



DISTRICT OF COLUMBIA RETIREMENT BOARD
MEETING MINUTES
SEPTEMBER 19, 2013
1:53 PM

MEMBERS PRESENT

Joseph M. Bress, Chairman
Barbara Davis Blum
Diana K. Bulger
Judith C. Marcus
Darrick O. Ross
Nathan Saunders
Edward C. Smith
Thomas N. Tippett

DCRB STAFF PRESENT

Eric Stanchfield, Executive Director
Erie Sampson
Sheila Morgan-Johnson
Joan Passerino
Thomas Anderson
Daniel Hernandez
Corinne Koch
Leslie King
Peter Dewar
Ibrahim Koroma
Patrick Sahn
Deborah Reaves
Yolanda Smith*
Katie Schultz
Nina Bridgers
Robin Chester*

*not present at roll call

MEMBERS NOT PRESENT

Lyle M. Blanchard
Michael Warren
Jeffrey Barnette, ex-officio

OTHERS PRESENT

Brenda Mathis, OCFO
Matt HoganBruen, Bank of America Merrill
Lynch
Kathleen Barchick, Cliffwater LLC
Mark Johnson, Cliffwater LLC

ROLL CALL

Chairman Bress called the meeting to order at 1:53 p.m. Ms. Deborah Reaves called the roll. Mr. Bress asked the Board for a moment of silence in remembrance of Mr. Bunn, who passed away in August.

APPROVAL OF MINUTES

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

Motion #1: To approve the July 18, 2013 Board meeting minutes.

A voice vote was called and the motion was approved 8-0. (See Tally #1)

CHAIRMAN'S COMMENTS

Mr. Bress updated the Board on the following items:

- Committee Placement: Ed Smith will serve as Chair of the Benefits Committee, replacing Mr. Suter. Mr. Smith is seeking volunteers for Vice Chairs of the Strategic Planning Committee and the Benefits Committee;
- Former Trustee Recognition: The children of Mr. Suter and Mr. Bunn will be invited to the October 2013 Board Meeting, where both former trustees will be recognized in a special resolution from the Board for their dedicated service;
- Office Move: Per architectural plans, the Trustee lunch room will be redesigned to accommodate the projected growth of DCRB staff;
- Staff Departure: Mr. Bress thanked Ms. Joan Passerino, DCRB Chief Benefits Officer, for her 8 years of service to DCRB and shared his best wishes;
- Fiduciary Training: Training will be scheduled for November for trustees who missed the April training session and for the newly elected Retired Police Officer trustee, Gary Hankins.

EXECUTIVE DIRECTOR'S REPORT

Mr. Stanchfield updated the Board on the following items:

- DCRB Annual Audit: The audit firm of CliftonLarsonAllen LLP is conducting the Fiscal Year 13 audit of DCRB's financial statements. The audit results will be completed by the end of November and the audit results will be presented to the Board in December. DCRB's FY 2013 will end on September 30, 2013. The FY13 budget year-end process will occur throughout October and the final numbers will be available for the November Board meeting;
- Department of Treasury FY14 MOU: DCRB's FY14 MOU with the U.S. Department of the Treasury is in the final stages of completion. The new Benefit operations cost reimbursement is estimated to be 59.7% Federal/40.3% District. DCRB's share has increased by 1.5%, up from 38.8% in FY13. This is due to the increased number of annuitants with service either being split or completely District;
- Wilshire Consulting 2013 Report on City and County Retirement Systems: The key findings of Wilshire Consulting 2013 Report on City and County Retirement Systems;
- Office Move: DCRB's Benefits Department is now located on the 4th floor until March 1, 2014 (estimated completion date of the 2nd floor renovations). The other departments will move to the 4th floor on or about October 11, 2013. Beginning in November, Board and Committee meetings will be held on the mezzanine level of the building. Ms. Scrapper gave an overview of the new layout for DCRB's second floor offices. Changes in the layout were detailed and a draft of the floor plan was presented to the Board. It was noted that the Board room will probably be outfitted for video conferencing. The goal is to be back and working on the second floor by February 2014;
- Staffing Announcements: DCRB welcomed its new Controller, Ibrahim Koroma. Pam Ashford accepted the position of Lead Retirement Analyst in the Benefits Department;
- Staff Departures: Sheila Douglas, Member Services Supervisor, and Aretha Burns, Records Clerk, will be retiring from DCRB on September 30th. Sebastian Podesta has resigned from his position as Sr. Financial Analyst, and Joan Passerino, Chief Benefits Officer, will be leaving DCRB on September 20th;
- Employee Development - MS Word and Excel Training: On July 23/25th and August 5/6th, Benefits staff members completed level 1 of Microsoft Excel and Word training

courses, which were taught by professional trainers from Knowlogy, DCHR's software training vendor. The next training sessions scheduled in September and October will be Business Writing for Professionals and level 2 of Microsoft Word and Excel;

- National Articles of Interest: The following articles were mentioned as articles of interest, and the first mentioned DCRB's lowering of its expected return to less than 7%:
 - "**Pension Funds Dispute Math in Detroit Bankruptcy**" by Matthew Dolan, Wall Street Journal, August 20, 2013.
 - "**Studies Back Kevyn Orr's Pension Warnings**" by Nathan Bomey and Alisa Priddlea, Detroit Free Press, August 17, 2013.
- Congratulations to Ed Smith on completing his CAPP certification. Mr. Smith shared new perspectives gained during the training;
- DC Government Shutdown: In preparation for the Federal government shutdown, Mr. Stanchfield stated that he will ask for a general exemption for all of DCRB staff.

GENERAL COUNSEL'S REPORT

Ms. Erie Sampson presented the following items from her written report to the Board:

- Quorum Rule: The final DCRB Quorum Rule 1511.1 was published, which establishes a quorum based on the number of members actually serving on the Board when there are vacancies.
- Benefit Claim Rules: The Legal Department is working with the Office of the Attorney General and the District of Columbia Police and Firefighters' Retirement and Relief Board (PFRRB) to clarify administrative review issues related to benefit claims involving DCRB and PFRRB under the District of Columbia Police Officers and Firefighters' Retirement Plan. DCRB and PFRRB will draft benefit claim rules to delineate clearer roles and authority;
- Board Governance: The Legal Department, in conjunction with the Executive Leadership Team, drafted proposed revisions to update the Board's governance documents consistent with the way the Board currently operates. The Board will be presented with the option to move the Board's governance policies from published rules to an internal charger, which will afford the trustees greater flexibility for future amendments. The audit committee will be established as the trustees requested a few months ago. In addition, the trustees may consider clearer delegations of authority to the Executive Director and Chief Investment Officer, as well as improved internal controls.

OPERATIONS COMMITTEE REPORT

Mr. Ross presented the Operations Committee report to the Board, and the following items were discussed:

- External Auditor: Mr. Anderson suggested that the Board move into closed session before discussing this topic.

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

Motion #2: To recommend renewal of the Board's fiduciary liability insurance policy for \$10 million of coverage for a retention fee of \$110,000.

A voice vote was called and the motion was approved 8-0. (See Tally #2)

- Special Retired Police Officer Election: Gary Hankins had the majority of the votes in the election. Mr. Ross and Mr. Tippet shared their past experiences working with Mr. Hankins, and look forward to welcoming him to the Board.

Mr. Ross made a motion, which was seconded by Mr. Tippet:

Motion #3: That the Board certifies the results of the 2013 Retired Police Officer special election.

A voice vote was called and the motion was approved 8-0. (See Tally #3)

Mr. Ross made a motion, which was seconded by Mr. Tippet:

Motion #4: That the Board approve the clarified definitions in Election Rules 100.7, 100.5, and 100.6.

A voice vote was called and the motion was approved 8-0. (See Tally #4)

The revised sections read as follows:

Election Rule §100.5

The term “program for Police and Firefighters’ Retirement and Disability” is the District of Columbia Police Officers and Firefighters’ Retirement Plan established under the Replacement Act that applies to retirement benefits accrued after June 30, 1997 and is codified at D.C. Official Code Sections 5-701 et seq. (2001).

Election Rule §100.6

The term “program for Retirement of Public School Teachers” is the District of Columbia Teachers’ Retirement Plan established under the Replacement Act that applies to retirement benefits accrued after June 30, 1997 and is codified at D.C. Official Code Sections 38-2021.01 et seq. (2001).

Election Rule §100.7

The term “qualified voter” means a member of one of the following categories as reflected in the records of the applicable human resources office, payroll office, or retirement benefits administration office at the time the member provides information to the Board:

- (a) Active fire fighter – a sworn member or officer of the District of Columbia Fire and Emergency Medical Services Department (FEMS) who is a participant in the program for Police and Firefighters’ Retirement and Disability;
- (b) Retired fire fighter – a sworn member or officer of the FEMS who has retired under an optional, disability or deferred retirement under the provisions of the program for Police and Firefighters’ Retirement and Disability;

- (c) Active police officer – a sworn member or officer of the District of Columbia Metropolitan Police Department (MPD) who is a participant in the program for Police and Firefighters’ Retirement and Disability;
- (d) Retired police officer – a sworn member or officer of the MPD who has retired under an optional, disability or deferred retirement pursuant to the program for Police and Firefighters’ Retirement and Disability;
- (e) Active teacher – an employee who serves in a salary class position ET 1-15 under the District of Columbia Public Schools (DCPS) and is a participant in the program for Retirement of Public School Teachers;
- (f) Retired teacher – a DCPS system employee (salary class position ET 1-15) who has retired under a voluntary, involuntary, disability or deferred retirement under the provisions of the program for Retirement of Public School Teachers.

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

Motion #5: To authorize the Executive Director to expend \$3,400,000 on Phase III of the DCRB Retirement Modernization Program.

A voice vote was called and the motion was approved 8-0. (See Tally #5)

- **Fiduciary Liability Insurance:** Ms. Sampson noted that during the Operations Committee meeting, there was a discussion of whether or not Senior Staff would be covered by the Fiduciary Liability Insurance. She explained that any Senior Staff member who is involved in the management of the Funds/Plans is automatically included.

BENEFITS COMMITTEE REPORT

Mr. Smith, Benefits Committee Chair, reported on the following items:

- **Business Process Reengineering (BPR):** As reported above, the District’s Workforce Development Administration staff conducted Customer Care training for DCRB Benefits Department and also provided staff with training on Microsoft Word, Microsoft Excel, and will finish with Business Communications on September 23rd and October 2nd. All of these courses were well done, well received, and, of equal importance, at no cost to DCRB. More advanced versions of some of these courses are being contemplated for the future. Over the summer, both internal staff and external candidates were interviewed for positions in the reorganized Benefits Department structure. Pam Ashford was selected to fill the Lead Retirement Analyst position previously held by Val Chandler, who transitioned to DCRB’s IT Department in August. The Benefits team is currently focusing on backfilling the vacant Retirement Services Manager position, as well as the Member Services Manager position, which will be vacant when Sheila Douglas retires. It is anticipated that most of the changes to the new structure will be completed within the next few months. With funds still remaining in the Linea contract, and additional work to be done, the Benefits staff is working with the consultant to close outstanding implementation items;

- 80% Maximum Benefit Codification and COLA Lookback Errors: Treasury has begun to research the errors that were detected during and following the development and implementation of STAR. They began this process with issues related to the miscodification of the 80% maximum benefit rule and the misapplication of the cost-of-living adjustment (COLA) lookback rule. They will provide DCRB with detailed information regarding these projects, including their expected timeline, once the contractor has assessed the scope of each project. Ms. Passerino clarified that these are two separate items. Mr. Tippet expressed that he was and still is opposed to the interpretation of the COLA lookback by Treasury and is concerned about the impact any correction of these errors will have on retirees;
- Newsletter: the Fall 2013 Newsletter is in the process of being assembled, and should be ready for distribution by the end of November.

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

LEGISLATIVE COMMITTEE REPORT

There was no legislative committee report presented.

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

INVESTMENT COMMITTEE REPORT

Ms. Blum, Investment Committee Chair, presented her report, and discussed the following items:

Ms. Blum made the following motion, which was seconded by Mr. Tippet:

Motion #6: To hire Zeno Consulting Group as the Board’s transaction cost analysis and transition management consultant, subject to contract negotiations and further due diligence.

A voice vote was called and the motion was approved 7-0. (See Tally #6)

Ms. Blum made the following motion, which was seconded by Mr. Tippet:

Motion #7: This motion is redacted pursuant to DC Code §§ 2-575(b)(1) and 1-909.05(e) and (f) because public disclosure of the Motion would jeopardize DCRB’s ability to implement the motion or to achieve the investment objectives.

A voice vote was called and the motion was approved 7-0. (See Tally #7)

Ms. Blum made the following motion, which was seconded by Mr. Tippet:

Motion #8: To approve additions to the Real Assets & Private Equity Forward Calendar.

A voice vote was called and the motion was approved 8-0. (See Tally #8)

Ms. Blum made the following motion, which was seconded by Mr. Tippet:

Motion #9: To change the Real Estate benchmark from 80% NFI – OCDE (net of fees) plus 150 basis points and 20% MSCI US REIT Index to 60% NFI – OCDE (net of fees) plus 150 basis points and 40% FTSE EPRA/NAREIT Global Index.

A voice vote was called and the motion was approved 8-0. (See Tally #9)

OTHER BUSINESS

- Mr. Stanchfield recognized Ms. Passerino for her dedication to DCRB. Mr. Tippettt stated that he will greatly miss Ms. Passerino because she was such an expert on benefits and was so cooperative to work with over the years. Ms. Blum said that she will miss Ms. Passerino on a personal level. Ms. Marcus noted that Ms. Passerino was an excellent point person, and Ms. Marcus was always happy to refer members to her. She said that Ms. Passerino always wants to do the right thing for District employees, and Ms. Passerino was special in that regard. Mr. Saunders stated that Joan is indispensable, and he noted that a number of teachers have relied on Ms. Passerino to help with their problems. He was thankful for the care and the commitment she displayed, especially at the teachers' retirement workshops. The Board and staff presented a plaque to Ms. Passerino, who thanked the staff for their support and patience. She closed saying that she will miss working with the Board and staff.

ADJOURNMENT

Motion #10: Mr. Saunders moved to adjourn the meeting at 2:52 p.m. Ms. Bulger seconded the motion.

A voice vote was called and the motion was approved 8-0. (See Tally #10)

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

| Tally #1 | | | Date: September 19, 2013 | | |
|---|-----|----------------|--------------------------|--------------------|--------|
| To approve the July 18, 2013 Board meeting minutes. | | | | | |
| Members | Aye | Nay/ Oppose | No Vote/ Abstain | No Vote/ Recuse | Absent |
| Blanchard, Lyle M. | | | | | √ |
| Blum, Barbara Davis | √ | | | | |
| Bress, Joseph M. | √ | | | | |
| Bulger, Diana K. | √ | | | | |
| Marcus, Judith C. | √ | | | | |
| Ross, Darrick O. | √ | | | | |
| Saunders, Nathan | √ | | | | |
| Smith, Edward C. | √ | | | | |
| Tippett, Thomas N. | √ | | | | |
| Warren, Michael J. | | | | | √ |

| Tally #2 | | | Date: September 19, 2013 | | |
|---|-----|----------------|--------------------------|--------------------|--------|
| To recommend renewal of the Board's fiduciary liability insurance policy for \$10 million of coverage for a retention fee of \$110,000. | | | | | |
| Members | Aye | Nay/ Oppose | No Vote/ Abstain | No Vote/ Recuse | Absent |
| Blanchard, Lyle M. | | | | | √ |
| Blum, Barbara Davis | √ | | | | |
| Bress, Joseph M. | √ | | | | |
| Bulger, Diana K. | √ | | | | |
| Marcus, Judith C. | √ | | | | |
| Ross, Darrick O. | √ | | | | |
| Saunders, Nathan | √ | | | | |
| Smith, Edward C. | √ | | | | |
| Tippett, Thomas N. | √ | | | | |
| Warren, Michael J. | | | | | √ |

| Tally #3 | | Date: September 19, 2013 | | | |
|---|-----|--------------------------|---------------------|--------------------|--------|
| That the Board certifies the results of the 2013 Retired Police Officer special election. | | | | | |
| Members | Aye | Nay/ Oppose | No Vote/ Abstain | No Vote/ Recuse | Absent |
| Blanchard, Lyle M. | | | | | √ |
| Blum, Barbara Davis | √ | | | | |
| Bress, Joseph M. | √ | | | | |
| Bulger, Diana K. | √ | | | | |
| Marcus, Judith C. | √ | | | | |
| Ross, Darrick O. | √ | | | | |
| Saunders, Nathan | √ | | | | |
| Smith, Edward C. | √ | | | | |
| Tippett, Thomas N. | √ | | | | |
| Warren, Michael J. | | | | | √ |

| Tally #4 | | Date: September 19, 2013 | | | |
|---|-----|--------------------------|---------------------|--------------------|--------|
| That the Board approves the clarified definitions in Election Rules 100.07, 100.5, and 100.6. | | | | | |
| Members | Aye | Nay/ Oppose | No Vote/ Abstain | No Vote/ Recuse | Absent |
| Blanchard, Lyle M. | | | | | √ |
| Blum, Barbara Davis | √ | | | | |
| Bress, Joseph M. | √ | | | | |
| Bulger, Diana K. | √ | | | | |
| Marcus, Judith C. | √ | | | | |
| Ross, Darrick O. | √ | | | | |
| Saunders, Nathan | √ | | | | |
| Smith, Edward C. | √ | | | | |
| Tippett, Thomas N. | √ | | | | |
| Warren, Michael J. | | | | | √ |

| Tally #5 | | Date: September 19, 2013 | | | |
|--|-----|--------------------------|---------------------|--------------------|--------|
| To authorize the Executive Director to expend \$3,400,000 on Phase III of the DCRB Retirement Modernization Program. | | | | | |
| Members | Aye | Nay/ Oppose | No Vote/ Abstain | No Vote/ Recuse | Absent |
| Blanchard, Lyle M. | | | | | √ |
| Blum, Barbara Davis | √ | | | | |
| Bress, Joseph M. | √ | | | | |
| Bulger, Diana K. | √ | | | | |
| Marcus, Judith C. | √ | | | | |
| Ross, Darrick O. | √ | | | | |
| Saunders, Nathan | √ | | | | |
| Smith, Edward C. | √ | | | | |
| Tippett, Thomas N. | √ | | | | |
| Warren, Michael J. | | | | | √ |

| Tally #6 | | Date: September 19, 2013 | | | |
|--|-----|--------------------------|---------------------|--------------------|--------|
| To hire Zeno Consulting Group as the Board's transaction cost analysis and transition management consultant, subject to contract negotiations and further due diligence. | | | | | |
| Members | Aye | Nay/ Oppose | No Vote/ Abstain | No Vote/ Recuse | Absent |
| Blanchard, Lyle M. | | | | | √ |
| Blum, Barbara Davis | √ | | | | |
| Bress, Joseph M. | √ | | | | |
| Bulger, Diana K. | | | | | √ |
| Marcus, Judith C. | √ | | | | |
| Ross, Darrick O. | √ | | | | |
| Saunders, Nathan | √ | | | | |
| Smith, Edward C. | √ | | | | |
| Tippett, Thomas N. | √ | | | | |
| Warren, Michael J. | | | | | √ |

| Tally #7 | | Date: September 19, 2013 | | | |
|--|-----|--------------------------|---------------------|--------------------|--------|
| To terminate investment in the Vanguard REIT Index fund and make an investment in the Northern Trust Collective Global Real Estate Investment Index Fund, Non-Lending, subject to contract negotiations and further due diligence. | | | | | |
| Members | Aye | Nay/ Oppose | No Vote/ Abstain | No Vote/ Recuse | Absent |
| Blanchard, Lyle M. | | | | | √ |
| Blum, Barbara Davis | √ | | | | |
| Bress, Joseph M. | √ | | | | |
| Bulger, Diana K. | | | | | √ |
| Marcus, Judith C. | √ | | | | |
| Ross, Darrick O. | √ | | | | |
| Saunders, Nathan | √ | | | | |
| Smith, Edward C. | √ | | | | |
| Tippett, Thomas N. | √ | | | | |
| Warren, Michael J. | | | | | √ |

| Tally #8 | | Date: September 19, 2013 | | | |
|--|-----|--------------------------|---------------------|--------------------|--------|
| To approve additions to the Real Assets & Private Equity Forward Calendar. | | | | | |
| Members | Aye | Nay/ Oppose | No Vote/ Abstain | No Vote/ Recuse | Absent |
| Blanchard, Lyle M. | | | | | √ |
| Blum, Barbara Davis | √ | | | | |
| Bress, Joseph M. | √ | | | | |
| Bulger, Diana K. | √ | | | | |
| Marcus, Judith C. | √ | | | | |
| Ross, Darrick O. | √ | | | | |
| Saunders, Nathan | √ | | | | |
| Smith, Edward C. | √ | | | | |
| Tippett, Thomas N. | √ | | | | |
| Warren, Michael J. | | | | | √ |

| Tally #9 | | Date: September 19, 2013 | | | |
|---|-----|--------------------------|---------------------|--------------------|--------|
| To change the Real Estate benchmark from 80% NFI – OCDE (net of fees) plus 150 basis points and 20% MSCI US REIT Index to 60% NFI – OCDE (net of fees) plus 150 basis points and 40% FTSE EPRA/NAREIT Global Index. | | | | | |
| Members | Aye | Nay/ Oppose | No Vote/ Abstain | No Vote/ Recuse | Absent |
| Blanchard, Lyle M. | | | | | √ |
| Blum, Barbara Davis | √ | | | | |
| Bress, Joseph M. | √ | | | | |
| Bulger, Diana K. | √ | | | | |
| Marcus, Judith C. | √ | | | | |
| Ross, Darrick O. | √ | | | | |
| Saunders, Nathan | √ | | | | |
| Smith, Edward C. | √ | | | | |
| Tippett, Thomas N. | √ | | | | |
| Warren, Michael J. | | | | | √ |

| Tally #10 | | Date: September 19, 2013 | | | |
|-------------------------|-----|--------------------------|---------------------|--------------------|--------|
| To adjourn the meeting. | | | | | |
| Members | Aye | Nay/ Oppose | No Vote/ Abstain | No Vote/ Recuse | Absent |
| Blanchard, Lyle M. | | | | | √ |
| Blum, Barbara Davis | √ | | | | |
| Bress, Joseph M. | √ | | | | |
| Bulger, Diana K. | √ | | | | |
| Marcus, Judith C. | √ | | | | |
| Ross, Darrick O. | √ | | | | |
| Saunders, Nathan | √ | | | | |
| Smith, Edward C. | √ | | | | |
| Tippett, Thomas N. | √ | | | | |
| Warren, Michael J. | | | | | √ |