



DISTRICT OF COLUMBIA RETIREMENT BOARD
MEETING MINUTES
APRIL 25, 2013
1:00 PM

MEMBERS PRESENT

Joseph M. Bress, Chairman
Lyle M. Blanchard
Barbara Davis Blum
Diana K. Bulger* (12:59 pm arrival)
James E. Bunn
Judith C. Marcus
Darrick O. Ross
Nathan Saunders
Edward C. Smith
Thomas N. Tippet
Jeffrey Barnette, ex-officio (1:55pm departure)

DCRB STAFF PRESENT

Eric Stanchfield, Executive Director
Sheila Morgan-Johnson
Joan Passerino
Tom Anderson
Daniel Hernandez
Corinne Koch
Peter Dewar
Leslie King
Sebastian Podesta
Katie Schultz
Yolanda Smith
Rabinai Carson
Denice McSears

MEMBERS NOT PRESENT

George R. Suter
Michael Warren

OTHERS PRESENT

Brenda Mathis, OCFO
Tom Cavanaugh, Cavanaugh Macdonald
Ed Koebel, Cavanaugh Macdonald
Jonathan Craven, Cavanaugh Macdonald
Walter Lindsay, Herndon Capital Management
Ken Grimes, Herndon Capital Management

ROLL CALL

Chairman Bress called the meeting to order at 12:53 p.m. Ms. Rabinai Carson called the roll.

APPROVAL OF MINUTES

Ms. Bulger made the following motion, which was seconded by Mr. Blanchard:

Motion #1: To approve the revised March 21, 2013 Board meeting minutes. *A voice vote was called and the motion was approved 9-0.*

CHAIRMAN'S COMMENTS

Chairman Bress updated the Board on the following items:

- Committee Membership: Committee assignments were distributed. Mr. Bress noted that committee membership is limited to five trustees per committee. Mr. Bress noted that the

Fiduciary Committee will be a committee of the whole, so all of the trustees are members. However, as with all committees of the whole, this membership does not count against the total number committees of which a trustee may be a member;

- Fiduciary Training: Earlier today, the law firm of Morgan Lewis conducted fiduciary training for trustees and staff. This training covered basic fiduciary rules, relationship to Federal law, delegation of responsibility, selecting and monitoring investments, social investing, non-investment activities, and liability and indemnification. A separate training session will be held for the six trustees who did not attend;
- Trustee Time Reporting: Mr. Bress noted that there was a change to the method for time reporting. This way, trustee income will be deemed “miscellaneous income” and not subject to Social Security tax withholding rather than “wages”. Mr. Bress noted that the Board’s auditor will review this process, and it will be brought before the Board in the future;
- Trustee Appointments: Mr. Bunn has been appointed as an alternate to the DC Water and Sewer Authority Board of Directors.

EXECUTIVE DIRECTOR’S REPORT

Mr. Stanchfield updated the Board on the following items:

- D.C. Budget Hearing: Councilmember Phil Mendelson, Chair of the Committee of the Whole, held a budget hearing on April 18th. Michael Warren represented the Board, Eric Stanchfield and Sebastian Podesta represented DCRB staff, and Ed Koebel from Cavanaugh MacDonald was in attendance to answer questions regarding information on contribution rates. It was noted that the DC Council requested certain Board materials, which will be provided;
- Financial Disclosure Forms: If they had not already done, trustees should submit their financial disclosure forms to Erie Sampson, General Counsel;
- CAFR: The FY 2012 Comprehensive Annual Financial Report is now available in print form. Please see Sebastian Podesta for a printed copy or access DCRB’s website at <http://dcrb.dc.gov/service/comprehensive-annual-financial-reports>;
- National Articles: Mr. Stanchfield discussed the following articles:
 - “Adjustments to US State and Local Government Reported Pension Data.” *Moody’s Investor Service* (4/17/13): It was noted by Mr. Stanchfield that the unfunded liabilities for some other plans could triple. Mr. Stanchfield said that the issue was very controversial and asked Mr. Barnette to weigh in. Mr. Barnette noted that he attended the National Association of State Treasurers Conference, where this issue was discussed. He said that there was such an uproar with regard to the changes that others are considering suing Moody’s because of the detriment that the proposed assumptions would have to their plans in terms of showing the funding liabilities that are going to exist. In terms of the impact on the District’s plans, Mr. Barnette noted that the changes would only serve to highlight the positive aspect of the plans in terms of its funding percentage in comparison to other jurisdictions;
 - “Talking Point in Response to Moody’s Expected Adjustment of Public Pension Information.” *National Council on Teacher Retirement (NCTR)* (4/8/13): Mr. Barnette spoke about other municipal entities doing their own due diligence on credits and choosing to use other options instead of relying only on rating agencies;

- “NIRS Responds to the American Legislative Exchange Council.” *National Institute of Retirement Security (NIRS)* (4/17/13);
- Pension Funding: A Guide for Elected Officials: On March 26, 2013, 11 national public sector organizations issued a new guide for elected officials concerning pension funding. The guide concludes that the “most important step for local and state governments to take is to base their pension funding policy on an actuarially determined contribution”;
- Office Lease: DCRB is very close to securing a non-binding letter of intent with Akridge/IBEW. DCRB management is meeting with prospective architects on April 26, 2013, to discuss space needs and the possible transition plan. Board conversations about needs and implementation will be scheduled in the near future once an agreement is reached. Mr. Stanchfield noted that due diligence was performed, and staff saw at least ten office spaces in DC before choosing to remodel the current space instead of moving out of the current location.

GENERAL COUNSEL’S REPORT

In the absence of Ms. Erie Sampson, Mr. Bress directed trustees to the written report.

INVESTMENT COMMITTEE

Ms. Blum, the Investment Committee Chair, referred to the written report. The following item was also highlighted:

- Investment Retreat: Meketa and staff will host a trustee retreat on Thursday, June 20, 2013, from 10:00 a.m. to 3:00 p.m. on the ML level of the building.

OPERATIONS COMMITTEE REPORT

Mr. Ross, the Operations Committee Chair, presented the Operations Committee report to the committee:

- Disaster Recovery Site Telecom Contract: DCRB requires telecommunication between its location in the District and its disaster recovery site in Ashburn, Virginia. Three quotes were received from qualified vendors and the evaluation panel selected TW Telecom. The monthly recurring cost of the telecommunications connection is \$6,064 with a two-year contract price of \$145,536. Installation of the service costs \$2,400 for a total expenditure of \$147,936 during the first year. Inasmuch as changes may be needed to the service during the term of the contract, the IT staff is requesting authorization for the service between DC and Ashburn at a not-to-exceed price of \$160,000. Mr. Dewar provided additional information on the vendors, and he also gave an overview of the disaster recovery system and how it will function when implemented. In response to a question from Ms. Blum, Mr. Dewar noted that Ashburn was chosen because it is more than 30 miles outside of the city center of Washington, DC. There are multiple, high-quality disaster recovery centers in Ashburn serving other DC government and other national agencies. Mr. Dewar also stated that this should be seen as a first step in a broader strategic disaster recovery plan, and sometime in FY 2015, additional, more distant disaster recovery services will be implemented.

The following motion was made by Mr. Ross, which was seconded by Ms. Bulger:

Motion #2: To authorize the Executive Director to enter into a contract with TW Telecom to provide telecommunication services to DCRB at a price not-to-exceed \$160,000. *A voice vote was called, and the motion was approved 10-0.*

- Information Technology Infrastructure Support: In September 2012, the Board authorized the release of an RFP for Information Technology Infrastructure Support services. Two responses were received, of which one was judged unacceptable. From the remaining submission, the IT Department decided to select one service offering from the four proposed by the vendor and incumbent, NGEN. The proposal for two onsite personnel at a cost of no more than \$250,000 annually would fulfill half of the IT Department's needs in this area. The IT Department proposes to fill the remaining requirements of infrastructure support, which are a Sr. Network Engineer and a Sr. Server Engineer, by directly contracting for these services. The cost for these two resources is estimated not to exceed \$250,000 annually. The total IT Infrastructure Support cost would not exceed \$500,000 annually, which is included in the budget. With these resources in place, the IT Department will be able to continue building and supporting the technology environment the agency requires, enabling the staff to provide better services to plan members. Mr. Dewar noted that previously the Board had authorized the release of a contract for infrastructure services, and the previous contract had expired. Mr. Dewar noted that it is time to recompetete these services. Two responses were received but only one met the requirement. Mr. Dewar stated that it was determined that the agency would best be served by selecting one of the offering, and then the others will be selected from contractors. The first contract with NGEN will be a three-year contract, and the contracts with individual contractors will be one-year contracts with extension options. Mr. Dewar noted that this will be an annual on-going service need.

Mr. Ross made the following motion, which was seconded by Mr. Bunn:

Motion #3: To authorize the Executive Director to execute contracts for Information Technology Infrastructure Support Services for a total cost of up to \$500,000 annually. *A voice vote was called, and the motion was approved 9-0.*

- Contract Log Write-Up: The Contract Log documents all agency contracts as of March 31, 2013. There is also a separate log of upcoming contracting activity in 2013. The Contract Log delineates the contracts that have been approved by either the Board or the Executive Director. Additionally, the Contract Log identifies Federal Supply Schedule (FSS), District Supply Schedule (DCSS) and Certified Business Enterprise (CBE) vendors. At this time, DCRB is contracting with fourteen FSS/GSA supply schedule holders; four DCSS schedule holders and three CBEs: Akridge, Networking for Future, Inc. and Midtown Personnel Group. Mr. Bunn inquired as to which of the CBEs were local, and Ms. Smith stated that to be considered a CBE, the business must be located in the District of Columbia;
- CliftonLarsonAllen, LLP: CliftonLarsonAllen provides independent auditing services to the Board. Their contract will expire in June 2013.

Ms. Ross made the following motion, which was seconded by Mr. Blanchard:

Motion #4: To authorize the Executive Director to release an RFP for an independent auditor. *A voice vote was called and the motion was approved 10-0.*

Questions: Mr. Smith inquired how long the auditors had been employed by DCRB, and Mr. Anderson replied that it had been approximately five years. Mr. Bress explained the process of releasing an RFP for the auditor, which happens every three to five years. As a point of clarification, it was noted that the current vendor is eligible to be reconsidered.

- Projection Study: Mr. Cavanaugh, Mr. Koebel, and Mr. Craven, actuaries from Cavanaugh Macdonald, presented the results of the preliminary 30 Year Projection Study. The study is a planning tool used to develop a picture of the Fund's funding progress over time and to estimate the future contribution rates and benefit payments for each of the Plans. Questions about the possible future coverage of DC charter school teachers and about the effects of high turnover for teachers within their first five years of service were addressed. Mr. Cavanaugh gave an overview of the deterministic projection, with which all future demographic and economic assumptions that are projected to occur according to the current valuation assumptions. The demographic assumptions used were retirement, withdrawal, and mortality. Economic assumptions were: investment return of 6.50%, inflation of 3.50%, and a salary scale of 4.25% plus merit. A stochastic projection was also made. For stochastic projections, all future demographics and assumptions are projected to occur according to the current valuation assumptions. A full and final report will be presented to the Board for its consideration and official approval at the next open Board meeting. After official approval, the study may be released to third parties.

BENEFITS COMMITTEE REPORT

In the absence of Mr. Suter, the Benefits Committee Chair, Mr. Smith updated the Board on the following items:

- Business Process Reengineering (BPR): An RFQ was released on April 2, 2013 for Benefits staff training. The training, which is expected to begin in May, will address gaps in skill levels that will be needed for Benefits staff to operate successfully in the reorganized Benefits Department structure, which will include administrative activities previously performed by staff at Treasury, the Police and Firefighters' Retirement & Relief Board, and other District agencies. Training will involve instruction on Microsoft Word, Microsoft Excel, Business Writing and Communications, Customer Service. At the same time, job descriptions for the new structure are being graded and reviewed, and once approved, job postings will occur;
- Summary Plan Descriptions: Updates to the Teachers' SPD have been completed, and the SPD was recently forwarded to the printer. The Police/Fire SPD will shortly follow. DCRB anticipates that both booklets will be ready for distribution around mid-May;
- COLAs: The 1.7% COLAs applicable to the Police/Fire and Teacher Plan annuitants and survivors were included in annuity payments beginning April 1, 2013.

There were no action items brought before the Board by this committee.

LEGISLATIVE COMMITTEE REPORT

Mr. Blanchard, Legislative Committee Chair, stated that there is no report to be brought before

the Board.

There were no action items brought before the Board by this committee.

OTHER BUSINESS

There following items were discussed by the Board:

- **Randi Weingarten's Pension Veto:** An article from the Wall Street Journal was discussed. Ms. Marcus noted that when she recently attended the Council of Institutional Investors Meeting, she learned more about this topic. Mr. Saunders stated that he will be sure that the Board is investing money in managers who have the best interests of DCRB's full membership at heart. Mr. Bress emphasized the Board's fiduciary duties and responsibilities to make investment choices exclusively in the best interests of all Plan participants and beneficiaries. Mr. Bress noted that of the 33 investment managers listed on the American Federation of Teachers' watch list, the Board has contracts with none of them. Mr. Bress stressed that as fiduciaries, trustees examine the context of issues such as this one, in order to determine how the Board fulfills its fiduciary duties to the Fund and Plan participants and beneficiaries.

ADJOURNMENT

Motion #5: Mr. Tippet moved to adjourn the meeting at 3:08 p.m. Ms. Blum seconded the motion. *A voice vote was called and the motion was approved 9-0.*

**DISTRICT OF COLUMBIA RETIREMENT BOARD
RECORD OF OFFICIAL BOARD ACTIONS**

Motion #1		Date: April 25, 2013			
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.					√
Bunn, James E.	√				
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Saunders, Nathan	√				
Smith, Edward C.	√				
Suter, George R.					√
Tippett, Thomas N.	√				
Warren, Michael J.					√

Motion #2		Date: April 25, 2013			
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.	√				
Bunn, James E.	√				
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Saunders, Nathan	√				
Smith, Edward C.	√				
Suter, George R.					√
Tippett, Thomas N.	√				
Warren, Michael J.					√

Motion #3		Date: April 25, 2013			
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.	√				
Bunn, James E.	√				
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Saunders, Nathan					√
Smith, Edward C.	√				
Suter, George R.					√
Tippett, Thomas N.	√				
Warren, Michael J.					√

Motion #4		Date: April 25, 2013			
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.	√				
Bunn, James E.	√				
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Saunders, Nathan	√				
Smith, Edward C.	√				
Suter, George R.					√
Tippett, Thomas N.	√				
Warren, Michael J.					√

Motion #5		Date: April 25, 2013			
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.	√				
Bunn, James E.	√				
Marcus, Judith C.	√				
Ross, Darrick O.					√
Saunders, Nathan	√				
Smith, Edward C.	√				
Suter, George R.					√
Tippett, Thomas N.	√				
Warren, Michael J.					√