



DISTRICT OF COLUMBIA RETIREMENT BOARD
BOARD MEETING MINUTES
DECEMBER 14, 2017
1:00 P.M.

MEMBERS PRESENT

Joseph W. Clark, Chair
Janice M. Adams
Lyle M. Blanchard*
Joseph M. Bress
Mary A. Collins*
Gary W. Hankins
Edward C. Smith
Thomas N. Tippett
Michael J. Warren
Lenda P. Washington

* Arrived after roll call.

DCRB STAFF PRESENT

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

MEMBERS NOT PRESENT

Darrick O. Ross
Nathan A. Saunders
Jeffrey Barnette, ex officio

OTHERS PRESENT

Matthew Burnham, Accenture Consulting
Brian Flowers, Board of Ethics and Government
Accountability
Jonathan Craven, Cavanaugh Macdonald
Ed Koebel, Cavanaugh Macdonald

ROLL CALL

Chairman Clark called the meeting to order at 1:10 p.m. and Ms. Deborah Reaves called the roll.

APPROVAL OF MINUTES

Chairman Clark introduced a motion to approve the November 16, 2017, Board meeting minutes.

Motion #1: To approve the November 16, 2017, Board meeting minutes.

The motion was moved by Trustee Smith and properly seconded by Trustee Bress. The motion was approved (8-0). *(See Tally #1)*

Chairman Clark then introduced a motion to approve the minutes of the Executive Session minutes of September 28, 2017.

Motion #2: To approve the Executive Session minutes of September 28, 2017.

The motion was moved by Trustee Smith and properly seconded by Trustee Warren. The motion was approved (8-0). *(See Tally #2)*

CHAIRMAN'S COMMENTS

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

Retired Teacher Trustee Election Update

The due date for ballots for the Retired Teacher Trustee Election was November 29, 2017. DCRB's Election Official, the American Arbitration Association, counted and validated the ballots, and certified its results on December 4, 2017, after which they turned the election materials over to DCRB. A memorandum from the Executive Director reporting on the results of the election and providing information on the ballots cast was provided to Trustees, and the Chairman made the following motion:

Motion #3: To certify Mary A. Collins as the winner of the 2017 Retired Teacher election.

The motion was moved by Trustee Hankins and properly seconded by Trustee Bress. The motion was approved (8-0). *(See Tally #3)*

The Chairman then noted that on December 22, 2017, a notice of the election results will be published in the DC Register, following which, there is a 30-day period during which candidates may contest the result. The election becomes final on January 22, 2018, and the winner's term begins on January 28, 2018.

Annual Open Public Meeting Schedule

The Annual Open Public Meeting Schedule of Board meetings for calendar year 2018 will be posted to DCRB's website on December 15, 2017.

Trustee Ethics Training

Annual Ethics Training for Trustees will take place today. The training will be conducted by Brian Flowers, Interim Executive Director of the District's Board of Ethics and Government Accountability (BEGA).

Sponsored Activities

DCRB's Comprehensive Annual Financial Report (CAFR) includes a Schedule of Trustee Sponsored Activities, where trustees must disclose their attendance at any meetings, conferences, or other events where the event sponsor waived registration fees and/or covered the cost of travel and/or meals. Trustees should disclose any such activities for Fiscal Year (FY) 2017.

Board Training on Sexual Harassment Policy

During January 2018, Trustees will receive Sexual Harassment Policy training, provided by the DCHR training group.

Board Self-Assessment Tool

As noted last month, at the January Board meeting, Trustees will be provided with a Board self-assessment tool designed to measure Board performance and identify priorities over time.

EXECUTIVE DIRECTOR'S REPORT

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

Budget Update

Information related to DCRB's FY 2019 operational budget will be provided during today's Operations Committee Report.

Fall DCRB Report

The fall newsletter was distributed to active and retired members of the Police/Fire and Teachers' Plans, as well as survivors, during the week of December 5, 2017.

Classification and Compensation Study Update

DCRB's consultant, the PRM Consulting Group (PRM), has received responses to the DCRB custom salary survey, shared that preliminary market data with the project team, and discussed the results with DCRB on November 8, 2017. In the weeks ahead, PRM will be refining its preliminary study report, and presenting its findings to DCRB. It is anticipated that the study results will be shared with the Board in early 2018.

Actuarial Projection Study

Now that the October 1, 2017 actuarial valuation has been completed, Cavanaugh Macdonald will begin an Actuarial Projection Study, which is a tool to help guide future investment decisions. DCRB's last projection study, which covered a thirty-year period, was completed by Cavanaugh Macdonald in 2012.

DCRB FY 2017 FOIA Report

DCRB's FOIA Report for FY 2017 has been filed with the Mayor's Office. The number of FOIA requests has decreased by one-third (from 21 to 14) due to increased agency transparency in posting updated investment information on our website.

Unrelated Business Income Tax (UBIT) Letters

On December 13, 2017, letters were sent to members of Congress expressing DCRB's concern about a provision in the House version of the Tax Cuts and Jobs Act which, if enacted, would subject certain investments in our portfolio to the UBIT. This provision, which breaks with current policy exempting state and local governments from federal taxation, would also have an immediate impact on DCRB's existing private equity and real asset investments that would create added costs in the areas of compliance, portfolio monitoring and transaction restructuring.

Whistleblower Phone Line

On October 13, 2017, a whistleblower phone line was installed in the office of DCRB's General Counsel. Now that the line is fully tested and operational, an announcement will be sent to DCRB staff regarding its purpose and use.

Staff Sexual Harassment Policy Training

During November 2017, DCRB staff attended mandatory training on the District's Sexual Harassment Policy, led by DCHR training staff. This training was provided in separate sessions for managers and all other staff.

Summary Plan Descriptions (SPDs) Update

The DCRB Communications Department is in the process of consolidating all comments received from Treasury and the District human resources departments related to the SPDs. Once the appropriate changes have been incorporated into the draft documents, clean copies will be distributed to Trustees for their review and input. We anticipate that that will occur toward the end of December.

Public Pension Coordinating Council (PPCC) and Government Finance Officers' Association (GFOA) Awards

DCRB has been presented with the PPCC award for funding for FY 2017. This award, which DCRB has received for eight consecutive years, is for meeting professional standards for plan funding as set forth in the Public Pension Standards. In addition, for the ninth consecutive year, DCRB received the GFOA Certificate of Achievement Award for Excellence in Financial Reporting for FY 2016. These awards reflect DCRB's adherence to required professional standards and maintaining best practices expected of public retirement systems.

Market Value of Fund

Ms. Morgan-Johnson announced that as of December 13, 2017, the market value of the Fund was \$8.1 billion.

INVESTMENT COMMITTEE REPORT

Committee Chair Warren indicated that there was no Report, since there was no Committee meeting in December.

BENEFITS COMMITTEE REPORT

Since both the Chair and the Vice-Chair of the Benefits Committee were not available, Chairman Clark indicated that the Benefits Committee met earlier in the day and provided the following information on activities and projects that were discussed:

Federal Employees Group Life Insurance (FEGLI) Program

Benefits Department staff met with Office of Personnel Management (OPM) staff to discuss DCRB's status related to the administration of the FEGLI Program. After a thorough discussion of the relevant law and rules governing the Program, as well as recent issues related to beneficiary designation and change forms, it was agreed that DCRB would no longer be involved with those forms. Members will receive information and instructions on this change via a variety of communication resources, including the DCRB website, our spring 2018 newsletter, their

earnings statement, and individual letters. We will also remind members that, despite this change, we are here to serve them and will assist them with any issues that may arise.

Benefits Statements

The Benefits Department plans to issue Benefit Statements to a pilot group of 300 teachers and 300 police officers in early January. We expect to issue Benefit Statements to all participants (police officers, firefighters, and teachers) between March and April 2018.

Retiree Self Service Module

The Self-Service Module is in the final stages of development and testing. Once the application is thoroughly tested, it will be presented to the Board. DCRB plans a soft launch, in that a select group of members will be invited to provide feedback on its functionality before it is launched to the full membership.

LEGISLATIVE COMMITTEE REPORT

Since Committee Chair Blanchard was not available, Chairman Clark indicated that there is no report, since there were no significant legislative changes since the November Board Meeting.

AUDIT COMMITTEE REPORT

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

Chairman Clark then introduced Mr. Brian Flowers, Interim Director of the District's Board of Ethics and Government Accountability, and made the following motion:

Motion #4: To convene the meeting in closed session pursuant to DC Code Section 2-575(B)(12) to train and develop Board Trustees and Staff.

The motion was moved by Trustee Hankins and properly seconded by Trustee Tippett. The motion was approved (9-0). *(See Tally #4)*

Motion #5: To reconvene in open session.

The motion was moved by Trustee Bress and properly seconded by Trustee Hankins. The motion was approved (9-0). *(See Tally #5)*

OPERATIONS COMMITTEE REPORT

Chairman Clark indicated that the Operations Committee met earlier in the day. He introduced Ed Koebel and Jonathan Craven of Cavanaugh Macdonald, DCRB's actuary, who provided the Board with the following presentation regarding the October 1, 2017, Actuarial Valuation Report:

Mr. Koebel began the presentation noting changes from FY 2016 and key findings:

Changes From FY 2016

- Demographic assumptions were changed to better reflect recent experience.
- The salary increase assumption was lowered.

- The administrative expense rate for the Police/Fire Plan was increased from 1.20% to 2.10% of payroll.
- The asset smoothing method was changed from a 7-year to a 5-year period.

Key Findings

- There was a 12.1% investment return on a market value basis for FY 2017.
- There was a 7.0% investment return on an actuarial basis due to the change in smoothing duration.

The Funded Status of the Plans and Contribution

- The funded status of the Plans increased in the aggregate from 104.6% to 105.2%.
- The total employer contribution for FY 2019 is estimated to be \$144.6 million, down from 164.6 million for FY 2018.
- As of October 1, 2017, the Teachers' Plan's funded status was 92.5% on an actuarial basis and 95.7% on a market basis.
- As of October 1, 2017, the Police/Fire Plan's funded status was 110.8% on an actuarial basis and 115.4% on a market basis.

Mr. Craven presented demographic and financial information for the Police/Fire and Teachers' Plans spanning the period from 2013 through 2017. He also provided charts illustrating the funding status of the Plans, as well as the growth of the market and actuarial value of the Fund underlying each Plan from 2008 through 2017.

Mr. Craven then provided an actuarial gain/(loss) analysis for each Plan, explaining the source of each change. He noted that each Plan experienced reductions in the contribution amount based on favorable investment returns, lower salary increases than anticipated, and a lower COLA amount than assumed, as well as an increase in the contribution amount due to new hires. In summary, these increases and decreases netted to a contribution that was \$20 million lower than that for FY 2018, with the Teachers' Plan slightly underfunded and the Police/Fire Plan slightly overfunded.

Finally, Mr. Craven identified upcoming projects, which include:

- A salary study for firefighters.
- Benefit statements for all three groups.
- A projection study and sensitivity analysis.

During and after the presentation, Trustees asked questions, which included: the projected and actual disability retirements; the composition of the Other category; contribution percentages; the amortization period used for over- and underfunding; and negative cash flow.

Committee Chair Smith then made the following motion:

Motion #6: To accept the Report on the Actuarial Valuations of the District of Columbia Teachers' Retirement Plan and the District of Columbia Police Officers and Firefighters' Retirement Plan, prepared as of October 1, 2017, for FY 2019.

The motion was moved by Trustee Smith and properly seconded by Trustee Tippett. The motion was approved (8-0, with one abstention). *(See Tally #6)*

FY 2019 Proposed Operating Budget

Chairman Clark then introduced DCRB's Chief Financial Officer, Anthony Shelborne, who presented information related to the Board's FY 2019 operating budget:

Mr. Shelborne provided Board members with an overview of the proposed FY 2019 budget. He began with an executive summary, which identified the elements of the proposed FY 2019 budget and then compared each to changes in the budget for FY 2017 and FY 2018. He also identified and explained changes in the proposed budget compared with the FY 2018 budget, specifically those related to personal services, non-personal services, and investment fees. He noted that there was a decrease of 4.9% in non-personal services, and a net budget increase of \$2 million.

Mr. Shelborne then described planned budget items including line items for operations due diligence expenses, metrics benchmarking, and other costs related to outside auditors and consultants who will be brought on to advise the Board on various topics. He also presented a chart that compared investment fees to assets under management, noting that the increase in investment fees is correlated with the amount of assets in the Fund. He then indicated changes in the costs of projects, initiatives, and the Benefits budget.

Mr. Shelborne provided Board members with charts that compared DCRB budgets from FY 2016 through FY 2019, and explained budget expenditures both by type and department. Also, for that same period, he provided a comparison of budgeted versus actual figures and a staffing summary, noting that there was no increase in FTEs. He then provided an illustration of the proposed FY 2019 budget by department, details related to professional fees and contracts, and cost-sharing with the Federal Government.

Finally, Mr. Shelborne provided the Board with a comparison of actual budget expenditures for FY 2013 through FY 2017, detailing funding estimates by department for FY 2019, and a comparison of the proposed FY 2019 funding estimate for fiscal years 2015 through 2017 and an estimate of expected funding for FY 2018.

During the presentation, Trustees asked questions, which included questions regarding: a decrease in the use of overtime; the Pension Information Management System (PIMS) Request For Proposal release; and PIMS project cost delays.

Mr. Smith then made the following motion:

Motion #7: To approve the FY 2019 Operating Budget of \$43.6 million.

The motion was moved by Trustee Smith and properly seconded by Trustee Hankins. The motion was approved (9-0). (*See Tally #7*)

Comprehensive Insurance Program

Mr. Smith noted that DCRB utilizes AON Risk Services as an insurance broker to solicit quotes for insurance coverage from various carriers. For 2018, DCRB requested coverage for fiduciary liability, commercial liability, crime, and cyber liability. The same insurance coverage was procured last year. The only addition for this premium period is to include automobile liability under the commercial liability coverage. The total cost for this coverage in 2016-2017 was

\$150,864. For the new premium year of 2017-2018, the total cost is \$149,089. The premium for Trustees to obtain waiver of recourse insurance coverage will be \$25 per year. This amount will be invoiced and paid separately.

Mr. Smith then made the following motion:

Motion #8: To approve the recommended comprehensive insurance program for the 2017-2018 premium year and authorize the Executive Director to expend \$149,089 for insurance premiums for the period of December 15, 2017 to December 14, 2018.

The motion was moved by Trustee Smith and properly seconded by Trustee Tippett. The motion was approved (9-0) (*See Tally #8*)

OTHER BUSINESS

None.

ADJOURNMENT

Chairman Clark introduced a motion to adjourn the meeting.

Motion #9: To adjourn the meeting at 2:58 p.m.

The motion was moved by Trustee Hankins and properly seconded by Trustee Smith. The motion was approved (9-0). (*See Tally #9*)

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

Tally #1:		Date December 16, 2017			
To approve the November 16, 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: December 14, 2017			
To approve the Executive Session meeting minutes of September 28, 2017.					
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: December 14, 2017			
To certify Mary A. Collins as the winner of the 2017 Retired Teacher election.					
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: December 14, 2017			
To convene the meeting in closed session pursuant to DC Code Section 2-575(B)(12) to train and develop Board Trustees and 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 #5:		Date: December 14, 2017			
To reconvene in open session.					
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: December 14, 2017			
To accept the Report on the Actuarial Valuations of the District of Columbia Teachers' Retirement Plan and the District of Columbia Police Officers and Firefighters' Retirement Plan, prepared as of October 1, 2017, for FY 2019.					
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 #7		Date: December 14, 2017			
To approve the FY 2019 Operating Budget of \$43.6 million.					
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 #8		Date: December 14, 2017			
To approve the recommended comprehensive insurance program for the 2017-2018 premium year and authorize the Executive Director to expend \$149,089 for insurance premiums for the period of December 15, 2017 to December 14, 2018.					
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 #9		Date: December 14, 2017			
To adjourn the meeting at 2:58 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.	√				