



DISTRICT OF COLUMBIA RETIREMENT BOARD
BOARD MEETING MINUTES
DECEMBER 20, 2018
1:00 P.M.

MEMBERS PRESENT

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

* arrived after roll call.

DCRB STAFF PRESENT

Sheila Morgan-Johnson
Erie Sampson
Anthony Shelborne
Joan Passerino
Jeffrey Barnette
Daniel Hernandez
Patrick Sahn
Leslie King
Adina Dorch
Sylvia Treadwell
Jacqueline Oliver
Ortencia Nichols
Ricardo Morgan
Deborah Reaves
Johniece Harris
Wukyanos Gebremeskel

MEMBERS NOT PRESENT

Bruno Fernandes, ex officio

OTHERS PRESENT

Edward Koebel, Cavanaugh Macdonald
Jonathan Craven, Cavanaugh Macdonald
Kimberly Woods, Insightful Pension Consulting
Group
Eugenia Collis, Office of the Chief Financial
Officer Gregory Pemberton, New Board
Member

ROLL CALL

Vice Chair Hankins called the meeting to order at 11:30 a.m., and Ms. Deborah Reaves called the roll.

APPROVAL OF MINUTES

Vice Chair Hankins introduced a motion to approve the November 15, 2018 Board Meeting minutes.

Motion #1: To approve the minutes of the November 15, 2018 Board meeting.

The motion was moved by Trustee Tippet and properly seconded by Trustee Collins. The motion was approved (9-0). (*See Tally #1*)

CHAIR'S COMMENTS

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

Special Active Teacher Election

As noted in the November Report, the Special election for the Active Teacher seat on the Board was restarted on November 7, 2018. The results will be presented for certification at the Board's meeting on January 17, 2019. The winner will begin serving out the remainder of the current term on January 28, 2019 (the term ends on January 27, 2021).

New Trustee Orientation

Staff will schedule a new trustee orientation in February for the Trustees, whose terms will begin in January, and for Bruno Fernandes, our new ex officio member, who joined the Board in September and who represents the District's Office of the Chief Financial Officer.

Board Officer Elections

With the change of Board members expected in January, and their orientation in February, we should consider postponing the appointment of Board Officers until March, as we have done the past two years. With your concurrence, the current Officers will remain in place until then.

Holiday Ethics Memorandum

With the holidays approaching, DCRB's Legal Department circulated a memorandum to staff from the Board of Ethics and Government Accountability, to ensure that everyone receives timely guidance related to holiday gifts and décor. This guidance also applies to Trustees.

Review of Election Rules

Staff will review the Board's Election Rules to address and clarify issues that have been raised recently. Any amendments will be presented to trustees in advance of the next election cycle, which will begin around July 2019.

Active Police Officer Trustee Election

The election for an Active Police Officer Trustee has been completed. Attached is the notice from Election-America, DCRB's election official, to the Executive Director reporting on the results and providing information on the ballots cast.

Farewell to Trustee Ross

Given that the results of this election mean that Trustee Darrick Ross will be leaving the Board on January 27, 2019, I wanted to take this opportunity to thank Trustee Ross, on behalf of the Board, for his many contributions over the years. Trustee Ross joined the Board on January 28, 1999 and will have completed 20 years of service at the end of the current term. During his tenure, he served as Chairman in 2004 and 2005, and again in 2009 and 2010. He also served as Sergeant-at-Arms in 2000, 2001 and 2006, and as Parliamentarian in 2007 and 2008. The Board and our members have benefited greatly from his participation.

Following these comments, Chairman Clark presented Trustee Ross with a plaque commemorating his service with the Board, and introduced the following resolution:

Whereas, Darrick O. Ross has served as a Trustee on the District of Columbia Retirement Board from January 28, 1999 through January 27, 2019.

Whereas, Darrick O. Ross has provided expertise, committed time, and imparted excellence as Chair of the Board for two separate terms during his twenty-year tenure (Sergeant at Arms, and Parliamentarian of the Board) in the capacity of a Board Officer. Darrick also served as the Chair of the Operations Committee and (the former) Emerging Enterprises Committee, Vice Chair of the Benefits Committee, Investment Committee, Operations Committee, and Strategic Planning Committees and a member of the Minority Participation Committee.

Now, Therefore, be it Resolved by the Board of Trustees that we hereby extend our thanks and appreciation to Darrick O. Ross for his expertise and years of commitment to the District of Columbia Retirement Board.

Chair Clark then made the following motion:

Motion #2: To certify Gregory Pemberton as the winner of the 2018 Active Police Officer election.

The motion was moved by Trustee Tippett and properly seconded by Trustee Adams. The motion was approved (11-0). (*See Tally #2*)

A notice of the election results will be published in the DC Register. Following the publication date, there is a 30-day period during which candidates may contest the results. The term begins on January 28, 2019.

Strategic Planning

Ralph Smith, of the Orion Development Group, returned to DCRB on December 6, 2018. He met with the Executive Leadership Team (ELT) to review the initiatives they identified earlier as essential to reaching our goals, and separately with the Implementation Team, to go over the measures definitions and metrics they singled out as important to tracking the progress of those initiatives. We expect to have those two areas completed this month. At the January Board meeting, Ralph will provide Trustees with copies of the draft Strategy Map and proposed Balanced Scorecard, as well as the opportunity to provide their input on the material drafted to date. Chairman Clark indicated that Orion would present trustees with further information at the January and February 2019 Board meetings.

EXECUTIVE DIRECTOR'S REPORT

Executive Director, Sheila Morgan-Johnson, commented on the following topics:

Fall Newsletter

The fall newsletter was distributed electronically to active members on December 10, 2018. Paper copies were mailed to annuitants this week. The newsletter includes information about FY 2018 investment returns, Board elections, the health care open enrollment period, a review of year-end tax and withholding issues, and the new Medicare cards. Beginning with this

newsletter, we will continue to provide annuitants with paper copies, but active members will receive only the electronic version.

Town Hall Meeting and Holiday Celebration

The ELT sponsored DCRB's annual year-end holiday celebration on December 13, 2018. Preceding the celebration, there was a Town Hall meeting where I gave staff an overview of FY 2018 accomplishments, on-going projects, and our plans for FY 2019 and beyond. The feedback I have received indicates that both the Town Hall and the celebration were a success and very much appreciated.

Review of MOUs

To assure that our agreements with other agencies are up-to-date, staff will be reviewing DCRB's MOU with the charter schools, which was last executed in 2002. We will also be developing an MOU with the Office of Personnel Management (OPM) to cover the work DCRB does for them related to the federal health and life insurance programs.

INVESTMENT COMMITTEE REPORT

Committee Chair Warren reported that there is no report, since the Investment Committee did not meet this month.

OPERATIONS COMMITTEE REPORT

Committee Chair Clark indicated that the Operations Committee met on December 7, 2018. The following is a summary of the matters discussed and recommendations:

Actuarial Valuation Report

Committee Chair Smith introduced Ed Koebel and Jonathan Craven of Cavanaugh Macdonald, who provided the Committee with a summary presentation of the annual Actuarial Valuation Report prepared as of October 1, 2018. Committee members had the opportunity to ask questions and to request the inclusion of supplemental data for the final report. However, since the full valuation report was not available prior to the Committee meeting, no motion was made to recommend that the Board accept the full actuarial report.

Cavanaugh Macdonald then presented the actuarial results to the Board.

October 1, 2018 Actuarial Valuations Results

At the beginning of his remarks, Mr. Koebel noted the purposes of an actuarial valuation, and described DCRB's funding policy, which was adopted in 2012 and revised in 2017. Among the key findings he reported were: (1) the retroactive payroll increases for teachers and firefighters; (2) a total estimated District employer contribution of \$151.9 million for fiscal year 2020; and (3) an aggregate funding level for the Plans of 106.2%. Separately, the Plans are funded at 93.0% for teachers, 113.7% for police officers, and 108.2% for firefighters. Mr. Koebel then reported the total membership, average salaries and benefit levels for the three groups.

There followed a discussion about the composition of the membership, when the data is collected, and whether the timing of the collection of member data has an effect on funding liability.

Mr. Craven illustrated the present value of future benefits, and provided graphs depicting the market value and the actuarial value of each Plan, from 2009 through 2018.

Mr. Craven then showed charts depicting the actuarial gains and losses of each Plan, along with the sources of those changes. He noted that the Teachers' Plan had sizeable gains related to investment returns, withdrawals (turnover), and a COLA that was less than that assumed. The majority of the losses were attributable to salary increases that were larger than those assumed (due to retroactive payments). The Police/Fire Plan also had a sizeable gain due to investment returns, turnover, fewer service retirements, and a COLA and salary increases that were lower than those assumed,. Mr. Craven then discussed the elements that determine the amount of the employer contributions, followed by a reconciliation of the elements which make up the employer contributions, beginning with the contribution amount derived the previous year.

Mr. Koebel followed with a discussion of the new Actuarial Standard of Practice (ASOP) 51 involving risk assessment, which is applicable to valuations after November 1, 2018. ASOP 51 requires the identification of significant risks to a plan and the provision of information to help plan sponsors and plan administrators with an understanding of the implications of those risks. In that regard, Mr. Koebel talked about investment risk, sensitivity measures, mortality risk and contribution risk.

Mr. Craven then provided trustees with information related to alternatives for amortizing surpluses, and their effect on funding levels over time.

There followed a discussion that included questions related to the new ASOP, the risk categories, and the effect of the different amortization periods on the Police/Fire Plan surplus. Following the presentation and discussion, Committee Chair Smith made the following motion:

Motion #3: To accept and approve 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, 2018, for FY 2020.

The motion was moved by Committee Chair Smith and properly seconded by Trustee Tippett. The motion was approved (10-0). (*See Tally #3*)

Comprehensive Insurance Program

DCRB utilizes AON Risk Services as an insurance broker to solicit quotes for insurance coverage from various carriers. For 2019, DCRB requested coverage for fiduciary liability and crime, property and casualty coverage, as well as cyber liability insurance. The same insurance coverage was procured last year.

The total cost for this coverage in 2017-2018 was \$148,879. For the previous year, the cost was \$150,864. For the 2019 premium year, the total cost is projected to be \$137,905, for which the Committee makes the following recommendation:

Motion #4: To approve the recommended comprehensive insurance program for the 2019 premium year and authorize the Executive Director to expend no more than \$140,000 for insurance premiums for the period of January 1, 2019 to December 31, 2019.

The motion was moved by Committee Chair Smith and properly seconded by Trustee Bress. The motion was approved (10-0). (*See Tally #4*)

Insightful Pension Consulting Group, LLC Contract Extension

In July 2016, DCRB retained Insightful Pension Consulting Group, LLC to expand DCRB's risk management and compliance activities for the investment program. During the Committee meeting, the Executive Director discussed that this consultant serves a critical role with the continuation of deal support on an active pipeline of private markets investment opportunities.

At the Committee meeting, members approved a motion to authorize the Executive Director to extend the consulting contract for a six-month period. However, the Executive Director now requests that as the Chair of the Committee, I request the Committee's indulgence and recommend to the Board a contract extension for an additional ninety (90) business days in lieu of six-months. The period has been abbreviated to comply with the 90-day extension referenced in the existing consulting contract. Since funding for the original contract has been expended, the Board is

being asked to authorize an increase of \$104,500 (\$102,000 for services + \$2,500 for travel) to fund the contract extension period. The consultant will continue to furnish and deliver all items and perform all the services identified in the contract.

Committee Chair Smith then made the following motion:

Motion #5: To authorize a \$104,500 increase in funding to Contract # DCRB-18-C-0025 with Insightful Pension Consulting Group, LLC, to allow for the completion of the contract requirements through April 26, 2019.

The motion was moved by Trustee Smith and properly seconded by Trustee Bress. The motion was approved (10-0). (*See Tally #5*)

Board Chair Clark then announced a break for lunch, and indicated that the meeting would resume at 2:00 p.m.

At 2:10 p.m., Chair Clark resumed the meeting and turned the floor back to Operations Committee Chair Smith, who stated that DCRB's Chief Financial Officer, Anthony Shelborne, would provide Trustees with an overview of the proposed FY 2020 Operating Budget:

FY 2020 Proposed Operating Budget

Mr. Shelborne presented the proposed FY 2020 Operating Budget of \$42.8 million, including 75 FTEs. He indicated that the presentation was updated to include comments made by the Operations Committee at its December 7, 2018 meeting.

Fiscal Year 2020 Annual Operating Budget

Mr. Shelborne began the presentation by describing DCRB's budget process, noting the timing of activities throughout the year and key milestones. He then discussed changes in the FY 2020 budget, compared with FY 2019 resulting in an overall net decrease of nearly \$750 thousand. He noted that the change is primarily due to: a restructuring of the IT Department; a new, less expensive telephone system; a reduction in consulting services; and the discontinuance or deferral of several projects. He identified offsetting increases for investment managers, investment consultants, and the trust custodian; the maintenance and upgrade of Treasury's STAR system; and rent-related expenses.

Mr. Shelborne then showed Trustees the proposed budget by department, including the number of FTEs attached to each, and compared the proposed 2020 budget with the estimated FY 2019 budget, and with the actual budgets of FY 2018 and FY 2017. He then introduced Mr. Jeffrey Burnette, DCRB's Chief Investment Officer, who explained the costs of DCRB's investment program (including fees for investment managers, administration, consulting, and the custodian).

Mr. Shelborne closed with a chart, which depicted inflows to the Fund from employee and employer contributions, investment returns, and reimbursements from U.S. Treasury, and the outflows from the Fund for DCRB's operating budget. He noted that the Fund is the source of the operating budget, including DCRB's third-party administration services for retirees who earned benefits under the frozen federal plans, and noted that U.S. Treasury's reimbursements are for those services.

A discussion ensued related to staffing levels and various budget items. After the presentation and discussion, Committee Chair Smith made the following motion:

Motion #6: To approve the FY 2020 Operating Budget of \$42.8 million and 75 Total FTEs.

The motion was moved by Committee Chair Smith and properly seconded by Trustee Tippett. The motion was approved (11-0). (*See Tally #6*)

BENEFITS COMMITTEE REPORT

Committee Chair Collins reported that the Committee did not meet this month and referred Trustees to the written Benefits Committee Report.

LEGISLATIVE COMMITTEE REPORT

Committee Chair Blanchard indicated that the Committee did not meet this month. He provided the following information on Bill 22-0468 that had been introduced on September 25, 2017 and was enacted with Act number A22-0516 on November 13, 2018:

“Teachers’, Police, and Firefighters Retirement Benefits Technical Amendment Act of 2017”

The bill introduced technical amendments applicable only to members covered by the Police Officers, Fire Fighters, and Teachers Retirement Benefit Replacement Plan Act of 1998, to: (1) recognize domestic partners as eligible survivors of police officers and firefighters; (2) clarify that 401(a) plan assets may be transferred by a member into the District of Columbia Police Officers and Fire Fighters' Retirement Fund to be used toward the purchase of prior service with the District of Columbia Fire and Emergency Medical Services Department; and (3) clarify that the Internal Revenue Code § 401(a)(17) compensation limit applies to members first covered under the Police Officers, Firefighters, and Teachers' Plans on or after October 1, 2002.

Committee Chair Blanchard noted that the law is now subject to a 30-day congressional review that would not begin until January due to a congressional recess.

AUDIT COMMITTEE REPORT

Committee Chair Hankins indicated that there was no report because the Committee did not meet this month. He announced that there would be a meeting in January.

OTHER BUSINESS

None.

ADJOURNMENT

Chair Clark then introduced a motion to adjourn the meeting.

Motion #7: To adjourn the meeting at 2:58 p.m.

The motion was moved by Trustee Bress and properly seconded by Trustee Tippet. The motion was approved (10–1). (*See Tally #7*)

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

Tally #1:		Date: December 20, 2018			
To approve the minutes of the November 15, 2018 Board meeting.					
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.	√				
Smith, Edward C.	√				
Tippett, Thomas N.	√				
Warren, Michael J.	√				
Washington, Lenda P.	√				

Tally #2:		Date: December 20, 2018			
To certify Gregory Pemberton as the winner of the 2018 Active Police Officer 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.	√				
Smith, Edward C.	√				
Tippett, Thomas N.	√				
Warren, Michael J.	√				
Washington, Lenda P.	√				

Tally #3:		Date: December 20, 2018			
To accept and approve 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, 2018, for FY 2020.					
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.	√				
Smith, Edward C.	√				
Tippett, Thomas N.	√				
Warren, Michael J.	√				
Washington, Lenda P.	√				

Tally #4:		Date: December 20, 2018			
To approve the recommended comprehensive insurance program for the 2019 premium year and authorize the Executive Director to expend no more than \$140,000 for insurance premiums for the period of January 1, 2019 to December 3, 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.	√				
Smith, Edward C.	√				
Tippett, Thomas N.	√				
Warren, Michael J.	√				
Washington, Lenda P.	√				

Tally #5:		Date: December 20, 2018			
To authorize a \$104,500 increase in funding to Contract # DCRB-18-C-0025 with Insightful Pension Consulting Group, LLC, to allow for the completion of the contract requirements through April 26, 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.	√				
Smith, Edward C.	√				
Tippett, Thomas N.	√				
Warren, Michael J.	√				
Washington, Lenda P.	√				

Tally #6:		Date: December 20, 2018			
To approve the FY 2020 Operating Budget of \$42.8 million and 75 Total FTEs.					
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.	√				
Smith, Edward C.	√				
Tippett, Thomas N.	√				
Warren, Michael J.	√				
Washington, Lenda P.	√				

Tally #7:	Date: December 20, 2018
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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.	√				
Smith, Edward C.	√				
Tippett, Thomas N.	√				
Warren, Michael J.	√				
Washington, Lenda P.	√				