



**DISTRICT OF COLUMBIA RETIREMENT BOARD**  
**BOARD MEETING MINUTES**  
**NOVEMBER 16, 2017**  
**1:00 P.M.**

**MEMBERS PRESENT**

Joseph W. Clark, Chair  
Janice M. Adams  
Lyle M. Blanchard (by phone)  
Joseph M. Bress  
Mary A. Collins  
Gary W. Hankins  
Darrick O. Ross  
Nathan A. Saunders  
Edward C. Smith  
Thomas N. Tippet  
Michael J. Warren  
Lenda P. Washington

**DCRB STAFF PRESENT**

Sheila Morgan-Johnson, Executive  
Director  
Erie Sampson  
Johnetta Bond  
Anthony Shelborne  
Peter Dewar  
Joan Passerino  
Leslie King  
Adina Dorch  
Daniel Hernandez  
Jason Todd  
Karl Middleton  
Deborah Reaves  
Katie Schultz  
Johniece Harris  
Wukyanos Gebremeskel

**MEMBERS NOT PRESENT**

Jeffrey Barnette, ex officio

**OTHERS PRESENT**

Matthew Burnham, Accenture Consulting

**ROLL CALL**

Chairman Clark called the meeting to order at 1:52 p.m. and Ms. Deborah Reaves called the roll.

**APPROVAL OF MINUTES**

Chairman Clark introduced a motion to approve the October 19, 2017, Board Meeting minutes.

**Motion #1:** To approve the October 19, 2017, Board meeting minutes.

The motion was moved by Trustee Warren and properly seconded by Trustee Collins. The motion was approved (11-0, with 1 abstention). *(See Tally #1)*

## **CHAIRMAN'S COMMENTS**

Chairman Clark referred Trustees to his written report and commented on the following topics:

### **Executive Director Announcements**

On November 2, 2017, letters were sent to Mayor Muriel Bowser, DC Council Chairman Phil Mendelson, and Nancy Ostrowski, Director of US Treasury's Office of DC Pensions, formally announcing Sheila Morgan-Johnson's appointment as DCRB's Executive Director.

### **Trustee Ethics Training**

Annual Ethics Training for Trustees has been moved to December 14, 2017, along with the changed date of the Board meeting. The training will be conducted by the District's Board of Ethics and Government Accountability.

### **Response to Kaspersky Inquiry**

On September 20, 2017, a survey was conducted, including all DCRB investment managers and investment service providers, to determine whether they had any Kaspersky products on their information systems. The result was that none of the investment managers or consultants use Kaspersky products.

Northern Trust (NT), DCRB's custodial bank, reviewed its system and noted limited instances of Kaspersky products. Where Kaspersky products were found, NT is in the process of removing them from the environment. NT employs a multi-layered approach to protecting clients from various information security and cyber threats that could compromise client privacy and financial well-being. NT is not aware of any attempted attacks against its systems or infrastructure and has no reason to believe that any client data or assets have been affected or are at heightened risk.

## **EXECUTIVE DIRECTOR'S REPORT**

Executive Director, Sheila Morgan-Johnson, referred Trustees to her written report and noted the following:

### **Retired Teacher Trustee Election Update**

On November 2, 2017, DCRB's Election Official, the American Arbitration Association, sent out ballots to retired members of the DC Teachers' Retirement Plan who are eligible to vote for the Retired Teacher Trustee. The due date for ballots to be cast (either by mail or telephone) is November 29, 2017. The result will be brought before the Board for certification during the December Board meeting.

### **District Coding Errors Project**

On October 5, 2017, members of DCRB's staff attended a meeting with DCHR and their consultant, KPMG, to review a preliminary report of KPMG's findings related to the coding errors that have led to Social Security and Medicare withholding issues. DCRB's Benefits staff is in the process of scheduling a subsequent meeting with DCHR staff to discuss this further.

### **Classification and Compensation Study Update**

DCRB's consultant, the PRM Consulting Group (PRM), has received responses to the salary survey questionnaire, which were shared with the project team, and discussed on November 8,

2017. Subsequent discussions about the data and the position matches will take place over the next few weeks. It is anticipated that the project will be completed early next year.

### **INVESTMENT COMMITTEE REPORT**

Committee Chair Warren indicated that there was a Committee meeting earlier in the day and provided the following points of interest:

**Carlyle Succession Underway:** Founding partners **William Conway, Daniel D’Aniello,** and **David Rubenstein,** are passing the torch of firm management on to the next generation. Carlyle will be led by **Kewsong Lee,** who joined Carlyle from Warburg Pincus in 2013, and **Glenn A. Youngkin,** currently the firm’s president and chief operating officer, will become co-chief executives. **Peter J. Clare,** co-head of U.S. buyouts, was named the firm’s co-chief investment officer, alongside Conway. All three will join the board and begin their new roles on January 1, 2018. Conway and Rubenstein, currently co-CEOs, will become co-executive chairmen of the company. D’Aniello, currently chairman, will become chairman emeritus. Since 2006, the Board committed a total of \$130 million to four Carlyle real estate funds.

**State Street Global Advisors CEO Transition:** On November 7, SSgA named **Cyrus Taraporevala** as CEO. He is assuming the role from **Ron Hanley,** who will transition to the new role of president and COO of State Street. At the end of 2018, Hanley will assume the role of CEO of State Street following Jay Hooley’s retirement. As of October 31, SSgA managed nearly \$2 billion in two passive (index) strategies for the Board, developed international markets and emerging markets equities.

**Sudan Divestment Law:** DCRB is required annually, under the Divestment Law, to transmit to the DC Council, the Mayor, and the U.S. Presidential Special Envoy to Sudan a list of all investments sold, redeemed, divested, and withdrawn from companies in the Board’s portfolio who are doing business in Sudan. The letter was mailed October 10, 2017, and DCRB did not have any direct exposure to companies located in Sudan.

**District Annual Contribution:** DCRB received the annual contribution in mid-October. The amount was approximately \$164.7 million. The money was invested across fixed income 49%, public equity, 21% alternatives, (REIT’s) 27%, and cash 3%.

**Hurricane Harvey Relief Efforts:** Houston and surrounding areas continue to deal with the devastating impact of Hurricane Harvey. The work to rebuild the city has just begun. The estimated costs to rebuild range from \$65 billion on the low end to more than \$175 billion on the high end.

EnCAP Limited Partners and employees have donated \$5 million to directly support relief efforts and assist those in need.

Quantum Energy Partners (QEP) has established the **Quantum Energy Partners Hurricane Harvey Relief Fund** through the Greater Houston Community Foundation. QEP and its employees will match dollar for dollar for the first \$1.5 million donated to the Relief Fund. The purpose of the Relief Fund is to make grants to organizations providing assistance to the victims of Hurricane Harvey.

**Council of Institutional Investors (CII) 2018 Spring Conference:** Registration for CII's 2018 Spring Conference will open in December. For members interested in attending, the conference will take place Monday, March 12 - Wednesday, March 14, 2018, at the Omni Shoreham Hotel in Washington, DC.

Committee Chair Warren then made the following motions:

**Motion #2:** To commit up to \$30 million to Bernhard Capital Partners II, L.P. (private equity), subject to legal review and further due diligence by staff.

The motion was moved by Trustee Warren and properly seconded by Trustee Tippet. The motion was approved (12-0). (*See Tally #2*)

**Motion #3:** To commit up to \$35 million to Tiger Infrastructure II (infrastructure), subject to contract negotiations.

The motion was moved by Trustee Warren and properly seconded by Trustee Tippet. The motion was approved (9-3). (*See Tally #3*)

### **OPERATIONS COMMITTEE REPORT**

Committee Chair Smith indicated that the Operations Committee met on November 14, 2017. He referred Trustees to the written report and made the following comments:

#### **FY 2019 Operating Budget**

Anthony Shelborne, DCRB's Chief Financial Officer, presented the proposed Operating Budget for Fiscal Year 2019 for Committee members to review and comment. This year the budget was presented one-month early to allow adequate time for trustees to consider (or amend) the proposal in advance of the December deadline for Mayoral and Council submission. In brief, the FY 2019 proposed budget of \$43.6 million reflects an increase of \$2 million and no new FTEs.

The final Operating Budget for Fiscal Year 2019 will be presented at the December 14, 2017 Operations Committee Meeting, along with a presentation by DCRB's independent actuary, Cavanaugh MacDonald, of the 2017 Actuarial Valuation Report. That meeting will be held immediately prior to the December Board meeting.

During and after the presentation, Committee members asked several questions related to increased investment fees, the Treasury reimbursement, and costs associated with Board mandates. The budget presentation is included in the Operations Committee Folder for all trustees to review.

Chief Technology Officer, Peter Dewar, and IT Program Manager, Jason Todd, provided Committee members with information related to the Retirement Modernization Program Quarterly Report. In addition, Procurement Manager, Karl Middleton, gave members updates regarding the Procurement Contract Log.

## **BENEFITS COMMITTEE REPORT**

Committee Chair Collins indicated that the Benefits Committee did not meet this month and provided the following information on Benefits Department activities and projects that occurred since the October Board meeting:

### **Active Member Data Issues**

On October 5, 2017, DCRB Executive Director, Sheila Morgan-Johnson wrote to Ventris Gibson (DCHR Director) and Jeffrey DeWitt (Chief Financial Officer) expressing DCRB's concern regarding the PeopleSoft data issues and impact of data errors on DCRB's retirement processing. The letter reiterated DCRB's goal of reducing the use of paper and retiring employees efficiently, accurately, and timely. She requested a meeting to discuss DCRB's willingness to work with DCHR staff to research issues, propose solutions, and implement systemic processes to facilitate our goal. We expect to have that meeting scheduled within the next few weeks.

### **Outreach to Stakeholder Agencies**

On Thursday, October 26, 2017, Benefits staff presented an overview of the District of Columbia Police Officers and Firefighters' Retirement Plan (the Police/Fire Plan), including information about specific Police/Fire Plan provisions, to two classes of FEMS recruits at the Fire/EMS Training Academy. The meeting, which was very well received, was attended by more than 50 FEMS employees.

On November 13, 2017, Benefits staff participated in a Teachers' Retirement Workshop hosted by DCPS at their headquarters on First Street, NE. The workshop included information on preparing for retirement, explanations of all retirement options, examples of how the retirement benefits are calculated, and explanations about how DCRB administers benefits.

At the request of MPD's Human Resources Acting Director, Angela Simpson, DCRB's Benefits Department staff will provide MPD's human resources staff with a presentation related to the provisions of the Police/Fire Plan. Later this year, DCRB will collaborate with MPD to design a workshop for active MPD members.

### **Health Plan Open Season**

Open Season for calendar year 2018 health benefits began on Monday, November 13, 2017, and will continue through Monday, December 11, 2017 for both the Federal Employees' Health Benefit Plans (FEHBP) and the District of Columbia Health Benefit Plans (DCHBP). The new healthcare information and associated links for all Plans are now available on DCRB's website. Enrollment packets for all eligible members were mailed on November 9, 2017. DCRB will be hosting two enrollment fairs at our offices on November 29 and December 11.

There followed a discussion about the status of Summary Plan Descriptions for both the Police/Fire and Teachers' Plans, as well as the review process.

## **LEGISLATIVE COMMITTEE REPORT**

Committee Chair Blanchard referred Trustees to the written report and provided the following information on activities of interest since the October Board Meeting:

### **“Comprehensive Code of Conduct of the District of Columbia Establishment and BEGA Amendment Act of 2017” (B22-0136)**

The proposed bill would require DCRB trustees to make financial disclosures to BEGA. In addition, the bill proposes changes to the District government's ethics laws regarding employee conduct, including but not limited to: lobbying, financial disclosures, hiring, nepotism, conflicts of interest, gifts, use of government resources, and post-governmental employment conflicts of interest. Among other things, it gives BEGA the authority to access documents of District agencies without a subpoena, and requires all District employees to cooperate with the official functions of BEGA and the Director of Government Ethics. The bill was introduced on February 28, 2017, and was referred to the Committee on Judiciary and Public Safety on May 2, 2017. A public hearing on the proposed bill was held November 2, 2017.

### **“Police Officer Family College Tuition Voucher Act of 2017” (B22-0526)**

The proposed bill provides free tuition to the University of the District of Columbia’s associate- and bachelor-degree programs for all sworn officers of the Fraternal Order of Police MPD Labor Committee, their spouses, and their children. It also provides \$2,500 in higher education vouchers to attend college in the District of Columbia and a \$1,000 voucher to attend a two- or four-year higher education institution outside of the District. The bill was introduced on October 17, 2017, and was referred to the Committee of the Whole.

### **“Pension Exclusion Restoration and Expansion Act of 2017” (B22-0321)**

The proposed bill provides a tax exclusion for pensions and annuities, including military pensions, of up to \$10,000 per year for persons 62 years of age or older, or up to \$20,000 per year for persons 65 years of age or older. The bill will also allow an individual to deduct from gross income the amount of annual long-term care insurance premiums for up to \$500 per year. The bill was introduced on June 6, 2017, and was referred to the Committee on Finance and Revenue.

There followed an extensive discussion about the BEGA financial disclosure materials and BEGA’s current policy of posting them online.

## **AUDIT COMMITTEE REPORT**

Committee Chair Hankins indicated that there is no report, since the Committee did not meet this month.

The Board Chair then made a motion to enter into closed session.

**Motion #4:** To convene in closed session to consult with DCRB’s legal counsel and to preserve attorney-client privilege pursuant to DC Code §2-575(B)(4)(A).

The motion was moved by Trustee Bress and properly seconded by Trustee Washington. The motion was approved (12-0). (*See Tally #4*)

**Motion #5:** To reconvene in open session at 3:20 p.m.

The motion was moved by Trustee Collins and properly seconded by Trustee Hankins. The motion was approved (12-0). *(See Tally #5)*

**OTHER BUSINESS**

None.

**ADJOURNMENT**

Chairman Clark introduced a motion to adjourn the meeting.

**Motion #6:** To adjourn the meeting at 3:21 p.m.

The motion was moved by Trustee Smith and properly seconded by Trustee Collins. The motion was approved (12-0). *(See Tally #6)*

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

Tally #1:		Date November 16, 2017			
To approve the October 19, 2017, Board meeting minutes.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Clark, Joseph W., Chair	√				
Adams, Janice M.	√				
Blanchard, Lyle	√				
Bress, Joseph M.			√		
Collins, Mary A.	√				
Hankins, Gary W.	√				
Ross, Darrick O.	√				
Saunders, Nathan	√				
Smith, Edward C.	√				
Tippett, Thomas N.	√				
Warren, Michael J.	√				
Washington, Lenda P.	√				

Tally #2:		Date: November 16, 2017			
To commit up to \$30 million to Bernhard Capital Partners II, L.P. (private equity), subject to legal review and further due diligence by staff.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Clark, Joseph W., Chair	√				
Adams, Janice M.	√				
Blanchard, Lyle	√				
Bress, Joseph M.	√				
Collins, Mary A.	√				
Hankins, Gary W.	√				
Ross, Darrick O.	√				
Saunders, Nathan	√				
Smith, Edward C.	√				
Tippett, Thomas N.	√				
Warren, Michael J.	√				
Washington, Lenda P.	√				



Tally #3:		Date: November 16, 2017			
To commit up to \$35 million to Tiger Infrastructure II (infrastructure), subject to contract negotiations.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Clark, Joseph W., Chair		√			
Adams, Janice M.	√				
Blanchard, Lyle	√				
Bress, Joseph M.	√				
Collins, Mary A.		√			
Hankins, Gary W.	√				
Ross, Darrick O.	√				
Saunders, Nathan	√				
Smith, Edward C.	√				
Tippett, Thomas N.	√				
Warren, Michael J.	√				
Washington, Lenda P.		√			

Tally #4:		Date: November 16, 2017			
To convene in closed session to consult with DCRB's Legal Counsel and to preserve attorney-client privilege pursuant to DC Code §2-575(B)(4)(A).					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Clark, Joseph W., Chair	√				
Adams, Janice M.	√				
Blanchard, Lyle	√				
Bress, Joseph M.	√				
Collins, Mary A.	√				
Hankins, Gary W.	√				
Ross, Darrick O.	√				
Saunders, Nathan	√				
Smith, Edward C.	√				
Tippett, Thomas N.	√				
Warren, Michael J.	√				
Washington, Lenda P.	√				

Tally #5:		Date: November 16, 2017			
To reconvene in open session at 3:20 p.m.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Clark, Joseph W., Chair	√				
Adams, Janice M.	√				
Blanchard, Lyle	√				
Bress, Joseph M.	√				
Collins, Mary A.	√				
Hankins, Gary W.	√				
Ross, Darrick O.	√				
Saunders, Nathan	√				
Smith, Edward C.	√				
Tippett, Thomas N.	√				
Warren, Michael J.	√				
Washington, Lenda P.	√				

Tally #6		Date: November 16, 2017			
To adjourn the meeting at 3:21 p.m.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Clark, Joseph W., Chair	√				
Adams, Janice M.	√				
Blanchard, Lyle	√				
Bress, Joseph M.	√				
Collins, Mary A.	√				
Hankins, Gary W.	√				
Ross, Darrick O.	√				
Saunders, Nathan	√				
Smith, Edward C.	√				
Tippett, Thomas N.	√				
Warren, Michael J.	√				
Washington, Lenda P.	√				