



DISTRICT OF COLUMBIA RETIREMENT BOARD
BOARD MEETING MINUTES
OCTOBER 19, 2017
1:00 P.M.

MEMBERS PRESENT

Joseph W. Clark, Chair
Janice M. Adams
Lyle M. Blanchard*
Mary A. Collins
Gary W. Hankins
Darrick O. Ross
Nathan A. Saunders
Edward C. Smith (by phone)
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
Katie Schultz
Deborah Reaves
Johniece Harris
Wukyanos Gebremeskel

MEMBERS NOT PRESENT

Joseph M. Bress
Jeffrey Barnett, ex officio

OTHERS PRESENT

Teri Bennett, Accenture Consulting
Jerry Kollman, DXC Technology

ROLL CALL

Chairman Clark called the meeting to order at 12:38 p.m. and Ms. Deborah Reaves called the roll.

APPROVAL OF MINUTES

Chairman Clark introduced a motion to approve the Sept. 28, 2017, Board Meeting minutes.

Motion #1: To approve the Sept. 28, 2017, Board meeting minutes.

The motion was moved by Trustee Hankins and properly seconded by Trustee Adams. The motion was approved (10-0). (*See Tally #1*)

CHAIRMAN'S COMMENTS

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

Executive Director News Release

A News Release announcing Sheila Morgan-Johnson's appointment as DCRB's Executive Director was posted to the DCRB website on October 5, 2017.

December Board Meeting

The Board's December meeting would normally fall on the 21st. After talking with several Trustees about that date's close proximity to the holidays, the meeting is being moved to December 14th.

Trustee Ethics Training

Annual Ethics Training for Trustees is also being moved to December 14, 2017, prior to the Board meeting. The training will be conducted by the District's Board of Ethics and Government Accountability (BEGA).

Overview of Activities Through Year End 2017

As noted last month, during the final quarter of this calendar year, the Board will be presented with information and/or asked to take actions related to a number of important matters, including the:

- Fiscal Year (FY) 2019 Budget;
- FY 2017 Audit;
- October 1, 2017 Actuarial Valuation;
- Certification of the results of the retired teacher trustee election;
- The commencement of an actuarial projection study; and
- The release of requests for proposals (RFPs) for a telephone system, contracts audit, and a pension information management system (PIMS).

End of Fiscal Year 2017

The deadline for submitting timesheets, travel reimbursement requests, travel reports, and any other supporting documents needed to close out FY 2017 was October 15, 2017. Trustees who may still have outstanding materials should submit them as soon as possible.

Delegations of Authority

The Chairman indicated that in light of the newly appointed Executive Director, the Board's former delegations of Investment Authority and Benefits Administration Authority to the Executive Director need to be revised to reflect that Sheila Morgan-Johnson is the Executive Director. He then made the following motion:

Motion #2: To approve the revised Board Delegations of Authorities for Investments and Benefits Administration to the Executive Director, which reflect Sheila Morgan-Johnson as the Executive Director.

The motion was moved by Trustee Hankins and properly seconded by Trustee Tippet. The motion was approved (10-0). (*See Tally #2*)

The Chairman stated that since the newly appointed Executive Director, Sheila Morgan-Johnson, has signed her employment agreement with the Board, a follow-up meeting would be needed with the Ad Hoc Committee to discuss the Chief Investment Officer (CIO) and Chief Operating Officer (COO) transition and recruitment, and to establish performance goals for the Executive Director. He indicated that he anticipated scheduling the meeting for November 14, 2017.

PRESENTATION: Cyber Incident Response Plan

Peter Dewar, DCRB's Chief Technology Officer, presented the Board with an overview of the Agency's Cyber Incident Response Plan (the Plan). He indicated that the objective of the Plan is to prevent the loss of assets and maintain public confidence by providing an immediate and effective response to any event involving computer information systems, networks, or databases.

Mr. Dewar stated that cyber incidents are of the following three types:

- a Denial of Service - an attack that prevents normal authorized functionality of networks, systems, etc.;
- a Data Breach - an unauthorized acquisition of electronic data that compromises the security, confidentiality, or integrity of personal information maintained; or
- a Web Attack - an attack executed from a website or web-based application.

Mr. Dewar indicated that risk mitigation strategies involve a readiness assessment, a vulnerability assessment, incident response play books, tests, and cyber-insurance. He noted that the key teams in place to deal with such incidents are: Infrastructure, Security and Risk Management, Communications, Information Privacy/Legal, and FireEye.

He concluded the presentation with an overview that summarized the Plan activities and the need to prepare, detect, recover, and adapt.

During and following the presentation Trustees posed questions about and discussed cyber insurance, costs, and deductibles; questions related to whether other retirement systems have experienced cyber incidents and what they are doing about such issues; and how DCRB prevents and handles attempts to breach our systems.

EXECUTIVE DIRECTOR'S REPORT

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

District Contribution to Plans

The District's contribution to the Plans of \$164.6 million was received by DCRB on October 18, 2017, and will be appropriately invested as soon as possible. Ms. Morgan-Johnson also noted that the Fund earned a return of 13.0% through FY 2017 (as of September 30, 2017) and that the value of assets in the Fund just passed the \$8.0 billion mark.

Whistleblower Phone Line

A whistleblower phone line was installed in the office of DCRB's General Counsel on October 13, 2017. An announcement about this line will be sent to DCRB staff by the end of this month.

Sexual Harassment Training

Sexual harassment training is provided annually for staff and will be scheduled shortly.

Staff Communication Disclosure Form

A staff Communications Disclosure Form was created to document instances where DCRB staff is approached by vendors who are seeking to do business with DCRB. The purpose of the form is to avoid conflicts of interest or the appearance of conflicts of interest.

Draft Financial Statements

DCRB's Chief Financial Officer, Anthony Shelborne, then provided the Board with an overview of DCRB's Preliminary Financial Statements and Schedules for FY 2017. He reviewed the Schedule of Administrative Expenses, noting that total administrative expenses were projected to be \$30.5 million (down from \$31.8 million in FY 2016), the Statements of Fiduciary Net Position shows that total assets in the Trust were projected to be \$7.7 billion (up from \$6.8 billion in FY 2016).

The Statements of Changes in Net Position compares the FY 2017 additions and deductions to those of the fiscal year 2016. He indicated this statement for FY 2017 projected total revenues of \$1.1 million, which includes projected net appreciation of investments, and expenses of approximately \$187,000, for a Net Change in FY 2017 of about \$952,000.

During and following the presentation there were questions and discussions about various income and expense items and the reasons for changes from the previous year.

INVESTMENT COMMITTEE REPORT

Committee Chair Warren commented that there was no report, since the Committee did not meet this month.

OPERATIONS COMMITTEE REPORT

The Operations Committee did not meet in October. Committee Chair Smith referred Trustees to the written Report.

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 September 28th Board meeting:

Active Member Data Issues

On October 5, 2017, DCRB staff met with the District of Columbia's Director of Human Resources, Ventris Gibson, KMPG consultants, and other District stakeholders to discuss ongoing data issues related to employee record miscodings in PeopleSoft. Although the focus of this project is to identify the magnitude of the errors' effect on Social Security and Medicare, DCRB was advised that the errors also affect the Police/Fire and Teachers' Plans. Consequently, there may be an impact on both the membership numbers and contributions to the Plans that DCRB administers, as well as the accuracy of the information provided to members. DCHR and KPMG have committed to sharing the data that has been gathered during their project so that DCRB can

determine the impact, if any, of the errors on the Police/Fire and Teachers' Plans, as well as the underlying Fund. KPMG expects to complete its analysis by December 31, 2017.

There followed a lengthy discussion about what this project involves, who may be affected, and the potential cost to the Trust.

LEGISLATIVE COMMITTEE REPORT

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

“Teachers’, Police, and Firefighters Retirement Benefits Technical Amendment Act of 2017” (B22-0468)

The bill introduces 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 partnerships; (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 towards 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. The bill was introduced on September 25, 2017, and was referred to the Committee of the Whole with comments from the Committee on Judiciary and Public Safety.

“Collective Bargaining Agreement between the Washington Teachers' Union, Local #6 of the American Federal of Teachers and the District of Columbia Public Schools Emergency Approval Resolution of 2017” (R22-0251)

The proposed emergency resolution seeks approval of the negotiated Collective Bargaining Agreement between the WTU and DCPS (the “CBA”) governing the working conditions, benefits and compensation for DCPS teachers. The CBA provides for a 4% salary increase for FY 2017, which will be paid retroactively to all DCPS employees who are members of the WTU bargaining unit, all WTU bargaining unit members who retired during FY 2017, and to the estates of all WTU bargaining unit members who died during FY 2017. The CBA further provides for a 3% wage increase effective October 1, 2017; and a 2% wage increase effective October 1, 2018. The proposed emergency resolution was introduced on September 18, 2017 and approved on October 3, 2017.

“Washington Teachers' Union and Additional Labor Agreements Funding Amendment Act of 2017” (B22-0425)

The bill provides funding for costs associated with the recently ratified collective bargaining agreement between the Washington Teachers' Union and the District of Columbia Public Schools, as well as to provide funding needed to settle other labor agreements between the District government and other unions, including the Fraternal Order of Police, D.C. Police Union, and the District of Columbia Firefighters Association. The bill was introduced on September 18, 2017, and was referred to the Committee of the Whole with comments from the Committee on Education.

AUDIT COMMITTEE REPORT

Committee Chair Hankins indicated that the Committee met earlier in the day and noted the following points of interest:

FY 2017 Audit and Other Issues

CliftonLarsonAllen discussed the audit plan for FY 2017. The auditors completed the interim work in August, and they will begin the field work for the full audit on November 13.

Operational Due Diligence Presentation

In order to identify and assess operational risks in investment firms before DCRB makes an investment commitment, and to provide ongoing monitoring of firms with which DCRB invests, the Executive Director/Chief Investment Officer recommends that the Board engage a consulting firm focused on Operational Due Diligence. Consistent with DCRB's Procurement Regulations, an RFP must be issued to begin the competitive process to engage a consulting firm. The following motion was then proposed:

Motion #3: To authorize the Executive Director to release an RFP for operational due diligence related services.

The motion was moved by Trustee Hankins and properly seconded by Trustee Collins. The motion was approved (11-0). (*See Tally #3*)

There followed a discussion about the cost of the services.

Motion #4: To convene the meeting in closed session pursuant to D.C. Code §2-575(b)(2) to discuss the negotiation of a contract if discussed in the Open Board Meeting would adversely affect the Board's bargaining position or negotiating strategy.

The motion was moved by Trustee Tippet and properly seconded by Trustee Hankins. The motion was approved (11-0). (*See Tally #4*)

Motion #5: To reconvene in Open Session.

The motion was moved by Trustee Hankins and properly seconded by Trustee Washington. The motion was approved (11-0). (*See Tally #5*)

OTHER BUSINESS

None.

ADJOURNMENT

Chairman Clark introduced a motion to adjourn the meeting.

Motion #6: To adjourn the meeting at 2:35 p.m.

The motion was moved by Trustee Warren and properly seconded by Trustee Collins. The motion was approved (11-0). (*See Tally #6*)

RECORD OF OFFICIAL BOARD ACTIONS

Tally #1:		Date October 19, 2017			
To approve the September 28, 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: October 19, 2017			
To approve the revised Board Delegations of Authorities for Investments and Benefits Administration to the Executive Director, which reflect Sheila Morgan-Johnson as the Executive Director.					
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: October 19, 2017			
To authorize the Executive Director to release an RFP for operational due diligence related services.					
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: October 19, 2017			
To convene the meeting in closed session pursuant to D.C. Code §2-575(b)(2) to discuss the negotiation of a contract if discussed in the Open Board Meeting would adversely affect the Board's bargaining position or negotiating strategy.					
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: October 19, 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: October 19, 2017		
To adjourn the meeting at 2:35 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.	√				