



**DISTRICT OF COLUMBIA RETIREMENT BOARD**  
**BOARD MEETING MINUTES**  
**MAY 17, 2018**  
**1:00 P.M.**

**MEMBERS PRESENT**

Joseph W. Clark, Chair  
Lyle M. Blanchard  
Joseph M. Bress  
Mary A. Collins  
Gary W. Hankins  
Nathan A. Saunders  
Edward C. Smith (by phone)  
Thomas N. Tippett  
Lenda P. Washington  
Jeffrey A. Barnette, ex officio

**DCRB STAFF PRESENT**

Sheila Morgan-Johnson, Executive  
Director  
Erie Sampson  
Johnetta Bond  
Anthony Shelborne  
Joan Passerino  
Daniel Hernandez  
Adina Dorch  
Ricardo Morgan  
Deborah Reaves  
Johniece Harris  
Wukyanos Gebremeskel

**MEMBERS NOT PRESENT**

Janice M. Adams  
Darrick O. Ross  
Michael J. Warren

**OTHERS PRESENT**

Rodney Dickerson, OCFO  
Brenda Mathis, OCFO

**ROLL CALL**

Chairman Clark called the meeting to order at 1:08 p.m., and Ms. Deborah Reaves called the roll.

**APPROVAL OF MINUTES**

Chairman Clark introduced a motion to approve the April 19, 2018, Board Meeting minutes.

**Motion #1:** To approve the minutes of the April 19, 2018 Board meeting.

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

**CHAIRMAN'S COMMENTS**

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

**Actuarial Funding Policies and Practices**

As a follow-up to our discussions with Cavanaugh Macdonald regarding our options related to the current Police/Fire Plan funding surplus, they provided us with a white paper on funding

policy discussions among the members of the Conference of Consulting Actuaries Public Plans Community, which is available for your review.

### **Committee Assignments for 2018**

Last month, I asked that you provide me with your committee preferences for this calendar year. A chart of proposed standing committee membership, based on responses that I received, was provided with the meeting materials. As a reminder, Trustees may serve on only two committees, not including the Investment Committee.

## **EXECUTIVE DIRECTOR'S REPORT**

### **IT Audit Has Begun**

With the Board's approval at its April meeting, DCRB has engaged NGEN, LLC to conduct an audit of DCRB's information technology and information security network, which began last week. NGEN is expected to present their findings to Trustees next month.

### **DCRB/ODCP SLA Signed**

DCRB signed its annual service-level agreement (SLA) with the U.S. Department of the Treasury's Office of DC Pensions (ODCP) on April 24, 2018. The SLA defines the responsibilities of DCRB's Benefits Department and ODCP in providing a high level of service to our annuitants.

### **Classification & Compensation Study Update**

In accordance with the Board's approval at its April meeting, the DCRB salary schedule has been increased by 3%, retroactive to October 1, 2017. DCRB managers continue to work with PRM Consulting, Inc. on adjustments to position descriptions, which will be completed by the end of this month.

### **Strategic Planning**

Procurement has received the best and final offers of RFP respondees, and is currently contacting the references of those who met our criteria for this project. The evaluation panel will review the information provided and move to the next steps in our process. We expect to present a contract award to the Operations Committee and the Board at their June meetings. This project will include succession planning, which will be used to identify the next generation of DCRB leaders. The scope of the project is to identify/update DCRB's mission, vision and core values; governance; and long- and short-term goals and objectives. The consultant will also recommend any changes to our organizational structure that will assist us in reaching our goals.

### **Report on 401(a) Supplemental Plan**

I have tasked DCRB's Human Resources Department with reviewing retirement benefits for our staff and to provide a report based on competitive data related to the plans of other appropriate retirement systems. We expect to have the report completed in September.

### **Preliminary Condensed and Combining Financial Statements and Schedules**

Ms. Morgan-Johnson then introduced Chief Financial Officer, Anthony Shelborne, who presented information contained in the Condensed Financial Statements for Fiscal Year 2017. Mr. Shelborne identified DCRB's assets, liabilities and net position, noting the level of cash, and investment trades receivables and payables. He then covered additions, deductions and changes

in net position, noting net investment income, benefit payments and refunds. Finally, he discussed the overall operating budget, noting reductions in professional services and travel.

There followed a discussion related to reimbursements/payments to the federal government, and rent (including operating expenses).

### **OPERATIONS COMMITTEE REPORT**

Chairman Clark noted that there is no report, since the Committee did not meet this month.

### **INVESTMENT COMMITTEE REPORT**

Committee Vice-Chair Washington noted the following points of interest from the Investment Committee meeting earlier in the day, followed by four motions:

#### **Convergence**

With the ever-increasing regulatory focus and business complexity of alternative asset managers, investors have been allocating greater resources to operational due diligence prior to making an investment allocation decision and then on an ongoing basis once that investment allocation has been made. As DCRB enhances our investment compliance and risk focus, the Staff is internally formulating a roadmap for the tools needed to successfully monitor: (1) investment and operational risk; (2) adherence to investment policy guidelines by current managers; (3) regulatory risk; and (4) personal trading (if we were to have in-house management). In taking a risk-based approach to prioritizing investment strategies that require the greatest focus on investment and/or operational risk, the Staff sought to find tools and/or applications to support our compliance efforts in the Private Markets strategies as a first step. After some market research and speaking to other public pension funds, the Staff has procured a compliance software tool called Convergence. Convergence provides an integrated research tool to evaluate specific information derived from Form ADV, which is a required regulatory document that US registered investment advisers file with the SEC. This tool is the first step in formalizing our goals regarding internal operational due diligence manager reviews for prospective and current managers in the portfolio.

#### **CFA Code of Conduct for Members of a Pension Governing Body**

The conduct of those who govern pension boards significantly impacts the lives of millions of people around the world who are dependent on pensions for their retirement income. Consequently, it is critical that pension plans are overseen by a strong, well-functioning governing body in accordance with fundamental ethical principles of honesty, integrity, independence, fairness, openness, and competence. Members of a governing body that have responsibility for overseeing the administration of benefits as well as the investment decision-making process are equally guided by codes of conduct. I believe that the core tenets of “Good Governance” for a public pension fund are grounded in the following beliefs and desires to have: (1) strong governance structure for decision making; (2) accountability; (3) transparency; (4) independent oversight; (5) ongoing review of investment policy and strategy and benefits administration; (6) risk identification, controls and monitoring and (7) monitoring of costs. The foundational support of an effective governance structure is to ensure that the governing body making decisions is well-functioning in the execution of their responsibility and that each person will make decisions based on ethical principles of honesty, integrity, independence, fairness, openness and competence. The CFA Institute, a global association for investment professionals,

has published an ethical framework for Boards to consider adopting while acting in their fiduciary capacity. A copy was included with Board materials.

Vice-Chair Washington then presented the following motions:

**Motion #2:** To commit up to \$40 million to Riverside Fund VI, LP, private equity fund, subject to legal review and further due diligence.

The motion was moved by Trustee Washington and properly seconded by Trustee Bress. The motion was approved (6-3). *(See Tally #2)*

**Motion #3:** To commit up to €40 million to CapVest Equity IV, LP, private equity fund, subject to the completion of a written compliance manual, background checks on partners, legal review and further due diligence.

The motion was moved by Trustee Washington and properly seconded by Trustee Tippett. The motion was approved (9-0). *(See Tally #3)*

**Motion #4:** To authorize the Executive Director to execute a Settlement Agreement as full settlement and release of DCRB from all claims related to the Tribune Litigation.

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

**Motion #5:** To authorize the Executive Director to enter into an emergency sole source contract with Insightful Pension Consulting Group, LLC, the Board's investment compliance and risk management consultant, for a six-month period for an amount not to exceed \$105,000.

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

### **BENEFITS COMMITTEE REPORT**

The Benefits Committee met on Thursday, May 10, 2018. The following report reflects matters discussed at that meeting, as well as activities and projects that occurred since the April 2018 Board meeting. Committee Chair Collins provided the following information:

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

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

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

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

**Death Case Update**

Previously, the Benefits Department made the Committee aware of two cases where deaths went undetected and benefit payments continued to the deceased members for an extended period. These cases (100% federal) have been submitted to the Office of DC Pensions for legal review and to the U.S. Office of the Inspector General (OIG) for investigation.

The Benefits Department in conjunction with ODCP has reviewed all current processes to see what additional measures can be implemented to minimize a recurrence of such overpayments. Within the last two months, ODCP requested that both their third-party vendors who perform death matching services widen their search for the review of potential death matches and obituaries. In addition, the Benefits Department will increase the sample size of retirees included in the Annual Annuitant Verification Project.

Chair Collins invited Chief Benefits Officer, Johnetta Bond, to present the remaining items:

**Post Retirement – Health Benefits Federal Employees Health Benefits (FEHB)**

The FEHB program is administered by the US Office of Personnel Management (OPM). In the Winter 2018 edition of the DCRB newsletter for Police Officers and Firefighters, it stated that police officers and firefighters hired before October 1, 1987 are eligible for health care coverage under FEHB, and that the employer/retiree premium percentage is 75%/25% respectively. Although that is generally the case, there are some plans, such as high option plans, where the retiree share is greater than 25%. In response to the article, two retirees contacted us to inquire about their premiums. We explained that the article should have said that the retiree premium is generally 25% and confirmed that the premiums they are paying reflect those indicated in the OPM open season brochure.

**District of Columbia Employees Health Benefits Program (DCEHB)**

The Benefits Department presented the new Medicare Advantage Program being offered by the DC Department of Human Resources for participants in the DCEHB program. An open enrollment for this new benefit program began on May 14 and will continue through June 1, 2018. Approximately 200 - 300 Medicare eligible retirees will be offered the opportunity to enroll in these new plans.

**Treasury Offset Program (TOP)**

The Treasury Offset Program (“TOP”) is administered by the Bureau of the Fiscal Service's (“BFS”) Debt Management Services (“DMS”), to collect certain delinquent debts owed to federal agencies and states by withholding or reducing certain payments, such as, federal and state tax refunds, federal salary, Social Security, or civil service retirement. “Delinquent debts” may include federal tax and non-tax debts, child support debt, and state debts other than child support. All federal payments are subject to TOP unless exempted by statute or by the Secretary of the Treasury.

Since benefit payments from the District of Columbia Police Officers and Firefighters' and the Teachers' Retirement Plans (the "Plans") are disbursed through ODCP, a federal agency, BFS has determined that all such benefit payments, whether federal or District are subject to TOP.

In March 2015, ODCP requested a partial exemption from TOP for both federal and District payments. In September 2015, DCRB supplemented this exemption request with additional information. After providing a full legal, administrative and historical context, DCRB requested a full exemption from TOP for any benefit payment, or partial payment, that is a District liability. In November 2017, BFS responded to ODCP's request for exemption and granted a 75% partial exemption consistent with that for civil service retirement payments.

There followed a lengthy discussion about the federal and District rules related to TOP, DCRB's options related to the District portion of benefit payments, Trustee fiduciary obligations, and the effect of offsets on members. Chairman Clark urged Trustees to attend the next Benefits Committee meeting for the purpose of discussing these issues more fully.

### **Budget Hearing Report Summary**

Chief Financial Officer, Anthony Shelborne then provided a short summary of the Report and Recommendations of the Committee of the Whole on the Fiscal Year 2019 Budget and Corresponding Budget Support Act. Mr. Shelborne pointed to the recommendations that appear on pages 42 and 43, which are covered in the Legislative Committee Report below.

### **LEGISLATIVE COMMITTEE REPORT**

Committee Chair Blanchard indicated that the Committee did not meet this month, and noted the following legislative activity since the April Board meeting:

#### **Hearing**

DCRB's annual agency oversight hearing was held on Tuesday, March 27, 2018 before Councilmember Phil Mendelson, Chair of the Committee of the Whole (the Committee).

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

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

**Commentary:** "The Committee commends DCRB for its ongoing work to use sound judgment in managing the plan funds. However, the Committee notes that for FY 2019, the ADEC decreased by approximately \$20 million from last year's ADEC. The TRS decreased by approximately \$5.7 million while the POFTRS decreased by approximately \$14.3 million. According to the independent actuary, this was generally a result of strong returns over the last year (12%) on fund investments, positive demographics (lower salaries), and a cost-of-living adjustment for retirees that was less than expected."

“Finally, the Committee notes that the payouts from the fund will soon outpace contributions plus investment earnings on the fund – sometime between 2019 and 2023. According to the Executive Director of DCRB, this is an expected occurrence as pension funds mature. However, so long as the District continues to fund the Plans pursuant to the ADEC calculations, they should stay fully funded.”

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

### **Recommendations**

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

### **AUDIT COMMITTEE REPORT**

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

### **OTHER BUSINESS**

None

### **ADJOURNMENT**

Chairman Clark introduced a motion to adjourn the meeting.

**Motion #6:** To adjourn the meeting at 2:25 p.m.

The motion was moved by Trustee Hankins and properly seconded by Trustee Bress. The motion was approved (9–0). (*See Tally #6*)

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

Tally #1:		Date: May 17, 2018			
To approve the March 15, 2018, 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: May 17, 2018			
To commit up to \$40 million to Riverside Fund VI, LP, private equity fund, subject to legal review and further due diligence.					
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: May 17, 2018			
To commit up to €40 million to CapVest Equity IV, LP, private equity fund, subject to the completion of a written compliance manual, background checks on partners, legal review and further due diligence.					
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: May 17, 2018			
To authorize the Executive Director to execute a Settlement Agreement as full settlement and release of DCRB from all claims related to the Tribune Litigation.					
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: May 17, 2018			
To authorize the Executive Director to enter into an emergency sole source contract with Insightful Pension Consulting Group, LLC, the Board's investment compliance and risk management consultant, for a six-month period for an amount not to exceed \$105,000.					
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: May 17, 2018			
To adjourn the meeting at 2:25 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.	√				