Funding Policy

Approved by the Board of Trustees

Adopted: November 15, 2012
Revised: June 22, 2017

The purpose of the funding policy is to state the overall funding goals for the District of Columbia Retirement Board, the benchmarks that will be used to measure progress in achieving those goals, and the methods and assumptions that will be employed to develop the benchmarks.

I. Funding Goals

The objective in requiring employer and member contributions to the Plan is to accumulate sufficient assets during a member's employment to fully finance the benefits the member receives throughout retirement. In meeting this objective, the Plan will strive to meet the following funding goals:

- To maintain an increasing or stable ratio of Plan assets to accrued liabilities and reach a 100 percent minimum funded ratio;
- To maintain adequate asset levels to finance the benefits promised to members;
- To develop a pattern of stable or declining contribution rates when expressed as a percentage of member payroll as measured by valuations prepared in accordance with the principles of practice prescribed by the Actuarial Standards Board, with a minimum employer contribution equal to the normal cost determined under the Entry Age Normal funding method;
- To provide intergenerational equity for taxpayers with respect to Plan costs; and
- To fund benefit improvements through increases in contribution rates in accordance with statute.

II. Benchmarks

To track progress in achieving the previously outlined funding goals, the following benchmarks will be measured annually as of the actuarial valuation date (with due recognition that a single year's results may not be indicative of long-term trends):

- **Funded ratio** – The funded ratio, defined as the actuarial value of Plan assets divided by the Plan's actuarial accrued liability, should be increasing over time, before adjustments for changes in benefits, actuarial methods, and/or actuarial assumptions, with a target of at least 100 percent.

- **Contribution rate history** – Employer and member contribution rates should be relatively stable or declining from year to year when expressed as a percent of active member payroll.
- **Unfunded Actuarial Accrued Liability (UAAL) amortization period** – The amortization period for the Plan's expected 2017 UAAL will be a closed 15-year period. All subsequent changes in the UAAL will be amortized over 20 year closed periods. Each valuation will produce an amortization base which will take 20 years to fully amortize. The amortization of the UAAL bases will be developed using the level dollar methodology.

III. Methods and Assumptions

The actuarial funding method used to develop the benchmarks is entry age normal. The method used to develop the actuarial value of assets will recognize the underlying market value of the assets by spreading each year's unanticipated investment income (gains and losses) over a five-year smoothing period (1/5th per year), as adopted by the Board.

The actuarial assumptions used will be those last adopted by the Board based upon the advice and recommendation of the Plan's actuary. The actuary shall conduct an investigation into the Plan's experience at least every two years, and utilize the results of the investigation to form the basis for those recommendations.

The Board will have an audit of the Plan's actuarial valuation results conducted by an independent actuary at least every five years. The purpose of such a review is to provide a critique of the reasonableness of the actuarial methods and assumptions in use and the resulting actuarially computed liabilities and contribution rates.

IV. Funding Policy Review

The funding policy components will be reviewed and amended as necessary following each experience investigation conducted by the Board.