



DISTRICT OF COLUMBIA RETIREMENT BOARD (DCRB)

MEETING MINUTES

THURSDAY, MAY 20, 2021

1:00 P.M.

MEMBERS PRESENT

Joseph W. Clark, Chair
Janice M. Adams
Lyle M. Blanchard
Joseph M. Bress
Mary A. Collins
Geoffrey P. Grambo
Danny C. Gregg
Tracy S. Harris
Nathan A. Saunders

DCRB STAFF PRESENT

Karen Hsu, Interim Executive Director
Erie Sampson, General Counsel
Mark Spindel
Ram Murthy
Munesti Musara
Daniel Hernandez
Adina Dorch
Kimberly Woods
Paralee Massie-Armstrong
Johniece Harris
Deborah Reaves

MEMBER NOT PRESENT

Greggory Pemberton
Carmen Pigler, Ex officio
Edward C. Smith, Vice Chair

Others PRESENT

Teddy Haynes, Financial Investment News
Denise Daniels, Public Guest, Teachers'
Retirement Plan

ROLL CALL

Chair Clark called the meeting to order at 2:32 p.m. and Ms. Deborah Reaves called the roll.

APPROVAL OF MINUTES

Chair Clark introduced a motion to approve the open session Board meeting minutes.

Motion #1: To approve the April 22, 2021 open session Board meeting minutes.

The motion was moved by Trustee Bress and properly seconded by Trustee Collins.

The motion was approved (9-0). *(See Tally #1)*

Tally #1			Date: May 20, 2021		
Motion #1: To approve the April 22, 2021 open session Board meeting minutes.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Clark, Joseph W., Chair	√				
Adams, Janice M.	√				
Blanchard, Lyle M.	√				
Bress, Joseph M.	√				
Collins, Mary A.	√				
Grambo, Geoffrey P.	√				
Gregg, Danny C.	√				
Harris, Tracy S.	√				
Pemberton, Gregory J.					√
Saunders, Nathan A.	√				
Smith, Edward C.					√

CHAIR'S REPORT

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

- The process to identify an Executive Director is still being conducted and email communications will be sent out closer to scheduling of a special meeting to interview prospective candidates.
- Later in this meeting, the Board will convene in closed executive session to discuss the Executive Director search and other personnel related issues, including the Pension Administrator role, and DCRB's General Counsel will provide her report.
- DCRB will have a Budget Oversight hearing on June 7, 2021.
- Trustees are encouraged to attend conferences for both knowledge and awareness.

In response to a question from Trustee Collins regarding who would deliver the budget testimony before the Council of the District of Columbia, Chair Clark responded that in the past Trustee Blanchard has represented DCRB at the hearing and will defer to Vice-Chair Smith and Trustee Blanchard.

Chair Clark moved on to the next topic on the agenda and introduced the motion to approve the Certificate of Secretary.

[To approve the Certificate of Secretary that authorizes the Chief Financial Officer and the Chief Investment Officer, in their joint and official capacities, to execute and amend agreements with investment management firms and investment consulting firms as well as to execute all other transactions involving a third party, on behalf of the retirement funds after the Board has approved the initial fund investment. This certificate shall include joint approvals for consent documents involving Limited Partnership Advisory Committees. This Certificate of Secretary is effective as of May 28, 2021.] Chair Clair introduced the motion and it was seconded by Trustee Harris. In response to a request for clarity on the language of the motion from Trustee Collins, management explained the uses of and differences between a certificate of secretary and a certificate of incumbency. After an extensive discussion, during which many questions arose, Chair Clark recalled the motion for further legal and operation due diligence review.

Trustee Bress requested that the management review the motion and benchmark what other pension funds are doing for limited partnerships advisory committee approvals.

Chair Clark then introduced the next motion to approve the Incumbency Certificate.

Motion #2: To approve the Incumbency Certificate that authorizes the Chief Investment Officer, Chief Financial Officer, and the Controller to transact business with Northern Trust, the Board’s custodial bank.

The motion was moved by Trustee Collins and properly seconded by Trustee Grambo. The motion was approved (9–0). (See Tally #2)

Tally #2:			Date: May 20, 2021		
Motion #2: To approve the Incumbency Certificate that authorizes the Chief Investment Officer, Chief Financial Officer, and the Controller to transact business with Northern Trust, the Board’s custodial bank.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Clark, Joseph W., Chair	√				
Adams, Janice M.	√				
Blanchard, Lyle M.	√				
Bress, Joseph M.	√				
Collins, Mary A.	√				
Grambo, Geoffrey P.	√				
Gregg, Danny C.	√				
Harris, Tracy S.	√				
Pemberton, Gregory J.					√
Saunders, Nathan A.	√				
Smith, Edward C.					√

INTERIM EXECUTIVE DIRECTOR’S REPORT

Interim Executive Director Karen Hsu highlighted the following items from her report.

- With respect to DCRB’s Operations, the District has begun a process of returning the workforce to the office by July 12. However, as an independent agency, DCRB is slightly behind. The timeline will be closer to the end of August.
- DCRB’s MOU with the District’s Office of Contracting and Procurement (OCP) is being reviewed by OCP.
- The new primary contact for DCPS is Gina Pomilla.
- ODCP and DCRB are continuing discussions about our respective roles and responsibilities.
- Bolton is beginning the Actuarial Experience Study, which is in line with the valuation for later this year.
- The accounting consulting project is continuing and remains on track for the year-end close.
- Board and Committee dates have been confirmed and save-the-date information has been sent out.
- As for Agency training, in May the staff will complete a required Information Security & Privacy webinar.
- The key point person for the CAFR launch is Munetsi Musara Chief Financial Officer, and the key dates are: May 31, 2021, August 13, 2021, and December 15, 2021.
- Finally, Vernon Valentine, DCRB’s HR Director, will provide an update on the organizational chart

in next month's meeting, and the chart will also be available to the Trustees Only book in Diligent.

There followed a discussion about procurement training, the CAFR launch dates, the annual audit, and the roles of the Audit Committee, the Operations Committee, and staff. In response to a question from Trustee Saunders regarding responsibility for monitoring CAFR deadlines,

Ms. Hsu responded that the coordination would occur between the governing committees and of course, with the Board. The ultimate goal is to have everything into the CAFR and that is driven and led by Finance and is inherently tied to our annual audit are external or independent financial audit. The annual audit is the combination of operational activities that happened during this year and other activities that operations addresses that would be scoped into either the independent audit or into some of the additional disclosures in the financial report. Chair Clark stated that DCRB is working on the accounting and related controls, which sit with the Audit Committee. DCRB is working on the annual audit and anticipate it will be wrapped up by end of June or start of July.

In response to a question from Trustee Collins regarding the status of the Operational Due Diligence RFP, Ms. Hsu responded that a report can be provided with updates on contracts and other requests that DCRB have out.

GENERAL COUNSEL REPORT

Ms. Erie Sampson, highlighted the following items from the General Counsel report:

- DCRB has legally closed on the following capital commitments:
 - Avance Investment Partners, LP, \$50 million, May 17, 2021
 - Blackstone Property Partners, LP \$100 million, May 21, 2021 (Anticipated)
- A legal/compliance alert will be within the Trustees Only book in Diligent starting today. Please review the reports to be discussed at the next Special Board Meeting. The General Counsel's report will continue to be presented at open Board Meetings.
- The Board participated in ILPA Board of Trustees training on private equity investing on May 6-7. She noted that the fiduciary training on ESG and social investing by Morgan Lewis & Bockius was well received.
- Kimberly Woods, DCRB's Director of Investment Compliance and Risk was invited to participate as part of an ILPA coalition with other public pension funds, including CALPERS, the Washington State Investment Board and the Teachers Retirement System of Texas to meet with the Chairman of the U.S. Securities and Exchange Commission, Gary Gensler, on May 18, 2021. A broad array of topics was discussed including strengthening fiduciary duties, enhancing transparency standards, and ensuring that investors have access to information when there are regulatory deficiencies reported to the investment adviser.
- All the financial disclosure statements were filed timely with the Executive Office of the Mayor and the DC Council.

Trustee Collins commented that both trainings sessions the ILPA private equity training and the Morgan Lewis training were outstanding.

INVESTMENT COMMITTEE REPORT

The Investment Committee met on Thursday, May 20, 2021. The following recommendations are presented for approval by the full Board.

Committee Chair Bress presented the following motions:

Motion #3: To approve a re-up commitment of up to \$50 million to Carlyle Realty Partners IX, LP, a U.S. real estate fund, subject to legal review and further due diligence.

The motion was moved by Chair Bress and properly seconded by Trustee Harris.

The motion was approved (7-2). (See Tally #3)

Tally #3:			Date: May 20, 2021		
Motion #3: To approve a re-up commitment of up to \$50 million to Carlyle Realty Partners IX, LP, a U.S. real estate 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 M.	√				
Bress, Joseph M.	√				
Collins, Mary A.		√			
Grambo, Geoffrey P.	√				
Gregg, Danny C.	√				
Harris, Tracy S.	√				
Pemberton, Gregory J.					√
Saunders, Nathan A.	√				
Smith, Edward C.					√

Motion #4: To approve an initial commitment of up to \$75 million to Strategic Value Special Situations Fund V, LP, a distressed debt fund, subject to legal review and further due diligence.

The motion was moved by Chair Bress and properly seconded by Trustee Gregg.

The motion was approved (8-1). (See Tally #4)

Tally #4			Date: May 20, 2021		
Motion #4: To approve an initial commitment of up to \$75 million to Strategic Value Special Situations Fund V, LP, a distressed debt 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 M.	√				
Bress, Joseph M.	√				
Collins, Mary A.		√			
Grambo, Geoffrey P.	√				
Gregg, Danny C.	√				
Harris, Tracy S.	√				
Pemberton, Gregory J.					√
Saunders, Nathan A.	√				
Smith, Edward C.					√

OPERATIONS COMMITTEE REPORT

Committee Chair Saunders stated that the Operations Committee met on May 11, 2021 and highlighted the following items from his report.

- The Executive Status Report was presented with the key action items that are pending:
 - A recommendation was made to reorganize and consolidate the Executive Status Report by bringing the current IG recommendations items assigned from the Audit Committee.
 - The Committee discussed the proposed 12-month calendar authored by Interim Executive Director Karen Hsu, for Board and Committee meetings to be held every second Tuesday of every month except for August.
- The next Operations Committee meeting will be held on Tuesday, June 8, 2021.

AUDIT COMMITTEE REPORT

Committee Chair Harris stated that the Audit Committee met on May 13, 2021, and highlighted the following items from report.

- The following items were presented:
 - The Q2 FY21 Budget vs Actual expenditure report,
 - The Q2 FY21 Financials Statements
 - The motion to increase the Fiduciary Liability Coverage
- 1. DCRB has \$24.1M or 55% of the total approved FY21 budget of \$44.1M remaining. Personal services have 66% or \$7.6M of available budget and the higher than expected remaining budget here is due to there being 19 vacancies, while Non-Personal Services has a remaining budget of 51% or \$16.5M which is in line with expectations.
- 2. There was a \$222M gain in the fair value of total investments and the allocation between funds was 27% Teachers and 73% Police Officers and Firefighters which is within the normal range, and total additions increased by \$303M from Q1 FY21.
- 3. RCM&D, the insurance broker, obtained 4 quotes and estimates to increase the Fiduciary Liability Coverage by layers of \$10M from the current coverage level of \$10M, to a total of \$50M. Each of the four \$10M layers will be provided by a different carrier and the total premium cost for the additional \$40M coverage is \$234,484.

The meeting agenda included an action item for the Board to approve a motion to authorize that DCRB increase the Fiduciary Liability Coverage from \$10M to \$50M, however, the motion was recalled and was not presented to the Board for approval.

Committee Chair Harris stated that the CFO has been instructed to assume responsibility for tracking the status of the corrective actions for the OIG procurement findings and develop a formal progress report to the Audit Committee on this and the CAFR findings to ensure that these are corrected in a timely manner. The report is also intended to show substantial progress this year and that updates would be provided on the progress of the Crowe engagement and the review of the Audit Charter at the next meeting June 10, 2021.

In response to statements from Trustee Collins and Trustee Saunders regarding the Q2 FY21 the allocation between the Funds,

Mr. Musara explained that the allocation fluctuates.

In response to a question from Trustee Saunders regarding the increase in Fiduciary Liability Coverage

Committee Chair Harris responded that the increase was due to the dollar value of investment transactions that the Board approves are always over \$50 million dollars and that she wanted fiduciary protection in line with our investment decisions. In response to questions from Chair Clark regarding how \$50 million in fiduciary liability compares to similarly sized funds and what the Board is signaling to the marketplace by increasing coverage by this amount in one policy period, Committee Chair Harris responded that we are projecting to the marketplace that DCRB is trying to put together an Enterprise Risk Management program that is reflective of our risks and ensure that DCRB is insured to the best of our ability for any potential fiduciary liability.

Ms. Hsu and Mr. Musara then responded to questions and comments from the trustees related to the last time DCRB's fiduciary liability coverage was evaluated based on its risk tolerance and whether there had been any claims against the fiduciary liability policy in the past.

Chair Clark stated that it is vitally important to communicate that we have not adjusted this premium in at least a decade and suggested the motion be updated and brought before the Board at the next Special Board Meeting.

Committee Chair Harris then withdrew the motion and concluded her report.

BENEFITS COMMITTEE REPORT

Committee Chair Collins stated that the Committee met on May 13, 2021. She highlighted two significant topics from the Benefits Committee report and then asked Ms. Hsu to provide the following update.

- Over 9,000 estimated benefit statements were mailed to current active plan members. Communications were developed and shared with HR departments of members not receiving statements and placed on DCRB's website.
- DCRB's Retirement Services Manager, Sylvia Treadwell, provided an overview of the retirement process for new retirees. The presentation included detailed examples of the forms, communications, and workflows that were developed to provide an understanding of the process for newly retired members.
- Management is recommending to the Board that the Self-Service Project be placed on hold until all concerns and risks can be adequately addressed. U.S. Treasury's Office of DC Pensions (ODCP) will also be contributing to the risk documentation. The next phase of the project is scheduled to begin in June 2021 in close collaboration with ODCP (which provides 71% of the total project funding).

LEGISLATIVE COMMITTEE REPORT

Committee Chair Blanchard stated that the Legislative Committee met on May 18, 2021 and highlighted the following items from his report.

- DCRB received an update on the adoption of the proposed substantive amendments to the Board's Procurement Rules. The presentation included a high-level operational roadmap for establishing an internal procurement framework to support the implementation of the Board's proposed procurement rules.
- The proposed procurement rules are being looked at for adoption on an emergency basis. Trustees requested clarification or additional information from management as follows:
 - The provisions of the proposed substantive amendments which can be readily implemented versus those which require additional time or resources to comply with.
 - The items currently in the procurement pipeline which require ratification and/or direct voucher payment.
 - A flowchart illustrating how ratification and direct voucher payments will be processed and

protest disputes, appeal, provisions, including feasibility for the use of a third-party arbitrator on procurement/contract appeals, in addition to or in lieu of the District’s Contract Appeals Board, which hears appeals from other District agencies.

The Committee directed management to further refine its approach to establishing an internal procurement framework and requested that management take into consideration the comments and recommendations of the Committee members. The Committee agreed to schedule its next meeting when management is prepared to report back to the Committee on these matters for clarification.

Committee Chair Blanchard concluded his report with a brief status update on legislation currently pending before the Council.

Chair Clark moved on to Other Business and introduced the following motion to enter closed session at 4:39 p.m.

Motion #5: To enter closed session to discuss personnel matters pursuant to *D.C. Code § 1-909.05(e)*; see also *D.C. Code § 2-575(b) (10)*.

The motion was moved by Chair Clark and properly seconded by Trustee Bress. The motion was approved (9–0). (See Tally #5)

Tally #5		Date: May 20, 2021			
Motion #5: To enter closed session to discuss personnel matters pursuant to <i>D.C. Code § 1-909.05(e)</i> ; see also <i>D.C. Code § 2-575(b) (10)</i> .					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Clark, Joseph W., Chair	√				
Adams, Janice M.	√				
Blanchard, Lyle M.	√				
Bress, Joseph M.	√				
Collins, Mary A.	√				
Grambo, Geoffrey P.	√				
Gregg, Danny C.	√				
Harris, Tracy S.	√				
Pemberton, Gregory J.					√
Saunders, Nathan A.	√				
Smith, Edward C.					√

(Closed Executive Session: 4:39 p.m. – 5:42 p.m.)

Chair Clark introduced the following motion to reconvene in Open Session.

Motion #6: To reconvene in Open Session at 5:42 p.m.

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

Tally #6			Date: May 20, 2021		
Motion #6: To reconvene in Open Session at 5:42 p.m.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Clark, Joseph W., Chair	√				
Adams, Janice M.	√				
Blanchard, Lyle M.	√				
Bress, Joseph M.	√				
Collins, Mary A.	√				
Grambo, Geoffrey P.	√				
Gregg, Danny C.	√				
Harris, Tracy S.	√				
Pemberton, Gregory J.					√
Saunders, Nathan A.	√				
Smith, Edward C.					√

ADJOURNMENT

There being no further business to come before the Board, Chair Clark then introduced a motion to adjourn the meeting.

Motion #7: To adjourn the meeting at 5:43 p.m.

The motion was moved by Trustee Bress and properly seconded by Trustee Collins.

The motion was approved (9-0). (See Tally #7)

Tally #7:			Date: May 20, 2021		
Motion #7: To adjourn the meeting at 5:43 p.m.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Clark, Joseph W., Chair	√				
Adams, Janice M.	√				
Blanchard, Lyle M.	√				
Bress, Joseph M.	√				
Collins, Mary A.	√				
Grambo, Geoffrey P.	√				
Gregg, Danny C.	√				
Harris, Tracy S.	√				
Pemberton, Gregory J.					√
Saunders, Nathan A.	√				
Smith, Edward C.					√

