

BOARD MEETING MINUTES

JULY 22, 2010

MEMBERS PRESENT

DARRICK O. ROSS, CHAIRMAN
LYLE M. BLANCHARD*
BARBARA DAVIS BLUM
JOSEPH M. BRESS
DIANA K. BULGER
JOSEPH W. CLARK
JUDITH C. MARCUS
GEORGE E. SUTER
THOMAS N. TIPPETT

DCRB STAFF PRESENT

ERIC STANCHFIELD, EXECUTIVE DIRECTOR
ERIE SAMPSON, GENERAL COUNSEL
SHEILA MORGAN-JOHNSON
JOAN PASSERINO
DANIEL HERNANDEZ
JASON OSTROSKI
LESLIE KING*
DONNIE BRYANT
PETER DEWAR
SUE SCRAPPER
DEBORAH REAVES
KATIE SCHULTZ
YOLANDA SMITH
DENICE MCSEARS

MEMBERS NOT PRESENT

DEBORAH HENSLEY
LASANA MACK, EX-OFFICIO
EDWARD C. SMITH
MICHAEL J. WARREN

OTHERS PRESENT

BRENDA MATHIS, OCFO
TOM CAVANAUGH, CAVANAUGH MACDONALD
ED KOEBEL, CAVANAUGH MACDONALD

*NOT PRESENT AT ROLL CALL

ROLL CALL

Chairman Ross called the meeting to order at 10:18 a.m. Ms. Deborah Reaves called the roll.

APPROVAL OF MINUTES

Mr. Suter made the following motion, which was seconded by Mr. Bress:

Motion #1: To approve the June 17, 2010 Board meeting minutes. A voice vote was called and the motion was approved 7-0 with one abstention. (See Motion #1)

GENERAL COUNSEL REPORT

The General Counsel, Ms. Sampson, updated the Board on the following activities:

- FY 2011 Budget Support Act of 2010 (A18-462): The legislation includes changes in post-employment health care coverage for police officers and firefighters beginning October 1, 2011. For those employees hired prior to November 10, 1996, with five years of service, their coverage will be increased to 75% from 60%. For employees hired on or after November 10, 1996, coverage will range from 30% to 75% for years of service between 10 and 25 years.

- The State Street Bank complaint was dismissed from court.

INVESTMENT COMMITTEE REPORT

The Investment Committee Chair, Ms. Blum, updated the Board on the following activities:

- Investment Activity: Ms. Blum compared DCRB's returns for the one year period ending June 30 to those of the California Public Employees Retirement System (CalPERS) and California Teachers Retirement System (CalSTRS), which were 11.7% and 12.3%, respectively. Ms. Blum was pleased to report that DCRB returned 12.0%.
- Reform Legislation: Ms. Blum stated that, due to the Dodd-Frank Wall Street Reform and Consumer Protection Act, the rating agencies are not rating new bond issues until they determine their legal liability. Therefore, there is very little guidance for purchasers of the bond issues right now.

No action items were recommended by the Committee.

OPERATIONS COMMITTEE REPORT

The Operations Committee Chair, Mr. Clark updated the Board on the following activities:

- Presentation by Cavanaugh Macdonald, DCRB's new actuary: Mr. Koebel explained the transition methodology and the timeline for an actuarial valuation. Stages in the transition include: a validation of actuarial methods and results, participant and financial data reconciliation, a review of the results with the Board and staff, and an experience study that includes analyses of current trends. Cavanaugh Macdonald will use the assumptions from EFI that were previously recommended to the Board. Mr. Cavanaugh stated that the Board's 7-year smoothing method with a 20% corridor is reasonable. A question and answer session with the Board and staff followed the presentation.
- Discussion of Civil Service Retirement System (CSRS) Service Purchases: Ms. Passerino gave an overview of the CSRS service purchases process that DCRB has asked Cavanaugh Macdonald to examine. DCRB's legal department reviewed the history of this process, which is not done using an actuarial cost calculation. Therefore, the service purchase transaction is not fully funded by the employee, which could result in a potential actuarial liability to the Retirement Fund. Mr. Stanchfield noted that any unfunded liability is eventually paid for by the District in future employer contributions, but that DCRB should encourage the District to pursue recouping District money paid to the Federal government on behalf of District employees covered under CSRS who transfer into the District's Plans.

The following motion was made by Mr. Clark and seconded by Mr. Tippet:

Motion #2: To authorize the Executive Director to pursue with the District Government and the Federal Government the unfunded liability issue that results from the current method for purchasing service from the Civil Service Retirement System (CSRS), to gather and analyze data and suggest amendments to the purchase of service rules for the District's Police Officers and Firefighters' and Teachers' Retirement Plans. A voice vote was called and the motion was approved 9-0. (See Motion #2)

- Pension Information System Request for Proposal (RFP): Mr. Hernandez explained the

timeline and goals for the pension information system project and also gave a summary of the work currently underway. He stated that DCRB staff will bring a recommendation for a system to the Board in December or January.

Motion #3: To authorize the Executive Director to release a Request for Proposal for a system integrator to install and customize (or configure) a pension information system. A voice vote was called and the motion was approved 9-0. (See Motion #3)

Discussion: The Trustees inquired about the cost of the project and were informed that it would be between \$4 million and \$7 million. Mr. Stanchfield noted that this process cannot be compared to the processes other retirement systems have undergone, as DCRB is going from completely manual methods to an automated system. Other systems have had up to 30 years to complete this process.

- Quarterly Financial Statements: Mr. Ostroski stated that the most significant balances in the statement of net assets are all related to the investments. There were no significant changes to the accruals since the last presentation. Under the statement of changes to net assets, Mr. Ostroski highlighted a contribution from the District to the Police Officers and Firefighters' Trust Fund, and he also noted the area in the statement related to purchase of service funds. For the period of October 1, 2009, to June 30, 2010, the Retirement Funds returned 1% on investments, net of investment expenses. He noted that third quarter investment manager fees were not included in the budget to actual statement for administrative and investment expenses. Mr. Ostroski then answered various questions from the trustees about the financial statement numbers and the reimbursement process. Mr. Stanchfield noted that the budget is currently in great shape.

BENEFITS COMMITTEE REPORT

The Benefits Committee Chair, Mr. Suter, updated the Board on the following activities:

- Scanning Project: The Scanning Project Team is caught up with documents to be scanned and additional licenses have been obtained so the team can now focus on getting the scanned documents indexed. A programmer is working on modifying index menus to substantially increase the speed of this process and to minimize errors. The project is on schedule to be completed by the end of the summer.

No action items were recommended by the Committee.

LEGISLATIVE COMMITTEE REPORT

Legislative Committee Chair Lyle Blanchard highlighted the following pieces of legislation:

- R18-0530, -0531, "Compensation and Working Conditions Collective Bargaining Agreement Between the District of Columbia and the Washington Teachers' Union, American Federation of Teachers Local No. 6, AFL-CIO Emergency Declaration and Emergency Approval Resolutions of 2010": These approved resolutions ratified the new Teachers' Contract, effective June 29, 2010;

- Pub. L. 111-1195, “Comprehensive Iran Sanctions Accountability, and Divestment Act of 2010”: This legislation was signed on July 1, 2010, by President Obama and focuses on the activity of financial institutions rather than retirement systems;
- Council Recess: The District of Columbia Council is on legislative recess from July 15, 2010, through September 15, 2010.

No action items were recommended by the Committee.

EXECUTIVE DIRECTOR REPORT

Mr. Stanchfield provided updates on recent projects and events, including the following:

- Malpractice Trust Fund Case: Mr. Stanchfield mentioned a court case that ruled in favor of a malpractice trust fund and said that the legislature was not allowed to raid the Fund under any circumstances;
- Reconciliation with Treasury;
- Board Governance: A Board-driven process to discuss governance and Board policies will be undertaken in the near future. Mr. Clark will work with a consultant to develop this process;
- Resignation of Steven Howser, DCRB’s Human Resources Manager: DCRB is actively recruiting candidates for the available position;
- NASRA Membership: NASRA may surpass an all-time high for membership after the drop following the market turmoil of 2008. Mr. Stanchfield sees this as a sign that things are turning around for public retirement systems;
- Proof of Life Issue: There has been at least one case where DCRB and Treasury believe that fraud has been committed, and staff will continue to research the situation.

OTHER BUSINESS

There were no other items to be brought before the Board.

ADJOURNMENT

Motion #4: Chairman Ross moved to adjourn the meeting at 12:12 p.m. The motion was seconded by Mr. Suter. A voice vote was called and the motion was approved 9-0. (See Motion #4)

DISTRICT OF COLUMBIA RETIREMENT BOARD
RECORD OF OFFICIAL BOARD ACTION

MOTION #1				DATE: JULY 22, 2010	
MEMBERS	AYE	NAY/ OPPOSE	NO VOTE/ ABSTAIN	NO VOTE/ RECUSE	ABSENT
ROSS, DARRICK O.	√				
BLANCHARD, LYLE M.*					√
BLUM, BARBARA DAVIS	√				
BRESS, JOSEPH M.	√				
BULGER, DIANA K.	√				
CLARK, JOSEPH W.**			√		
HENSLEY, DEBORAH					√
MARCUS, JUDITH C.	√				
SMITH, EDWARD C.					√
SUTER, GEORGE R.	√				
TIPPETT, THOMAS N.	√				
WARREN, MICHAEL J.					√
* Mr. Blanchard arrived at 1:30 p.m.					
** Mr. Clark abstained because he was not present at the June 22, 2010, Board meeting.					

MOTION #2				DATE: JULY 22, 2010	
MEMBERS	AYE	NAY/ OPPOSE	NO VOTE/ ABSTAIN	NO VOTE/ RECUSE	ABSENT
ROSS, DARRICK O.	√				
BLANCHARD, LYLE M.	√				
BLUM, BARBARA DAVIS	√				
BRESS, JOSEPH M.	√				
BULGER, DIANA K.	√				
CLARK, JOSEPH W.	√				
HENSLEY, DEBORAH					√
MARCUS, JUDITH C.	√				
SMITH, EDWARD C.					√
SUTER, GEORGE R.	√				
TIPPETT, THOMAS N.	√				
WARREN, MICHAEL J.					√

TALLY #3				DATE: JULY 22, 2010	
MEMBERS	AYE	NAY/ OPPOSE	NO VOTE/ ABSTAIN	NO VOTE/ RECUSE	ABSENT
ROSS, DARRICK O.	√				
BLANCHARD, LYLE M.	√				
BLUM, BARBARA DAVIS	√				
BRESS, JOSEPH M.	√				
BULGER, DIANA K.	√				
CLARK, JOSEPH W.	√				
HENSLEY, DEBORAH					√
MARCUS, JUDITH C.	√				
SMITH, EDWARD C.					√
SUTER, GEORGE R.	√				
TIPPETT, THOMAS N.	√				
WARREN, MICHAEL J.					√

MOTION #4				DATE: JULY 22, 2010	
MEMBERS	AYE	NAY/ OPPOSE	NO VOTE/ ABSTAIN	NO VOTE/ RECUSE	ABSENT
ROSS, DARRICK O.	√				
BLANCHARD, LYLE M.	√				
BLUM, BARBARA DAVIS	√				
BRESS, JOSEPH M.	√				
BULGER, DIANA K.	√				
CLARK, JOSEPH W.	√				
HENSLEY, DEBORAH					√
MARCUS, JUDITH C.	√				
SMITH, EDWARD C.					√
SUTER, GEORGE R.	√				
TIPPETT, THOMAS N.	√				
WARREN, MICHAEL J.					√