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OPEN SESSION
NOTICE OF REGULAR BOARD MEETING
JOSEPH BRESS, CHAIRMAN

THURSDAY, MARCH 20, 2014
1:00 PM

1:00 PM **ROLL CALL**

➤ **APPROVAL OF BOARD MEETING MINUTES FOR JANUARY 23, 2014 [TAB 1]**

CHAIRMAN'S COMMENTS [TAB 2]

➤ WELCOME TRUSTEE MARY COLLINS

➤ DISCUSSION ON AUDIT COMMITTEE CHARTER, TOM ANDERSON, CFO

EXECUTIVE DIRECTOR REPORT [TAB 2]

➤ PERFORMANCE OVERSIGHT HEARING

GENERAL COUNSEL REPORT [TAB 2]

INVESTMENT COMMITTEE REPORT

➤ **POSSIBLE ACTION ITEMS**

OPERATIONS COMMITTEE REPORT

BENEFITS COMMITTEE REPORT [TAB 3]

LEGISLATIVE COMMITTEE REPORT [TAB 3]

OTHER BUSINESS [TAB 4]

➤ BOARD OFFICERS ELECTION

2:30 PM **ADJOURNMENT**

ADDITIONAL MEETING MATERIALS

➤ DCRB ORGANIZATION CHART

➤ TRUSTEE COMMITTEE LISTING

➤ TRAINING AND TRAVEL REPORT

➤ CONFERENCES & MEETINGS LISTING



EXECUTIVE DIRECTOR'S REPORT
March 20, 2014

Executive Updates	Update
Council Performance Testimony	DCRB submitted written responses to the January 15 th and February 11 th performance questions from Chairman Mendelson prior to the Committee of the Whole Performance Oversight Hearing March 5 th . Tom Anderson, along with other members of the Executive Leadership Team and Ed Koebel from Cavanaugh MacDonald, attended the hearing. Trustee Gary Hankins delivered the Trustee statement and assisted in answering questions. Subsequently, DCRB submitted responses to questions Chairman Mendelson asked during the hearing regarding historical fund performance, supplemental procurement data, WMATA benefits costs, and survivor benefit coverage.
Upcoming Budget Hearing	We are finalizing the written statements for the budget hearing scheduled for Monday, April 14 th .
Other Post-Employment Benefits Testimony (OPEB)	On March 5 th , Ex-Officio DCRB Board Representative Jeffrey Barnette provided testimony to the Committee of the Whole on the District's Retiree Health Contribution - OPEB Trust Fund. The Chief Financial Officer has invited DCRB's Executive Director to nominate up to three staff members to serve on the OPEB Advisory Board.
Executive Meeting with Treasury Staff	On February 5 th , the Executive Director and staff met with the Office of DC Pensions (ODPC) staff to review the status of business continuity planning, quality assurance, the COLA look-back and the 80% max errors projects, DCRB/Treasury data sharing, and the Pension Information Management System.
IT Strategic Plan	On January 28 th , Peter Dewar, IT Director, presented an overview of DCRB's IT Strategic Plan to ODCP staff. The presentation focused on plans for data security, data management, and system integration to a new DCRB pension administration system. This informative briefing answered many of the questions Treasury had about DCRB IT plans and it will set forth the framework on how both organizations will need to work together to accomplish the specific IT projects included in the plans.
Office Move	The office move occurred on March 7-10 th , as planned. Thanks to Sue Scrapper, Peter Dewar, the IT team, Deborah Reaves, and the move coordinators. They deserve special recognition and appreciation for their tireless efforts.
DCRB Communications	The March 1, 2014, annuitant and survivor COLA announcement for Police, Fire, and Teachers was posted on the DCRB website and also appeared on the March 1 st earning statements. The 1.5% increase is effective April 1, 2014.

Executive Updates	Update
<p>DCRB Human Resources</p>	<p>New Staff:</p> <ul style="list-style-type: none"> • Retirement Services Manager – Ms. Robin Crawford. Recently retired from IAM National Pension Fund after 30 years. Robin brings pension processing, training, and supervisory experience to her new role. Robin holds a Bachelor of Science in Sociology and is seeking a Master of Arts in Human Resource Development. • Quality, Compliance, & Projects Analysts – Ms. Jacqueline Thomas and Mr. Mark Kobylinski joined the Benefits Department. Formerly employed as a pension consultant, Jacqueline brings 14 years of defined benefit experience in the areas of compliance and actuarial science. She holds a Bachelor of Arts in Actuarial Science. Mark brings over 10 years of client service experience in the areas of administration/compliance and plan design project work for both defined benefit and defined contribution plans. He holds a Bachelor of Science in Mathematics. • Member Services Representative – Ms. Kiana Weedon joined the Benefits Department on February 24th. Kiana has a background in banking and customer service from the U.S. Postal Service Federal Credit Union. She holds a Bachelor of Science in Computer Technology and is pursuing a Bachelor of Science degree in Business Administration. <p>Congratulations!</p> <p>On February 24th, Ms. Ms. Nina Bridgers moved into a new role in the Benefits Department as a Member Services Representative. Nina has served as DCRB’s Receptionist for over five years. In addition to her knowledge of DCRB, Nina brings prior customer service and administrative organizational experience to her new position.</p> <p>Departing Staff:</p> <p>Ms. Corinne Koch, Deputy Chief Benefits Officer, is leaving DCRB on March 21st. Corinne has been instrumental in improving the benefits administration operations and working successfully with our Treasury partners.</p> <p>Ms. Kande Hooten, Quality, Compliance & Projects Manager, joined our partners at the U.S. Treasury Department at the end of February.</p> <p>Mr. Richard Wortham, Retirement Services Analyst, left DCRB to pursue other endeavors after fourteen years of service in the retirement services area.</p> <p>We wish them the very best in their future endeavors.</p>

Executive Updates	Update
<p>Moody's Investor Service Report - "US State Pension Medians Increase in Fiscal 2012"</p>	<p>Moody's adjusted net pension liabilities (ANPL) widened for most US states in fiscal year 2012 as a result of minimal investment returns and a decrease in the interest rate index used to derive the present value of liabilities. However, most states' three-year average ANPLs are still in the low to moderate range relative to measures of capacity to pay. As more favorable stock market and interest rate trends in 2013 begin to bring ANPLs down across the sector, 2012 looks like it was a cyclical high point for ANPL in the sector.</p> <p>http://www.nasra.org/Files/Topical%20Reports/Credit%20Effects/Moodysstate1402.pdf</p> <p>GFOA opposed the recalculation on the following grounds:</p> <ul style="list-style-type: none"> • It fails to recognize differences in actuarial assumptions concerning the accrual of the liability; • Could be arbitrary; • Could add volatility to the calculation of the pension liability; • Sets a precedent for making similar adjustments to other state and local government liabilities (e.g., other post-employment benefits) <p>The GFOA strongly disagrees that Moody's proposed adjustments to report pension data would improve comparability of pension related data among governments, especially in the case of the proposal to use a high grade, long term, corporate bond rate of 5.5 % to discount pension liabilities. Using a corporate bond rate may simplify analytical adjustments, but its inherent volatility would affect pension liability calculations independently of pension management.</p> <p>The GFOA does not believe that treating pension liabilities in essentially the same manner as debt will improve the analysis of the long-term liabilities of governmental entities. Such an approach suggests that pension and other contractual obligations could weaken the senior position of debt obligations. The GFOA strongly urges that Moody refrain from inappropriately combining these very different forms of financial commitment.</p> <p>http://gfoa.org/downloads/GovernmentFinanceOfficersAssociationscommentstoMoodys.pdf</p>
<p>National Conference on Public Retirement Systems (NCPERS) Applauds Arizona Ruling Upholding Constitutional Pension Rights</p>	<p>NCPERS applauds the Arizona Supreme Court's unanimous ruling upholding a trial court decision finding that a reduction in post-retirement benefits to retired judges and other elected officials violated the pensions clause of the Arizona Constitution.</p> <p>http://www.ncpers.org/files/NCPERS%20Arizona%20Statment%20FORMATTED.pdf</p>

AUDIT, FINANCE & RISK MANAGEMENT COMMITTEE CHARTER

INTRODUCTION

The Audit, Finance and Risk Management Committee will provide assistance to the Board in fulfilling its oversight responsibility to the members (including survivors and beneficiaries), the District of Columbia, and others relating to the Retirement System's financial statements, and the legal compliance, ethics programs and other related risks, as established by the Board. In so doing, it is the responsibility of the Committee, with approval of the Board, to maintain free and open communication between the Committee, independent auditors, the internal auditors, if any, and management of the Retirement System. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with access to all books, records, facilities, and personnel of the Retirement System.

The Audit, Finance and Risk Management Committee has been established to assist the Board in fulfilling its fiduciary oversight responsibilities for the:

- Financial Reporting Process
- System of Risk Management
- System of Internal Control
- External Audit of the Financial Statements
- Internal Audit Process

AUTHORITY

The Committee will have a clear understanding with management that the independent auditors are ultimately accountable to the full Board of Trustees. When appropriate, the Committee will recommend to the Board the issuance of an RFP for an independent auditor. The Committee will review the procurement evaluation committee's report on the proposals it receives and shall recommend to the Board the Committee's selection for the Retirement System's independent auditors.

The Committee shall discuss with the independent auditors the overall scope and plans for their audits. Also, the Committee shall discuss with management and the independent auditors the adequacy and effectiveness of the accounting and financial controls, including the Retirement System's capacity to monitor and manage business risk and legal and ethical compliance programs.

COMPOSITION

The Committee shall be composed of a minimum of three (3) members, appointed by the Chairperson of the Board.

Each Committee member will be independent from management and, at least one member should be designated as the audit committee "financial expert"¹ as defined by the Securities and Exchange Commission and including an understanding of generally accepted accounting principles for public pension funds issued by the governmental accounting standards board. If a financial expert is not available on the committee, an experienced professional will be selected possessing the qualities listed in the Securities and Exchange Commissions' (SEC) "audit committee financial expert" definition. Candidates for this non-voting position will be approved by this committee.

MEETINGS

The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. The Committee will invite members of management, external auditors, internal auditors and/or others to attend meetings and provide pertinent information, as necessary. Subject to open meeting laws, the Committee will hold executive sessions and private meetings with auditors.

RESPONSIBILITIES

The Audit, Finance and Risk Management Committee shall have responsibility for the following:

1. Provide the policy and framework for an effective system of risk management, and provide the mechanisms for periodic assessments of the system of risk management.
2. To review and make recommendations to the Board on ethical and fiduciary conduct and general administration of the Board's policies.
3. Oversee the internal audit function and approve any new contract, hire, or termination for this role, subject to consultation and approval of the Board chairperson.
4. Oversee the assessment of internal administrative and accounting controls by both the external independent financial statement auditor and internal auditors.

¹ In defining the term "financial expert" for purposes of the Sarbanes-Oxley Act of 2002, the Board should consider whether a person has, through education and experience as a public accountant or auditor or a principal financial officer, comptroller, or principal accounting officer of an issuer, or from a position involving the performance of similar functions: (a) an understanding of generally accepted accounting principles and financial statements; (b) experience in--- (1) the preparation or auditing of financial statements of generally comparable issuers; and (2) the application of such principles in connection with the accounting for estimates, accruals, and reserves; (c) experience with internal accounting controls; and (d) an understanding of audit committee functions. *See*, 107 P.L. 204, Title IV, § 407, 116 Stat. 745.

5. Ensure management maintains an effective system of internal controls and provide the mechanisms for periodic assessment of the system of internal controls.
6. Ensure the independence of the external auditor and approve all auditing, other attestations services and pre-approve non-audit services performed by the external auditor.
7. Report to the Board on all activities, findings and recommendations of the Committee.
8. Seek any information it requires from employees - all of whom are directed to cooperate with the Committee's requests, or the requests of internal or external parties working for the Committee. These parties include the internal auditors, all external auditors, consultants, investigators and any other specialists working for the Committee.
9. The Committee will review annually the internal control reports of the Retirement System's custodian (SSAE 16 Report) and of the auditor's management letter.
10. The Committee will review all audit reports and the management response. The Committee shall forward a separate report of the review when forwarding the report to the Board.

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To: BOARD OF TRUSTEES
From: EDWARD SMITH, CHAIRMAN
Date: MARCH 20, 2014
Subject: BENEFITS COMMITTEE REPORT

The Benefits Committee did not meet in Febuary. The following report reflects Benefits Department activities that have occurred since the February 20, 2014 Board meeting.

BUSINESS PROCESS RE-ENGINEERING

Health and Life Insurance training, the final remaining training for the Retirement Services staff, is in process and should be completed by end of March.

With the implementation of the Business Process Re-engineering staffing alignment now in place, the Department has seen a remarkable increase in the number of payments processed by the Retirement Services Unit over the past two months. Applications are now being processed in less than sixty days of receipt of a complete application, and the backlog has virtually disappeared. The Department continues to make efforts to reduce this time as benefits from the data reclamation process are realized.

Additionally, communications have been initiated with the Human Resources Offices within the DC Department of Human Resources, MPD Human Resources, and DC Public Schools Human Resources (DCPS) in an effort to improve the documentation submitted with applications. Retirement training has been scheduled for DCPS staff in late March.

DISABILITY INCOME REVIEW

The 2013 Income Review project based on 2012 income has been completed. Five of the ten annuitants who were restored to earnings capacity and had their annuity stopped have requested reconsideration, and one has been reinstated based on their 2013 income review. The 2014 Income Review will begin in May of 2014.

The process for applying benefit changes to individuals affected by a reduction in benefits is currently under internal review and discussion.

COLA LOOKBACK ERROR AND 80% MAXIMUM BENEFIT PUBLICATION ERROR

DCRB Benefits Department continues to await the Office of DC Pensions to begin work on the COLA Lookback project.

COMMUNICATIONS

The March 1, 2014 1.5% annuitant and survivor COLA announcement for Police, Fire, and Teachers has been posted on the DCRB website and annuitants will see this increase in their April 1, 2014 pay check. Tier 1 non-union police and firefighters who receive

equalization increases will see a 1.03% increase in their May 1, 2014 benefit payment. This benefit will also include a retroactive payment to the May 1, 2013 effective date of the equalization increase.

MISCELLANEOUS ITEMS

Over the past couple of years, the Benefits Department has continued to develop new forms and update older versions of forms for staff and member use. The newly developed and improved forms contain barcodes which allow for document recognition during the scanning process. Recently, the Beneficiary Designation forms for the police/fire and teacher members were revised to provide better instructions and added information regarding beneficiary matters.

THE NEXT BENEFITS COMMITTEE MEETING

The date of the next Benefits Committee meeting will be sent to members via e-mail.

Business Process Re-Engineering Scorecard as of 02/10/2014

Key:

- On Target
- At Risk
- Behind Target
- ✓ Complete

Scope ●

Schedule ●

Budget ●

Staffing ●

Accomplishments: 01/15/2014 – 02/10/2014

Ongoing implementation of in-scope recommendations
Student certification training held 2/6/2014
Interviews for Quality Analyst, Member Services Manager, Member Services Representative positions

Planned Activities: 02/10/2014 – 03/10/2014

Management sign-off of final deliverables
Ongoing implementation of in-scope recommendations and new organization structure (refunds, scanning processes)
Onboarding activities for new hires.

Risk/Issue Watch List

Risk/Issue	Action Plan	Closure Date
Staff availability	Schedule meetings in advance; ongoing communication	Ongoing
Full implementation of refunds contingent on Finance Department becoming fully staffed	Finance Department currently seeking applicants for vacancies	Ongoing

Critical Milestones

Phase	Milestone	Due Date	Status
1	Project Sched, Strategic Plan Outline, Strategic Plan Document	08/31/2012 & 12/03/2012	✓
2	BPR Recommendations & Documentation	12/15/2012	✓
3	Capacity Analysis	12/28/2012	✓
4	Org Structure and Skills Assessment	01/24/2013	✓
5	Implementation Strategy	02/14/2013	✓
6	Training Plan	03/19/2013	✓
7	Implementation -New Org Structure -Training -Records Management -Modifications to Processes	09/30/2013	●

District of Columbia Retirement Board Procedure for Election of Officers

- (1) Nominations are received for each Executive Office in the following order:
 - (a) Chairman
 - (b) Secretary
 - (c) Treasurer
 - (d) Parliamentarian
 - (e) Sergeant-at-Arms

- (2) After nominations for each office has been closed,
 - (a) ballots are distributed,
 - (b) members check the name of their candidate of choice on the ballot,
 - (c) ballots are collected and counted, and
 - (d) the Teller announces the election results for all officers.
 - ❖ Pursuant to Section 1502.14 of the Board Rules, the election of Officers is conducted by secret ballot.

 - ❖ Each election is decided by majority vote.

 - ❖ If no candidate in a particular election receives a majority vote, the balloting will continue until one candidate obtains a majority vote.

Current Officers

Chairman – Joseph Bress (first term)
Secretary – Michael Warren (first term)
Treasurer – Lyle Blanchard (third term)
Parliamentarian – Thomas Tippet (first term)
Sergeant-At-Arms – Diana Bulger (third term)

Chairman's Script for Board Officer Elections

- (1) **Chairman: "Pursuant to Section 1502.14 of the Board Rules, the Election of Officers will be conducted by secret ballot"**

“For purposes of these elections, the Board’s Administrative Assistant, Robin Chester, will serve as the teller and will manage the collection and counting of ballots. She will distribute the ballots to each Trustee to vote for each office.

Call for Nominations

- (2) **Chairman: "Nominations are now in order for the office of _____"**

- (a) Chairman
- (b) Secretary
- (c) Treasurer
- (d) Parliamentarian
- (e) Sergeant-at-Arms

- (3) **Chairman: “Are there any further nominations?”**

If no response, then Chairman declares:

- (4) **Chairman: “The nomination(s) for (specific office) is now closed.”**

- (5) **Chairman: "Have all members of the Board voted who wish to do so?"**

If no response, then Chairman then declares:

Chairman: "If no one else wishes to vote ... [pause], the polls are closed"

- Tellers collect the ballots.
- Tellers leave the boardroom and count the votes.

Tellers Report

- (6) **Mr. Chairman: "The report on the vote is now in order"**

- Number of Votes Cast
- Number of Votes Necessary for Election (Majority)
- Specific Votes Received by Each Nominee

- (5) Chairman Announces the Results of the Ballot Vote

- (6) Chairman Calls for Nominations for the Next Officer.

Responsibilities of the Board Officers

Chairman: The Chairman is elected for a one-year term and shall be the presiding and chief executive officer of the Board. The Chairman serves as an ex-officio voting member of all committees and is counted for purposes of a quorum.

Secretary: The Secretary is elected for a one-year term and shall have the following responsibilities:

- Overseeing the preparation of the minutes of all regular and special meetings of the Board (in sufficient detail to indicate the votes and positions taken by the members);
- Assisting the Chairperson and Executive Director in developing meeting agenda;
- Coordinating all Board correspondence, documents and minutes;
- Overseeing correspondence with all Fund participants; and
- Conducting all regular and special meetings of the Board in the absence of the Chairperson.

NOTE: In case of a vacancy in the office of Chairman, the Secretary shall serve as Acting Chairman until the Board elects a new Chairman.

Treasurer: The Treasurer is elected for a 1 year term and has the following responsibilities:

- Ensuring official copies of all financial records, reports, and filings are maintained by staff;
- Ensuring the preparation of all financial statements or reports;
- Authorizing disbursements from the Funds' assets and reporting disbursements to the Board;
- Reviewing and accepting, in conjunction with the Board's Chairperson, the Mayor's certification of retirement payrolls and data pursuant to 126 of the District of Columbia Retirement (D.C. Code 1-716);
- Monitoring obligations incurred by the Board against its appropriated budget and providing financial status reports to the full Board periodically;
- Monitoring the budgeting and accounting functions performed by the staff;

- Performing other functions as instructed by the Board; and

NOTE: In the absence of the Chairperson and the Secretary, the Treasurer shall serve as Acting Chairperson.

Parliamentarian. The Parliamentarian serves a one-year term and is responsible for advice to the Chairman and the Board on matters of parliamentary procedure.

Sergeant-At-Arms. The Sergeant-At-Arms serves a one-year term and is responsible for preserving order at Board meetings and supervising implementation of Board decisions with respect to maintaining order during Board activities.