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EXECUTIVE DIRECTOR REPORT
November 19, 2015

Activities	Updates
Fall 2015 DCRB Newsletter	The fall 2015 DCRB newsletter (copy attached) is scheduled to be mailed to participants (actives and retirees, plus survivors) during the week of November 16. As in the past, articles in this edition cover year-end activities (e.g., tax information, open enrollment, and any changes in the health care programs), fiscal year-end investment results, and an update on technology projects. This edition also contains information related to recent changes in Medicare Part B premiums, Medicare sign-up rules, and a tribute to former trustee, George Suter.
2016 Medicare Part B Premium and Deductible Changes	As noted at length in the attached fall DCRB newsletter, in any year in which Social Security recipients do not receive a COLA, a "hold harmless" provision in the Social Security Act shields them from an increase in Medicare Part B premiums. This provision, however, does not apply to those who: 1) do not have their Part B premiums deducted from their Social Security payments, 2) are not eligible to receive Social Security payments, 3) are higher-income recipients, and 4) will be new Medicare enrollees during 2016. The budget agreement reached by Congress and the White House on October 28 held the Part B premium increase to 17% rather than the 52% that would have occurred otherwise and reduced the increase in the Part B deductible to $20 from $76.
TOP Program Meeting Results	Following our meeting with Treasury's Bureau of the Fiscal Service (BFS) in August, BFS advised that they would review ODCP's request to exempt District benefit payments from the TOP Program offset requirements. We have not yet received a response from BFS regarding the result of that review.
ICMA Becomes Administrator of the DC 401(a) and 457(b) Plans	With the District's 401(a) Retirement Plan and 457(b) Deferred Compensation Plan successfully transitioned to ICMA, the administrator, the District, and DCRB are reviewing and finalizing proposed fund and expense changes for DCRB's Supplemental Retirement Plan. DCRB anticipates completing this process in January or February 2016.
Staffing	Currently, DCRB is recruiting qualified candidates for the following vacancies: Quality, Compliance and Projects Analyst (Benefits); Sr. Financial Management and Budget Analyst (Finance); and Operations Manager (IT).
Recent Retirement-Related Articles and Other Materials (attached)	*"Milliman 2014 Public Pension Funding Study,"* Milliman, Inc., Rebecca A. Sielman, 2015. *"Public Pension Funds Roll Back Return Targets,"* Wall Street Journal, Timothy W. Martin, September 4, 2015.

A Publication of the District of Columbia Retirement Board for Active and Retired Police Officers, Firefighters and Teachers

DCRBReport

FALL 2015

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The District of Columbia Retirement Board's mission is to prudently invest the assets of the Police Officers, Firefighters, and Teachers of the District of Columbia, while providing those employees with total retirement services.

CHAIRMAN'S CORNER

From the Chairman of the Board

Joseph M. Bress

As we near the close of another year, I would like to reflect on the changes that 2015 has brought to the District of Columbia Retirement Board (the "Board" or "DCRB"). I am pleased to advise you that DCRB has completed a recovery of historical employee/participant data and a review of potential pension information systems. This work was preliminary to our issuing a Request for Proposal ("RFP") to establish our own pension information management system. This system will result in improved services to all members. Sadly, this year, DCRB lost a long-serving trustee and good friend, George R. Suter, Jr.

2015 Investment Results

During the fiscal year ended September 30, 2015, DCRB saw a decrease in the total market value and on the returns on the assets of the D.C. Police Officers and Firefighters' Retirement Fund and the D.C. Teachers' Retirement Fund (collectively referred to as the "Fund"). Investments for pension funds generally were negatively affected by the downturn over the last fiscal year. As of September 30, 2015, the Fund's total assets stood at $6.13 billion after the payment of all benefits and administrative expenses, which is a decrease of approximately $200 million compared with September 30, 2014. The Fund generated a gross return of -3.9%, underperforming the Policy Benchmark by 1.5%. However, since its inception in October 1982, the Fund has achieved an annualized average rate of return of 8.7%, surpassing the actuarial investment return target of 6.5%. Despite the negative investment performance for fiscal year 2015, I am pleased to announce that, together, the Plans continue to be fully funded.

Update on Technology Projects

The Data Reclamation Project, which began during calendar year 2013, was completed in 2015. That project involved reviewing and reclaiming historical service and earnings data for approximately 4,500 active Plan participants. The cleaned and reclaimed data will form the foundation of information which will be used by DCRB in the future to provide members with annual benefits statements and to calculate benefits when members retire. Earlier this year, DCRB issued a Request for Information ("RFI") to technology firms asking for input regarding the scope, cost, and effort needed to install a new pension information management system. Information gleaned from responses to that RFI has been presented to the Board. An RFP to begin the process of implementing a new system will be released shortly.

The Board Says Good-Bye to a Long-Serving Former Trustee

It is with great sadness that DCRB acknowledges the passing on June 22, 2015, of former DCRB trustee, George R. Suter, Jr. Mr. Suter served on the Board with distinction as the elected retired police officer trustee from 1997 until he resigned in June 2013 due to ill health. During his tenure on the Board, Mr. Suter served as Chair of the Benefits Committee from 1999 through 2007, and again from 2009 until he left the Board in 2013. Mr. Suter served with the DC Metropolitan Police Department from April 1, 1952, until his retirement on October 1, 1977. He was an Inspector and Director of the Police/Fire Clinic at the time of his retirement.

Information Especially For Retirees

Calendar Year 2015 Tax Information

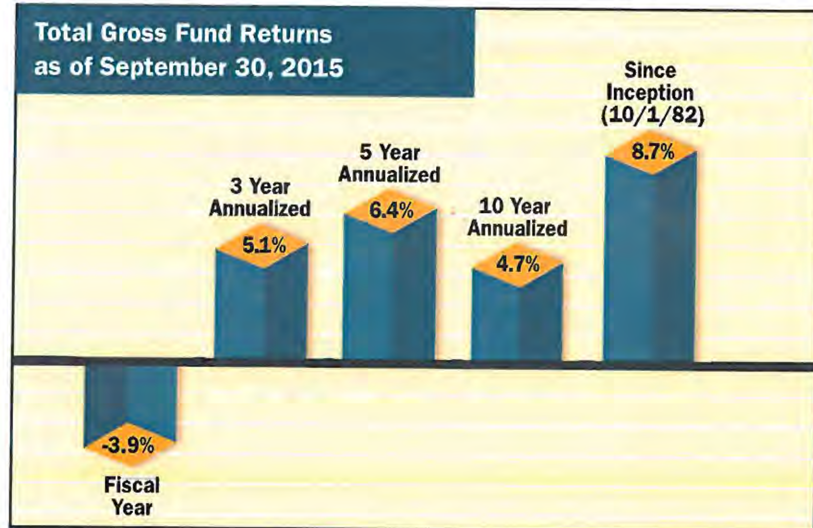
Retirees and survivors who received taxable pension income from the District of Columbia Police Officers and Firefighters' Retirement Plan and the District of Columbia Teachers' Retirement Plan during tax year 2015 will receive tax form 1099-R at the end of January 2016, from the U.S. Treasury Department's Bureau of the Fiscal Service. Most annuitants will receive only one 1099-R form. However, those of you who are both a retiree and a survivor will receive more than one. All 1099-R forms that you receive should be filed with your 2015 tax return.

Check Your Tax Withholding Amounts

This time of year is an excellent time to check your earnings statement to assure that the amount of taxes being withheld from your benefit payment will be enough to cover your tax obligations for the 2015 tax year. Since you may be receiving retirement income from multiple sources, you may choose to have no Federal taxes withheld. On the other hand, if you are withholding amounts for your taxes and you find that the withholding is not sufficient, you may change your withholding amount. In any event, changing your withholding does not affect the amount of taxes you are required to pay. Retirees who want to update their withholding amount should complete a Form W-4P and send it to DCRB's Member Services Center (MSC) at the address listed on page 5. Blank forms can be requested from the MSC, or you can print one from the DCRB website at **www.dcrb.dc.gov** (under Forms for Members, then Tax Forms) or the IRS web site at **www.irs.gov**. Active District employees who wish to make withholding changes need to file a Form W-4 through their PeopleSoft Employee Self-Service account.

Change of Address or Direct Deposit Account

If you moved to another residence during the year or you plan to do so between now and January, you should provide the DCRB Member Services Center (MSC) with your new address (and bank change information, if applicable) as soon as possible. That updated information will assure that you receive your benefit payments and tax information promptly. You can reach the MSC by calling (202) 343-3272 or toll free at 1-866-456-3272, if you live outside of the Washington Metropolitan area. You can also receive forms for making address or direct deposit changes by accessing DCRB's web site at **www.dcrb.dc.gov** and printing out the form(s) you need (under the headings indicated earlier). The completed forms should be mailed to the MSC at the address listed on page 5.



2015 Retired Firefighter Representative Election

In mid-August, DCRB began to prepare for the election of a retired firefighter representative to serve as a Trustee on the Board. That process officially started with our mailing the Nomination of Candidate form on September 4 followed by the distribution of ballots on October 19 to all retired firefighters who are eligible to vote in the election. Please note that the deadline for the submission of either paper or telephone ballots is November 16. Election results will be certified by the Board on November 19 and published in the DC Register on December 4, 2015. The candidate who wins the election will begin his/her term on the Board on January 28, 2016.

For more information on DCRB's Board of Trustees, including election information, Trustee biographies, Board meeting minutes, and Board rules, please visit DCRB's website at **www.dcrb.dc.gov**.

Health Care Open Season

The District of Columbia Office of Human Resources (DCHR) and the Federal Government's Office of Personnel Management (OPM) have announced that their respective health care open enrollment periods will take place between Monday, November 9 and Monday, December 14. During that period, members of the District of Columbia Police Officers and Firefighters' Retirement Plan and the District of Columbia Teachers' Retirement Plan, who are eligible to participate in the health plans available to District and Federal employees and retirees, will have an opportunity to change their health plans.

Packets containing information about the plans and the dates of health fairs that are scheduled to take place during the open enrollment period were mailed to eligible members in early November. For more information on District and Federal health care plans and open season enrollment, please see the "Open Enrollment and Open Season" page on DCRB's website, linked through our homepage at **www.dcrb.dc.gov**. There, you will find information about the plans offered and premiums charged, as well as dates and locations of health fairs that DCHR will host during the Open Enrollment period (also see page 5 of this newsletter).

As in past years, the OPM website has a feature that allows eligible participants to enter their ZIP Code, and it will identify health plans that have facilities close to where they live. The program also lets participants select several health plans that interest them, and then it illustrates the plans in a comparison chart of provisions, costs, and premiums. The website, **www.opm.gov** (under "Insurance," then "Compare Plans") also lists premiums for 2016 and a fact sheet summarizing changes for next year.

Active District employees should submit any changes they wish to make online via their PeopleSoft Employee Self-Service account. Your Human Resources office can assist you with any questions you may have. Police/Fire and Teachers' Plan retirees and survivors who have health care coverage through District or Federal programs should forward their completed change forms to the DCRB Member Services Center at the address on page 5 of this newsletter. The cut-off date for changes is close of business on December 14, 2015.

Federal Employees' Health Benefits Program Self Plus One Coverage

The Federal Employees' Health Benefits (FEHB) Program will begin offering a Self Plus One coverage type beginning next year. The first opportunity to enroll in this benefit category will be during the Federal Open Season period, from November 9 to December 14, 2015. Any changes become effective on January 1, 2016.

Self Plus One coverage allows you to cover yourself and one eligible family member that you designate to be covered. That family member can be your spouse or an eligible child up to age 26. Children age 26 or older can qualify if they are incapable of self-support due to a physical or mental disability that existed prior to age 26. Unlike the District Government, the Federal Government does not recognize domestic partners, so they cannot qualify as family members for this new coverage type.

Additional information on the new Self Plus One coverage option can be accessed on **www.opm.gov**, under the "Insurance" page, then "Changes in Health Care Coverage."

Important Information About Medicare Part B

On October 15, 2015, the Social Security Administration announced that as a result of lower consumer prices during the past year, there will be no automatic cost-of-living adjustment (COLA) for Social Security recipients in 2016. This has occurred only twice before, in 2010 and 2011, since COLAs were first introduced 40 years ago.

Because the District's police officers, firefighters and teachers do not participate in Social Security, you might feel that the lack of a COLA for Social Security next year is not of concern to you. However, that may not be the case, since you do participate in Medicare, and you may be impacted.

Although there is no Social Security COLA in 2016, there are premium increases to Medicare Part B in 2016. The Social Security Act's "hold harmless" clause protects many Social Security recipients from Medicare increases when there is no Social Security COLA. For those recipients who are enrolled in both Social Security and Medi care Part B, and who have their Part B premiums deducted from their Social Security benefits, for any year in which there is no Social Security COLA, there will also be no increase in the Part B premium. This is not the case for everyone.

This special "hold harmless" clause does not apply to:

- Social Security recipients who do not have their Medicare Part B premiums deducted from their monthly Social Security payments (or who are not eligible to receive Social Security payments).
- Higher-income Medicare recipients.
- New beneficiaries who enroll in Medicare Part B for the first time in 2016.

For those not protected by the "hold harmless" clause, the standard Part B monthly premium was scheduled to increase from $104.90 to $159.30 per month, approximately 52%. In addition, all beneficiaries would see their Part B annual deductible for outpatient care increase by $76 in 2016.

On October 28, 2015, Congressional leaders and the White House reached a budget agreement that will reduce the Part B increase from 52% to 17%. Under the agreement, Medcare Part B premiums for those who are not covered by the "hold harmless" clause will increase from the current $104.90 per month to $120.00 per month and the deductible is estimated to increase about $20 per month, rather than $76. In addition, a $3 surcharge will be added that will continue for five years to cover the cost of the reduction.

Federal Employees' Group Life Insurance Program Premium Changes and Open Season

Premium Changes

The Federal Office of Personnel Management (OPM) has announced premium changes for the Federal Employees' Group Life Insurance (FEGLI) Program, effective January 1, 2016. Most premium rates for Options A, B and C will decrease, although older age bands of Options B and C will increase. Premium rates for Post-Retirement Basic Insurance with 50% Reduction and No Reduction will increase. There will be no changes in the premium rates for Basic Insurance for active employees. A notice, including the premium changes, was published in the Federal Register on August 7, 2015, and can be accessed at: **https://www.federalregister.gov/articles/2015/08/07/2015-19398/federal-employees-group-life-insurance-program-premium-changes-and-open-season**.

OPM will post the new premiums on its website, **www.opm.gov**, when they become effective in 2016.

Open Season

At the same time that it indicated the impending changes in FEGLI premiums, OPM also announced that there will be a FEGLI Open Season during the month of September 2016. Although eligible active employees may elect to increase their life insurance during a FEGLI Open Season, annuitants can never do so. Under FEGLI laws and regulations, the effective date for changes to FEGLI coverage under an Open Season election will be delayed one full year to the beginning of the first full pay period on or after October 1, 2017. Since this FEGLI Open Season is still a year away, we will provide you with additional information in our spring 2016 newsletter.

Our Member Services Center Can Help You

If you are an active member, please call your Human Resources office to inquire about services, such as: changing your beneficiary information, changing or correcting payroll information, and updating your address.

- **Electronic Funds Transfer (EFT):** New annuitants must use EFT to receive annuity payments. For an enrollment for Electronic Funds Transfer Authorization, please visit the DCRB website at **www.dcrb.dc.gov**. You may also contact the Member Services Center to request an enrollment form or ask any questions you may have.
- **Beneficiary Updates:** It is important that you ensure that your beneficiary information is current, especially if you have divorced. To update your beneficiary information related to your pension benefits, you can print out forms from the DCRB website (address indicated above) or you may contact the Member Services Center.
- **Life Event Changes:** Changes in your status may have an effect on your pension benefits or those of your family members. If you get married, divorced, become widowed, or if you have a change in your child student status, you should report such events to DCRB.

Information on our website can also answer many of your questions. Visit us at **www.dcrb.dc.gov** and click on the "Retirement" tab to view and print useful forms, view the Summary Plan Descriptions (SPDs), and read helpful brochures regarding special topics. Also, for your information and convenience, there is a retirement calculator and a glossary of benefits terms.

DCRB Member Services Center

900 7th Street, NW, Second Floor, Washington, DC 20001• (202) 343-3272
Toll free: (866) 456-3272 • TTY (800) 877-8339 • Fax: (202) 566-5001 • Email: dcrb.benefits@dc.gov

Open Enrollment Fairs

During this year's Open Enrollment period (from November 9, 2015 through December 14, 2015), the District of Columbia Office of Human Resources (DCHR) will be hosting nine benefits fairs at different locations throughout the District. These fairs will provide eligible active and retired participants with an opportunity to meet one-on-one with Human Resources specialists and benefits providers for assistance with questions and to learn more about any changes that will be occurring next year. The dates, times, and locations of the fairs are as follows:

Date	Time	Location
November 9 (Monday)	10:00 a.m. to 3:00 p.m.	One Judiciary Square, 441 4th Street, NW
November 14 (Saturday)	9:00 a.m. to 12:00 noon	DC Public Schools Central Office, 1200 First Street, NE
November 17 (Tuesday)	10:00 a.m. to 3:00 p.m.	DC Housing Authority, 1133 N. Capitol Street, NE
November 18 (Wednesday)	10:00 a.m. to 3:00 p.m.	Office of the Chief Financial Officer, 1101 4th Street, SW
November 19 (Thursday)	10:00 a.m. to 3:00 p.m.	Saint Elizabeth's Hospital, 1100 Alabama Avenue, SE
December 1 (Tuesday)	10:00 a.m. to 3:00 p.m.	Frank D. Reeves Center, 2000 14th Street, NW
December 2 (Wednesday)	10:00 a.m. to 3:00 p.m.	John A. Wilson Building, 1350 Pennsylvania Avenue, NW
December 3 (Thursday)	10:00 a.m. to 3:00 p.m.	Child & Family Services Agency, 200 I Street, SE
December 9 (Wednesday)	4:00 p.m. to 7:00 p.m.	DC Public Schools Central Office, 1200 First Street, NE

Note: Two additional fairs that are only for Police/Fire and Teachers' Plan annuitants will be held at DCRB's offices at 900 7th Street, NW, on November 13 and December 7 from 10 a.m. to 3 p.m. There, you will be able to speak with DCRB and DCHR benefits specialists regarding questions you may have about the District or Federal plans. Since there is limited seating, please call the DCRB Member Services Center to register. Also, DCRB will have benefits specialists available at the DCHR fairs on November 9, November 14, and December 1 to assist retirees with participation and enrollment.

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Inside this DCRB Report

District and Federal Health Care and Open Season Enrollment, Trustee Election, and Year End Information

An Important Tip about Medicare Sign-up

If you are under age 65 and either retired or otherwise not working when you reach Medicare eligibility age, the U.S. Department of Health and Human Services (HHS), the federal agency that administers Medicare, will not contact you to let you know that you need to enroll. Unlike the application process for Social Security, you will need to contact HHS. You can do so by accessing **www.medicare.gov** to sign up online, or you can call 1-800-MEDICARE.

The initial Medicare enrollment period begins three months before your 65th birthday, includes the month you turn 65, and ends three months after you turn 65. If you do not enroll during that seven-month period you will incur a late enrollment penalty of 10% for each 12-month period that you were not enrolled and that amount will apply toward your premiums for as along as you are enrolled in Part B.

If you continue to work past age 65, and you are covered under a group health plan with your employer, you have a special enrollment period to sign up for Part A and/or Part B that starts the month after your employment ends and continues for eight (8) months. You will not incur a penalty as long as you enroll during that period.

Useful Contacts

D.C. Public Schools Human Resources Office **(202) 442-4090**
dcps.hranswers@dc.gov

Metropolitan Police Department Human Resources Office
(202) 727-4261

Department of Fire and Emergency Medical Services Human Resources Office **(202) 673-7580**

Police and Fire Retirement and Relief Board **(202) 442-9622**

Office of Personnel Management (OPM) **(202) 606-1800**
Toll Free (724) 794-2005*
http://www.opm.gov

Social Security Administration
(800) 772-1213
http://www.ssa.gov

*for health and life insurance issues

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Elected Active
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Editor

Milliman 2014 Public Pension Funding Study

Funded ratios using the market value of assets rose modestly, but remain near 70% despite several strong years of post-2009 investment returns

Average investment return assumptions reported by sponsors remained fairly level and are moderately higher than current long-term market return expectations

The sensitivity of actuarially determined contribution rates to investment volatility continues to increase

Rebecca A. Sielman, FSA, MAAA, EA

INTRODUCTION

The Milliman Public Pension Funding Study annually explores the funded status of the 100 largest U.S. public pension plans. We collect key sponsor-reported information about each plan's assets, accrued liabilities, investment return assumptions, and asset allocations. We then determine an independent investment return assumption for each plan based on its unique asset allocation and Milliman's current capital market assumptions. That independently determined investment return assumption is used to recalibrate each plan's accrued liability. This process enables an independent assessment of plans' investment return assumptions relative to the reported returns that sponsors expect to earn on their investments. This study employs a version of the budgeting methodology used by sponsors to fund their plans over a long time horizon as a going concern. This differs from near-term settlement calculation methodologies, often referred to as "risk-free rate" methods, that have been used in some academic studies of the health of public pension plans.

Funded ratios using the market value of assets increased modestly in the Milliman 2014 Public Pension Funding Study relative to the 2013 study, largely reflecting strong asset growth. This study generally is based on valuation information from July 1, 2013, or later.

The 12-month period from July 2012 to July 2013 saw very strong investment results for most pension plans, with market rates of return well into the upper teens.

The larger plans in the study tend to be better funded than the smaller plans in the study. The best funded plans, those in the top quartile of plans as measured by the sponsor-reported funded ratio, account for 34% of the aggregate sponsor-reported accrued liabilities, whereas the worst funded plans, those in the bottom quartile, account for only 18% of the aggregate sponsor-reported accrued liabilities.

This year's study found that the gap between the recalibrated accrued liability and the sponsor-reported accrued liability widened, from 2.6% in the Milliman 2013 Public Pension Funding Study to 3.8% in 2014. This widening gap in liability mirrors a corresponding widening between the investment return assumptions reported by the plans in the study relative to our independently determined investment return assumptions. While 13 of the 100 plans in the study have lowered their reported investment return assumptions since the Milliman 2013 Public Pension Funding Study, most plans in the study have left their investment return assumptions unchanged. The median investment return assumption reported

FIGURE 1: MILLIMAN 100, AGGREGATE FUNDED STATUS ($ TRILLIONS)

	2012		2013		2014	
	SPONSOR REPORTED	RECALIBRATED FIGURES	SPONSOR REPORTED	RECALIBRATED FIGURES	SPONSOR REPORTED	RECALIBRATED FIGURES
Investment return assumption						
Median	8.00%	7.65%	7.75%	7.47%	7.75%	7.34%
Liability-weighted	7.80%	7.55%	7.67%	7.44%	7.65%	7.32%
Accrued liability	$3.60	$3.71	$3.77	$3.86	$3.88	$4.03
Plan assets						
Market value	$2.51	$2.51	$2.58	$2.58	$2.75	$2.75
Actuarial value	$2.71	$2.71	$2.73	$2.73	$2.80	$2.80
Funded ratio						
Market assets	69.8%	67.8%	68.5%	66.8%	70.7%	68.2%
Actuarial assets	75.1%	73.0%	72.4%	70.6%	72.1%	69.4%
Unfunded accrued liability						
Market assets	$1.09	$1.20	$1.19	$1.28	$1.13	$1.28
Actuarial assets	$0.89	$1.00	$1.04	$1.13	$1.08	$1.23

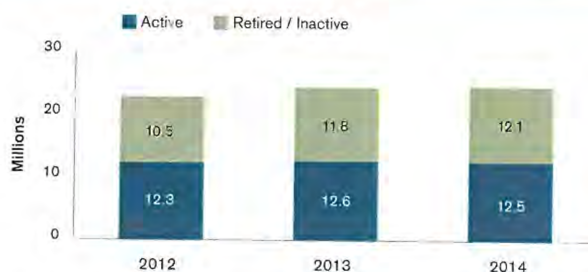
by the plans decreased from 8.00% in the 2012 study to 7.75% in the 2013 study, and it remains at 7.75% in the 2014 study. Meanwhile, Milliman sees market consensus views on long-term future investment returns continuing to decline. Reflecting this trend, our study's median independently determined investment return assumption decreased from 7.65% in the 2012 study to 7.47% in the 2013 study and to 7.34% in the 2014 study. In aggregate, this suggests that for many plans that have not recently lowered their reported assumptions, some decrease in the investment return assumption may be appropriate. Plans should continue to monitor emerging market return expectations and adjust their assumptions as needed, to ensure that liabilities are calculated using assumptions that are based on best estimate expectations from investment professionals. Note that lower investment return assumptions cause accrued liabilities to increase and therefore cause funded ratios to fall.

Plans report on the size of their assets in two ways: *market value*, which is well understood; and *actuarial value*, which reflects asset-smoothing techniques that are used to dampen year-to-year contribution fluctuations. While there are a multitude of asset-smoothing techniques in use, generally speaking they offset investment gains/losses from a particular year with investment gains/losses from a nearby year. This process means that actuarial values tend to lag changes in the market and can deviate from market value substantially when there are large market movements. The 100 plans in this study reported assets totaling $2.75 trillion on a market value basis and $2.80 trillion on an actuarial value basis. By comparison, reported assets in the Milliman 2013 Public Pension Funding Study stood at $2.58 trillion on a market value basis and $2.73 trillion on an actuarial value basis. For most plans, the large market losses suffered during the financial crisis resulted in actuarial values that temporarily were far higher than market values for several years after the crisis; the generally favorable market returns since 2009 have allowed market values to gradually catch up to, and in some cases exceed, actuarial values.

LIABILITIES

The plans reported aggregate accrued liabilities of $3.88 trillion for the nearly 25 million members covered by the plans in the study. This total breaks down into $1.61 trillion for the 12.5 million plan members who are still working plus $2.27 trillion for the 12.1 million plan members who are retired and receiving benefits or who have stopped working but have not yet started collecting their pensions. Over the past three years the number of active members has been fairly stable while the number of retired and inactive members has climbed steadily, as illustrated in Figure 2.

FIGURE 2: NUMBER OF PLAN MEMBERS



The aggregate sponsor-reported accrued liabilities follow a similar pattern over time, with virtually no change in the accrued liability for active members but continued growth in the accrued liability for retired and inactive members (see Figure 3).

FIGURE 3: SPONSOR-REPORTED ACTUARIAL ACCRUED LIABILITY

On average, active members have a sponsor-reported accrued liability of $129,000 per person and retired and inactive members have a sponsor-reported accrued liability of $187,000 per person. In aggregate, the plans currently have assets sufficient to cover 100% of the sponsor-reported accrued liability for retirees and inactive members, but beyond that current assets would cover only 29% of the liability for active members.

METHODOLOGY

This study is based on the most recently available Comprehensive Annual Financial Reports and actuarial valuation reports, which reflect valuation dates ranging from June 30, 2011, to January 1, 2014; about two-thirds are from June 30, 2013, or later. For the purposes of this study, the reported asset allocation of each of the included plans has been analyzed to determine an independent measure of the expected long-term median rate of return on plan assets. The sponsor-reported accrued liability for each plan has then been recalibrated to reflect this independently determined investment return assumption. This study therefore adjusts for differences between each plan's reported assumed real rate of investment return and an independently calibrated current market assessment of the expected real return based on actual asset allocations. This study is not intended to price the plans' liabilities for accounting or near-term plan settlement purposes or to analyze the funding of individual plans.

CAPITAL MARKET ASSUMPTIONS

Milliman's opinion is that the market's consensus views on long-term future investment returns have declined over the past year, continuing a persistent trend since the turn of the century. Figure 4 (on page 4) illustrates this trend by showing the expected long-term future return for a hypothetical asset allocation, based on Milliman's capital market assumptions for each year since 2000. Over this period, expected real returns on equity investments have fallen by about 220 basis points, while expected real returns on fixed-income investments have fallen by about 190 basis points; overall, the median expected investment return for the illustrated hypothetical asset allocation has fallen from 8.29% in 2000 to 6.28% in 2013. In response to the market consensus, many pension plan sponsors have been shifting their investment return assumptions downward, in some cases via a single significant reduction but more commonly through a series of smaller reductions. Where assumptions of 8.5% were once commonplace, over half of the plans in the study now have assumptions of 7.75% or below. Lower investment return assumptions cause calculated accrued liabilities to increase. For many public pension plans, a 100-basis-point reduction in the investment return assumption causes a 12% to 13% increase in the accrued liability, which in turn causes a reduction in the funded ratio and an increase in the actuarially determined contribution. If market outlooks remain at current levels or continue to decline, it is likely that many plans will consider additional reductions in their investment return assumptions.

NEW ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) has issued new accounting standards (Statements No. 67 and 68) that significantly change the financial reporting requirements for U.S. public pension plans, effective beginning in 2014. Among other changes, these standards require all plans to report a standardized measure of actuarial accrued liability, referred to as the *total pension liability*. The total pension liability must be calculated using a uniform actuarial cost method (the individual entry age normal cost method) that can differ from the actuarial cost method the plan uses to determine contribution amounts, and it must be calculated using a discount rate that under certain circumstances may be lower than the investment return assumption used for funding purposes. Additionally, each plan is required to disclose how sensitive the total pension liability is to changes in the discount rate.

The new GASB standards will not have an impact on the investment return assumptions used for funding purposes, which are the focus of the Milliman Public Pension Funding Study. However, they will enable us to refine the methodology used in this study's recalibration of sponsor-reported funding liabilities. Currently, the liability recalibration factors for each plan in this study are determined based on each plan's similarity to other plans for which precise liability duration and convexity are known (see this report's technical appendix for details). The new GASB sensitivity disclosures will provide plan-specific liability duration information, which we will incorporate into this study as the information becomes available for each plan. We anticipate that the sensitivity information will be available for many plans beginning with our next (2015) study, and for all plans by the following (2016) study.

NEW ACTUARIAL STANDARD OF PRACTICE FOR SETTING ECONOMIC ASSUMPTIONS

The Actuarial Standards Board of the American Academy of Actuaries establishes professional standards of practice for U.S. actuaries. These Actuarial Standards of Practice (ASOPs) identify what the actuary should consider, document, and disclose when performing an actuarial assignment. ASOP 27 governs the selection of economic assumptions that are used for measuring pension obligations, including investment returns, salary growth, inflation, and so forth. ASOP 27 has recently been revised, with the new version taking effect for actuarial valuation dates on or after September 30, 2014.

The prior version of ASOP 27 called for the actuary to construct a *best estimate range* for each assumption and then recommend a specific point within the range. The best estimate range was defined as "...the narrowest range within which the actuary reasonably anticipates that the actual results, compounded over the measurement period, are more likely than not to fall." (Prior version of ASOP 27, § 2.1.)

The revised version of ASOP 27 no longer includes the concept of a best estimate range. Instead, it calls for the actuary to select a single *reasonable* assumption. An assumption is considered reasonable in this context if it has no significant bias, i.e., it is neither significantly optimistic nor pessimistic. The revised edition goes on to describe a *range of reasonable assumptions*. It states, "The actuary should also recognize that different actuaries will apply different professional judgment and may choose different reasonable assumptions. As a result, a range of reasonable assumptions may develop both for an individual actuary and across actuarial practice." (Revised version of ASOP 27, § 3.6.2.)

The past decade has seen a gradual reduction in the capital market assumptions used by both actuarial firms and investment consultants (see Figure 4). There has been an accompanying trend toward lower sponsor-selected investment return assumptions. It is possible that the revised version of ASOP 27 may accelerate this trend toward lower reported investment return assumptions, as actuaries incorporate the revised guidance into their recommendations to plan sponsors. We will continue to monitor this situation.

FIGURE 4: EXPECTED RETURN FOR A HYPOTHETICAL ASSET ALLOCATION BASED ON MILLIMAN'S CAPITAL MARKET ASSUMPTIONS

Note: Hypothetical asset allocation consists of 35% broad U.S. equities, 15% developed foreign equities, 25% core fixed income, 5% high-yield bonds, 10% mortgages, 5% real estate, and 5% short-term investments; inflation assumption is fixed at 2.5% for all years.

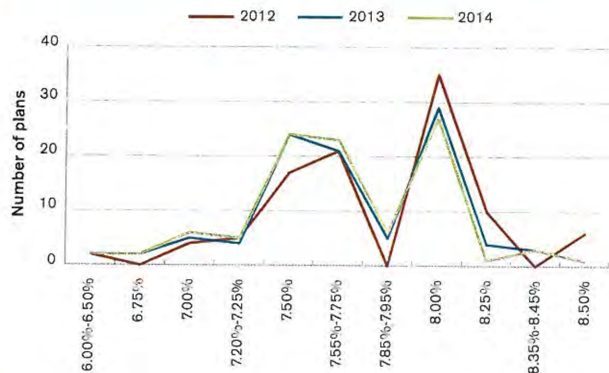
SELECTION OF THE INVESTMENT RETURN ASSUMPTION

There are three sources of money to pay for public pension benefits: payroll deductions from active members, contributions from plan sponsors, and investment income generated by plan assets. When actuaries advise plan sponsors on contribution policy, they look to investment professionals for estimates of what level of future investment income a given plan's assets are expected to earn on average over the long term. Different types of investments carry different long-term expectations for investment earnings, so return assumptions vary for each of the different asset classes. Collectively, these return assumptions, along with the associated variances and coefficients of correlation with other asset classes, are known as *capital market assumptions*. The actuary takes into account each plan's allocation of investments across the different asset classes and applies the capital market assumptions to arrive at the long-term expected average annual rate of return for that plan's investments. The entity that sets funding policies for the plan then selects the investment return assumption, taking into account the advice received from its actuaries and investment professionals. This investment return assumption is used to discount projected future benefit payments back to the present time so that those future payments are expressed as a net present value in today's dollars. Using this methodology to determine the plan's liabilities for funding purposes, the plan should accumulate sufficient assets to pay all benefits in full, so long as a) the plan sponsor always pays the actuarially determined contribution, b) the contribution is determined using actuarially sound methods, and c) actual future investment results are equal to the selected investment return assumption.

REPORTED INVESTMENT RETURN ASSUMPTIONS

The plans in this study reported a wide spread of investment return assumptions, with a modest shift to somewhat lower rates (see Figure 5 below). The median reported investment return assumption is 7.75%, which is unchanged from the Milliman 2013 Public Pension Funding Study. On a liability-weighted basis, which reflects the relative sizes of the plans in the study, the reported investment return assumption is 7.65%, down very slightly from 7.67% in 2013. Since the 2013 study, 13 of the plans have lowered their investment return assumptions, most by 25 to 50 basis points, while four of the plans have increased their investment return assumptions.

FIGURE 5: SPONSOR-REPORTED INVESTMENT RETURN ASSUMPTIONS



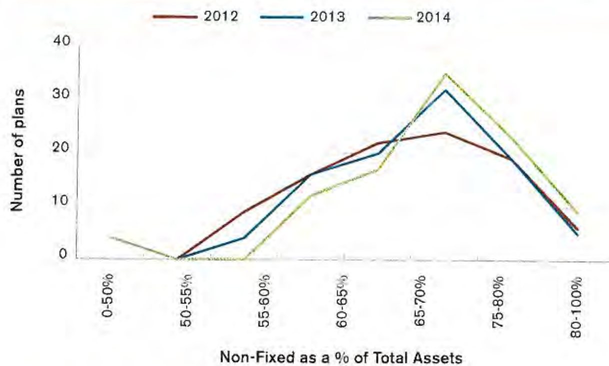
The plans included in this study are invested in a wide array of asset classes, as illustrated in Figure 6. There has been a slight shift away from fixed income and into equities, real estate, and alternative investment classes such as private equity.

FIGURE 6: ASSET ALLOCATIONS

CLASS	2012	2013	2014
Fixed income	26%	25%	24%
Cash	4%	3%	3%
Total fixed income	30%	28%	27%
Equities	51%	49%	50%
Real estate	6%	8%	8%
Private equity, etc.	13%	15%	15%
Total non-fixed income	70%	72%	73%

While the aggregate 2014 investment allocation is 73% in non-fixed-income classes and 27% in fixed income, there is considerable investment allocation variation from plan to plan. Figure 7 illustrates this variation, showing the percentage of plan assets invested in non-fixed-income asset classes.

FIGURE 7: PERCENTAGE ALLOCATION TO NON-FIXED-INCOME ASSET CLASSES



RECALIBRATING THE ACCRUED LIABILITY

Using each plan's specific asset allocation, we determined the 50th percentile 30-year geometric average annual real rate of return based on Milliman's capital market assumptions of December 31, 2013. We then applied each plan's reported inflation assumption to arrive at our independently determined investment return assumption for that plan. The median of the resulting independently determined investment return assumptions is 7.34%, which is 41 basis points lower than the 7.75% median assumption reported by the plans in 2014 and 13 basis points lower than the 7.47% median rate from the Milliman 2013 Public Pension Funding Study. Figure 8 details how the independently determined investment return assumptions compare to the investment return assumptions reported by the plans; Figure 9 illustrates changes in the independently determined rates over the past several years.

FIGURE 8: INDEPENDENTLY DETERMINED RATE VS. SPONSOR-REPORTED RATE

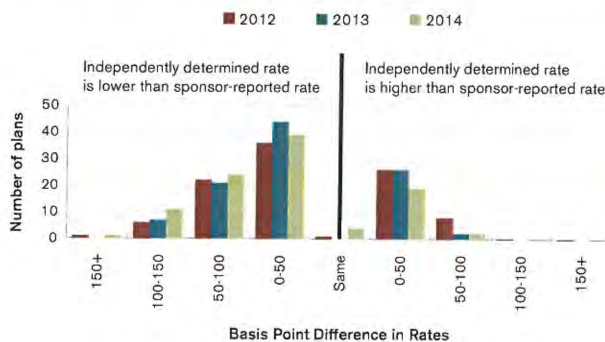
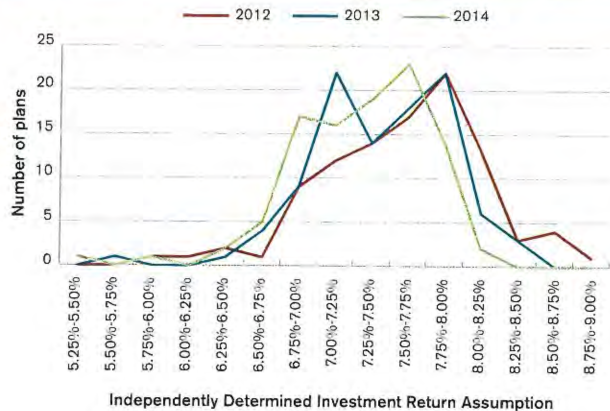


FIGURE 9: INDEPENDENTLY DETERMINED RATES OVER TIME



Note that, for 21 of the 100 plans, the independently determined investment return rate is higher than the plan's reported investment return assumption; this suggests that those plans have included a margin for conservatism in their reported investment return assumptions.

NEW MORTALITY TABLE

The Society of Actuaries (SOA) periodically publishes mortality tables for use in valuing pension liabilities. The mortality table currently in widespread use is known as the RP-2000 Mortality Table, and it is typically paired with Scale AA for projecting future mortality improvement. The data underlying RP-2000 was drawn from the mortality experience of both public and private pension plans during 1990 to 1994. In February 2014, the SOA published exposure drafts of updated tables, the RP-2014 mortality table and the MP-2014 mortality improvement scale. The SOA final report adopting these models was issued on October 27, 2014.

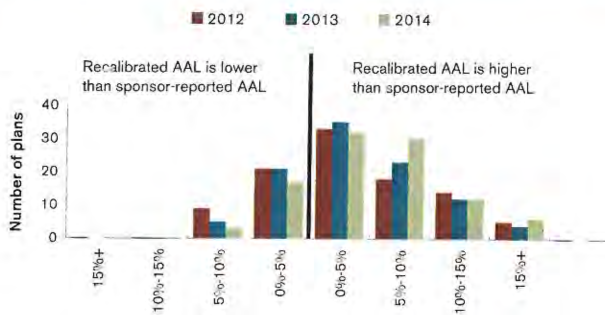
The reader should note that SOA elected to eliminate *all* of the data they had collected from public plan sponsors because it did not meet their standards as to credible data or statistical confidence intervals. However, the SOA recommends the use of the updated mortality improvement scale for *all* pension plans and the use of the updated mortality table for *private* pension plans (emphasis added). A number of actuaries have expressed reservations regarding using the 2014 tables for public plans given that no public plan data was used in creating them.

We expect that plans and their actuaries will review their mortality assumptions in light of the SOA final report. To the extent that using the new mortality tables and/or the new mortality improvement scale projects longer lifespans, accrued liabilities will increase and funded ratios will decrease. We will monitor this situation and report on the results in future studies.

RECALIBRATED ACCRUED LIABILITIES

We used each plan's independently determined investment return assumption to recalibrate the plan's actuarial accrued liabilities (AAL). In aggregate, these plans have a recalibrated accrued liability of $4.03 trillion, compared to a sponsor-reported accrued liability of $3.88 trillion, an aggregate difference of 3.9%. For most plans in the study the recalibrated accrued liability is within 10% of the sponsor-reported accrued liability, although there are an increasing number of plans where the gap has been widening from within the zero to 5% range up to the 5% to 10% range (see Figure 10).

FIGURE 10: RECALIBRATED AAL VS. SPONSOR-REPORTED AAL



PLANS WITH LOWER FUNDED RATIOS

We explored whether sponsor-reported investment return assumptions or investment allocations varied based on a plan's funded ratio. It has been suggested that plans with lower funded ratios may be more likely to use higher investment return assumptions and/or allocate a higher portion of their assets to riskier investment classes. This study found, on the contrary, a very low correlation between sponsor-reported funded ratios (actuarial value of assets ÷ reported accrued liability) and sponsor-reported investment return assumptions, as well as a low correlation between reported funded ratios and the percentage of non-fixed-income assets. This study also found that there was very little correlation between reported funded ratios and the gap between sponsor-reported investment return assumptions and our independently determined investment return assumptions.

These findings indicate that there is little correlation between funded status and the use of more aggressive investment return assumptions and/or riskier investments (see Figure 11 below).

SENSITIVITY ANALYSIS

A relatively small change in the investment return assumption can have a significant impact on the accrued liability. The magnitude of the accrued liability impact is a function of the makeup of the plan's membership: a less "mature" plan with more active members than retirees has a higher sensitivity to interest rate changes than a more mature plan with a bigger retiree population; other factors, such as automatic cost of living features, also come into play in determining a plan's sensitivity. Using an interest rate that is 100 basis points higher or lower than the independently determined investment return assumption moves the aggregate recalibrated accrued liability by 10.7% to 13.4% (see Figure 12), but can move accrued liability by as little as 9.1% for the most mature plans or by as much as 15.8% for the least mature plans.

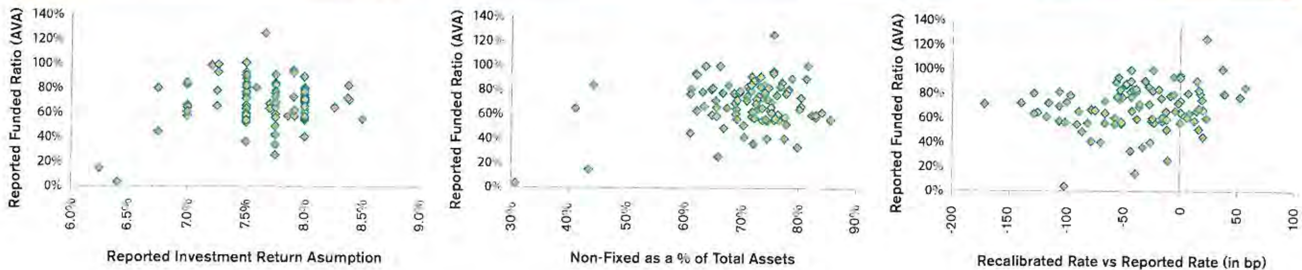
FIGURE 12: EFFECTS OF CHANGING THE INVESTMENT RETURN ASSUMPTION

	RECALIBRATED ACCRUED LIABILITY ($ TRILLIONS)		
	-100 BASIS POINTS	INDEPENDENTLY DETERMINED INVESTMENT RATE	+100 BASIS POINTS
Most mature 25 plans	$0.86 (+11.7%)	$0.77	$0.70 (-9.1%)
2nd most mature 25 plans	$1.80 (+13.2%)	$1.59	$1.42 (-10.7%)
2nd least mature 25 plans	$0.74 (+13.8%)	$0.65	$0.58 (-10.8%)
Least mature 25 plans	$1.17 (+15.8%)	$1.01	$0.90 (-10.9%)
All 100 plans in aggregate	$4.57 (+13.4%)	$4.03	$3.60 (-10.7%)

ASSET SMOOTHING

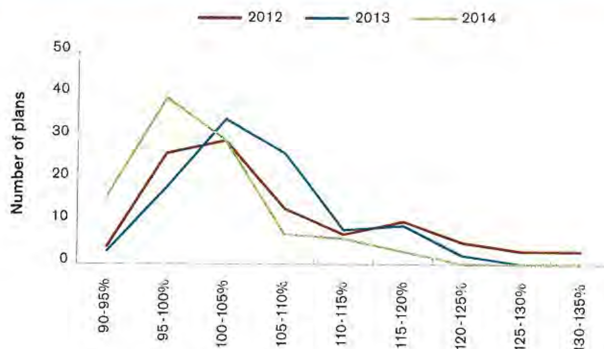
The plans reported an aggregate market value of assets of $2.75 trillion and an aggregate actuarial value of assets of $2.80 trillion, compared with $2.58 trillion and $2.73 trillion, respectively, reported in the Milliman 2013 Public Pension Funding Study. Actuarial asset values are designed to reduce year-to-year contribution volatility by systematically recognizing market gains and losses over a multiyear period, typically three to five years.

FIGURE 11: CORRELATION BETWEEN SPONSOR-REPORTED FUNDED RATIO AND OTHER FACTORS



The advantage of asset-smoothing techniques is that contribution levels are more consistent from year to year. After periods of large market losses, such as 2000 to 2002 and 2007 to 2009, actuarial asset values may be larger than market values. After periods of large market gains such as the late 1990s, the opposite is generally the case. Figure 13 shows the relationship of these two asset measures for the plans in this study.

FIGURE 13: ACTUARIAL VALUE VS. MARKET VALUE



The ratio of actuarial value to market value is a measure of the extent to which plans have experienced overall market gains or losses in the past few years. A ratio over 100% indicates more recent losses than gains (i.e., the actuarial value exceeds the market value by the amount of deferred market losses), while a ratio under 100% indicates more recent gains than losses. In both 2012 and 2013, the median ratio of actuarial value to market value was 104%. However, in 2014 the median ratio has dropped to 99%. Near-term, we expect this downward trend to likely continue because the period 2012 to 2014 has seen strong market gains and those gains will continue to systematically flow into actuarial values over the next several years.

ASSET VOLATILITY RATIO

The *asset volatility ratio* is a metric that has been garnering attention lately for its ability to help plan sponsors anticipate the impact of investment volatility on actuarially determined contribution levels. The asset volatility ratio is simply the ratio of plan assets to the payroll for active members covered by the plan. A lower ratio means that plan assets are relatively small compared with payroll; this implies that a single-year deviation in asset performance may not move the contribution rate much. A higher ratio, on the other hand, signals that a similar single-year deviation in asset performance could translate into a significant shift in the actuarially determined contribution rate.

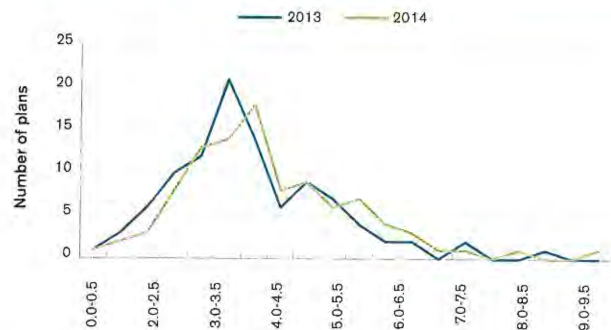
It is unsurprising that, as pension plans have accumulated assets and their member populations have matured over the past several decades, asset volatility ratios have risen. These higher ratios mean that actuarially determined contribution rates are now more sensitive than they once were to investment volatility, despite the use of asset-smoothing methods to help mitigate the impact of market movements. Figure 14 illustrates how changes in the asset volatility ratio over time can alter the relationship between investment volatility and contribution volatility.

FIGURE 14: ASSET VOLATILITY RATIO ILLUSTRATION FOR A HYPOTHETICAL PENSION PLAN

	1983	1993	2003	2013
Market value of assets	$30,000	$110,000	$260,000	$390,000
Covered payroll	20,000	40,000	70,000	80,000
Asset volatility ratio = assets ÷ payroll	1.50	2.75	3.71	4.88
Increase in contribution rate resulting from a 10% asset loss (using 15-year level dollar amortization)	1.58%	2.90%	3.91%	5.14%

The median asset volatility ratio for the plans included in this study is 4.3, up from 3.9 in the Milliman 2013 Public Pension Funding Study. Nearly a quarter of the plans have an asset volatility ratio of 5.5 or higher, indicating that their actuarially determined contributions will be more volatile in reaction to future market swings. This upward trend in asset volatility ratios is likely to continue and means that actuarially determined contribution levels will likely become increasingly sensitive to actual returns experienced by plans in the investment markets.

FIGURE 15: ASSET VOLATILITY RATIO



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SPONSOR-REPORTED DATA

			MARKET VALUE			ACTUARIAL VALUE				
PLAN NAME	VALUATION DATE	ACCRUED LIABILITY	VALUE OF ASSETS	SURPLUS / (UNFUNDED) ACCRUED LIABILITY	FUNDED RATIO	VALUE OF ASSETS	SURPLUS / (UNFUNDED) ACCRUED LIABILITY	FUNDED RATIO	COUNT OF ACTIVE MEMBERS	COUNT OF INACTIVE / RETIRED MEMBERS
Alabama Employees' Retirement System	09/30/13	14,537	10,013	4,524	68.9%	9,546	(4,991)	65.7%	84,035	71,462
Alabama Teachers' Retirement System	09/30/12	28,251	18,786	9,465	66.5%	18,786	(9,465)	66.5%	133,791	101,374
Alaska Public Employees' Retirement System	06/30/12	11,429	6,118	5,311	53.5%	6,530	(4,899)	57.1%	22,730	34,834
Arizona Public Safety Personnel Retirement System	06/30/13	10,824	5,557	5,267	51.3%	6,185	(4,639)	57.1%	18,436	13,083
Arizona State Retirement System	06/30/13	39,499	28,677	10,822	72.6%	29,734	(9,765)	75.3%	202,693	338,240
Arkansas Teacher's Retirement System	06/30/13	16,716	12,830	3,888	76.7%	12,247	(4,471)	73.3%	74,925	49,353
California Public Employees' Retirement System	06/30/12	340,429	236,800	103,629	69.6%	282,991	(57,438)	83.1%	786,586	859,576
California State Teachers' Retirement System	06/30/13	221,861	147,907	73,954	66.7%	148,614	(73,247)	67.0%	416,643	451,850
Chicago Public Schools	06/30/13	19,045	9,674	9,371	50.8%	9,423	(9,622)	49.5%	30,969	31,942
Colorado Public Employees' Retirement Association	12/31/12	61,791	39,793	21,998	64.4%	39,079	(22,712)	63.2%	196,435	119,180
Connecticut State Employees Retirement System	06/30/13	23,768	9,182	14,586	38.6%	9,785	(13,983)	41.2%	47,868	45,448
Connecticut State Teachers' Retirement System	06/30/12	24,862	13,474	11,388	54.2%	13,735	(11,127)	55.2%	49,808	46,179
Cook County Employees' Annuity and Benefit Fund	12/31/13	13,637	8,927	4,710	65.5%	8,381	(5,256)	61.5%	21,287	29,424
Delaware State Employees' Pension Plan	06/30/13	8,257	7,396	861	89.6%	7,520	(737)	91.1%	35,571	27,384
Florida State Retirement System	07/01/13	154,126	133,028	21,098	86.3%	131,681	(22,445)	85.4%	513,823	492,703
Georgia Employees' Retirement System	06/30/13	16,982	12,130	4,852	71.4%	12,130	(4,852)	71.4%	61,550	49,608
Georgia Teachers' Retirement System	06/30/12	68,349	53,487	14,862	78.3%	56,262	(12,087)	82.3%	213,675	186,138
Hawaii State Employees' Retirement System	06/30/13	21,244	12,358	8,886	58.2%	12,749	(8,495)	60.0%	66,226	49,124
Idaho Public Employee Retirement System	07/01/13	14,173	12,080	2,093	85.2%	12,054	(2,119)	85.0%	65,535	50,031
Illinois Municipal Retirement Fund	12/31/12	32,603	27,995	4,608	85.9%	27,492	(5,111)	84.3%	174,381	240,698
Illinois State Employees' Retirement System	06/30/13	34,721	12,400	22,321	35.7%	11,877	(22,844)	34.2%	61,545	89,281
Illinois State Teachers' Retirement System	06/30/13	93,887	39,859	54,028	42.5%	38,155	(55,732)	40.6%	160,692	229,108
Illinois State Universities Retirement System	06/30/13	34,373	15,037	19,336	43.7%	14,263	(20,110)	41.5%	81,302	139,425
Indiana Public Employees' Retirement Fund	06/30/13	16,146	12,721	3,425	78.8%	12,947	(3,199)	80.2%	137,987	150,511
Indiana State Teachers' Retirement Fund	06/30/13	21,212	9,649	11,563	45.5%	9,689	(11,523)	45.7%	70,414	59,427
Iowa Public Employees' Retirement System	06/30/13	30,498	24,757	5,741	81.2%	24,711	(5,787)	81.0%	165,095	177,557
Kansas Public Employee Retirement System	12/31/12	23,531	13,817	9,714	58.7%	13,278	(10,253)	56.4%	156,053	130,111
Kentucky County Employees Retirement System	06/30/13	12,503	7,611	4,892	60.9%	7,439	(5,064)	59.5%	90,938	67,482
Kentucky Employees Retirement Systems	06/30/13	12,171	3,261	8,910	26.8%	3,142	(9,029)	25.8%	46,353	52,181
Kentucky Teachers' Retirement System	06/30/13	28,817	16,109	12,708	55.9%	14,963	(13,854)	51.9%	74,831	54,600
Los Angeles City Employees' Retirement System	06/30/13	14,882	10,154	4,728	68.2%	10,224	(4,658)	68.7%	24,441	23,161
Los Angeles City Water and Power Employees' Retirement Plan	07/01/13	10,095	8,311	1,784	82.3%	7,956	(2,137)	78.8%	8,913	10,197
Los Angeles County Employees Retirement Association	06/30/13	53,247	41,774	11,473	78.5%	39,932	(13,315)	75.0%	91,545	70,405
Los Angeles Fire and Police Pension Plan	06/30/13	17,632	14,730	2,902	83.5%	14,658	(2,974)	83.1%	13,224	12,565
Louisiana State Employees' Retirement System	06/30/13	16,182	10,328	5,854	63.8%	9,741	(6,441)	60.2%	44,111	104,064
Louisiana Teachers' Retirement System	06/30/13	26,018	15,490	10,528	59.5%	14,669	(11,349)	56.4%	82,910	97,828
Maine Public Employees Retirement System	06/30/13	11,831	9,091	2,740	76.8%	9,178	(2,653)	77.6%	41,809	31,624
Maryland State Employees' Combined System	06/30/13	21,047	13,670	7,377	64.9%	13,327	(7,720)	63.3%	84,677	94,844
Maryland Teachers	06/30/13	35,530	24,470	11,060	68.9%	23,846	(11,684)	67.1%	104,028	89,945
Massachusetts State Board of Retirement System	01/01/14	30,680	22,721	7,959	74.1%	21,581	(9,099)	70.3%	86,156	60,543
Massachusetts Teachers' Retirement System	01/01/13	39,135	21,934	17,201	56.0%	21,787	(17,348)	55.7%	87,765	59,019
Michigan Municipal Employees' Retirement System	12/31/12	10,248	6,400	3,848	62.5%	7,316	(2,932)	71.4%	34,187	37,001
Michigan Public School Employee's Retirement System	09/30/12	62,716	40,016	22,700	63.8%	38,450	(24,266)	61.3%	223,769	212,828
Michigan State Employees Retirement System	09/30/13	15,654	9,617	6,037	61.4%	9,447	(6,207)	60.3%	16,475	61,751
Minnesota Public Employees Retirement Association	06/30/13	19,380	15,085	4,295	77.8%	14,113	(5,267)	72.8%	139,763	125,029
Minnesota State Retirement System	07/01/13	11,429	10,033	1,396	87.8%	9,376	(2,053)	82.0%	49,121	49,348
Minnesota Teachers Retirement Association	07/01/13	23,419	18,015	5,404	76.9%	16,775	(6,644)	71.6%	76,765	98,663
Mississippi Public Employees' Retirement System	06/30/13	35,543	21,687	13,856	61.0%	20,491	(15,052)	57.7%	161,744	220,909
Missouri Public School Retirement System	06/30/13	36,758	30,375	6,383	82.6%	29,443	(7,315)	80.1%	78,076	52,191
Missouri State Employees' Plan	06/30/13	11,135	7,994	3,141	71.8%	8,096	(3,039)	72.7%	50,833	58,975
Nebraska Public Employees Retirement Systems School Retirement System	06/30/13	9,985	8,093	1,892	81.1%	7,703	(2,282)	77.1%	40,314	40,906
Nevada State Public Employees' Retirement System	06/30/13	41,984	28,835	13,149	68.7%	29,109	(12,875)	69.3%	99,038	66,169

SPONSOR-REPORTED DATA

PLAN NAME	VALUATION DATE	ACCRUED LIABILITY	MARKET VALUE			ACTUARIAL VALUE			COUNT OF ACTIVE MEMBERS	COUNT OF INACTIVE / RETIRED MEMBERS
			VALUE OF ASSETS	SURPLUS / (UNFUNDED) ACCRUED LIABILITY	FUNDED RATIO	VALUE OF ASSETS	SURPLUS / (UNFUNDED) ACCRUED LIABILITY	FUNDED RATIO		
New Hampshire Retirement System	06/30/13	10,709	6,428	4,281	60.0%	6,071	(4,638)	56.7%	48,688	30,990
New Jersey Police and Firemen's Retirement System	07/01/13	33,000	22,632	10,368	68.6%	24,298	(8,702)	73.6%	40,372	41,252
New Jersey Public Employees' Retirement System	07/01/13	47,000	26,760	20,240	56.9%	29,167	(17,833)	62.1%	272,846	157,410
New Jersey Teachers' Pension and Annuity Fund	06/30/13	52,367	26,860	25,507	51.3%	30,470	(21,897)	58.2%	151,887	92,080
New Mexico Educational Retirement Board	06/30/13	16,362	10,192	6,170	62.3%	9,829	(6,533)	60.1%	61,177	74,407
New Mexico Public Employees Retirement Association	06/30/13	17,057	12,708	4,349	74.5%	12,438	(4,619)	72.9%	50,012	39,601
New York City Employees' Retirement System	06/30/11	65,269	42,409	22,860	65.0%	42,409	(22,860)	65.0%	182,021	144,382
New York City Police Pension Fund	06/30/11	40,525	24,749	15,776	61.1%	24,749	(15,776)	61.1%	33,705	45,755
New York City Teachers' Retirement System	06/30/11	57,703	33,602	24,101	58.2%	33,602	(24,101)	58.2%	109,636	82,996
New York State and Local Employees Retirement System	04/01/12	144,170	130,506	13,664	90.5%	125,751	(18,419)	87.2%	505,575	488,000
New York State and Local Police & Fire	03/31/13	25,096	22,888	2,208	91.2%	22,058	(3,038)	87.9%	30,780	35,401
New York State Teachers' Retirement System	06/30/12	92,251	88,056	4,195	95.5%	82,871	(9,380)	89.8%	270,470	156,615
North Carolina Local Governmental Employees' Retirement System	12/31/12	20,339	19,724	615	97.0%	20,295	(44)	99.6%	122,270	102,210
North Carolina Teachers and State Employees Retirement System	12/31/12	63,630	57,780	5,850	90.8%	59,912	(3,718)	94.2%	312,512	297,397
Ohio Police and Fire Pension Fund	01/01/13	16,008	10,603	5,405	66.2%	10,278	(5,730)	64.2%	27,289	30,278
Ohio Public Employees Retirement System	12/31/11	84,529	61,664	22,865	73.0%	65,435	(19,094)	77.4%	349,188	641,177
Ohio Schools Employees' Retirement System	06/30/13	16,826	11,161	5,665	66.3%	10,988	(5,838)	65.3%	121,642	78,017
Ohio State Teachers Retirement System	07/01/13	94,367	64,706	29,661	68.6%	62,591	(31,776)	66.3%	169,945	166,302
Oklahoma Public Employees Retirement System	07/01/13	8,556	7,442	1,114	87.0%	6,979	(1,577)	81.6%	43,273	36,730
Oklahoma Teachers' Retirement System	06/30/13	18,973	11,810	7,163	62.2%	10,861	(8,112)	57.2%	89,333	63,701
Orange County Employees Retirement System	12/31/13	15,785	10,679	5,106	67.7%	10,417	(5,368)	66.0%	21,368	19,118
Oregon Public Employees Retirement System	12/31/12	60,405	56,118	4,287	92.9%	54,784	(5,621)	90.7%	167,103	163,908
Pennsylvania Public School Employees' Retirement System	06/30/13	89,952	49,016	40,936	54.5%	57,353	(32,599)	63.8%	267,428	228,115
Pennsylvania State Employees' Retirement System	12/31/12	43,056	25,386	17,670	59.0%	25,303	(17,753)	58.8%	106,048	123,786
Puerto Rico Government Employees Retirement System	06/30/13	23,712	731	22,981	3.1%	731	(22,981)	3.1%	125,671	124,497
Puerto Rico Teachers Retirement System	06/30/13	12,252	1,907	10,345	15.6%	1,907	(10,345)	15.6%	41,553	39,065
Rhode Island Employees Retirement System	06/30/13	10,654	5,949	4,705	55.8%	6,109	(4,545)	57.3%	24,473	27,638
Sacramento County Employees' Retirement System	06/30/13	8,211	6,788	1,423	82.7%	6,798	(1,413)	82.8%	12,026	12,883
San Bernardino County Employees' Retirement Association	06/30/13	9,051	7,105	1,946	78.5%	7,205	(1,846)	79.6%	19,401	14,094
San Diego County Employees Retirement Association	06/30/13	11,631	9,064	2,567	77.9%	9,186	(2,445)	79.0%	16,891	20,820
San Francisco City and County Employees' Retirement System	07/01/13	20,225	17,012	3,213	84.1%	16,303	(3,922)	80.6%	28,789	32,007
South Carolina Retirement System	07/01/12	39,458	21,537	17,921	54.6%	25,541	(13,917)	64.7%	192,533	269,215
South Dakota Retirement System	07/01/13	8,804	9,086	(282)	103.2%	8,804	0	100.0%	38,594	38,509
Tennessee Consolidated Retirement System	07/01/13	41,913	37,567	4,346	89.6%	39,249	(2,664)	93.6%	209,964	163,995
Texas County & District Retirement System	12/31/13	24,515	22,374	2,141	91.3%	21,913	(2,602)	89.4%	124,525	123,280
Texas Employees' Retirement System	08/31/13	31,886	22,869	9,017	71.7%	24,668	(7,218)	77.4%	133,669	108,381
Texas Municipal Retirement System	12/31/13	25,320	22,469	2,851	88.7%	21,293	(4,027)	84.1%	102,870	92,547
Texas Teacher Retirement System	08/31/13	150,666	117,388	33,278	77.9%	121,730	(28,936)	80.8%	831,302	425,752
University of California Retirement Plan	07/01/13	57,381	45,341	12,040	79.0%	43,572	(13,809)	75.9%	118,321	135,304
Utah Retirement Systems	01/01/13	21,675	17,433	4,242	80.4%	16,778	(4,897)	77.4%	80,837	85,614
Virginia Employees Retirement System	06/30/12	77,859	50,267	27,592	64.6%	51,212	(26,647)	65.8%	328,385	195,058
Washington Public Employees' Retirement System	06/30/12	32,714	28,052	4,662	85.7%	31,173	(1,541)	95.3%	150,590	212,633
Washington State Law Enforcement Officer's and Fire Fighters' Plan 1 and 2	06/30/12	10,193	11,544	(1,351)	113.3%	12,783	2,590	125.4%	16,906	12,477
Washington State Teachers' Retirement System	06/30/12	15,857	13,276	2,581	83.7%	14,902	(955)	94.0%	65,357	52,463
West Virginia Teachers' Retirement System	06/30/12	9,713	5,144	4,569	53.0%	5,144	(4,569)	53.0%	35,807	35,457
Wisconsin Retirement System	12/31/12	78,683	78,492	191	99.8%	78,613	(70)	99.9%	255,253	363,451
Wyoming Retirement System	01/01/14	8,045	6,525	1,520	81.1%	6,245	(1,800)	77.6%	36,354	47,504

STUDY TECHNICAL APPENDIX

Methodology: Expected investment return

For the purposes of this study, we recalibrated liabilities for included plans to reflect discounting at the expected rate of return on current plan assets. To develop the expected rate of return used in these calculations, we relied on the most recently available asset statements for each plan, particularly on Statements of Plan Net Assets as disclosed in published Comprehensive Annual Financial Reports (CAFRs). We did not make adjustments for potential differences between actual asset allocations and target policy asset allocations.

Our method to calculate the expected rate of return was the "building-block method" as outlined in Actuarial Standard of Practice No. 27, using geometric averaging methodology. We used Milliman's December 31, 2013, capital market assumptions to calculate the 50th percentile 30-year real rate of return, and then added the plan's inflation assumption to arrive at the total expected investment return on plan assets. Where the plan inflation assumption was not available, we used Milliman's December 31, 2013, capital market inflation assumption of 2.50%. We did not make any adjustment to the expected rate of return for plan expenses, nor did we include any assumption for investment alpha (i.e., we did not assume any excess return over market averages resulting from active versus passive management).

Methodology: Liability recalibration

We performed the recalibration of liabilities for pension plans included in the study using adjustment benchmarks based on detailed calculations for certain pension plans meeting broad categorization definitions. For these benchmark plans, we developed precise liability duration separately for active, terminated vested, and retired member populations. These calculated liability durations were modified durations, further adjusted for plan- and population-specific convexity. We applied a variety of cost of living adjustments (COLAs) to the various benchmark plans, resulting in a library of adjustment factors taking into account plan type, plan provisions, demographic group, and COLA.

We then selected liability adjustment factors for each plan in the study based on plan type, COLA provisions, and average demographic characteristics where available. For example, a teachers' plan was typically matched with a set of teachers' plan adjustment factors, with similar COLA provisions. If average ages, service levels, or expected working lifetimes were available, we also used these criteria to aid in choosing the adjustment factors. For each liability recalibration calculation, we then recalculated the selected benchmark durations to reflect the actual starting plan investment return assumption. We performed separate liability adjustments for active, terminated vested, and retired liabilities, thereby adjusting for varying plan maturity levels.

The liability durations used for adjustment provide an estimate of the sensitivity of the present value of benefits (PVB) to changes in the investment return assumption. We assumed that for active populations, the actuarial accrued liabilities (AAL) varied 85% as much as the PVB when liabilities were reported under the projected unit credit cost method, and 70% as much as the PVB when liabilities were reported under the entry age normal cost method. These assumptions for the relative change in AAL compared with PVB were based on the average results of a survey of actual changes in AAL versus PVB for selected Milliman clients. Although most plans in the study reported liability results under one of these two cost methods for Government Accounting Standards Board (GASB) reporting purposes, a handful of plans disclosed liabilities only under the frozen initial liability cost method. For those plans, we used the entry age normal assumption for the relative change of AAL to PVB.

Where any discrepancy occurred between liabilities disclosed for GASB reporting and liabilities disclosed elsewhere, the GASB reporting numbers were relied upon.

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MARKETS

Public Pension Funds Roll Back Return Targets

Few managers count on returns of 8%-plus a year anymore; governments scramble to make up funding

By TIMOTHY W. MARTIN

Updated Sept. 4, 2015 6:07 p.m. ET

Public pension funds from California to New York are cutting investment-return predictions to their lowest levels since the 1980s, a shift that portends greater hardships for employees and cash-strapped governments as Americans age.

New upheavals in global markets and a sustained period of low interest rates are forcing officials who manage retirements for nearly 20 million U.S. beneficiaries to abandon a long-held belief that stocks, bonds and other holdings would earn 8% each year, as well as expectations that those gains would fund hundreds of billions of dollars in liabilities.

New York state Comptroller Thomas DiNapoli said the days of believing public pension funds could earn 8% annually 'aren't here anymore.' *PHOTO: RICHARD DREW/ASSOCIATED PRESS*

More than two-thirds of state retirement systems have trimmed assumptions since 2008 as the financial crisis and an uneven U.S. recovery knocked many below their long-term goals, according to an analysis of 126 plans provided by the National Association of State Retirement Administrators. The average target of 7.68% is the lowest since at least 1989. The peak was 8.1% in 2001.

On Friday, the New York State Common Retirement Fund, the third-largest public pension by assets, said it plans to drop its assumed returns to 7% from 7.5% after cutting a half-percentage point five years ago. That followed Thursday's vote by the San Diego County Employees Retirement Association to drop its level to 7.5% from 7.75%.

"Realism," said Brian McDonnell, managing director for pension consultant Cambridge Associates, is "creeping in."

Moving expectations below 8% isn't just an arcane accounting move. It has real-life consequences for systems that use these predictions to calculate the present value of obligations owed to retirees. Even slight cutbacks in return targets often mean budget-strained governments or workers are asked to pay significantly more to account for liabilities that are expected to rise as lifespans increase and more Americans retire. A drop of one percentage point will typically boost pension liabilities by 12%, said Jean-Pierre Aubry, an assistant director at the Center for Retirement Research at Boston College.

Public pension funds use a combination of investment income and contributions from employees, states and cities to fund benefits.

RELATED COVERAGE

- New York Lowers Return Assumption for State Retirement System (http //www wsj.com/articles/new-york-lowers-return-assumption-for-state-retirement-system-1441383501)
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- Giant U.S. Pension Fund Calstrs to Propose Shift Away From Stocks, Bonds (http://www.wsj.com/articles/giant-u-s-pension-fund-to-propose-shift-away-from-some-stocks-bonds-1441215041)
- Dispute Intensifies in Illinois Over Budget, Unions (http //www.wsj.com/articles/dispute-intensifies-in-illinois-over-budget-unions-1441146882)

In Boulder, Colo., the city eliminated 100 positions and consolidated city programs as a way of compensating for three reductions in the state's investment forecast and a rise in pension contributions, as the economy sputtered. It also stopped planting tulips in most areas and shifted to less expensive wildflowers as a way of making an additional $1.7 million in pension payments, according to the city's chief financial officer, Bob Eichem. "You do more with less," Mr. Eichem said.

U.S. pensions first started to reconsider their investment-return assumptions after being stung by deep losses during the 2008 financial crisis. The event helped drop 10- and 15-year annual returns at large public pensions to 6.9% and 5.8%, respectively, according to the Wilshire Trust Universe Comparison Service. The retirement systems' median return was 3.4% for the 12 months ended June 30 amid downturns in foreign stocks and bonds, their worst annual performance since 2012.

Retirement systems argue that lowering assumptions fortifies their fiscal health, because the influx of extra contributions means they become less reliant on generating big returns.

Some big funds are preparing to pull their goals back even further. The California Public Employees' Retirement System, the nation's largest pension, is discussing a new reduction below its level of 7.5%. The Oregon Public Employees Retirement System and the Texas Municipal Retirement System, the 14th and 35th largest, both approved lowering their forecasts in late July by a quarter of a percentage point. "Those days" of believing 8% could be earned annually "aren't here anymore," said New York state Comptroller Thomas P. DiNapoli.

But some critics contend that pensions are still relying on unrealistic expectations to fill ballooning funding gaps even as they move targets below 8%. The lower assumptions remain considerably higher than levels seen in the 1960s, when pensions estimated 3% to 3.5% returns from portfolios primarily comprised of cash and bonds. Pension officials pushed their predictions higher in subsequent decades as they embraced riskier holdings of stocks, real estate, commodities and hedge-fund assets.

"It's clearly not enough," said Josh McGee, a senior vice president of public accountability at the Laura and John Arnold Foundation, a nonprofit that has worked across the U.S. for changes to guaranteed pension benefits.

Pension funds said that while performance has lagged behind of late, they generally have been able to hit their targets over longer periods and expect to continue to do so.

A panel of U.S. actuaries and pension specialists has recommended that public systems move their assumed future returns down to 6.4%, and many corporations already use a more conservative rate for their pension funds. The average for companies listed in the Fortune 1000 dropped to 7.1% in 2014 from a high of 9.2% in 2000, according to a Towers Watson survey.

The most aggressive move downward among public employee pensions belongs to Delaware, where the state retirement system has dropped to a target of 7.2% from 8.5% in 2003, the largest change since 2001 among state plans tracked by the National Association of State Retirement Administrators. David Craik, the retirement system's pension administrator, said he wouldn't rule out further decreases.

"I'm kind of surprised others aren't going as low as we did," Mr. Craik said.

More big pullbacks by public plans would likely create deeper financial pain for governments and employees that have already cut services and benefits. Local and state contributions to retirement systems have more than doubled over the past decade, to $121.1 billion in 2014, according to the U.S. Census Bureau. During that same time worker pension contributions rose 50%, to $45.5 billion.

In Fullerton, Calif., officials are sharing a fire chief and command-level staff with one neighboring town and splitting up tree-cutting contracts with other cities in the wake of a half-percentage point cut in return assumptions for the state's retirement system. It was able to save $1.2 million.

"The pension costs are high and will continue to be high," said Joe Felz, Fullerton's city manager. "It's tops to bottom looking where we can get savings."

Still, some retirement systems believe 8% is possible, as 39 of them maintain forecasts at or above that old industry mark, according to the National Association of State Retirement Administrators. Two of them—the Houston Firefighters' Relief and Retirement Fund and the Connecticut Teachers' Retirement System—assume returns of 8.5%, the highest of any other plans.

"We strongly believe, and past history shows, we can continue to achieve the 8.5% long term," said Todd Clark, chairman of the Houston firefighters' fund. The Connecticut fund didn't respond to requests for comment.

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INVESTMENT POLICY STATEMENT

Approved by the Board of Trustees

Adopted: November 19, 2015

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District of Columbia Retirement Board

Investment Policy Statement

I. Introduction

The Board is an independent agency of the District of Columbia created by Congress in 1979 under the Retirement Reform Act ("Reform Act," Pub. L. 96-122, *codified at* D.C. Code §§ 1-701 *et seq.*) The Board was given exclusive authority and discretion to manage and control the following retirement funds (the "Funds"):

- The Police Officers and Fire Fighters' Retirement Fund (D.C. Code § 1-712)
- The Teachers' Retirement Fund (D.C. Code § 1-713)

The Reform Act was modified in 1997 with the National Capital Revitalization and Self-Government Improvement Act ("Revitalization Act," Title XI of Pub. L. 105-33, as amended). Under the Revitalization Act, as of June 30, 1997 (the "Freeze Date"), the District of Columbia assumed financial responsibility for retirement benefits for teachers, police officers, and fire fighters based on service accrued after the Freeze Date ("District Benefit Payments") and the U.S. Department of the Treasury assumed financial responsibility for retirement benefits accrued on or before the Freeze Date ("Federal Benefit Payments"). The District subsequently established "Replacement Plans" for the District Benefit Payments in the 1998 Police Officers, Fire Fighters, and Teachers Retirement Benefit Replacement Plan Act ("Replacement Plan Act")[1] while the Federal Benefit Payments are based on terms of the Retirement Plans as of June 30, 1997 ('Frozen Plans"). The Replacement Plan Act modified certain Board responsibilities established in the Reform Act (D.C. Code §§ 1-901 *et seq*).

The Reform Act was further modified in 2004 when the Board assumed certain benefits administration responsibilities for the Retirement Plans from the District of Columbia in 2005 pursuant to the District of Columbia Retirement Protection Improvement Act of 2004 (Pub. L. 108-489) and the Fiscal Year 2005 Budget Support Act of 2004 (Title I, Subtitle B, "Office of Financial Operations and Systems Reorganization Act of 2004," D.C. Law 15-205). The Board also administers Federal Benefit Payments under the Frozen Plans on behalf of the Federal government.

To date, the majority of participants, survivors and beneficiaries currently receive Federal Benefit Payments exclusively. However, an increasing number of participants have service before and after the Freeze Date, and as such, receive both Federal Benefit Payments and District Benefit Payments (referred to as "Split Benefit Payments"). The smallest population of participants, survivors and beneficiaries receive District Benefit Payments only. The number of participants, survivors and beneficiaries receiving Federal Benefit Payments and Split Benefit Payments will decrease and eventually be reduced to zero as the number of participants,

[1] The Teachers' and Police Officers and Firefighters' Replacement Retirement Plans (the "Retirement Plans") can be found at D.C. Code §§ 38-2021.01 *et seq* and D.C. Code §§ 5-701 *et seq*.

survivors and beneficiaries who derive benefits from service accrued on or before the Freeze Date declines and District Benefit Payments increase. As of October 1, 2014, the Board administers retirement and survivor benefits for approximately 13,932 annuitants receiving both Federal and District Benefit Payments of which 5,966 annuitants are receiving District Benefit Payments only. There are approximately 10,050 active employees who may be eligible for future Split or District Benefit Payments. There are 1,226 terminated vested members who are not yet receiving deferred retirement annuity. All benefit payments are issued by the U. S. Treasury via an electronic payment/payroll system known as the System to Administer Retirement ("STAR").

The twelve person Board is charged with maintaining the Funds to pay District Benefit Payments, prudently investing the assets of the Plans, and managing them on an actuarially sound basis in accordance with its fiduciary duties. Consistent with its fiduciary role as Trustee of the Funds, one of the Board's essential roles is to establish policies and procedures to ensure that the Funds are appropriately governed and managed.

The assets of the Funds are held in trust for the exclusive benefit of all District Retirement Plan members and their eligible survivors and beneficiaries. The assets of the Funds are commingled for investment purposes, and can only be used to pay Retirement Plan benefits and associated reasonable administrative expenses.

Pursuant to D.C. Code § 1-711(g)(1), the Board may delegate the management, acquisition, or disposal of assets of the Funds to one or more investment counsel pursuant to D.C. Code § 1-711(g)(1).

II. Statement of Purpose of Investment Policy

This Investment Policy Statement ("Investment Policy") outlines the Board's investment philosophy and practices; formalizes the Board's investment objectives and policies; serves as the governing document for the management of the assets of the Funds; and defines the duties and responsibilities of the individuals and entities involved in the investment process. The assets of the Funds are managed with the primary objective of achieving a net investment return with acceptable risk considerations and sufficient liquidity to maintain the fully funded status of the Funds. Therefore, the Board must adopt a long-term plan by which the assets of the Funds will be managed prudently to ensure the level of assets adequately covers the accumulated liabilities of the Funds.

III. Investment Policy and Objectives

The Funds are managed in a discretionary portfolio with specific return and risk objectives.

A. Return Objectives

1. Achieve a net return that meets or exceeds the actuarial investment return target (net 6.50% nominal return) over long periods of time, to allow for a high likelihood of attaining such a return.

2. Exceed the annualized return of the Funds' Policy Benchmark.

B. Risk Objectives

1. Maintain a level of risk commensurate with the expected levels of return and consistent with prudent investment practices.
2. Maintain an appropriate level of liquidity to ensure timely payment of benefits, other Funds obligations and expenses.
3. Diversify to manage exposure to asset class, manager industry, geographic and company-specific risks (diversifiable risks) in the aggregate investment portfolio, while acknowledging the risks associated with investing in the capital markets (market risks).

IV. Roles and Responsibilities

A. Key Roles in the Investment Process

1. Board of Trustees: The Trustees establish and maintain broad policies and objectives for the assets of the Funds. The Trustees provide oversight and set policy for the Funds consistent with the authority granted under the law. They strive to achieve appropriate and consistent investment results on a cost effective basis for Plan members and beneficiaries, while avoiding unacceptable risk levels.
2. Executive Director: The Executive Director ("ED") has broad authority to manage the daily operations of the Board, as well as limited authority to enter into, modify and terminate contracts in conjunction with the Chief Investment Officer. *See,* Appendix A: Board Delegation of Authority to the Executive Director.
3. Chief Investment Officer: The Chief Investment Officer ("CIO") has authority to manage the investment staff and investment-related duties, as well as limited authority to enter into, modify and terminate contracts in conjunction with the Executive Director. *See*, Appendix B: Certificate of Executive Director Delegation of Authority to the Chief Investment Officer for Investment Matters. This delegation allows the CIO to make further delegations to the Investment staff.
4. Investment Consultants: The investment consultants serve as fiduciaries who provide expert knowledge, non-discretionary consulting services and advice on the policies, strategies, and procedures related to the investment program. The investment consultants provide an independent third-party perspective and quarterly investment performance evaluation and analysis of the investment program. The investment consultants assist the CIO perform due diligence investigations, identify and access investment opportunities, recommend specific investments and sound asset allocation structure.
5. Custodian Bank: The Custodian Bank holds and safeguards the assets of the Funds, maintains the official books and records, forwards any proxies relating to securities or other property to the appropriate investment manager or the CIO and processes

them as directed, prepares and delivers securities for settlement, temporarily invests cash balances, provides performance reports and serves as an additional layer of risk control in the safekeeping of assets of the Funds by jointly monitoring the portfolio and investment manager guidelines.

6. Investment Managers: Investment Managers invest assets in accordance with their written contracts and guidelines. Generally Investment Managers execute investment transactions on behalf of the Board in a manner that maximizes the investment value of each transaction from the Funds' viewpoint, utilizing brokers and dealers as they deem appropriate to obtain the best execution capabilities.
7. Actuary: At the request of the Trustees, the Actuary performs an annual valuation on the basis of the entry age normal funding method and in accordance with generally accepted actuarial principles and practices with respect to each separate fund comprising the Funds. In every fifth year, the Board will request the Actuary to conduct an investigation of the economic and experience of the Funds in order to assess the reasonableness of the actuarial assumptions (Experience Study).

B. Tables of Roles and Responsibilities

1. The tables below summarize the roles and responsibilities of the various parties responsible for management and administration of the Board's investment program. All parties listed below are fiduciaries, except for certain private markets managers.

INVESTMENT POLICY ROLE	BOARD of TRUSTEES	STAFF	INDEPENDENT 3RD PARTY
Determine investment objectives and constraints	Approves	Input: CIO	Recommends: Investment Consultants
Conduct strategic asset allocation study, set target rate of return and select asset allocations mix, and target and ranges	Approves	Input: CIO	Recommends: Investment Consultants
Establish alpha risk budget	Approves	Input: CIO	Recommends: Investment Consultants
Select benchmarks for performance measurement	Monitors/ Reviews	Recommends: CIO	Input: Investment Consultants
Establish and modify investment policies	Approves	Recommends: CIO	Input: Investment Consultants
Conducts investment education	Attendance is Encouraged	Recommends: CIO	Input: Investment Consultants
Develops positions on investment-related legislation	Recommends and Approves	Recommends: CIO, ED, General Counsel (GC)	Input: Investment Consultants

INVESTMENT IMPLEMENTATION ROLE	BOARD of TRUSTEES	STAFF	INDEPENDENT 3RD PARTY
Selection of Custodian Bank, Investment Consultants and Actuary	Approves	Assists in Evaluation: CIO, ED, CFO, GC	Input: Investment Consultants, as needed
New strategies and products	Approves	Recommends: CIO	Recommends: Investment Consultants
Portfolio and asset class structuring	Approves	Recommends: CIO	Recommends: Investment Consultants
Manager hiring/terminations	Approves	Recommends: CIO	Recommends: Investment Consultant
Private Funds annual commitment budget	Approves	Recommends: CIO	Recommends: Investment Consultant
Investment guidelines for investment managers	Receives periodic updates	Executes: ED and CIO after consultation with GC	Input: Investment Consultants Reports: Custodian Bank, Investment Consultants Input/Adherence: Investment Managers
Contract execution (e.g. initiation, amendments and recommitments)	Monitors	Executes and Reports: ED and CIO after consultation with GC	Input: Investment Consultants and Investment Managers
Rebalancing within target allocation range and liquidity management	Monitors	Approves and Reports: CIO	Input: Investment Consultants
Rebalancing outside of target allocation range	Approves	Recommends: CIO	Input: Investment Consultants

INVESTMENT MONITORING AND REPORTING ROLE	BOARD of TRUSTEES	STAFF	INDEPENDENT 3RD PARTY
Investment manager oversight and due diligence	Receives periodic updates	Reports: CIO and GC	Reports: Investment Consultants/Custodian Bank
Evaluation of investment policy decisions (attribution, risk budgeting)	Monitors/Reviews	Reports: CIO	Reports: Investment Consultants
Investment performance evaluation (overall, sector-level, manager-level)	Monitors/Reviews	Reports: CIO	Reports: Investment Consultants/Investment Managers

Peer and benchmark comparison	Monitors/Reviews	Monitors/Reviews: CIO	Reports: Custodian Bank/ Investment Consultants
Annual review of asset classes	Reviews	Reviews:CIO and CFO	Reports: Investment Consultants
Quarterly investment activity (additions, withdrawals and terminations)	Monitors/Reviews	Reports/Monitors: CIO and CFO	Monitors: Investment Consultants and Custodian Bank

V. Asset Allocation

A. Policy Targets and Ranges

The Trustees will engage the Investment Consultants to conduct an asset and liability study (Asset Allocation Study) at least every three years from which a strategic asset allocation is established that identifies the percentage of the assets of the Funds that are to be invested in each asset class based on an analysis of the liability structure and expected market conditions over a specified time horizon.

The desire to maintain the constant strategic mix must be balanced with the cost of portfolio rebalancing. Trustees establish risk tolerance by considering the assets of the Funds' ability to withstand short and intermediate term characteristics of various asset classes, with a focus on balancing risk and expected return. The Trustees establish tactical ranges within which an asset allocation is allowed to move without it provoking any rebalancing transactions. The allowable ranges guide asset class and Investment Manager rebalancing decisions made by the CIO, in consultation with the Investment Consultant. The current target allocation and rebalancing ranges are shown in Appendix C.

Private markets (alternatives) target allocations have a long-term horizon, therefore, funds to be invested in these asset classes may temporarily reside in other asset classes. The target allocation and allowable ranges of the affected asset classes may be temporarily altered to account for this.

B. Rebalancing

The primary strategic objectives of fund rebalancing are to mitigate risk and enhance returns while meeting the liquidity needs. The specific risk mitigation objective is to keep the asset allocation and overall investment structure of the Funds consistent with the strategic asset allocation. Due to changes in market movements, actual asset class balances will inevitably deviate from target allocations. These deviations cause the Funds to diverge from the asset allocations approved by the Board and the corresponding expected risk and return attributes. This divergence, or tracking error, heightens the risk that the Funds may not achieve returns expected by the Board at prudent risk levels. The CIO in consultation with the Investment Consultant is authorized to rebalance asset class exposures as necessary and prudent in

accordance with the Board's Rebalancing Investment Policy[2] and report any rebalancing activity to the Trustees.

VI. Investment Program Structure

The allocation of funds to various types of investments is of utmost importance in structuring an efficient portfolio designed to meet the investment objectives. Investments are not restricted by asset class or type and may include any investment deemed prudent by the Trustees, except as noted below. All funds in the investment portfolio are managed by external Investment Managers who serve at the pleasure of the Board. Investment Managers are prohibited from entering into any transactions on behalf of the Funds that are not expressly authorized by this Investment Policy or by specific investment manager guidelines (incorporated by reference into the investment management agreement) and all applicable laws and regulations. All Investment Managers and Investment Consultants must disclose any and all economic positions that may conflict with the Board's investment objectives.

Periodically, an investment crisis arises that may require action between regularly scheduled Board meetings, such as an investment management key person may depart unexpectedly, a natural disaster may deny investment professionals access to necessary information, or some other unforeseen emergency situation. The Emergency Response Team is empowered to take necessary action between meetings for subsequent ratification by the Trustees to protect the integrity of the Funds.[3]

A. Investment Constraints

The Trustees desire the assets of the Funds to be invested at all times in accordance with applicable District and federal laws. The Trustees will retain legal counsel when appropriate to review contracts.

1. Time Horizon

   The Funds will be managed on a going-concern basis. The assets of the Funds will be invested with a long-term time horizon (twenty years or more), consistent with the Plan's demographics and the purpose of the assets of the Funds.

2. Liquidity

   The Board intends to maintain sufficient liquidity in the Funds to meet anticipated beneficiary payments and administrative expenses.

3. Tax Considerations

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[2] The Rebalancing Investment Policy was adopted and approved on October 21, 2010.

[3] The Emergency Response Team was formed November 18, 2010.

The Funds are tax-exempt organizations as described in Section 115 of the Internal Revenue Code ("Code") and the Funds are qualified trusts under Section 401(a) of the Code, thereby all gains and income associated with the assets of the Funds are exempt from federal income tax under Section 501(a) of the Code. Therefore, investments and strategies will be evaluated on a basis that is indifferent to taxable status, except when Unrelated Business Income Tax[4] (UBIT) is a concern.

B. Permissible Asset Classes

Investment in a particular asset class may or may not be consistent with the objectives of the Funds, and the Trustees have specifically indicated in Appendix D those asset classes that may be utilized when investing the assets of the Funds. In addition to the asset class categories, the Trustees decided that:

1. No single investment manager will be allocated in excess of 30% of the asset value of the Funds.
2. No single active product of an investment manager will be allocated in excess of 20% of the asset value of the Funds.
3. The Funds shall not comprise more than 20% of the capital committed to a single private commingled fund.

C. Expected Returns, Risks, and Correlations for Permissible Asset Classes

The risk and return behavior of the Funds will be driven primarily by the allocation of investments across asset classes. In determining the appropriate allocation, the expected return and risk behavior of each asset class and the likely interaction of various asset classes in a portfolio must be considered. Appendices E and F list the expected return, volatility, and correlations for each permissible asset class.

VII. Investment Manager Evaluations

The Trustees' time horizon to review performance trends will normally be over a full market cycle, although other time periods may be deemed important. Any extreme or unusual events or trends will be considered when evaluating intermediate and short-term investment results. The Investment Watch List Policy[5] assists the Trustees, CIO, and Investment Consultants in applying consistent criteria to evaluate Investment Managers.

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[4] Even though an organization is recognized as tax exempt, it still may be liable for tax on its unrelated business income. For most organizations, unrelated business income is income from a trade or business, regularly carried on, that is not substantially related to the tax-exempt purpose of that organization.
[5] The Investment Watch List Policy was approved and adopted on November 18, 2010.

VIII. Investment Costs

The CIO and Investment Consultants will monitor and attempt to control investment costs at every level of the Funds.

A. Professional fees and expenses will be negotiated whenever possible.
B. Where appropriate, passive portfolios will be used to minimize investment management fees, risk, and portfolio turnover as well as to replicate index returns.
C. If possible, assets will be transferred in-kind during investment manager transitions and restructurings of the assets of the Funds to eliminate unnecessary turnover expenses.
D. Investment Managers of public securities will be instructed to minimize brokerage and execution costs.

IX. Disclosure of Information

The Board is not required to disclose information relating to trade secrets or financial or commercial information that is required to be kept confidential by an Act of Congress or the District of Columbia, or that has been received by the Board on a confidential basis in order to prevent undue injury to the competitive position of any person. In addition, the Board will not release deliberations or tentative or final decisions on investment or other financial matter, the disclosure of which may jeopardize the ability of the Board to implement an investment decision or achieve investment objectives.[6] Accordingly, investment recommendations will not be released to the public until (1) the release of the information would not adversely affect the negotiation for or market price of a security and (2) completion of a proposed purchase or sale of certain assets has been completed or full implementation of the decision of the Board.

A. Policy with regard to "top line" information

Top line information in alternative investment funds structured as limited partnerships or similar investment entities include the following data:

1. Name of Fund;
2. Investment Focus of Fund;
3. Vintage Year of Fund;
4. Amount of the Board Capital Commitment to Fund (broken down by Funded and Unfunded Capital Commitments);
5. Total Amount of Distributions from the Fund to the Board;
6. Reported Value of the Board's interest in the Fund; and
7. Internal Rate of Return

B. Policy with regard to "bottom line" information

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[6] See D.C. Code §§ 2-575(b)(1), (2), (11) and 1-909.05(e), (f) (2001).

The Board should not voluntarily disclose "bottom line" information. Bottom line information includes the following data:

1. Name of each portfolio company within a Fund and description of the portfolio company's business;
2. Cost of each portfolio company;
3. Current value of each portfolio company; and
4. Material events related to a portfolio company

X. Corporate Governance Standards

The Board is committed to improve corporate governance practices of the companies within the Funds by periodically updating its Environmental, Social and Governance Policy, by voting proxies, and by responding to regulatory and legislative proposals that affect the asset value of the Funds.

The Board's staff will seek to develop best practices by fostering relationships with groups working to improve and enhance corporate governance practices, soliciting input from other plan sponsors, and considering best corporate governance practice recommendations from organizations.

XI. Separate Documents Related to this Policy Statement

The following documents are incorporated by reference into this Investment Policy and are appended.

A. Asset Allocation Investment Policy, adopted and approved July 18, 2013
B. Conflict of Interest Guidelines, amended March 2006
C. Investment Committee Charter, adopted and approved July 17, 2014
D. Derivative Policy and Procedure Addendum, adopted and approved May 16, 2013
E. Environmental, Social, and Governance Policy, adopted and approved November 21, 2013
F. Funding Policy, adopted and approved November 15, 2012
G. Governance Policy for Alternative Investments, amended January 22, 2015
H. Investment Policy Statement for Absolute Return Investments, adopted and approved September 20, 2012
I. Investment Policy Statement for Private Equity Investments, adopted and approved July 19, 2012
J. Investment Policy Statement for Real Assets, adopted and approved January 22, 2015
K. Rebalancing Investment Policy, adopted and approved October 21, 2010
L. Securities Litigation Policy, amended May 18, 2006
M. Investment Watch List Policy, adopted and approved November 18, 2010

XII. Procedures for Amending this Policy Statement

This Investment Policy may be amended from time to time by a majority vote of the Trustees.

APPENDIX A

DELEGATION OF AUTHORITY TO THE EXECUTIVE DIRECTOR

WHEREAS, it is the duty of the District of Columbia Retirement Board ("Board"),an independent agency of the District of Columbia, and its Executive Director to administer the Board's governing laws faithfully without prejudice and consistent with the expressed intent of the United States Congress and the Council of the District of Columbia;

WHEREAS, the Board's mission is to prudently invest the assets of the District of Columbia Police Officers and Firefighters' Retirement Plan and the District of Columbia Teachers' Retirement Plan established under the 1998 Police Officers, Firefighters, and Teachers Retirement Benefit Replacement Plan Act (the "Replacement Plans"), while providing the participants, and their survivors and beneficiaries, of the Replacement Plans with total retirement services;

WHEREAS, the Board and its Executive Director shall act in their respective capacities with a fiduciary obligation to the membership of the Replacement Plans and to exercise exclusive authority and discretion in the management of the assets of the Replacement Plans maintained in the underlying District of Columbia Police Officers and Fire Fighters' Retirement Fund and District of Columbia Teachers' Retirement Fund (collectively, the "Trust Fund") held in trust by the Board for the exclusive purpose of providing benefits to all Replacement Plan participants and their survivors and beneficiaries (collectively referred to herein as the "Retirement Program");

WHEREAS, D.C. Official Code §1-711(g)(2)(C) requires the Board to appoint an Executive Director to manage the day-to-day operations of the Board;

WHEREAS, the Board has appointed an Executive Director and is hereby delegating authority to the Executive Director to act subject to review, ratification, or reversal by the Board; and

WHEREAS, the Board desires to clarify the Executive Director's authority with respect to Trust Fund investments.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby delegates to the Executive Director investment authority as follows:

I.
Authority with Respect to General Matters

The management of the Retirement Program is vested in the Executive Director who shall operate the Retirement Program in accordance with all governing laws, rules, regulations, and other governing authorities including any Board polices and guidelines. The Executive Director shall act as advisor to the Board on all matters pertaining to the Retirement Program, cooperate with and act as liaison between the Board, the Board staff, Retirement Program members, member organizations, employers, employer organizations, departments and agencies of the District of Columbia, the Council of the District of Columbia, and the U.S. Treasury Department's Office of D.C. Pensions. Notwithstanding this section, the Executive Director shall bring to the attention of the Board all matters which are sensitive in nature or have a significant novel or policy impact on the Retirement Program or Board.

II.
Authority and Duties with Respect to Investments and Investment-Related Activities of the Retirement Program

In coordination with the Board's Chief Investment Officer (CIO), the Executive Director shall monitor investment related activities of the Retirement Program. Based on the CIO's recommendations, the Executive Director shall, within resources available, provide all administrative services to implement the Board's investment management plan, consistent with the Board's laws, rules, regulations, and other governing authorities including any Board policies and guidelines.

In accordance with the above authorities and/or the Board's express prior approval of an investment transaction, the Executive Director shall have the authority to act with respect to the following matters:

1. Enter into and amend contracts for investment consultants, investment management firms and external advisors and consultants. Contract actions shall be executed after approval by the Board and in conjunction with the CIO, following the General Counsel's legal review and approval;

2. Subject to the annual spending authority or resolution specifying any spending limitations, authorize expenditures to investment consultants, legal counsel, investment management firms and external advisors and consultants, subject to the annual spending authority or resolution specifying any spending limitations;

3. Conduct audits of investment operations as needed;

4. Conduct a peer group benchmarking of Fund investment costs performed by an independent entity every two to three years;

5. Oversee the Investment Program and keep the Investment Committee Chair informed;

6. Conduct periodic asset liability studies with the assistance of Investment Consultants and actuaries and recommend asset allocation targets and ranges;

7. Recommend changes as needed for approval by the Board to the Investment Policy Statement and the Investment Committee Charter;

8. Manage the selection, monitoring and discharge of investment service providers;

9. Negotiate and approve investment service providers guidelines and any associated amendments;

10. Investigate, research and recommend new and emerging investment concepts and strategies, and implement appropriate strategies in accordance with approved policies and procedures;

11. Inform investment managers, investment consultants and others providing investment services to the Board about the requirements of applicable laws and Board policies, and monitor their compliance with these laws and policies;

12. Adjust allocations to asset classes, investment managers and Fund vehicles as needed, subject to any approved allocation ranges and the rebalancing policy;

13. Recommend appointment and discharge of investment managers and investments in or redemptions from Fund vehicles subject to conditions and guidelines in the Investment Policy Statement;

14. Identify and, in concert with the CIO and Investment Consultants, resolve compliance violations by Investment Managers relative to their respective investment guidelines; ensure that those accounts with guideline violations are efficiently and effectively brought back into compliance;

15. Report proxy voting activity to the Investment Committee periodically and highlight any emerging issues related to this activity;

16. Supervise the CIO; and

17. Ensure the Board receives periodic status reports of the Fund assets and its multi-period performance relative to benchmarks and actuarial investment return target. Performance shall be calculated on a net-of-fees basis, and, in the case of alternative investments, net-of-fee internal rate of return, and net-of-fee equity multiples.
    The Executive Director may delegate any and all of the matters in Paragraph II above to Board staff.

Eric O. Stanchfield is the duly appointed and incumbent Executive Director of the Board.

RESOLVED further, that this Resolution shall be effective when executed by the Chairperson, and that all previous delegations of authority to the Executive Director are hereby canceled.

November ___, 2015

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Joseph M. Bress
Board Chair

NOTARY SEAL

APPENDIX B

CERTIFICATE OF EXECUTIVE DIRECTOR
DISTRICT OF COLUMBIA RETIREMENT BOARD

DELEGATION OF AUTHORITY TO THE
CHIEF INVESTMENT OFFICER
(FOR INVESTMENT MATTERS)

The undersigned hereby states that:

1. I am the duly appointed and incumbent Executive Director of the District of Columbia Retirement Board.

2. As Executive Director, I keep a record of all Board and Investment Committee meetings.

3. I hereby delegate my authority with respect to the investment operations of the Board to the Chief Investment Officer (CIO), including the authority to:

   a. Oversee the Investment Program and keep the Investment Committee Chair informed and ensure that reports of the Fund's investment performance are presented on a timely basis;

   b. Conduct periodic asset liability studies with the assistance of Investment Consultants and actuaries and recommend asset allocation targets and ranges;

   c. Recommend changes as needed for approval by the Board to the Investment Policy Statement and the Investment Committee Charter;

   d. Manage the selection, monitoring and discharge of investment service providers;

   e. Negotiate and approve investment service providers guidelines and any associated amendments;

   f. Investigate, research and recommend new and emerging investment concepts and strategies, and implement appropriate strategies in accordance with approved policies and procedures;

g. Inform investment managers, investment consultants and others providing investment services to the Board about the requirements of applicable laws and Board policies, and monitor their compliance with these laws and policies;

h. Adjust allocations to asset classes, investment managers and Fund vehicles as needed, subject to any approved allocation ranges and the rebalancing policy;

i. Recommend appointment and discharge of investment managers and investments in or redemptions from Fund vehicles subject to conditions and guidelines in the Investment Policy Statement;

j. Identify and, in concert with Investment Consultants, resolve compliance violations by Investment Managers relative to their respective investment guidelines; ensure that those accounts with guideline violations are efficiently and effectively brought back into compliance;

k. Report proxy voting activity to the Investment Committee periodically and highlight any emerging issues related to this activity;

l. Supervise the Investment Staff; and

m. Regularly report the status of the Fund and its multi-period performance to the Board relative to benchmarks and actuarial investment return target. Performance will be calculated on a net-of-fees basis, and, in the case of alternative investments, net of fee internal rate of return, and net of fee equity multiples.

4. This Delegation was duly made by me, remains unmodified and in full force and effect and applies to and vests in the CIO the authority to carry out the responsibilities delegated herein.

5. The CIO may delegate any and all of the matters in Section 3 above to the Investment Staff.

6. Sheila Morgan-Johnson is the duly appointed and incumbent Chief Investment Officer of the District of Columbia Retirement Board.

November ___, 2015

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Eric O. Stanchfield
Executive Director

NOTARY SEAL

APPENDIX C

ASSET ALLOCATION POLICY TARGETS AND RANGES

	Target Allocation	Allowable Ranges
Public Equities	48%	38-58%
Domestic Equity	21%	17-25%
International Developed Market Equity	18%	14-22%
International Emerging Market Equity	9%	7-11%
Fixed Income	27%	22-32%
Investment Grade Bond	12%	7-17%
TIPS	4%	3-5%
Bank Loan	3%	2-4%
Emerging Market Debt	3%	2-4%
High Yield	3%	2-4%
Emerging Market Debt	3%	2-4%
Foreign Developed Bond	2%	1-3%
Alternatives	25%	25%
Absolute Return	10%	8-12%
Private Equity	8%	5-11%
Real Assets	7%	5-9%
Real Estate	4%	N/A
Infrastructure/Opportunistic	2%	N/A
Private Energy	1%	N/A
Cash	0	0

APPENDIX D

PERMISSIBLE ASSET CLASSES

Asset Class
Public Domestic Equity
Public Foreign Developed Market Equity
Public Foreign Emerging Market Equity
Private Equity
Investment Grade Bonds
TIPS
High Yields Bonds
Bank Loans
Foreign Bonds
Emerging Market Debt
Public and Private Real Estate
Infrastructure
Energy/Natural Resources
Absolute Return Funds

APPENDIX E

The below data reflects Meketa's 2013 asset study, which was used in the last asset allocation review.

Twenty-Year, Single Asset Class and Sub-Asset Class Forecast

Asset Class	Expected Return (%)	Volatility (%)
Fixed Income		
Investment Grade Bonds	3.1	5.0
TIPS	3.1	8.0
High Yield Bonds	5.9	12.0
Bank Loans	5.1	9.5
Foreign Bonds	3.0	9.5
Emerging Market Bonds (local)	6.0	12.5
Equities		
US Equity	9.3	18.0
Developed Market Equity	10.0	20.0
Emerging Market Equity	11.6	25.0
Private Equity	10.4	24.0
Buyouts	10.7	25.0
Venture Capital	12.0	35.0
Mezzanine Debt	8.6	20.0
Distressed Debt	9.5	27.0
Real Assets		
Real Estate	8.1	18.0
REITs	7.5	26.5
Core Private Real Estate	7.0	12.5
Value Added Real Estate	8.5	20.0
Opportunistic Real Estate	10.4	25.0
Natural Resources (Private)	9.3	21.0
Core Infrastructure (Private)	7.7	16.0
Non-Core Infrastructure (Private)	10.0	22.0
Other		
Absolute Return	6.1	10.5
Long-Short	5.2	12.0
Event-Driven	6.9	11.0
Global Macro	6.7	9.0

APPENDIX F

Correlation Expectations for Major Asset Classes

	TIPS	Investment Grade Bonds	High Yield Bonds	U.S. Equity	Developed Market Equity	Emerging Market Equity	Private Equity	Real Estate	Natural Resources (private)	Core Infrastructure (private)	Absolute Return Funds
TIPS	1.00										
Investment Grade Bonds	0.80	1.00									
High Yield Bonds	0.30	0.20	1.0								
U.S. Equity	0.00	0.05	0.70	1.0							
Developed Market Equity	0.15	0.05	0.70	0.90	1.00						
Emerging Market Equity	0.15	0.05	0.70	0.80	0.90	1.00					
Private Equity	0.05	0.05	0.65	0.85	0.80	0.75	1.00				
Real Estate	0.10	0.20	0.50	0.50	0.45	0.40	0.45	1.00			
Natural Resources (private)	0.10	0.10	0.45	0.65	0.60	0.60	0.55	0.45	1.00		
Core Infrastructure (private)	0.30	0.30	0.65	0.65	0.70	0.60	0.55	0.50	0.55	1.00	
Absolute Return Funds	0.20	0.05	0.70	0.80	0.85	0.85	0.65	0.45	0.50	0.60	1.00

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TO: BOARD OF TRUSTEES

FROM: EDWARD SMITH, CHAIRMAN

DATE: NOVEMBER 19, 2015

SUBJECT: BENEFITS COMMITTEE REPORT

The Benefits Committee did not meet during the month of October. The following report reflects Benefits Department activities and projects that occurred in the month of October.

Health Benefits Open Enrollment

Open enrollment for both the Federal Employees' Health Benefit Program (FEHB) and the District Employees' Health Program (DCHB) began November 9, 2015 and will continue through December 14, 2015. Over 10,000 covered annuitants were mailed Open Enrollment materials earlier this month. Extra effort by DCRB was required this year since to comply with its "Going Green" initiatives, the Federal Government did not print or mail open enrollment materials . Additional changes included a new enrollment type, Self Plus One.

Beginning this year, DCRB's Benefits Department is coordinating with Treasury's Office of DC Pensions to submit the first electronic data feed of open season changes from STAR to the insurance carriers. Up to now, the process has been entirely manual for DCRB. This is part of the Benefits Department's ongoing efforts to improve the quality of service to members as it will allow updates of changes to occur in a more timely fashion. In addition, annuitants are expected to receive their updated membership cards in late December or early January. Participants will see the premium changes in their February 1, 2016 payments.

Also new this year, DCRB's Member Service staff will participate in several health benefit fairs throughout the city, and DCRB will sponsor two Open Enrollment Fairs in our building on the ML level. All forms and materials for open season will also be posted to the DCRB website.

Quality Improvements

The Benefits Department continues to prepare for the upcoming acquisition of a Pension Information Management System (PIMS) by meeting with the Human Resources Offices of MPD, DCPS and FEMS, as well as with DCHR. These meetings are an integral part of our shared responsibility with the agencies to improve data transmissions to DCRB. As a follow up to the Data Reclamation Project, which focused on cleansing the data that preceded the installation of PeopleSoft, these efforts will focus on current and future data in an effort to ensure electronic employer reporting will be successful and beneficial to retirement processing. These meetings will also bridge the communication between the various HR offices and DCRB's Benefits Department. Meetings with MPD Human Resources and DC Public Schools Human

Resources occurred in early November. Meetings with FEMS and DCHR will follow later this month. These meetings will focus on establishing or revising business processes and will include a review of employee data in PeopleSoft not currently being processed by DCHR (i.e., workers' compensation, leave without pay, suspensions, etc.). These efforts will ensure that the complete service and contribution history of future employees will be transmitted to DCRB electronically, requiring minimal or no manual entry into STAR by DCRB Retirement Services staff.

Equalization Increases

Effective October 4, 2015, active MPD union and nonunion police officers and active FEMS nonunion Fire employees received FY 2016 pay increases. In accordance with D.C. Code § 5-745, Police and Fire pensioners who are eligible for equalization pay (retired before February 15, 1980) will receive increases to their annuities on the 1st day of the month following the effective date of the active employees' pay increase. Consequently, equalization increases will be effective November 1, 2015, and eligible annuitants will begin receiving them on December 1, 2015.

Benefits Department Monthly Statistics

Processing volume by month:

Activity	October	September	August	
Retirement Claims Received	224	238	238	
Processed Retirements	124	169	118	
Telephone Calls	2098	1827	1,831	
Walk-in Customers	117	117	118	
Scanned Documents	15,739 pages	10,419 pages	9,488 pages	
QDROs Approved	4 final, 1 draft	5 final, 1 draft	2 final, 1 draft	
Purchase of Service	1 ($3,659)	2 ($6,390.15)	6 ($23,317.88)	

You will find more details of the Benefits Department statistics in the attached report.