be unaffected by the closing of the member's tier and the creation of a new tier for future hires, as discussed under item 1.b above.
 - d. However, if the benefit structure of a continuing, open tier is changed for members with service after some fixed date, then the Normal Cost rate should change to reflect the unanticipated change in projected benefits for members in the tier³. This calls for an extension or variation of the Entry Age method in order to value this type of benefit change.
 - i. There are two methods in practice to adjust the Normal Cost rate for this type of plan change. While a detailed analysis of these two variations is beyond the scope of this discussion, our summary conclusions are:
 - A. The "replacement life" Entry Age method would base the Normal Cost on the new benefit structure as though it had always been in place, thereby producing a consistent Normal Cost rate for all members in the tier. This has the advantages of a change in Normal Cost (both individual and total) more consistent with what would be expected for a change in future benefit accruals, a stable future Normal Cost rate for the tier and a relatively smaller (compared to the alternative) change in Actuarial Accrued Liability. Its disadvantages are that it may be more complicated to explain and to implement.
 - B. The "averaged" Entry Age method would base each member's Normal Cost on the new projected benefit for that member, thereby producing a different Normal Cost rate for different members in the tier, based generally on their service at the time of the change in benefit structure. The advantages and disadvantages are essentially the reverse of those for the replacement life version of Entry Age. The change in Normal Cost is less than what would be expected for a change in future benefit accruals, the future Normal Cost rate for the tier will be unstable (as it eventually reaches the same rate as under the replacement life variation) and there is a relatively larger (compared to the alternative) change in Actuarial Accrued Liability. Its advantages are that it may be less complicated to explain and to implement (where the latter may depend on the valuation software used).
3. While not recommended for funding, the Normal Cost under the Ultimate Entry Age method discussed above may nonetheless be useful when a new open tier is adopted for future hires. The combined normal cost rate for the open and closed tiers (as determined under the LCAM Entry Age method) will change over time as members of the closed tier are replaced by members in the new tier. This will result in an increasing or decreasing

³ Note that, as of this writing, for public sector pension plans this is relatively uncommon because of legal protections that are understood to apply both to accrued benefits and to future benefit accruals for current members.

ACTUARIAL COST METHOD

combined normal cost rate (depending on whether the new tier has higher or lower benefits), consistent with the transition of the workforce over time to the new benefit level. However, the Ultimate Entry Age method Normal Cost for the combined tiers will reflect the expected long term Normal Cost for the entire workforce (unlike the LCAM Normal Cost which reflects only the recent hires in the new tier). For that reason, Normal Cost under Ultimate Entry Age may be useful for projecting longer-term costs or for evaluating a fixed contribution rate.

Practices

Based on the above discussion, and consistent with the policy objectives, actuarial cost methods and parameters are categorized as follows:

LCAM Model Practices

- Entry Age cost method with level percentage of pay Normal Cost.
 - Normal Costs are level even if benefit accrual or eligibility changes with age or service.
 - All types and incidences of benefits are funded over a single measure of expected future service⁴.
 - The Normal Cost for a tier of benefits is the sum of the individually determined Normal Costs for all members in that tier.
 - Exception: for plans with benefits unrelated to compensation the Entry Age method with level dollar Normal Cost may be more appropriate.
- For multiple tiers:
 - Normal Cost is based on each member's benefit.
- For benefit formula or structure changes within a tier (generally after a fixed date):

- Normal Cost is based on current benefit structure (replacement life Entry Age⁵).

Acceptable Practices

- Aggregate cost method: Plans using the Aggregate method should disclose costs and liabilities determined under the Entry Age method.
 - Calculate Normal Cost and UAAL under Entry Age method.
 - Determine single amortization period for the Entry Age UAAL that, combined with the Entry Age Normal Cost, is equivalent to Aggregate method Normal Cost.
- Frozen Initial Liability cost method: This method should disclose costs and liabilities under the Entry Age method.
 - Calculate Normal Cost and UAAL under Entry Age method.
 - Deduct the FIL amortization bases from the Entry Age UAAL.
 - Determine single amortization period for the remaining Entry Age UAAL that, combined with the Entry Age Normal Cost, is equivalent to FIL method Normal Cost.
- Funding to Decrement Entry Age method, where each type and incidence of benefit is funded to each age at decrement.
 - This method may be appropriate for some plan designs or for plans closed to new entrants⁶.
- For benefit formula or structure changes within a tier (generally after a fixed date):

⁴ Under the LCAM model practice, Normal Cost is allocated over service that continues until the member is no longer working. For active members in or expected to enter a DROP (Deferred Retirement Option Program) this includes service through the expected end of the DROP period. This is not the method adopted by GASB in Statements 67 and 68, where service cost is allocated only through the beginning of the DROP period. The GASB method for DROPs is categorized as an Acceptable Practice for funding.

⁵ Note that this is not the method used in GASB's Statements 67 and 68. The GASB method is categorized as an Acceptable Practice.

⁶ For example, a Plan that provides very valuable early career-benefits (such as heavily subsidized early retirement or disability benefits) may prefer to have the higher early-career Normal Costs associated with the Funding to Decrement Entry Age method.

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- Normal Cost is based on each member's composite projected benefit (averaged Entry Age⁷).

Acceptable Practices, with Conditions

- Projected Unit Credit cost method.
- Entry Age method variation ("Aggregated" Entry Age method) where the Normal Cost for a tier of benefits is determined as the Normal Cost rate for the tier applied to the compensation for the tier, and where the Normal Cost rate for the tier of benefits is determined as the present value of future Normal Costs for all active members in the tier, divided by the present value of compensation for all members in the tier.
- Aggregate or Frozen Initial Liability methods without the disclosures of costs and liabilities determined under the Entry Age method discussed above.

Non-recommended Practices

- Normal Cost based on open tier of benefits even for members not in that open tier (Ultimate Entry Age).
 - Ultimate Entry Age Normal Cost may be useful to illustrate the longer-term Normal Cost for combined tiers or to evaluate fixed contribution rates.

Unacceptable Practices

- Traditional (non-Projected) Unit Credit cost method for plans with pay-related benefits as the primary benefit.
- Note that while this white paper does not address policy issues related to pay-as-you-go funding or terminal funding, such practices would be unacceptable if the policy intent is to fund the members' benefits during the members' working careers.

Transition Policies

- There are no transition policies that apply to funding methods. For substantial method changes (e.g., changing from Projected Unit Credit to Entry Age) special amortization periods could apply. These are discussed in the section on Amortization Policy.

⁷ Note that this is the version of the Entry Age method required for financial reporting under GASB Statements 67 and 68 for plans with benefit formula or structure changes within a tier.

Asset Smoothing Methods

An asset smoothing method reduces the effect of short term market volatility while still tracking the overall movement of the market value of plan assets.

Specific policy objectives and considerations

1. The funding policy should specify all components of asset smoothing method:
 - a. Amount of return subject to deferred recognition (smoothing).
 - b. The smoothing period or periods.
 - c. The range constraints on smoothed value (market value corridor), if any.
 - d. The method of recognizing deferred amounts: fixed or rolling smoothing periods.
2. The asset smoothing method should be unbiased relative to market.
 - a. The same smoothing period should be used for gains and for losses.
 - b. Any market value corridor should be symmetrical around market value.
3. The asset smoothing method should not be selectively reset at market value only when market value is greater than actuarial value.
 - a. Bases may be combined but solely to reduce future, non-level recognition of relatively small net unrecognized past gains and losses (i.e., when the smoothed and market values are already relatively close together).
4. The asset smoothing method should be unbiased relative to realized vs unrealized gain loss.
 - a. Base deferrals on total return gain/loss relative to assumed earnings rate.
5. The asset smoothing method should incorporate the ASOP 44 concepts of:
 - a. Likely to return to market in a reasonable period and likely to stay within a reasonable range of market, or
 - b. Sufficiently short period to return to market or sufficiently narrow range around market.
6. The policy parameters should reflect empirical experience from historical market volatility.
7. The asset smoothing method should support the policy goal of

ASSET SMOOTHING METHODS

demographic matching (the intergenerational aspect of interperiod equity) described in general policy objective 2. This leads to a preference for smoothing methods that provide for full recognition of deferred gains and losses in the UAAL by some date certain.

- a. Note that this objective is also consistent with the accountability and transparency goals described in general policy objective 4.

Discussion

1. Longer smoothing periods generally reduce contribution volatility. A discussion of smoothing periods could include the following considerations:
 - a. To the extent that smoothing periods are considered as being tied to economic or market cycles, those cycles may be believed to be longer or shorter than in past years.
 - b. If markets are more volatile, then longer smoothing would be needed even if only to maintain former levels of contribution stability.
 - c. Better funded plans, more mature plans and higher benefit plans (i.e., plans with a higher "volatility index") have inherently more volatile contribution rates, so may justify longer smoothing.
 - d. Sponsors may be more sensitive to contribution volatility.
2. However, ASOP 44 implies that longer smoothing periods call for narrower market value corridors.
 - a. In effect, the corridor imposes a demographic matching style constraint on the use of longer smoothing periods which otherwise would obtain greater volatility management.
3. The model interpretation is that five year smoothing is "sufficiently short" under ASOP 44.
 - a. This reflects long and consistent industry practice, as well as GASB Statement 68.
 - b. This implies that five year smoothing with no market value corridor is ASOP compliant.
 - c. It still may be useful to have a market value corridor as part of the asset smoothing policy.
 - i. This avoids having to introduce the corridor structure in reaction to some future discussion of longer smoothing periods.
4. Consider the extensive data available on the impact of smoothing periods and market value corridors after large market downturn (such as occurred in 2008).
 - a. The smoothing method manages the transition from periods of lower cost to periods of higher cost.
 - i. The level of those higher costs is determined primarily by size of the market loss and UAAL amortization period, not the asset smoothing policy.
 - b. The smoothing period determines length of the transition period.
 - c. The market value corridor determines cost pattern during the transition.
 - i. A wide corridor or no corridor produces a straight line transition.
 - ii. "Hitting the corridor" accelerates the cost increases or decreases in early years of transition.
 - A. In effect the corridor inhibits the smoothing method after years of large losses (or gains).
 - iii. There are various possible policy justifications for such an accelerated transition.
 - A. Market timing: get more contributions in while the market is down.
 - B. Cash flow management: low market values may impair plan liquidity.
 - C. Employer solvency: if the employer eventually is going to default on making contributions, then get as much contribution income as possible before that happens.
 - D. Employer preference: employers may prefer to have the higher costs in their rates as soon as possible.

ASSET SMOOTHING METHODS

- iv. Following the 2008 market decline, these justifications were generally not found to be compelling.
 - A. The normal lag in implementing new contributions rates defeats iii. A and B.
 - B. Employers are presumed solvent and if not, accelerating contributions would make things worse.
 - C. Many employers clearly preferred more time to absorb the contribution increases.
- v. Absent these considerations, 2008 experience argues for permitting a wide corridor with a five year smoothing period, based on the fact that five year smoothing produced actuarial value to market value ratios that exceeded 140%.
 - A. Projections in early 2009 actually showed these ratios could have been as high as 150% if markets had not recovered some before the June 30, 2009 valuations.
- 5. Other industry indicators for market corridor selection with long smoothing periods
 - a. CalPERS 2005 policy: 15 year rolling smoothing with 20% corridor.
- 6. Structural issue: Fixed, separate smoothing periods vs. a single, rolling smoothing period
 - a. Fixed, separate smoothing periods for each year of market gain or loss insure that all deferred gains and losses are included in the UAAL (and so in the contribution rates) by a known date. This is consistent with accountability and with demographic matching.
 - b. A single rolling smoothing period avoids "tail volatility" where contributions are volatile not only when gains and losses first occur but also when (under a layered approach) each year's gain or loss is fully recognized.
 - i. Rolling smoothing is consistent with volatility management but substantially extends the recognition period for deferred investment gains and losses.
 - A. This will extend the time when the actuarial value of assets is consistently above or below the market value of assets.
 - B. That argues for narrower corridors than are appropriate for fixed (layered) smoothing periods.
 - ii. In effect, rolling smoothing recognized a fixed percentage of deferred investment gains and losses each year.
 - A. For example, 5 year rolling amortization recognizes 20% of the deferred amount.
 - B. Base corridors on this deferral recognition percentage.
 - c. With fixed, separate smoothing periods, tail volatility due to alternating periods of market gains and losses can be controlled by limited active management of the separate deferral amounts.
 - i. One such adjustment involves combining the separate deferral amounts when the net deferral amount is relatively small (i.e., the smoothed and market values are very close together) but the recognition pattern of that net deferral is markedly non-level.
 - A. The net deferral amount is unchanged as of the date of the adjustment.
 - B. The period over which the net deferral amount is fully recognized is unchanged as of the date of the adjustment.
 - ii. Other uses of active management of the deferral amounts may add complexity to the application of the policy and may reduce transparency.
 - iii. Restarts of fixed, separate smoothing periods should not be used:
 - A. Too frequently, as this would produce a de facto rolling smoothing period, or

ASSET SMOOTHING METHODS

- B. To selectively restart smoothing at market value only when market value is greater than smoothed value. This would violate General Policy Objective 5, since it would selectively change the policy only when the effect is to reduce contributions.

Practices

Based on the above discussion, and consistent with the policy objectives, asset smoothing methods and parameters are categorized as follows:

LCAM Model Practices

- Deferrals based on total return gain/loss relative to assumed earnings rate.
- Deferrals recognized in smoothed value over fixed smoothing periods not less than 3 years.
- Maximum market value corridors for various smoothing periods:
 - 5 or fewer years, 50%/150% corridor.
 - 7 years, 60%/140% corridor.
- Combine smoothing periods or restart smoothing only to manage tail volatility.
 - Appropriate when the net deferral amount is relatively small (i.e., the actuarial and market values are very close together).
 - The net deferral amount is unchanged as of the date of the adjustment.
 - The period over which the net deferral amount is fully recognized is unchanged as of the date of the adjustment.
 - Avoid using frequent restart of smoothing to achieve de facto rolling smoothing.
 - Avoid restarting smoothing only accelerate recognition of deferred gains, i.e., only when market value is greater than actuarial value.
- Additional analysis, such as solvency projections, is likely to be appropriate for closed plans.

Acceptable Practices

- Maximum market value corridors for various smoothing periods:

- 10 years, 70%/130% corridor.
- Five year (or shorter) smoothing with no corridor (including use of market value of assets without smoothing).
- Rolling smoothing periods with the following maximum market value corridors for various smoothing periods:
 - Express rolling smoothing period as a percentage recognition of deferred amount and set corridor at that same percentage. For example:
 - 3 year rolling smoothing means 33% recognition, with a 33% corridor.
 - 4 year rolling smoothing means 25% recognition, with a 25% corridor.
 - 5 year rolling smoothing means 20% recognition, with a 20% corridor.
 - 10 year rolling smoothing means 10% recognition, with a 10% corridor.
 - Perform additional analysis including projections of when the actuarial value is expected to return to within some narrow range of market value.

Acceptable Practices, with Conditions

- Maximum market value corridors for various smoothing periods:
 - 15 years, 80%/120% corridor.

Non-recommended Practices

- Longer than 5 year smoothing with no corridor.
- 15 years or shorter smoothing with corridors wider than shown above.

Unacceptable Practices

- Smoothing periods longer than 15 years

Transition Policies

Generally, transition policies for asset smoothing would allow current layered smoothing to continue subject to the appropriate model corridors (as determined by the future smoothing periods, if changed from the past/current layers). Transition from rolling asset smoothing would fix the rolling layer at its current period.

Amortization Policy

An amortization policy determines the length of time and the structure of the increase or decrease in contributions required to systematically (1) fund any Unfunded Actuarial Accrued Liability or UAAL, or (2) recognize any Surplus, i.e., any assets in excess of the AAL.

Specific policy objectives and considerations

1. Variations in contribution requirements from simply funding the Normal Cost will generally arise from gains or losses, method or assumption changes or benefit changes and will emerge as a UAAL or Surplus. As discussed in the general policy objectives, such variations should be funded over periods consistent with an appropriate balance between the policy objectives of demographic matching and volatility management.
2. As with the Normal Cost, the cost for changes in UAAL should emerge as a level percentage of member compensation⁸.
3. The amortization policy should reflect explicit consideration of these different sources of change in UAAL, even if the resulting policy treats different changes in the same way:
 - a. Experience gains and losses.
 - b. Changes in assumptions and methods.
 - c. Benefit or plan changes.
4. The amortization policy should reflect explicit consideration of the level and duration of negative amortization, if any.
 - a. This consideration should not necessarily preclude some negative amortization that may occur under an amortization policy that is otherwise consistent with the policy objectives.
 - b. Amortization periods developed in consideration of negative amortization (along with other policy goals) may be relevant for level dollar amortization (where negative amortization does not occur).
5. The amortization policy should support the general policy objectives of

⁸ As with the Normal Cost, this amortization policy objective applies most clearly to benefits (like, for example, most public pension benefits) that are determined and budgeted for as a percentage of individual and aggregate salary, respectively. For benefits that are not pay related, or when costs are budgeted on a basis other than compensation it may be appropriate to modify this objective and the resulting policies accordingly.

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accountability and transparency. This leads to a preference for:

- a. Amortization policies that reflect a history of the sources and treatment of UAAL.
 - b. Amortization policies that provide for a full amortization date for UAAL.
 - i. Note that this objective is also consistent with the demographic matching aspect of general policy objective 2.
6. The amortization of Surplus requires special consideration, consistent with general policy objective 5 (nature of public plan governance).
- a. Amortization of Surplus should be considered as part of a broader discussion of Surplus management techniques, including:
 - i. Excluding some level of Surplus from amortization.
 - ii. "Derisking" some portion of plan liabilities by changing asset allocation.

Discussion

1. The policy objectives lead to a general preference for level percentage of pay amortization.
 - a. Consistent with policy objectives and with the Normal Cost under the Model Actuarial Cost Method.
 - b. This discussion of amortization periods presumes level percentage amortization. Level dollar amortization is discussed separately as an alternative to level percentage amortization.
2. The policy objectives lead to a general preference for multiple, fixed amortization layers.
 - a. Fixed period amortization is clearly better for accountability, since UAAL is funded as of a date certain.
 - b. Single layer, fixed period amortization is not a stable policy, since period would have to be restarted when remaining period gets too short.
3. For gains and losses, balancing demographic matching and volatility control leads to an ideal amortization period range of 15 to 20 years.
 - a. Lesson learned from the 1990s is that less than 15 years gives too little "volatility control", especially for gains.
 - i. Short amortization of gains led to partial contribution holidays (contributions less than Normal Cost) and even full contribution holidays (no contribution required).
 - ii. This is inconsistent with general policy objective 5, in that it led to insufficient budgeting for ongoing pension costs and to pressure for benefit increases.
 - b. Longer than 20 years becomes difficult to reconcile with demographic matching, the intergenerational aspect of interperiod equity described in general policy objective 2.
 - i. 20 years is substantially longer than either average future service for actives or average life expectancy for retirees.
 - c. Periods longer than 20 years also entail negative amortization (which starts at around 16 to 18 years for many current combinations of assumptions)⁹.
 - i. Here negative amortization is an indicator for not enough demographic matching but based on economic rather than demographic assumptions.
- c. Multiple layer amortization is also more transparent, since it tracks the UAAL by source. However, layered amortization is more complicated and can require additional policy actions to achieve stable contribution rates (including active management of the bases).
- d. Discussion of periods will assume multiple, fixed amortization and then revisit the use of rolling periods to manage volatility.

⁹ Note that for emerging lower investment return and salary increase assumptions even twenty year amortization may entail no negative amortization.

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- ii. Consider observed consistency between the period of onset of negative amortization and the periods related to member demographics.
 - iii. As discussed later in this section, negative amortization is a much greater concern when using open or rolling amortization periods.
- d. Two case studies — CalPERS and GASB:
 - i. CalPERS 2005 analysis focused on volatility management. Resulting funding policy uses exceptionally long periods for gain and loss amortization (as well as for asset smoothing.)
 - ii. GASB Statements 67 and 68 focus on demographic matching. Resulting expensing policy uses very short recognition periods. (This is cited for comparison only, as the GASB statements govern financial reporting and not funding.)
 - iii. Our general policy objectives indicate a balance between these two extremes.
- 4. For assumption changes, while the amortization periods could be the same, a case can be made for longer amortization than for gain/loss, since liabilities are remeasured to anticipate multiple years of future gains or losses.
 - a. A similar or even stronger case for longer periods could be made for changing cost method (such as from Projected Unit Credit to Entry Age), or for the initial liability for a newly funded plan.
 - b. However longer than 25 years entails substantial (arguably too much) negative amortization.
- 5. For plan amendments that increase liabilities, volatility management is not an issue, only demographic matching.
 - a. Use actual remaining active future service or retiree life expectancy.
 - b. Could use up to 15 years as an approximation for actives.
- i. Any period that would entail negative amortization is inconsistent with general policy goals 2 (demographic matching) and 5 (nature of public plan governance).
- c. Could use up to 10 years as an approximation for inactives.
 - i. Particularly for retiree benefit increases, amortization period should control for negative cash flow where additional amortization payments are less than additional benefit payments.
- d. For Early Retirement Incentive Programs use a period corresponding to the period of economic savings to the employer.
 - i. Shorter than other plan amendments, typically no more than five years¹⁰
- e. For benefit improvements with accelerated payments (e.g. one time "13th check" or other lump sum payments) amortization may not be appropriate as any amortization will result in negative cash flows.
- 6. Plan amendments that reduce liabilities require separate considerations so as to avoid taking credit for the reduction over periods shorter than the remaining amortization of the original liabilities.
 - a. Reductions in liability due to such benefit reductions should not be amortized more rapidly than the pre-existing unfunded liabilities, as measured by the average or the longest current amortization period.
 - b. Benefit "restorations"¹¹ should similarly be amortized on a basis consistent with the pre-existing unfunded liabilities or with the "credit" amortization base established when the benefits were reduced.
- 7. For Surplus, similar to short amortization of

10 For example, a Government Finance Officers Association (GFOA) 2004 recommended practice states that "the incremental costs of an early retirement incentive program should be amortized over a short-term payback period, such as three to five years. This payback period should match the period in which the savings are realized."

11 A benefit restoration occurs when a previous benefit reduction has been fully or partially restored for a group of members who were subject to the earlier benefit reduction.

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gains, the lesson from the 1990s is that short amortization of surplus leads to partial or full contribution holidays (contributions less than Normal Cost, or even zero).

- a. This is inconsistent with general policy objective 5, and led to insufficient budgeting for ongoing pension costs and to pressure for benefit increases.
 - b. General consensus is that this is not good public policy.
 - i. See for example Recommendation 7 by California's 2007 Public Employee Post-Employment Benefits Commission, and also CalPERS 2005 funding policy.
 - c. Because of both the ongoing nature of the Normal Cost and the nature of public plan governance, amortization of UAAL and Surplus should not be symmetrical.
 - i. It may be appropriate to amortize surplus over a period longer than would be acceptable for UAAL.
 - ii. Such an asymmetric policy would reduce the magnitude and/or likelihood of partial or full contribution holidays.
 - iii. One approach would be to disregard the Surplus and always contribute at least the Normal Cost. However if Surplus becomes sufficiently large then some form of Surplus management may be called for.
 - d. Note that long amortization of Surplus does not preclude other approaches to Surplus management that are beyond the scope of this discussion, including:
 - i. Treating some level of Surplus as a non-valuation asset.
 - ii. Changing asset allocation to reflect Surplus condition.
8. Separate Surplus related issue: When plan first goes into Surplus, should existing UAAL amortization layers be maintain or eliminated?
- a. Could maintain amortization layers and have minimum contribution of Normal Cost less 30 year amortization of Surplus.
 - b. However, maintaining layers can result in net amortization charge even though overall plan is in Surplus.
 - c. Alternative is to restart amortization of initial surplus, and any successive Surpluses.
 - i. In effect, this is 30 year rolling amortization of current and future Surpluses.
 - ii. Restart amortization layers when plan next has a UAAL.
9. Level dollar amortization is fundamentally different from level percent of pay amortization.
- a. No level dollar amortization period is exactly equivalent to a level percent period.
 - b. Level dollar is generally faster amortization than level percent of pay, so longer periods may be reasonable.
 - c. Plan and/or sponsor circumstances could determine appropriateness of level dollar method.
 - i. Level dollar would be appropriate for plans where benefits are not pay related and could be appropriate if the plan is closed to new entrants.
 - ii. Level dollar could be appropriate for sponsors and plans that are particularly averse to future cost increases, e.g., utilities setting rates for current rate payers.
 - iii. Level dollar could be appropriate for sponsors and plans that want an extra measure of conservatism or protection against low or no future payroll growth.
 - iv. Level dollar could be useful as a step in developing amortization payments in proportion to some basis other than payroll.
10. Multiple, fixed period layers vs. single, rolling period layer for gains and losses.
- a. Multiple, fixed amortization periods for each year's gain or loss ensures that all gains and losses are funded by a known date. This is consistent with accountability and with demographic matching.

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- b. A single rolling smoothing period avoids tail volatility where contributions are volatile not only when gains and losses occur but also when each year's gain or loss is fully amortized. This is consistent with volatility management.
 - c. With fixed, separate smoothing periods, tail volatility can be controlled by limited active management of the amortization layers, including combining consecutive gain and loss layers as necessary to reduce tail volatility.
 - i. As with asset smoothing, active management should be used to manage the pattern of future UAAL funding and not to accomplish a short-term manipulation of contributions.
 - ii. In particular the net remaining amortization period should be relatively unaffected by any combination of offsetting UAAL amortization layers.
 - iii. The use of active management of the amortization layers may add complexity to the application of the policy and may reduce transparency.
11. Plans with layered amortization of an unfunded liability should consider actions to achieve a minimum net amortization charge that is not less than the payment required under a single 25 year amortization layer. This may be accomplished through active management of the amortization layers or through other means.
12. Rolling amortization periods for a single layer of gains and losses or for the entire UAAL.
- a. Similar to level dollar, acknowledge that rolling amortization is fundamentally different from fixed period amortization.
 - i. Rolling amortization will have a substantial unamortized UAAL at the end of the nominal amortization period.
 - b. Argument can be made for a single, rolling amortization layer for gains and losses if the actuarial valuation assumptions are expected to be unbiased so that there is an equal likelihood of future gains and losses that will offset each other.
 - i. Such rolling amortization also requires that there are no systematic sources of future actuarial losses from plan design features, such as a subsidized service purchase option.
 - ii. Extraordinarily large gains or losses that are not reasonably expected to be offset by future losses or gains should be isolated from the single rolling gain/loss amortization layer and amortized over separate, fixed periods.
 - iii. Plans with a significant single rolling gain/loss amortization layer should affirmatively show that policy objectives will be achieved, without substantial violation of intergenerational equity.
- c. This argument is substantially weaker for rolling amortization for assumption changes (especially if consistently in a single direction, such as mortality assumption adjustments or recent changes in investment earnings assumptions.)
- i. Inconsistent with policy objective of intergenerational equity, as well as accountability and transparency.
 - ii. Similar concerns for rolling amortization of gains and losses in the presence of biased assumptions or other systematic sources of actuarial losses.
- d. It is very difficult to reconcile rolling amortization of plan amendments with intergenerational equity, as well as with accountability and transparency objectives.
- e. Specific exception for rolling, lengthy amortization of Surplus, since as described earlier this helps meet general policy objective 5
13. Rolling amortization and the Aggregate cost method.
- a. The Aggregate cost method produces contribution levels and patterns similar to using the Entry Age method with a single rolling level percent of pay amortization layer for the entire UAAL and a relatively short rolling amortization period.

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- i. Effective rolling amortization period reflects average future service of active members.
- b. However, the Aggregate cost method is fundamentally different from Entry Age (and from Projected Unit Credit) in that Aggregate does not measure an AAL or a UAAL.
 - i. Aggregate combines a high level of tail volatility management (policy objective #3) with high levels of demographic matching and accountability (policy objectives 2 and 4).
 - ii. Aggregate also provides no policy flexibility in the selection of an amortization period (since no UAAL is calculated) which provides protection from some agency risk issues, consistent with policy objective #5.
- c. Retirement boards desirous of the high level of tail volatility management and computational simplicity associated with rolling amortization of the entire Entry Age UAAL should consider adopting the Aggregate cost method.
 - i. If a UAAL is measured (as under the Entry Age or Projected Unit Credit cost methods) then, as discussed above, the policy objectives indicate layered amortization with the possible exception of a single rolling amortization layer for gains and losses.

Practices

Based on the above discussion, and consistent with the policy objectives, amortization methods and parameters are categorized as follows:

LCAM Model Practices

- Layered fixed period amortization by source of UAAL
- Level percent of pay amortization
- Amortization periods

Source	Period
Active Plan Amendments ¹²	Lesser of active demographics ¹³ , or 15 years
Inactive Plan Amendments	Lesser of inactive demographics ¹³ , or 10 years
Experience Gain/Loss	15 to 20 years
Assumption or Method Changes ¹⁴	15 to 25 years
Early Retirement Incentives	5 years or less

- 30 year amortization of surplus (for plans with ongoing Normal Cost and/or plan expenses)
 - Eliminate all prior UAAL layers upon going into Surplus
- Combine gain/loss (and other) layers or restart amortization only to avoid tail volatility.
 - Combining layers should result in substantially the same current amortization payment.
 - Avoid using restart of amortization to achieve de facto rolling amortization.
 - Restart amortization layers when moving from Surplus to UAAL condition.
- Additional analysis, such as solvency projections, is likely to be appropriate for closed plans.

12 The effect of assumption changes integral to the measurement of the cost of plan amendments (e.g., change in rates of retirement to anticipate the effect of new benefit levels) should be included in the UAAL change associated with the plan amendment.

13 Demographics based periods include remaining active future service or retiree life expectancy. Amortization period should also control for negative cash flow where additional amortization payments are less than additional benefit payments.

14 Method change includes the initial liability for a newly funded plan.

AMORTIZATION POLICY

Acceptable Practices

- Up to 15 years for inactive plan amendments.
- Level dollar fixed period layered amortization by source of UAAL, using the same model amortization periods as above.
 - Ideally, some rationale should be given if used with pay related benefits.

Acceptable Practices, with Conditions

- Up to 25 year layered fixed period amortization by source, for all sources of UAAL.
 - Ideally with some rationale given for using periods outside the model ranges.
- Rolling amortization of a single combined gain/loss layer with an amortization period that does not entail any negative amortization.
 - With model periods for other sources of UAAL.
 - Use separate, fixed period layers for extraordinary gain or loss events.
 - Plans with a significant single rolling gain/loss amortization layer should demonstrate that policy objectives will be achieved.
- Up to 30 year fixed amortization of change in funding method (e.g. from PUC to Entry Age) or initial liability for a newly funded plan (i.e. an existing plan previously funded on a pay-as-you-go basis but not a new plan creating new past service benefits.)
 - Ideally some rationale should be given for using periods outside the model ranges.

Non-recommended Practices

- Fixed period amortization of the entire UAAL as a single combined layer, with periodic reamortization over a new (longer) starting amortization period.
- Layered fixed period amortization by source of UAAL over longer than 25 years (i.e., 26 to 30 years).
- Rolling amortization of a single combined gain/loss layer with an amortization period that does entail any negative amortization, but no longer than 25 years.
 - Same three conditions that apply to Acceptable with Conditions rolling gain/loss amortization.

- Rolling/open amortization of entire UAAL as a single combined layer (exclusive of plan amendments but inclusive of gain/loss, assumption and method changes) even where the amortization period does not entail negative amortization.

Unacceptable Practices

- Layered fixed period amortization by source of UAAL over longer than 30 years.
- Rolling/open amortization over longer than 25 years of a single combined gain/loss layer.
- Rolling/open amortization of entire UAAL as a single combined layer (exclusive of plan amendments) where the amortization period entails negative amortization.
- Rolling/open amortization of entire UAAL as a single combined layer (including plan amendments) even where the amortization period does not entail negative amortization.

Transition Policies

Transition policies are particularly applicable to amortization policy. Generally, transition policies for amortization would allow current fixed period amortization layers (with periods not to exceed 30 years) to continue, with new amortization layers subject to these guidelines. Transition from rolling amortization would fix any rolling layer at its current period, with future liability changes amortized in accordance with these guidelines. During the transition (i.e., as long as the remaining period for the formerly rolling base is longer than model or acceptable periods) any new credit layers (e.g., due to actuarial gains or less conservative assumptions) should be amortized over no longer than that same remaining period.

Direct Rate Smoothing

An actuarial funding policy may include some form of direct rate smoothing, where the contribution rates that result from applying the three principal elements of funding policy (including asset smoothing) are then directly modified.

As noted in the Introduction, some practitioners are developing direct contribution rate smoothing techniques as an alternative to asset smoothing. At this time, there are no widely accepted practices established for this type of direct rate smoothing. This discussion does not address the use of direct rate smoothing techniques as an alternative to asset smoothing. The CCA PPC is considering development of a separate white paper on direct rate smoothing as an alternative to asset smoothing.

The balance of this discussion pertains only to direct rate smoothing when used in conjunction with asset smoothing. Two types of such direct rate smoothing policies that are known to be in current practice were evaluated for this development:

1. Phase-in of certain changes in contribution rates, specifically, phasing-in the effect of assumption changes element over short period, consistent with the frequency of experience analyses.
2. Contribution collar where contribution rate changes are limited to a specified amount or percentage from year to year.

Discussion

1. Contribution rate phase-in can be an effective and reasonable way to address the contribution rate impact of assumption changes.
 - a. Ideally the phase-in period should be no longer than the time period until the next review of assumptions (experience analysis).
 - i. This approach is most appropriate when experience analyses are performed on a regular schedule.
 - ii. For systems with no regular schedule for experience analyses, the phase-in period would ideally be chosen so as to avoid overlapping phase-in periods.

DIRECT RATE SMOOTHING

- a. The plan and its sponsors should be clearly aware of the additional time value of money cost (or savings) of the phase-in, due to the plan receiving less (or more) than the actuarially determined contributions during the phase-in.
 - b. Any ongoing policy to phase-in the effect of assumption changes should be applied symmetrically to both increases and decreases in contribution rates.
 - c. Ongoing policy may be to phase-in only significant cost increases or decreases.
 - d. Note that the phase-in of the contribution rate impact of an assumption change is clearly preferable to phasing in the assumption change itself. While a detailed discussion is outside the scope of this discussion, phasing in an assumption change may be difficult to reconcile with the governing actuarial standards of practice.
2. Contribution collars have the policy drawback that the collar parameters arbitrarily override the contribution results produced by the other funding policy parameters (including asset smoothing), each of which have a well-developed rationale.
 - a. If contribution collars are used they should be supported by analysis and projections to show the effect on future funded status and future policy based contribution requirements (prior to the application of the contribution collar).
 - b. There may also need to be a mechanism to ensure adequate funding following extraordinary actuarial losses.
 3. Using either form of direct rate smoothing for other than assumption changes (i.e., for actuarial experience or plan amendments) appears inconsistent with the development of parameter ranges for the other elements of the funding policy.

Practices

Based on the above discussion, and consistent with the policy objectives, parameters are categorized as follows:

LCAM Model Practices

- None

Acceptable Practices

- For systems that review actuarial assumptions on a regularly scheduled basis, phase-in of the cost impact of assumption changes over a period no longer than the shorter of the time period until the next scheduled review of assumptions (experience analysis) or five years.
 - Phase-in should be accompanied by discussion and illustration of the impact of the phase-in on future contribution rates.
 - Phase-in may be applied only to cost impacts deemed material, but should be applied consistently to both cost increases and decreases.

Acceptable Practices, with Conditions

- For systems that do not review actuarial assumptions on a regularly scheduled basis, phase-in of the cost impact of assumption changes over a period of up to five years.
 - Phase-in of the cost impact of any prior assumption changes must be completed before commencing another phase-in period.
 - Phase-in should be accompanied by discussion and illustration of the impact of the phase-in on future contribution rates.
 - Phase-in may be applied only to cost impacts deemed material, but should be applied consistently to both cost increases and decreases.

Non-recommended Practices

- Phase-in of the cost impact of assumption changes over a period greater than five years.
- Phase-in of the cost impact of actuarial experience, in conjunction with model or acceptable practices for asset smoothing and UAAL amortization.
- Contribution collars in conjunction with model or acceptable practices for asset smoothing and UAAL amortization.
- Phase-in or contribution collars for the cost impact of plan amendments.

Items for Future Discussion

This white paper is intended to address the principal elements of an actuarial funding policy as applicable in most but not all situations. Other issues related to funding policy that may be of varying significance are listed in this section, including some of a more technical nature. These items may be the subjects of future guidance.

Impact of Risk/Employer ability to pay/Level of benefit protection—These are three considerations that could affect the development of an actuarial funding policy. While this white paper notes that these factors should be considered, it does not develop policies or procedures for doing so. This paper also does not address appropriate disclosure items, including disclosures related to risk. These considerations (and interrelationships) are outside of our current scope but are important items for future discussion.

OPEB Plans – As noted earlier, while we believe the general policy objectives developed here apply to OPEB plans as well, application of those policy objectives to OPEB plans may result in different specific funding policies based on plan design, legal status and other features distinctive to OPEB plans. Many of the actuaries who participated in developing this paper work on both pension and OPEB funding. We may address funding policies specific to OPEB plans in a later document. That process would also draw on experts in the design, underwriting and valuation of OPEB plans.

Self Adjusting System—We expect that an increasing number of plans will have self adjusting provisions (in this context we are referring to benefit adjustments). These provisions could impact the selection of funding methods.

Transfers of Service Credit—New entrants (or even current member) are sometimes eligible to transfer service credit for employment prior to plan membership. This generally creates actuarial losses, which is inconsistent with our policy objectives. Later we may discuss whether and how this should be anticipated in the valuation.

Purchase of Service—This can raise the same type of issues as Transfers of Service Credit since unfunded actuarial liabilities often increase when employees purchase service credit.

Actuarially determined contribution as a dollar amount or percentage of pay—Sometimes the contribution requirement is determined prior to the year it is due and shown as a dollar amount or a percentage of payroll. Either can be


used to determine the contribution amount required.

Role for Open/Stochastic Valuations and risk

disclosures—Our guidelines are developed in the context of a closed group, deterministic valuation. This is in part due to the belief that such a valuation best achieves our policy objectives. However, there are also advantages associated with other valuation practices.

Lag time between valuation date and fiscal year –

Because of the time needed to produce the valuation and to budget for rate changes, the contribution made for a given fiscal year is often based on an earlier valuation date. This will generate contribution gains or losses when rates decrease or increase, respectively. Some systems adjust for these gains or losses in setting the rates but many do not.



DC RETIREMENT BOARD

PROPOSED TRUSTEE COMMITTEES LIST

As of May 17, 2018

<table> <tr><th>AUDIT</th></tr> <tr><td>Gary W. Hankins, Chair</td></tr> <tr><td>Joseph M. Bress, Vice Chair</td></tr> <tr><td>Jan Adams</td></tr> <tr><td>Lenda P. Washington</td></tr> <tr><td>Joseph Clark, Ex-Officio</td></tr> <tr><td>Anthony Shelborne, Committee Liaison</td></tr> </table>	AUDIT	Gary W. Hankins, Chair	Joseph M. Bress, Vice Chair	Jan Adams	Lenda P. Washington	Joseph Clark, Ex-Officio	Anthony Shelborne, Committee Liaison	<table> <tr><th>BENEFITS</th></tr> <tr><td>Mary Collins, Chair</td></tr> <tr><td>Nathan Saunders, Vice Chair</td></tr> <tr><td>Darrick Ross</td></tr> <tr><td>Joseph Clark, Ex-Officio</td></tr> <tr><td>VACANT</td></tr> <tr><td>Johnetta Bond, Committee Liaison</td></tr> </table>	BENEFITS	Mary Collins, Chair	Nathan Saunders, Vice Chair	Darrick Ross	Joseph Clark, Ex-Officio	VACANT	Johnetta Bond, Committee Liaison	<table> <tr><th>INVESTMENTS</th></tr> <tr><td>Michael J. Warren, Chair</td></tr> <tr><td>Lenda Washington, Vice Chair</td></tr> <tr><td>Jan Adams</td></tr> <tr><td>Lyle M. Blanchard</td></tr> <tr><td>Joseph M. Bress</td></tr> <tr><td>Joseph W. Clark</td></tr> <tr><td>Mary A. Collins</td></tr> <tr><td>Gary W. Hankins</td></tr> <tr><td>Darrick O. Ross</td></tr> <tr><td>Nathan A. Saunders</td></tr> <tr><td>Edward C. Smith</td></tr> <tr><td>Thomas N. Tippet</td></tr> <tr><td>Jeffrey Barnette, Ex-Officio</td></tr> <tr><td>Sheila Morgan-Johnson, Staff Liaison</td></tr> </table>	INVESTMENTS	Michael J. Warren, Chair	Lenda Washington, Vice Chair	Jan Adams	Lyle M. Blanchard	Joseph M. Bress	Joseph W. Clark	Mary A. Collins	Gary W. Hankins	Darrick O. Ross	Nathan A. Saunders	Edward C. Smith	Thomas N. Tippet	Jeffrey Barnette, Ex-Officio	Sheila Morgan-Johnson, Staff Liaison
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NOTE: Chairman Joseph W. Clark, is an ex-officio member of every standing committee, except for the Investment Committee. The Investment Committee is a Committee of the Whole. Trustees can only serve on three (3) Committees.

Approved by Board Chairman:

Joseph W. Clark

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 Washington, DC 20001
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Telephone (202) 343-3200
 Facsimile (202) 566-5000
 E-mail: dcrb@dc.gov

REVISED
EXECUTIVE DIRECTOR REPORT
May 17, 2018

Activities	Updates
IT Audit Has Begun	With the Board's approval at its April meeting, DCRB has engaged NGEN to do an IT audit, which began last week. NGEN is expected to present their findings to Trustees in September.
DCRB/ODCP SLA Signed	DCRB signed its annual service-level agreement (SLA) with ODCP on April 24, 2018. The SLA defines the responsibilities of DCRB's Benefits Department and the U.S. Department of the Treasury's Office of DC Pensions in providing a high level of service to our annuitants.
Classification & Compensation Study Update	In accordance with the Board's approval at its April meeting, the DCRB salary schedule has been increased by 3%, retroactive to October 1, 2017. DCRB managers continue to work with PRM Consulting, Inc. on adjustments to position descriptions, which will be completed by the end of this month.
Strategic Planning	Procurement has received the best and final offers of RFP respondees, and is currently contacting the references of those who met our criteria for this project. The evaluation panel will review the information provided and move to the next steps in our process. We expect to present a contract award to the Operations Committee and the Board at their June meetings. This project will include succession planning, which will be used to identify the next generation of DCRB leaders.
Staff Financial Disclosure Filings	Attached is a list of those DCRB staff members who were required to file either a Public Financial Disclosure Statement with the Board of Ethics and Government Accountability or a Confidential Financial Disclosure Statement within DCRB by May 15, 2018. This annual ethics filing is generally required for employees who participate substantially in areas of contracting, procurement, or policy-making, or act in areas of responsibility that may create a conflict of interest or appearance of a conflict of interest.
Vacancies to be Filled	Human Resources is currently working with the hiring departments to fill the following vacancies: Investment Compliance and Risk Management, Retirement Analyst, Controller, Procurement Manager, and Internal Auditor.
Staff Evaluations	Performance evaluations have been completed for all DCRB staff, except the Executive Leadership Team. I will have those finished by the end of this month.
Report on 401(a) Supplemental Plan	I have tasked DCRB's Human Resources Department to review retirement benefits for our staff and to provide a report based on competitive data related to the plans of other appropriate retirement systems. We expect to have the report completed in September.

Status of IT Staff	Until further notice, the IT personnel are reporting directly to Anthony Shelborne, DCRB's Chief Financial Officer.
Standard Operating Procedures (SOP) for Retirement Codes	On May 1, 2018, DCHR requested that we review and provide them with comments on a booklet of standard operating procedures (SOPs) for retirement benefit codes in PeopleSoft. They intend to use these SOPs as a District-wide training tool to preclude the coding errors that have occurred in the past.
Automated Expense and Travel Management Software	DCRB will be soliciting for a software product that automates the Agency's travel and expense management processes and procedures. The software will allow DCRB to better manage the requesting, approval, discovery, collection, disbursement, and reporting of travel and expense activity, and to better enforce and control its travel policies. In addition, the application will assist with enforcing control over compliance costs, such as per diems. This software allows users to take pictures of receipts, submit expense reports from the web and any mobile device, which will streamline business travel expense processing and tracking.
Police/Fire Retirement and Relief Board Move	We have been advised that the Police/Fire Retirement and Relief Board has moved. Their new address is: 1015 Half Street, SE, 9 th Floor, Washington, DC 20003
Recent Retirement-Related Articles (attached)	"OPM is out to cut retirement benefits," <u>The Federal Times</u> , Jessie Bur, May 7, 2018.



Teachers' and
Police Officers and Firefighters'
Retirement Funds



Preliminary Financial Statements and Schedules

as of February 28, 2018



**DISTRICT OF COLUMBIA
TEACHERS' AND POLICE OFFICERS AND FIREFIGHTERS'
RETIREMENT FUNDS
PRELIMINARY - UNAUDITED
COMBINING STATEMENTS OF FIDUCIARY NET POSITION
As of February 28, 2018 and 2017
(Dollar amounts in thousands)**

	2018			2017		
	Teachers' Retirement Fund	Police Officers and Firefighters' Retirement Fund	Total	Teachers' Retirement Fund	Police Officers and Firefighters' Retirement Fund	Total
ASSETS						
Cash and short term investments	26,313	15,885	42,198	11,872	31,863	43,735
Receivables:						
Federal Gov Reimbursement	498	1,319	1,817	433	1,020	1,453
Investment sales proceeds	2,212	6,107	8,319	18,301	50,032	68,333
Interest & dividends	2	7	9	80	219	299
Total receivables	2,712	7,433	10,145	18,814	51,271	70,085
Investments at fair value:						
Domestic equity	583,652	1,611,424	2,195,076	573,117	1,566,802	2,139,919
International equity	653,905	1,805,389	2,459,294	596,772	1,631,614	2,228,386
Fixed income	617,478	1,704,817	2,322,295	510,985	1,396,944	1,907,929
Real assets	186,107	513,830	699,937	116,420	318,271	434,691
Private equity	130,564	360,479	491,043	119,718	327,288	447,006
Total investments at fair value	2,171,706	5,995,939	8,167,645	1,917,012	5,240,919	7,157,931
Total assets	2,200,731	6,019,257	8,219,988	1,947,698	5,324,053	7,271,751
LIABILITIES						
Retirement Benefits payable to U.S. Treasury	0	0	0	459	217	676
Accounts payable and other liabilities	984	3,719	4,703	1,520	4,142	5,662
Due to Federal Government	325	891	1,216	56	154	210
Due to District of Columbia Government	868	2,382	3,250	1,345	3,656	5,001
Investment commitments payable	3,048	8,414	11,462	21,509	59,840	81,349
Total liabilities	5,225	15,406	20,631	24,889	68,009	92,898
NET POSITION HELD IN TRUST FOR PENSION BENEFITS						
	\$2,195,506	\$6,003,851	\$8,199,357	\$1,922,809	\$5,256,044	\$7,178,853

**DISTRICT OF COLUMBIA
TEACHERS' AND POLICE OFFICERS AND FIREFIGHTERS'
RETIREMENT FUNDS
PRELIMINARY - UNAUDITED
COMBINING STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
For the Years ending February 28, 2018 and 2017
(Dollar amounts in thousands)**

	2018			2017		
	Teachers' Retirement Fund	Police Officers and Firefighters' Retirement Fund	Total	Teachers' Retirement Fund	Police Officers and Firefighters' Retirement Fund	Total
ADDITIONS						
Contributions:						
District Government	\$59,046	\$105,596	164,642	\$56,781	\$145,631	202,412
Plan Members	12,071	10,648	22,719	9,148	8,984	18,132
Total Contributions	71,117	116,244	187,361	65,929	154,615	220,544
Investment income:						
Net appreciation in fair value of investments	89,779	247,077	336,856	70,245	188,872	259,117
Interest & dividends	2,946	8,118	11,064	1,358	3,739	5,097
Total gross investment income	92,725	255,195	347,920	71,603	192,611	264,214
Less:						
Investment expense -	1,686	4,630	6,316	1,691	4,598	6,289
Net investment income	91,039	250,565	341,604	69,912	188,013	257,925
Other Income	287	787	1,074	183	496	679
Total additions	162,443	367,596	530,039	136,024	343,124	479,148
DEDUCTIONS						
Annuitant Benefit payments	32,298	42,784	75,082	29,973	35,918	65,891
Retirement Benefits payable to U.S. Treasury	0	0	0	459	217	676
Refunds to Term-vested members	3,459	518	3,977	2,940	841	3,781
Administrative expense -	1,779	4,885	6,664	1,792	4,735	6,527
Total deductions	37,536	48,187	85,723	35,164	41,711	76,875
Changes in Net Position	124,907	319,409	444,316	100,860	301,413	402,273
NET POSITION RESTRICTED FOR PENSIONS						
BEGINNING OF FISCAL YEAR	2,070,599	5,684,442	7,755,041	1,821,949	4,954,631	6,776,580
NET POSITION RESTRICTED FOR PENSIONS						
END OF PERIOD	\$2,195,506	\$6,003,851	\$8,199,357	\$1,922,809	\$5,256,044	\$7,178,853

**DISTRICT OF COLUMBIA
TEACHERS' AND POLICE OFFICERS AND FIREFIGHTERS'
RETIREMENT FUNDS
SUPPLEMENTARY INFORMATION
SCHEDULES OF ADMINISTRATIVE EXPENSES
As of February 28, 2018 and 2017**

	2018	2017
Personal services		
Salaries	\$2,449,133	\$2,505,465
Fringe benefits	836,120	641,921
Total personal services	<u>3,285,253</u>	<u>3,147,386</u>
Non-personal services		
Office supplies	42,926	48,173
Telephone	34,042	40,115
Rent	876,755	842,167
Travel (for Due Diligence, Professional & Educational Conferences)	59,654	73,619
Professional Services	1,246,924	1,452,346
Postage	19,725	44,040
Printing	6,018	3,900
Insurance	148,879	131,453
Dues & memberships	33,369	38,391
Audit costs	52,000	49,570
Actuarial fees	78,265	86,268
Legal fees	216,963	132,648
Investment-related fees	5,979,391	5,819,840
Contractual services (STAR)	776,504	755,226
Equipment and rental	123,019	151,090
Total non-personal services	<u>9,694,434</u>	<u>9,668,846</u>
Total administrative expenses	<u>\$12,979,687</u>	<u>\$12,816,232</u>

OPM is out to cut retirement benefits

By: Jessie Bur (/author/jessie-bur) 2 days ago

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Office of Personnel Management Director Jeff Pon requested that Congress pass legislation to reduce benefits under the Federal Employee Retirement System and require employees to pay more for certain benefits, according to a May 4, 2018, letter Pon sent to House Speaker Paul Ryan (<https://www.afge.org/globalassets/documents/generalreports/2018/opm-legislative-proposal-csrs-and-fers-updates.pdf>), R-Wis.

"The employee retirement landscape continues to evolve as private companies are providing less compensation in the form of retirement benefits. The shift away from defined benefit programs and cost-of-living adjustments for annuitants is part of that evolution. By comparison, the federal government continues to offer a generous package of retirement benefits," Pon wrote in the letter.

The legislative proposals include four changes to the employee benefits system:

Elimination of FERS annuity supplements – An annuity supplement (<https://www.federaltimes.com/management/pay-benefits/2018/02/09/opm-retroactively-changed-retirement-benefits-without-notice/>) is used to cover the gap between retirement and Social Security eligibility for those federal employees that have to retire before they become Social security eligible, such as law enforcement officers. The OPM legislative proposal would eliminate supplements for new retirees and for survivor annuitants, which are living family members of deceased federal employees.

Use of high-five rather than high-three pay years to calculate annuity – Under current U.S. code, a retired employee's annuity is calculated using the three years that employee earned their highest salary. Under the new proposal, the government would use an employee's five highest-paid years, potentially reducing the annuity a retiree receives.

Increase in employee retirement contributions – Currently, most federal employees pay 0.8 percent of their basic pay to retirement deductions, though those hired after 2012 may pay 3.1 or 4.4 percent depending on the year of hire. Under the new OPM proposal employee contributions would increase by one percent every year until they reach a rate of 7.25 percent of their basic pay. This change would mean that employees would be paying half of the normal cost rate of their benefits, or how much of their pay per year it would cost to provide them with an annuity after retirement. If the normal cost increases, the proposal would also require employee contributions to increase to keep them paying half of that cost.

Reduction or elimination of retirement cost-of-living adjustments – Cost-of-living adjustments are used to increase pay for employees living in expensive parts of the country. The OPM proposal would reduce COLAs under the Civil Service Retirement System by 0.5 percent and eliminate FERS COLAs for current and future retirees.

According to Pon, the proposed changes would save more than \$143 billion over the course of 10 years.

However, American Federation of Government Employees National President J. David Cox Sr. said that federal employees have already footed the bill for \$246 billion in budget cuts (<https://www.federaltimes.com/management/pay-benefits/2018/02/07/after-budget-negotiations-federal-employees-still-face-threats-to-benefits/>) on the back of their wages and benefits.

"These proposed cuts come at a time when federal employees lag further and further behind their private sector counterparts in comparative compensation. Federal employees today bring home five percent less than they did at the start of the decade, when adjusted for inflation, and they earn roughly one-third less than they would make doing comparable work in the private sector," said Cox.

"The Trump administration wants to force current federal workers to pay substantially more into their retirement accounts while cutting the size of those benefits for current and future retirees. Plus, the administration would eliminate retirement payments that go to law enforcement officers and other workers who retire before Social Security kicks in."

The letter proposing these retirement changes came just days before the start of Public Service Recognition Week, which recognizes the important work government employees do throughout the U.S.

"As we kick off Public Service Recognition Week, a time to honor federal employees who serve and protect our country day in and out without applause or fanfare, it's especially disappointing to see the Office of Personnel Management pursue \$143.5 billion in cuts to earned federal retirement benefits," said National Active and Retired Federal Employees Association president Richard G. Thissen.

"There are certainly federal government operations, such as hiring times and information technology, that will benefit from modernization and reforms. But these proposed cuts are being proposed absent a discussion around a comprehensive civil service modernization package that the OPM director has said is forthcoming. These are benefit cuts for the sake of benefit cuts. They are nothing less than a direct attack on our nation's public servants, particularly troubling because they come at a time when the Trump administration touts a strong economy and rising private sector growth."

The proposed retirement cuts also come on the heels of a proposed employee pay freeze for FY19. (<https://www.federaltimes.com/management/budget/2018/02/12/trump-budget-will-cost-federal-employees-in-pay-and-benefits/>)

Some experts have also argued that the more reliable benefits offered by government service work as compensation for the lower pay government jobs offer (<https://www.federaltimes.com/management/hr/2017/12/26/motivated-by-mission/>) in comparison to the private sector. Cutting benefits may make it more difficult to attract new talent to federal service.

In response to a request for comment by Federal Times, an OPM spokesperson reiterated Director Pon's statement that benefits offered by the federal government do not match the direction taken by the private sector.

"Consistent with the goal of making federal retirement benefits more competitive, adjustments to reduce the long term costs associated with these benefits are included in the proposals highlighted in the letter OPM transmitted to House Speaker Paul Ryan," the spokesperson said.

WILL BE PROVIDED AT THE MEETING.

NO WRITTEN REPORT

**NO COMMITTEE MEETING WAS HELD THIS
MONTH**

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TO: BENEFITS COMMITTEE

FROM: MARY COLLINS, CHAIR

DATE: MAY 8, 2018

SUBJECT: CHAIR'S COMMENTS

The Benefits Committee did not meet in April 2018. The following report reflects the Benefits Department's activities and projects that occurred since the April 2018 Board meeting.

2018 District of Columbia Non-Union Pay Increases (Police and Fire Service)

Both non-union Police Service and non-union Fire Service recently received a 3% salary increase, effective October 1, 2017. As a result, approximately 50 Tier I retired members will be eligible for an equalization increase. In addition, approximately 15 retired nonunion police officers and firefighters who were active prior to October 1, 2017, are impacted by this increase. The Benefits Department anticipates having increases paid to these members by the June 1, 2018 pay date.

Washington Teachers Union (WTU) Collective Bargaining Agreement (CBA)

The Benefits Department has begun recalculating benefits for retired teachers who were impacted by the recent WTU CBA. Recalculations for one third of these retirees were included with the May 1, 2018 payroll, and the remaining group will be completed by July 1, 2018.

Special Open Enrollment – District Medicare Advantage Plans

The Benefits Department has been working with DCHR and Treasury to prepare for the special enrollment period for District Medicare Advantage plans, beginning May 14th and ending June 1st. Approximately 200 - 300 Medicare eligible retirees with District healthcare coverage will be offered the opportunity to enroll in these new plans. Affected retirees were made aware of the special enrollment period in March, and the Benefits Department will be joining DCHR in their enrollment fairs, utilizing applicable communication materials, and assisting members with questions. The Benefits Department is also working with Treasury to test the applicable changes in STAR, including testing enrollment, deductions, reports, and health care billing procedures. As of this report, FAQs and website communications are also in the final development stage. Immediate information from DCHR can be found by visiting <https://dchr.dc.gov/page/medicare-advantage-plan-open-enrollment>.

Post-Retirement – Federal Employees Health Benefits (FEHB) Program

In the Winter edition of the Police Officers and Firefighters' Newsletter, we stated that police officers and firefighters hired before October 1, 1987 are eligible for health care coverage under FEHB. We further stated that the employer continues to pay 75% of the required premium and the retiree pays 25%. We should have clarified that the government (OPM) generally continues

to pay 75% and the retiree pays 25%. As we understand it, there are some plans, such as high option plans, where the retiree share is greater than 25%.

Death Case Update

Previously, the Benefits Department made the Committee aware of two cases where deaths went undetected and benefit payments continued to the deceased members for more than ten years.

These cases (100% federal) have been submitted to the Office of DC Pensions for legal review and to the U.S. Office of the Inspector General (OIG) for investigation.

The Benefits Department in conjunction with ODCP have reviewed all current processes to see what additional measures can be implemented to minimize a reoccurrence of these overpayments. Within the last two months, ODCP requested that PBI (one of the third-party vendors who search death records) widen its search for the review of obituaries for death matches. PBI went back to 2000 and that search resulted in over 900 name matches. However, since they were matched on name, not SSN, the majority of these were not matches for members in our plans. ODCP Pension Payroll has taken the first steps to review these matches and sends to Benefits what needs further review. Benefits has received approximately 225 of the 900 name matches to be researched. This is a 90% increase in workload for Benefits over the previous months. At the conclusion of our research, approximately 20% of the cases were matches with our members, but most of the deaths had already been reported to DCRB. We will continue to work with ODCP on this process.

Stakeholders Outreach

On April 29, 2018, DCHR forwarded a document entitled “Retirement Benefit Codes in PeopleSoft” for DCRB’s review and comment. This document contains standard operating procedures for all District retirement plans and its purpose is to train all HR staff on how to identify the correct retirement code for District employees. The document also identifies which retirement codes are subject to Social Security and Medicare taxes. DCHR has asked DCRB to provide comments for the Police/Fire and Teachers’ plans by May 25, 2018. This tool appears to be a promising resolution to the on-going retirement coding error issues.

Benefits Department Monthly Statistics

Activity	February	March	April
Retirement Claims Received	103	91	111
Processed Retirements	157	145	151
Average Processing Days	52	45	51
Telephone Calls	2,479	2,605	2,312
Walk-in Customers	103	92	121
Scanned Documents	5,334	3,812	5,435
QDROs Approved	2 final, 2 rejected	4 final, 1 rejected	0 final
Purchase of Service	13 (\$23,425.64)	20 (\$131,619.21)	4 (\$46,878)

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TO: BOARD OF TRUSTEES
FROM: LYLE BLANCHARD, CHAIRMAN
DATE: MAY 17, 2018
SUBJECT: LEGISLATIVE COMMITTEE REPORT

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

HEARING

DCRB's annual agency budget oversight hearing was held Tuesday, March 27, 2018 before Councilmember Phil Mendelson, Chair of the Committee of the Whole, 1350 Pennsylvania Ave., NW, Room 120, Washington, D.C.

The Committee of the Whole completed its markup of the FY 2019 Proposed Budget and Financial Plan, the "Fiscal Year 2019 Local Budget Act of 2018," the "Fiscal Year 2019 Federal Budget Act of 2018" and the "Fiscal Year 2018 Budget Support Act of 2017" and provided its Report and Recommendations of the Committee of the Whole on the Fiscal Year 2019 Budget and Corresponding Budget Support Act ("Reports & Recommendations") on May 4, 2019.

The Committee of the Whole noted the following commentary and recommendations in its Reports and Recommendations:

Commentary

- The Committee commends DCRB for its ongoing work to use sound judgment in managing the plan funds. However, the Committee notes that for FY 2019, the ADEC decreased by approximately \$20 million from last year's ADEC. The TRS decreased by approximately \$5.7 million while the POFFRS decreased by approximately \$14.3 million. According to the independent actuary, this is generally a result of strong returns over the last year (12%) on fund investments, positive demographics (lower salaries), and a cost-of-living adjustment for retirees that was less than expected. In FY 2018, the District finalized a new collective bargaining agreement with the Washington Teachers' Union that included modest pay increases prospectively and retroactively, however, this was not a factor in calculating the FY 2019 ADEC. According to the actuary, some growth had already been expected.
- Finally, the Committee notes that the payouts from the fund will soon outpace contributions plus investment earnings on the fund – sometime between 2019 and 2023. According to the Executive Director of DCRB, this is an expected occurrence as pension funds mature. However, so long as the District continues to fund the pension funds pursuant to the ADEC calculations, they should stay fully funded.

- **Agency Management:** The [Committee] continues to monitor increases in the administrative costs of DCRB itself. All agency costs are paid out of the funds under management. The FY 2019 increase is 4.6 percent which is almost two percent less than the FY 2018 increase of 6.5 percent. The FY 2017 growth was 21 percent increase during the last fiscal year. The Committee notes that DCRB currently has a number of information technology contracts built in to the FY 2019 budget. DCRB may be able to recognize efficiencies if it could consolidate IT costs with the Office of the Chief Technology Officer.

Recommendations

- The Committee recommends no change to the fiscal year 2019 budget for the District of Columbia Retirement Board as proposed by the Mayor.
- The Committee recommends that DCRB develop rigorous benchmarks and performance metrics to justify future budget increases.
- The Committee recommends that DCRB seek to identify operational efficiencies to control administrative costs, including IT costs.

NO WRITTEN REPORT

**NO COMMITTEE MEETING WAS HELD THIS
MONTH**

**THE NEXT MEETING WILL BE HELD
JUNE 21, 2018**

DISTRICT OF COLUMBIA RETIREMENT BOARD

NOTICE OF FINAL RULEMAKING

The District of Columbia Retirement Board (“DCRB” or the “Board”), pursuant to the authority set forth in § 121(e) of the District of Columbia Retirement Reform Act (“Reform Act”), approved November 17, 1979 (Pub. L. 96-122, 93 Stat. 866; D.C. Official Code § 1-711(e) (2016 Repl.)), hereby gives notice of the adoption of final rulemaking to include the following additions to the Board Rules under Chapter 15 (District of Columbia Retirement Board) of Title 7 (Employment Benefits) of the District of Columbia Municipal Regulations (“DCMR”).

The purpose of the final rules is to extend Chapter 15 to include provisions governing the election of Board Trustees to represent active and retired teachers, police officers, and firefighters. The Board approved the proposed rules on September 26, 2017.

The Board stated its intent to publish the proposed rules as final in the Notice of Proposed Rulemaking published in the *District of Columbia Register* on February 9, 2018 at 65 DCR 01455. No comments were received and no substantive changes were made to the proposed rulemaking. These rules will become final upon publication of this notice in the *District of Columbia Register* and will amend rules in Chapter 15 of Title 7 DCMR.

Chapter 15, DISTRICT OF COLUMBIA RETIREMENT BOARD, of Title 7 DCMR, EMPLOYMENT BENEFITS, is amended as follows:

To add the following sections to Chapter 15 to read as follows:

1510 DEFINITIONS

- 1510.1 “Board” or “Board of Trustees” means the District of Columbia Retirement Board established by Section 121(a) of the Act (D.C. Official Code § 1-711(b)(1)(A)).
- 1510.2 “Chairman” means the chairman or chairperson, or his or her designee, of the District of Columbia Retirement Board (“DCRB”).
- 1510.3 “Day” means a calendar day unless expressly stated otherwise. Any day on which a submission is due or other action occurs must be a day on which the District of Columbia Government is open for regularly scheduled business.
- 1510.4 “Election cycle” means the timeframe during which an election of a trustee or trustees is conducted. Except in the event of a special election, or where extenuating circumstances result in a delay, an election cycle shall begin on August 1st of any year in which a qualified voter position is eligible for election to the Board.
- 1510.5 “Election official” means the person or entity appointed by the Board to undertake the activities outlined in these Rules. The election official must be independent, experienced and qualified to conduct elections and may be any one, or

combination, of the following:

- (a) an officer or employee of the Board;
- (b) an officer, employee, or agency of District of Columbia Government; or
- (c) an individual, partnership, firm, or corporation.

A qualified voter of any category may not be an election official. An election official will be considered qualified and experienced if the election official has successfully performed independent electoral services of, at least, a similar like, kind and volume as the services described in these Rules.

- 1510.6 “Eligible candidate” means a qualified voter who has submitted valid Statements of Candidacy and Qualification and meets all of the criteria to be eligible for election to the Board as defined under these Rules.
- 1510.7 “Executive Director” means the Executive Director, or his or her designee, of the District of Columbia Retirement Board.
- 1510.8 “Qualified voter” means an active or retired member of the Retirement Plans as reflected in the records of the applicable personnel office, payroll office, or DCRB, as the benefits administrator of the Retirement Plans, at the start of an election cycle.

A qualified voter must be:

- (a) An “active firefighter” who is a sworn member or officer of the District of Columbia Fire and Emergency Medical Services Department (“FEMS”);
- (b) A “retired firefighter” who has retired from FEMS under the provisions of the District of Columbia Police Officers and Firefighters’ Retirement Plan (“Police Officers & Firefighters’ Plan”);
- (c) An “active police officer” who is a sworn member or officer of the District of Columbia Metropolitan Police Department (“MPD”);
- (d) A “retired police officer” who has retired from MPD under the provisions of the Police Officers & Firefighters’ Plan;
- (e) An “active teacher” who is an employee of District of Columbia Public Schools (“DCPS”) in a salary class position ET 1-15 or an employee of a District of Columbia public charter school who is an active member of the District of Columbia Teachers’ Retirement Plan (“Teachers’ Plan”); or
- (f) A “retired teacher” who has retired from DCPS or a District of Columbia public charter school under the provisions of the Teachers’ Plan.

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- 1510.9 “Reform Act” means the District of Columbia Retirement Reform Act, Pub. Law 96-122, Nov. 17, 1979, as amended (codified in D.C. Official Code §§ 1-701 et seq.).
- 1510.10 “Replacement Plan Act” means the Police Officers, Fire Fighters, and Teachers Retirement Benefit Replacement Plan Act of 1998 (D.C. Official Code §§ 1-901.01 et seq.).
- 1510.11 “Retirement Plans” means the following:
- (a) District of Columbia Police Officers and Firefighters’ Retirement Plan (“Police Officers & Firefighters’ Plan”), which includes the benefits established under the Replacement Plan Act that applies to service accrued after June 30, 1997 (D.C. Official Code §§ 5-701 et seq.) and the benefits in place under Title XI of the Balanced Budget Act of 1997, Pub. Law 105-33, Aug. 5, 1997 (codified in D.C. Official Code §§ 1-801.01 et seq.), that apply to service accrued on or before June 30, 1997 (former D.C. Official Code §§ 4-601 et seq.).
 - (b) District of Columbia Teachers’ Retirement Plan (“Teachers’ Plan”), which includes the benefits established under the Replacement Plan Act that applies to service accrued after June 30, 1997 (D.C. Official Code §§ 38-2021.01 et seq.) and the benefits in place under Title XI of the Balanced Budget Act of 1997, Pub. Law 105-33, Aug. 5, 1997 (codified in D.C. Official Code §§ 1-801.01 et seq.) that apply to service accrued on or before June 30, 1997 (former D.C. Official Code §§ 31-1221 et seq.).

1511 ELECTION OF TRUSTEES

- 1511.1 In accordance with the Reform Act, the Board of Trustees is responsible for and shall conduct elections to allow qualified voters to elect:
- (a) One (1) active member representative and one (1) retired member representative from FEMS;
 - (b) One (1) active member representative and one (1) retired member representative from MPD;
 - (c) One (1) active member representative and one (1) retired member representative from DCPS.
- 1511.2 The Board is authorized to act as the election official or to enter into an agreement with an election official to delegate certain functions and responsibilities vested in the Board by the Reform Act. The election official shall adhere to these Rules without partiality toward any candidate.

- 1511.3 The election official shall be the primary point of contact for all matters pertaining to a Board election during an election cycle. To avoid the appearance of a conflict of interest or partiality, the Board and Board staff shall refrain from communicating with qualified voters, including prospective or eligible candidates, on matters related to a Board election during an election cycle and shall direct any inquiries or concerns to the attention of the election official immediately.
- 1511.4 The election official shall prepare a schedule for conducting the election of a trustee or trustees during each election cycle. The election schedule shall include:
- (a) The date on which Statement of Candidacy forms shall be made available to qualified voters by the election official;
 - (b) The date on which completed Statement of Candidacy forms must be submitted to the election official by qualified voters;
 - (c) The date on which the election official will distribute ballots to qualified voters;
 - (d) The last date on which the completed ballots must be received by the election official from qualified voters; and
 - (e) The date on which the election results are to be presented to the Board for certification.
- 1511.5 Timing.
- (a) The election schedule shall:
 - (1) Allow for no fewer than twenty (20) days for qualified voters to complete and submit a Statement of Candidacy form;
 - (2) Provide for notification to nominated qualified voters of their eligibility or ineligibility to stand for election no later than ten (10) days after the due date for submission of Statement of Candidacy forms has passed and the forms have been validated;
 - (3) Allow qualified voters no less than thirty (30) days to complete and submit election ballots; and
 - (4) Allow eligible candidates no fewer than seven (7) days to request a recount of the election ballots after the publication of the certified election results in accordance with Section 1523 of these Rules.
- 1511.6 Method of Delivery.
- (a) Election materials, which include any related schedules and notices, shall be provided in a manner that is contemplated to reach the greatest number

of qualified voters, including, but not limited to, mail, electronic mail, and publication on the Board's website or other Board communication portal, provided that the method of distribution allows qualified voters a reasonable time to comply with the dates included in the election schedule for an election cycle.

- (b) The method or methods used to distribute election materials shall clearly and prominently state:
 - (1) That the communication is made on behalf of the Board;
 - (2) The category of qualified voter to which the communication is addressed; and
 - (3) That the communication contains election materials.

1511.7 Any substantive amendment to election materials, which impacts any date included in the election schedule for an election cycle, must be made available to qualified voters as soon as administratively possible in the same manner provided for in Section 1511.6 of these Rules.

1511.8 The election official shall provide election materials to qualified voters. The Board shall make available to the election official a list of qualified voters. The list shall be comprised of qualified voters included in the payroll or pension roll paid within thirty (30) days, but no more than sixty (60) days, prior to the distribution of election notices.

1511.9 Election materials may also be made available by the election official upon request from a qualified voter.

1512 ELECTION NOTICE

1512.1 During any election cycle, the election official must notify all qualified voters of the impending election of a trustee or trustees within the timeframe provided in the election schedule.

1512.2 The election notice shall include:

- (a) A copy of the election schedule;
- (b) A Statement of Candidacy form (or location where such a form may be accessed), which includes:
 - (1) The category of qualified voter slated for trustee election;
 - (2) An explanation of the qualifications, duties, responsibilities, and

compensation of Board trustees;

- (3) A blank section for input of a prospective candidate's name (written how he or she would like his or her name to be listed on the ballot), address, and contact information. By providing an email address, the prospective candidate consents to receiving official communication by email to the email address provided;
- (4) Instructions for the submission and completion of the Qualifications Statement;
- (5) An oath, signed and dated by the prospective candidate, attesting that the candidate meets the qualifications for holding the office sought and, if elected, he or she understands and agrees to comply with the duties and responsibilities of Board trustees;
- (6) A declaration, signed and dated by the prospective candidate, affirming that all of the information included in and with the Statement of Candidacy form, is true and correct to the best knowledge and belief of the prospective candidate; and
- (7) Instructions for filling out and submitting the Statement of Candidacy form, including the date, time, location, and method(s) of submission.

- (c) A reference to where qualified voters may access these Rules in their entirety; and
- (d) Any other information the election official considers necessary for qualified voters to fully understand the purpose and procedures of the election.

1512.3 The election notices shall be distributed to qualified voters in a manner consistent with Section 1511.6 of these Rules.

1513 ELIGIBILITY OF CANDIDATES

1513.1 A prospective candidate must be nominated by a qualified voter in the category in which the prospective candidate is seeking election to be eligible for election. A qualified voter in the category for which the trustee election is being held may nominate himself or herself for election.

1513.2 To qualify as an eligible candidate for election to the Board and have his or her name printed on a ballot, a prospective candidate must:

- (a) be a qualified voter in the category in which the prospective candidate is seeking election;

- (b) qualify to serve as a fiduciary to the District of Columbia Police Officers and Fire Fighters' and the Teachers' Retirement Funds (the "Funds") pursuant to D.C. Code §1-744(a);
- (c) file with the election official a valid Statement of Candidacy form in accordance with Section 1514 of these Rules; and
- (d) not be an "elected official" or be a candidate for the office of an elected official in the District of Columbia, as defined in D.C. Code §1001.02(13).

1514 VALIDATION OF STATEMENTS OF CANDIDACY

1514.1 A Statement of Candidacy shall be considered valid if it satisfies all of the following conditions:

- (a) the Statement of Candidacy is received by the election official on or before the date and time designated by the election official;
- (b) the Statement of Candidacy is on a form provided or authorized by the Board and all sections have been completed in legible font or print;
- (c) the Statement of Candidacy is filed by a person who is a qualified voter in the category for which the trustee election is being held;
- (d) the Statement of Candidacy is accompanied by a valid Qualifications Statement; and
- (e) the Statement of Candidacy contains a signed oath and declaration.

1514.2 A Qualifications Statement shall be considered valid if it satisfies all of the following conditions:

- (a) The Qualifications Statement shall be submitted with the Statement of Candidacy form pursuant to Section 1512.2(b)(4) of these Rules; either typed or printed on the Statement of Candidacy form or on a separate blank sheet of paper.
- (b) The Qualifications Statement shall identify the eligible candidate and the qualified voter category for which the candidate is seeking election. The statement may also state the candidate's qualifications and experience, and outline his or her plans and goals if elected.
 - (1) A Qualifications Statement shall not include an endorsement of any kind.
- (c) The Qualifications Statement shall not exceed two hundred and fifty (250)

words in length. For purposes of this section, the following rules shall apply to the counting of words in a Qualifications Statement:

- (1) Punctuation is not counted;
- (2) Each word shall be counted as one (1) word, except as specified in this subsection;
- (3) All geographical names shall be considered as one (1) word; for example, "District of Columbia" shall be counted as one (1) word;
- (4) Each abbreviation of a word, phrase, or expression shall be counted as one (1) word;
- (5) Hyphenated words that appear in any generally available dictionary shall be considered as one (1) word. Each part of all other hyphenated words shall be counted as a separate word;
- (6) Dates consisting of a combination of words and digits shall be counted as two (2) words; for example, "December 31, 2017" shall be counted as two (2) words. Dates consisting of only a combination of digits shall be counted as one (1) word; for example, "12/31/2017" shall be counted as one (1) word; and
- (7) Any number consisting of a digit or digits shall be considered one (1) word. For example, any number which is spelled, such as "one," shall be considered as a separate word or words. "One" shall be counted as one (1) word whereas "one hundred" shall be counted as two (2) words. The number one hundred "100" expressed in digits shall be counted as one (1) word.

1514.3 The election official shall exclude from print on the ballot or other election materials any portion of a Qualifications Statement that exceeds the maximum word limitation, is interpreted to be an endorsement, or that includes a statement that is false or misleading. The election official may, but is not required to, allow a candidate the opportunity to correct a false or misleading statement included within a Qualifications Statement.

1514.4 The election official may, but is not required to, provide acknowledgement of receipt of a prospective candidate's Statement of Candidacy.

1514.5 Upon receipt of Statement of Candidacy forms, the election official shall determine whether the statements are valid. The election official shall document how the eligibility or ineligibility of each candidate was determined and provide a report, including each candidate's Statement of Candidacy form, to the Executive Director no later than three (3) days after the date Statements of Candidacy are due to the election official.

- 1514.6 The determination by the election official of the validity of Statements of Candidacy, including Qualifications Statements, shall be final and only subject to further administrative review at the discretion of the Executive Director. A determination of eligibility or ineligibility shall be based solely on information contained in the Statements of Candidacy and upon information contained in other public records and documents available to the election official. The Executive Director may reverse a determination of eligibility at any point prior to the certification of election results based upon evidence that was not known to the election official at the time of the initial determination of eligibility or upon evidence of a change in circumstances.
- 1514.7 The election official shall provide notification to a prospective candidate of his or her ineligibility to stand for election no later than ten (10) days after the due date for the submission of Statement of Candidacy forms has passed and the statements have been validated.
- (a) A prospective candidate who is ineligible for election because his or her Statement of Candidacy is rejected for reasons other than those outlined in Sections 1513.2 and 1514.1(a) of these Rules, may submit one (1) new or amended Statement of Candidacy, which must be received by the election official no later than five (5) days after the date his or her notice of deficiency was mailed.
- 1514.8 Once all eligible candidates have been identified, a notification of eligibility, including a copy of the eligible candidate's Qualifications Statement, shall be provided to each eligible candidate no fewer than seven (7) days prior to the scheduled date of the drawing of lots to determine ballot position. The notification of eligibility shall include:
- (a) The time, date, and location for drawing lots; and
- (b) Notification of the eligible candidate's sole opportunity to proofread and correct any transcription errors, such as spelling and grammatical errors, which may be included in the eligible candidate's Qualifications Statement, with instructions on how to make any such corrections.
- 1514.9 A candidate may withdraw his or her candidacy only by written notice to the election official. A candidate is presumed to have withdrawn from the election if he or she fails to submit a new or amended Statement of Candidacy, upon request, pursuant to Section 1514.7(a) of these Rules. A withdrawal shall be irrevocable only for the election cycle in which it occurs. The election official shall inform the Executive Director of any withdrawals. Where a withdrawal impacts the accuracy of information included on the ballots, after ballots have been printed or made available to qualified voters, the election official shall provide notice to all qualified voters within the impacted qualified voter category as soon as administratively possible in accordance with Section 1511.6 of these Rules.

1514.10 If the election official determines that there are no prospective candidates eligible to stand for election, the election official shall:

- (a) Terminate the election for which no candidate is eligible to be placed on the ballot;
- (b) Promptly prepare a new election schedule in substantial conformity with Section 1511.4 of these Rules;
- (c) Proceed, if applicable, with any other election of trustees with more than one eligible candidate; and
- (d) Conduct an election for the impacted qualified voter category in accordance with the new election schedule.

A new election schedule required under this section may result in a delay in the start date of an elected trustee's term.

1514.11 Uncontested Election – One Eligible Candidate in a Category

- (a) If an election official certifies that only one (1) eligible candidate exists in a qualified voter category, the election official shall:
 - (1) Declare an uncontested election and discontinue the election process for the qualified voter category; and
 - (2) Distribute a notice informing impacted qualified voters that they will not receive an election ballot due to an uncontested election and that the results of the uncontested election shall be certified with the election results of the other qualified voter categories included in the election cycle, in accordance with Section 1522 of these Rules.
- (b) If an election cycle does not include another qualified voter category for election, the Board shall proceed with certifying the results of the uncontested election in accordance with Section 1522 of these Rules.

1515 CAMPAIGNING

1515.1 A candidate must behave in an ethical and professional manner when engaged in any activities related to his or her candidacy.

1515.2 A candidate may not campaign or otherwise advance his or her candidacy for election in any way prior to receiving notice from the election official that he or she is eligible for election.

1515.3 No staff, officer, or trustee of the Board shall campaign on behalf of, or endorse,

any candidate in preference to any other candidate. Nor shall any staff, officer, or trustee of the Board use their official authority or influence to interfere with or affect the result of any election.

- 1515.4 A candidate may not engage in any unfair campaign practice, including, but not limited to: libeling or slandering another candidate; maliciously disrupting another candidate's campaign; making verbally or in writing, actual or potentially defamatory or discriminatory remarks or comments; or otherwise violate any provisions of Section 1515 of these Rules.
- 1515.5 A candidate may not, in connection with his or her candidacy, make or repeat any statement that is untruthful, deceptive, or misleading, or that omits material information that renders a statement untruthful or misleading.
- 1515.6 A candidate may not imply that the way a qualified voter votes will result in any reward or retaliation of any funding, benefit or opportunity under the Retirement Plans.
- 1515.7 A candidate may not use any Board or District government resources for campaign purposes, including any such resources that are exclusively available to the candidate in his or her capacity as a trustee, officer, appointee or representative of the Board.
- 1515.8 Each candidate is responsible for activity that another undertakes on his or her behalf, as if the candidate is undertaking the activity himself or herself, unless the candidate sincerely and affirmatively discourages such activity publicly.
- 1515.9 A candidate may organize and/or attend an event for the purpose of allowing qualified voters to "meet & greet" the candidate in accordance with Section 1515 of these Rules.
- 1515.10 A candidate may create a website or use other forms of social media to promote his or her candidacy in accordance with this Section. Upon its creation or use for campaign purposes, the candidate must notify the election official and provide the election official with a link to the website or social media page.

1516 DRAWING OF LOTS FOR BALLOT ORDER

- 1516.1 In each election cycle, for each qualified voter category, the election official shall determine, by drawing lots, the order of eligible candidate names on the ballots.
- 1516.2 Drawing lots shall be conducted by the election official in the following manner:
 - (a) The name of each eligible candidate shall be typed or written on separate slips of paper and placed in a container in a manner such that the names on the slips of paper shall be hidden from the view of the individual drawing.

- (b) The election official shall draw from the container one slip of paper at a time until all names have been drawn.
 - (c) The eligible candidate whose name is pulled first from the container shall have his or her name appear first on the ballot. The eligible candidate whose name is pulled second shall have his or her name placed second on the ballot. This order shall continue until all eligible candidate ballot positions have been determined.
 - (d) In the event of the withdrawal or disqualification of an eligible candidate prior to the printing of the ballots, the position of each eligible candidate that appears beneath the name of the former candidate shall be raised to the next higher position. The election official shall make reasonable efforts to remove or strike from the ballots the name of an eligible candidate who has withdrawn or been disqualified after the ballots have been printed.
- 1516.3 Upon approval by the Executive Director, where appropriate and available, the election official may utilize an electronic method which closely resembles the in-person lottery outlined in this section, provided that the election official attests, in writing, that the method used is confidential, secure, reliable and results in a randomized order of eligible candidates on the ballots.
- 1516.4 An eligible candidate, or his or her designated authorized representative, may view the drawing of lots. An eligible candidate must notify the election official of their intent to view the drawing of lots, in writing, no later than twenty-four (24) hours prior to the scheduled date of the drawing of lots.

1517 BALLOT CONTENT AND FORM

- 1517.1 The election official shall provide official ballots to qualified voters for the purpose of selecting an eligible candidate preference in an election. The Board shall make available to the election official a list of qualified voters. The list shall be comprised of qualified voters included in the payroll or pension roll paid within thirty (30) days, but no more than sixty (60) days, prior to the distribution official ballots.
- 1517.2 Ballots shall be distributed or made available to each qualified voter no fewer than thirty (30) days before the date balloting shall be completed.
- 1517.3 Official ballots shall include the following information:
- (a) Instructions for completing and submitting ballots drafted specifically for any form or method of balloting being used;
 - (b) The category of qualified voter from which the person is eligible to elect a representative; and

- (c) The name and Qualifications Statement of each eligible candidate. Qualifications Statements need not be printed on, but must be included with, the ballots. Names of eligible candidates shall appear on the ballot:
 - (1) in the same form as each eligible candidate's name appears on his or her Statement of Candidacy form. No titles, ranks, prefixes, or degrees associated with a name shall appear on the ballot; and
 - (2) in the order determined by the drawing of lots conducted in accordance with Section 1516 of these Rules.
- 1517.4 A qualified voter may contact the election official to request the issuance of a replacement ballot. The election official shall maintain a record identifying the voter to ensure that the issuance of a replacement ballot does not result in unauthorized or duplicate balloting. When a qualified voter requests a replacement ballot within fewer than five (5) days before the date balloting is scheduled to be completed, the qualified voter shall only have the option of submitting an electronic or telephone ballot.
- 1517.5 An individual who did not receive a ballot due to his/her name not being included on the list of qualified voters at the time such list was provided to the election official, may contact the election official to request the issuance of a provisional ballot. The election official shall maintain a record identifying the voter to ensure that the issuance of a provisional ballot does not result in unauthorized or duplicate balloting. When an individual requests a provisional ballot within fewer than five (5) days before the date balloting is scheduled to be completed, the individual shall only have the option of submitting an electronic or telephone ballot.
 - (a) The Executive Director shall have an individual verified as a qualified voter in the applicable qualified voter category prior to the completion of ballot counting. The election official shall not count as valid any provisional ballot submitted by an individual who has not been verified to be a qualified voter in the applicable qualified voter category.
- 1517.6 The election official shall not issue more than three (3) ballots, one (1) original and two (2) replacements, to any qualified voter during an election cycle. At the time the election official issues a replacement ballot, the election official shall inform the qualified voter of the qualified voter's limited remaining replacement ballots.
- 1517.7 Completed ballots shall be received by the election official on or before the date and time designated on the ballot.
- 1517.8 The Executive Director shall authorize the election official to use a balloting system that consists of paper ballots, telephonic ballots, electronic ballots, or any combination thereof, provided that the election official shall conduct the balloting in a manner that is consistent with the principles and objectives enumerated in these Rules. The election official shall take every reasonable precaution to safeguard the authenticity and secrecy of the balloting system and process, as well as

individual ballots.

- 1517.9 The election official shall distribute or make available an official ballot for each qualified voter category that shall be separate and distinct from the ballot for any other qualified voter category in an election cycle. Each ballot shall contain a unique control number and be readily identifiable from the ballot for any other qualified voter category. The election official shall maintain a record identifying the unique control number for each ballot.
- 1517.10 A ballot shall have a selection method immediately next to the name of each eligible candidate included on the ballot where a qualified voter must indicate his or her choice with a single mark.
- 1517.11 If applicable, paper ballots shall be returned to the election official in pre-addressed, postage paid return envelopes, preprinted with the unique control number included on the ballot.

1518 VALIDITY OF BALLOTS AND VOTES

- 1518.1 Only official ballots shall be validated and counted. Improper ballots or votes shall be deemed invalid and not counted. Improper ballots or votes shall include, but are not limited to:
- (a) Any ballot which is received by the election official after the date and time determined by the election official for return of ballots, except for those ballots postmarked prior to the deadline but delayed in the mail and received prior to the date in which ballot counting begins;
 - (b) Any ballot which is not an original, replacement, or provisional ballot issued by the election official to a qualified voter;
 - (c) Any ballot cast in which the qualified voter fails to mark a choice;
 - (d) Any ballot which is signed, initialed, or otherwise marked in a manner which serves to reveal the identity of the qualified voter;
 - (e) Any ballot on which the qualified voter has filled in the voting positions for more than one eligible candidate name included on the ballot (extraneous marks or other matter on a ballot which do not lead to confusion as to the intention of the qualified voter, may be disregarded and the ballot considered valid);
 - (f) Any ballot on which a qualified voter has written in the name of a person other than an eligible candidate whose name is pre-printed on the ballot; and

- (g) Any paper ballot which is not returned within a pre-addressed, postage paid return envelope with a unique control number corresponding with the unique control number included on the ballot (except for any ballot submitted by an authorized electronic means).

1518.2 No qualified voter shall cast more than one ballot, in any form, in an election or vote in a category other than the category in which he or she is a qualified voter. Duplicate or unauthorized ballots or votes shall be deemed improper and not counted.

1518.3 Nothing contained in Section 1518.1 of these Rules shall be construed as invalidating any ballot solely because of a voter's failure to follow the instructions for filling out an official ballot provided pursuant to Section 1517.3(a) of these Rules. If a voter draws an arrow pointing to an eligible candidate's name, circles an eligible candidate's name or the voting box next to an eligible candidate's name, places a check, asterisk, or other mark in such a manner that clearly indicates his or her intended choice, the ballot shall be considered valid and shall be counted as a vote for such eligible candidate.

1518.4 The election official shall make determinations of the validity of ballots or votes. The determination of the election official in charge as to the validity of any ballot or vote shall be final and only subject to further administrative review at the discretion of the Executive Director.

1518.5 Any ballot counter or authorized watcher who is uncertain whether a ballot or vote is valid shall refer the ballot to the election official in charge for a determination.

1518.6 No ballot counter shall mark on any ballot. The election official in charge may only mark a ballot to denote that the ballot has been determined to be invalid. The election official in charge shall initial the ballot below his or her marking. A ballot determined to be invalid shall remain in the custody of the election official in charge and stored in a secure location, separate from ballots deemed valid.

1519 BALLOTING SYSTEM STANDARDS AND TESTING

1519.1 The election official shall allow the Executive Director the opportunity to review and approve proofs of final election materials, including official ballots, prior to their printing or distribution to qualified voters.

1519.2 The election official shall use a balloting system that a qualified voter can quickly and easily use to cast a ballot for the eligible candidate of the qualified voter's choice. The balloting system shall be capable of:

- (a) Creating an accurate record of every ballot and vote cast;
- (b) Generating a final report of the election, as well as interim reports, as necessary;

- (c) Identifying errors, including system errors, which impact qualified voters' ability to cast ballots or which impact the overall validity of the election;
 - (d) Allowing secured voting in absolutely secrecy; and
 - (e) Providing a confirmation of the vote cast by a qualified voter, except in the case of paper balloting.
- 1519.3 The election official shall allow the Executive Director to conduct testing of any telephonic or electronic balloting system before the use of such system for an election.
- 1519.4 The testing shall ensure that the balloting system:
- (a) Contains correct ballot information, including the names and Qualifications Statements of all eligible candidates;
 - (b) Records votes accurately, consistently and securely; and
 - (c) Is free of any evidence of malfunction.
- 1519.5 The balloting system configuration tested and approved during the testing period shall be the same configuration used during the balloting period.
- 1519.6 The election official shall immediately correct any errors or deficiencies identified in or with the balloting system during the testing or balloting period.

1520 BALLOT COUNTING

- 1520.1 The election official shall designate an election official in charge who shall be responsible for the direct supervision and oversight of the ballot counting process. The election official shall also designate ballot counters authorized to count and tally ballots. No person who is a qualified voter may be a ballot counter for the category in which he or she is eligible to vote.
- 1520.2 The election official shall strive to count the ballots and complete its official voting record for the Board within three (3) days after the date that balloting is completed, but no later than seven (7) days after such date.
- 1520.3 The election official shall maintain returned ballots by secure means and shall use appropriate safeguards to ensure that the security of each ballot is preserved.
- 1520.4 When paper ballots are counted by hand, the election official in charge shall have full authority to maintain order in the designated ballot counting location.
- 1520.5 The only persons permitted to be present in a designated ballot counting location while ballots are being counted shall be the election official in charge, ballot

counters, designated representatives of the Board, police officers requested by the Board and authorized watchers.

- 1520.6 The election official shall count the number of valid ballots cast for each eligible candidate in each qualified voter category by every form or method of balloting used in an election.
- 1520.7 The eligible candidate receiving the highest number of votes in each qualified voter category included in an election shall be declared the winner for that category.
- 1520.8 Following the tally of all ballots, the election official shall provide the Board with an official voting record for each category of qualified voter. The record shall identify for each qualified voter category:
- (a) The method or methods of balloting used;
 - (b) The number of ballots cast and counted for each eligible candidate;
 - (c) The total number of ballots issued;
 - (d) The total number of replacement and provisional ballots issued;
 - (e) The total number of ballots issued, but not cast;
 - (f) The total number of ballots cast and counted;
 - (g) The total number of ballots cast in each method of balloting, if more than one method is used;
 - (h) The total number of blank ballots returned;
 - (i) The total number of ballots returned and invalidated or voided;
 - (j) Any claims of discrepancy or error in the counting of the ballots made during the balloting process; and
 - (k) The results of the election.
- 1520.9 The election official in charge shall attest that the ballots and balloting procedures used in the election conform with the requirements set forth in Sections 1517, 1518, 1519, and 1520 of these Rules.
- 1520.10 The election official shall securely maintain and provide ballots and other election materials to DCRB at a place and time, and in a manner, determined by DCRB for recordkeeping and storage purposes. Election materials developed during, or in support of, an election cycle shall be the property of DCRB.
- 1520.11 The Board may declare the results of any election in any qualified voter category void and conduct a new election for that category, where the Board determines the

winner to be ineligible for service on the Board due to:

- (a) fraud, bribery, intimidation, or interference with voting in that category;
- (b) tampering with ballots in that category;
- (c) violation of the campaigning rules included in Section 1515 of these Rules;
or
- (d) any other mistake or defect serious enough to vitiate the election in that category as a fair expression of the will of the voters voting therein.

A new election conducted under this Section may result in a delay in the start date of an elected trustee's term.

1521 AUTHORIZED WATCHERS

1521.1 When paper ballots are counted by hand, an eligible candidate shall be notified of his or her right to be present to observe the counting of ballots in person as an authorized watcher, or to designate another to act as an authorized watcher to attend the ballot counting on his or her behalf.

- (a) Eligible candidates shall be notified of the time, date, and location of the counting of ballots no fewer than five (5) days before the date of ballot counting.
- (b) An eligible candidate must notify the election official, in writing, of their intent to be, or designate, an authorized watcher no later than twenty-four (24) hours prior to the scheduled date of the ballot counting.

1521.2 An authorized watcher shall be required to show a valid form of photo identification to enter the ballot counting location.

1521.3 Each authorized watcher shall be issued a badge with space for the watcher's name and, if a designee of an eligible candidate, the name of the eligible candidate represented by the authorized watcher.

1521.4 Badges shall be worn in plain view by the authorized watcher at all times, when he or she is inside the ballot counting location while ballot counting is being conducted.

1521.5 An authorized watcher shall comply with any measures put in place by the election official in charge to maintain order in the ballot counting place and shall conform to the provisions of Section 1521 of these Rules.

1521.6 No authorized watcher shall, at any time during the ballot counting process, do any

of the following:

- (a) touch any official record or ballot;
- (b) obstruct or interfere with the progress of the counting; or
- (c) talk to any ballot counter while the count is under way, except to request that a ballot be referred to the election official in charge for a determination as to its validity.

1521.7 If an authorized watcher has any questions, or claims any discrepancy or error in the counting of the vote, the authorized watcher shall direct the question or complaint to the election official in charge.

1521.8 Any authorized watcher who, in the judgment of the election official in charge, has failed to comply with any of the requirements contained in Section 1521 of these Rules, failed to obey any reasonable order of the election official in charge, or acted in a disorderly manner, shall be warned to cease and desist such conduct. If the authorized watcher fails to cease and desist such conduct, the election official in charge may order such authorized watcher to leave the ballot counting location. In such event, the authorized watcher's credentials shall be deemed cancelled, and he or she shall leave the ballot counting location immediately. The election official in charge may request a member of the Metropolitan Police Department to evict the authorized watcher or otherwise enforce his or her lawful orders.

1522 CERTIFICATION OF ELECTION RESULTS

1522.1 The Board shall certify the results of each election and publish the results in the District of Columbia Register and on the Board's website.

1522.2 The election results shall be deemed final and not subject to further administrative review thirty (30) days after publication in the District of Columbia Register of the certified election results, or any amendment to the certified election results required after a petition for recount, which resulted in a change to an election winner.

1522.3 Following certification of the results of the election, the Board shall retain and store in a secure and locked storage location, all election materials used during the election cycle where they shall remain for at least thirty (30) days after the certified election results have been published in the District of Columbia Register.

1523 RECOUNTS AND RESOLVING TIE VOTES

1523.1 An eligible candidate in any election may, within seven (7) days after the Board certifies the election results and publishes those results in the District of Columbia Register, petition the Board, in writing, for a recount of the ballots cast in that election. Such petition shall explicitly state the justification for a ballot recount.

- 1523.2 Upon receipt of a recount petition, the Board shall direct the election official to conduct a recount, at no cost to any eligible candidate, if the certified election results show a margin of victory for an eligible candidate that is less than one percent (1%) of the total votes cast or fifty (50) votes, whichever is less, for the qualified voter category.
- 1523.3 Upon receipt of a recount petition that does not meet the criteria set forth in Section 1523.2, the Board shall direct the election official to prepare an estimate of the time and cost to perform the recount, which shall be provided to the petitioner in writing.
- 1523.4 If the petitioner chooses to proceed with a recount, the petitioner shall deposit with the Board the estimated cost of the recount within seven (7) days of receipt of the estimate of the time and cost of the recount.
- 1523.5 Deposits shall be paid by certified check or money order made payable to the "District of Columbia Retirement Board." No cash deposit will be accepted.
- 1523.6 At the conclusion of any recount, a report of the recount results shall be presented to the Board and posted on the Board's website.
- 1523.7 If a recount, for which a deposit was made to the Board to cover estimated costs changes the results of the election, the entire amount deposited by the petitioner shall be refunded.
- 1523.8 If the result of the election is not changed, the petitioner is liable for the actual cost of the recount, minus the deposit already made. If the actual cost of the recount is less than the deposit made, the difference shall be refunded to the petitioner.
- 1523.9 There shall only be one (1) recount per election in a qualified voter category. The results of a recount are final and not subject to further administrative review.
- 1523.10 The Board shall not publish an amended certification of election results in the District of Columbia Register, unless the outcome of an election has changed as a result of a recount.
- 1523.11 In the event of a tie vote for a winner of an election, the election official shall conduct an automatic recount, at no cost to any eligible candidate. If the recount confirms the tie vote, the election official shall determine, by drawing lots, the resolution of the tie vote and winner of the election.
- 1523.12 After a recount confirms the tie vote, a notification of the drawing of lots for the resolution of a tie vote, shall be provided to each eligible candidate no fewer than three (3) days prior to the scheduled date of the drawing of lots. The notification shall include the time, date, and location of the drawing of lots.
- 1523.13 An eligible candidate, or his or her designated authorized representative, may view the drawing of lots for the resolution of a tie vote. An eligible candidate must notify the election official of his or her intent to view the drawing of lots, in writing, no later than twenty-four (24) hours prior to the scheduled date of the drawing of

lots.

1523.14 Drawing of lots for the resolution of a tie vote shall be conducted by the election official in the following manner:

- (a) The name of each of the tied eligible candidates shall be typed or written on separate slips of paper and placed in a container in a manner such that the names on the slips of paper shall be hidden from the view of the individual drawing.
- (b) The election official shall draw from the container one slip of paper.
- (c) The eligible candidate whose name is pulled first from the container shall be deemed the winner of the election.

1524 SPECIAL ELECTION FOR VACANCY OF TRUSTEE POSITION DURING TERM

1524.1 In the event of death, resignation, or removal of a Board trustee before completion of his or her term, where the remainder of the term is greater than six (6) months, the Board shall authorize the election official to conduct a special election to elect a successor trustee to serve for the remainder of the trustee's term. The election shall be conducted in substantial conformity with the procedures set forth in these Rules.

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**District of Columbia Retirement Board
Conference Travel Report for Trustees and Staff**

Name(s): Lyle M. Blanchard

Conference Name: 2018 Visions, Insights & Perspectives (VIP) Americas

Sponsor(s): Institutional Real Estate, Inc.

Location: Dana Point, CA **Date(s):** Jan. 24-26, 2018

Purpose: Education Conference for Institutional Real Estate Investors

Feedback:

1. Who would benefit most from this conference (e.g., staff, new trustees, experienced trustees)?

All would benefit but some knowledge of commercial and multi-family
real estate investment is helpful.

2. Would you recommend this conference to others? Yes ☒ or No ☐

3. Were the presentations readily understood by the attendee or did they seem to be aimed at other professionals in the audience?

Yes, most of the presentations were understandable and helpful
with respect to the evolving markets for all types of real estate
investments.

4. Please list any ideas or insights you learned at this conference that you think would further the goals and objectives of DCRB.

Ideas and insights from the 2018 VIP Americas that would improve the goals and objectives of DCRB with regard to real estate investment include:

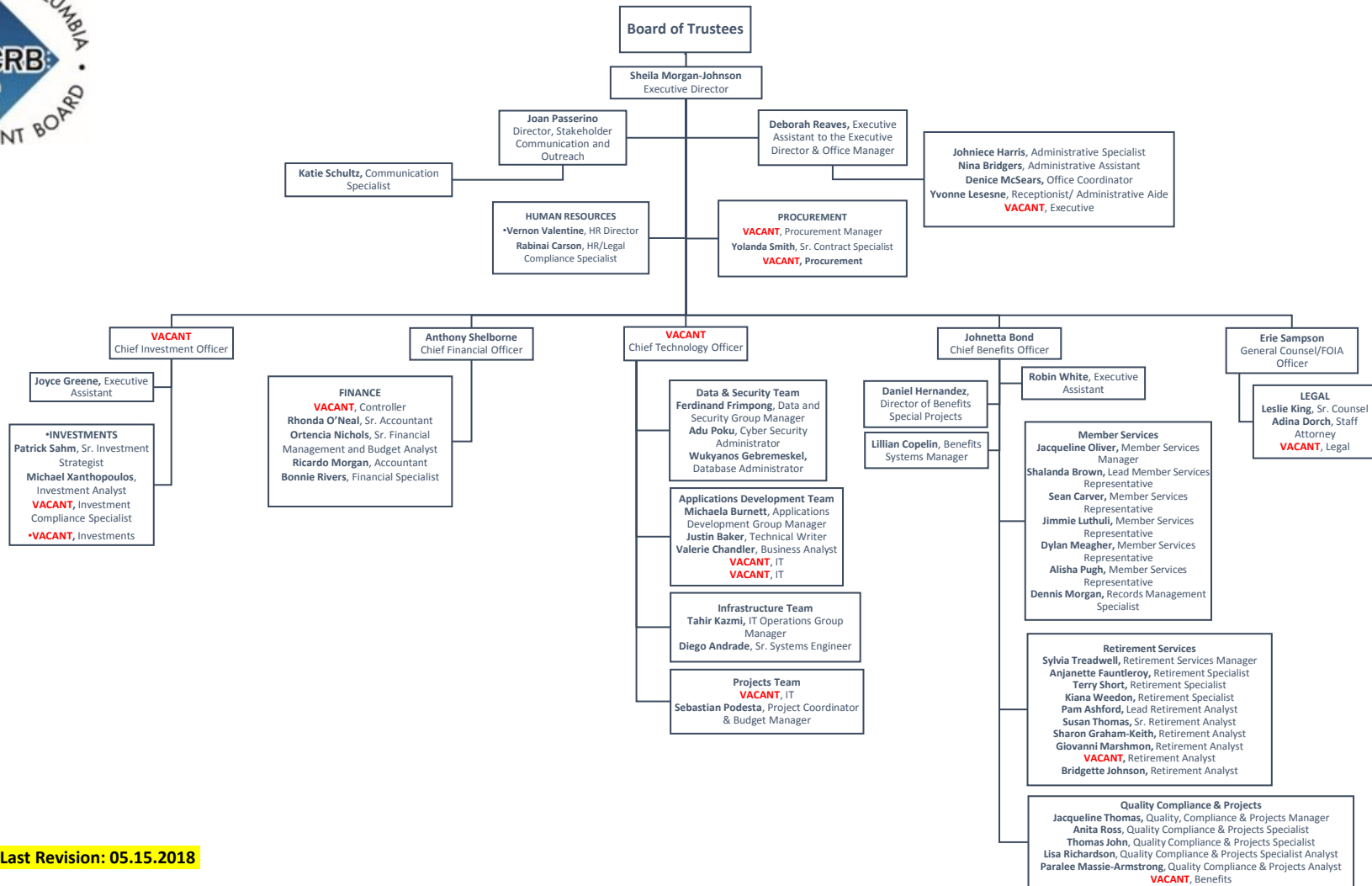
- Several themes: shift from retail to logistics, greater diversity in property types, and moving to infrastructure.
- Seeking greater benefits to make redevelopment communities more livable for employees and residents by encouraging donations to schools, hospitals, and affordable housing.
- With foreign investment properties, the biggest risk is governance. Look for respect for capital in those countries.
- Promote greater transparency in reporting. Standards are better than “bespoke” reporting.
- Monitor real estate investment articles in the Journal of Portfolio Management.
- Encourage use of GBESB review assessments of real estate portfolio’s compliance with ESG benchmarks.
- Track Energy Star ratings for buildings in portfolios to assess effective management of assets.
- Treat information and information technology as an asset.

5. Other Comments:

This is a good conference because the ratio of investors to managers and others is between one to two and one to three. Other public pension funds who attended include CalPERS, CalSTRS, City of Milwaukee Employees’ Retirement System, Colorado Public Employees Retirement Association, Contra Costa County Employees’ Retirement Association, Employees Retirement System of Texas, Florida State Board of Administration (FSBA), Los Angeles City Employees Retirement System (LACERS), Los Angeles Department of Water & Power Employees Retirement Plan, Los Angeles Fire & Police Pensions (LAFPP), Milwaukee (WI) County Employees Retirement System, Missouri Department of Transportation and Highway Patrol Employees’ Retirement System (MPERS), New Mexico Educational Retirement Board, New York City Retirement Systems, New York State Common Retirement Fund, North Carolina Retirement Systems, Sacramento County Employees Retirement System, San Diego City Employees Retirement System (SDCERS), San Joaquin County Employees Retirement Association (SJCERA), State of Michigan Retirement Systems, State of Wisconsin Investment Board, Teacher Retirement System of Texas, Teachers’ Retirement System of the State of Illinois, Tennessee Consolidated Retirement System, Texas Municipal Retirement System, and Utah State Retirement System (URS).



The District of Columbia Retirement Board (DCRB)



Last Revision: 05.15.2018

Board Meeting - Additional Materials

DC RETIREMENT BOARD Conference Listing As of May 17, 2018					
Sponsor	Name of Conference	Date	Location	Cost	Description
International Foundation of Employee Benefit Plans	IFEBP's Washington Legislative Update	May 21-22, 2018	Washington, DC	Registration \$1,525	Access a direct pipeline to what's happening on the Hill and in key agencies. Prepare for the future and learn how your plans may be impacted by the new administration as well as recently enacted and proposed legislation and regulations. Network with peers facing similar challenges and take away creative ideas and solutions that work. The content of this program is designed for trustees, administrators and plan professionals in the following areas: •Those whose roles require a keen knowledge of legislative and governmental activity; •Employee benefit representatives who are responsible for strategic change; and •Others serving multiemployer, single employer and public sector benefit plans.
	IFEBP's Certificate of Achievement in Public Plan Policy (CAPPP) Part I and II	June 12-15, 2018	Chicago, IL	Registration \$2,850	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.
	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. Learn the latest information about benefits, network with peers developing ideas and workable solutions to implement.
	64th Annual Employee Benefits Conference	October 14-17, 2018	New Orleans, LA	Registration thru 09/04/2018 \$1,565	Providing 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.
Mid-Atlantic Plan Sponsors	MAPS 2018 Annual Trustee Education Conference	June 5-7, 2018	Baltimore, MD	Registration \$100	Mid-Atlantic Plan Sponsors is a non-profit eleven-state organization dedicated to trustee education of the highest quality. The annual trustee education conference provides its members-public pension trustees, administrators, and service providers--opportunities to exchange ideas and information to enhance professional development.
National Association of State Retirement Administrators	2018 NASRA Annual Conference	August 4-8, 2018	San Diego, CA	Registration thru 06/03/2018 \$1,100 and after \$1,200	The 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	Topics to be covered: 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.

Board Meeting - Additional Materials

DISTRICT OF COLUMBIA RETIREMENT BOARD
Training & Travel Report
As of May 17, 2018

Name	Description	Sponsor/Vendor		Dates	
			Location	From	To
Trustees					
Mary Collins	Conference	National Conference on Public Employee Retirement Systems (NCPERS) 2018 Annual Conference & Exhibition	New York, NY	05/13/18	05/16/18
Edward Smith	Conference	NCPERS 2018 Annual Conference & Exhibition	New York, NY	05/13/18	05/16/18
Staff					
Michaela Burnett	Conference	Public Retirement Information Systems Management (PRISM) 2018 Annual Conference	San Diego, CA	04/22/18	04/25/18
Sheila Morgan-Johnson	Meeting and Due Diligence	Homestead Capital, TCV, Divco West, Pantheon Ventures, and Vector Capital Due Diligence	San Francisco, CA	04/30/18	05/02/18
Patrick Sahn	Meeting and Due Diligence	Homestead Capital, TCV, Divco West, Pantheon Ventures, and Vector Capital Due Diligence	San Francisco, CA	04/30/18	05/02/18
Erie Sampson	Education	NCPERS 2018 Accredited Fiduciary Program	New York, NY	05/12/18	05/13/18
Anthony Shelborne	Conference	Government Finance Officers Association (GFOA) 112th Annual Conference	St. Louis, MO	05/07/18	05/09/18
Kimberly Woods	Meeting	ONCAP and ONEX Partners Meeting	Chicago, IL	04/24/18	04/25/18
Michael Xanthopoulos	Conference	General Atlanta Investor Summit	New York, NY	04/25/18	04/25/18