



Other Post-Employment Benefits Fund

# DISTRICT OF COLUMBIA

Office of the Chief Financial Officer  
Annual Report FY 2020





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# EXECUTIVE SUMMARY

## Introduction

We are pleased to present the annual report for the District's Other Post-Employment Benefits Fund. Assets increased from \$1.510 billion to \$1.641 billion as of September 30, 2020.

Performance this year was led by the equity markets. The Fund rose 7.03%, below our policy benchmark, which advanced 7.89%. The Fund had a return of 7.24% for the five-year period ending September 30, 2020. This was above our target rate of return of 6.50%. The fund generated net investment income of \$107.4 million.

The annual contribution to the Trust Fund was \$47.3 million for FY 2020 as compared to \$46.0 million in FY 2019. The contribution budgeted for FY 2021 is \$53.6 million.

An actuarial analysis of the Plan's assets and liabilities is performed annually to determine the funding status of the Plan. The Plan had a funding ratio of 101.2% for the year ending September 30, 2020, as stated in the enclosed financial statements. The latest actuarial report, dated March 2021 and based on September 30, 2020, data, is included in the appendix.

The financial statements for the Plan were audited by McConnell & Jones LLP. The operations of the Plan and its assets are examined each year by an independent accounting firm as part of the District's annual CAFR. The Plan received an unqualified (clean) opinion from SB & Company, LLC. The audited financial statements are included in this annual report as an appendix.

We hope this information helps you gain a better understanding of the operation of the District's Other Post-Employment Benefits Fund and the oversight performed on an ongoing basis by the Office of Finance and Treasury and the District of Columbia Department of Human Resources.

## Annual Report

This annual report provides information on the District of Columbia's Other Post-Employment Benefits Fund. The report summarizes the Plan and its operations and describes the roles of the District departments that manage the Fund. The report presents information on the performance of the Fund, a description of the account managers, the amount invested with each manager, and the Fund's asset allocation policy. Also included are the audited financial statements, the actuarial analysis, comparative analysis information, provider descriptions, and contact personnel.

## The District of Columbia Other Post-Employment Benefits Fund

The government of the District of Columbia established the District's Annuitants' Health and Life Insurance Employer Contribution Trust Fund on October 1, 1999, under the Annuitants' Health and Life Insurance Employer Contribution Amendment Act of 1999 (DC Official Code 1-621.09) (the Act). The Plan includes a trust fund that is required for the deposit of District contributions. These contributions, along with investment earnings, are used to pay future benefits on behalf of qualified participants. The Plan is administered jointly by the District's Office of the Chief Financial Officer and the District's Office of Human Resources (DCHR).





## Plan Description

The Plan is a single-employer defined benefit plan that provides health and life insurance benefits to retired eligible District employees. All employees hired after September 30, 1987, who retired under the Teachers Retirement System, Police and Fire Retirement Systems, or who are eligible for retirement benefits under the Social Security Act, are eligible to participate in the Plan. The trust fund was established to hold and pay the District's contributions for health and life insurance premiums for participants.

## Operations

The Office of Finance and Treasury (OFT) is responsible for the oversight of the investments in the Fund and has established an investment policy and procedures for the program. The duties and responsibilities of OFT include, but are not limited to, the financial administration and management of the Fund, the selection and monitoring of investment managers, the establishment of investment objectives, the determination of the investment policy, the establishment of management policies, and the overall management and control of Fund assets.

The DC Department of Human Resources counsels employees regarding their retirement benefits, enrolls them in the selected programs, and informs OFT of their choices.

## Actuarial Information

Cheiron performed the actuarial study of the Fund. Cheiron prepared its report in accordance with the Statements of the Government Accounting Standards Board (GASB) 45 and 74. Valuations are undertaken for each fiscal year. The purpose of the valuation is to provide an estimate of the Total OPEB Liability and the Actuarially Determined Contribution (ADC).

## Investment Consultant

The Segal Marco Advisors (“Segal Marco”) investment consulting firm provides guidance and advice to the Office of Finance and Treasury in managing the assets of the Other Post-Employment Benefits Fund. This includes, but is not limited to, assisting with investment manager search and evaluation, developing and recommending target asset allocations, and conducting ongoing due diligence on the investment program, including quarterly performance. Segal Marco meets with the Office of Finance and Treasury regularly to review the portfolio structure and manager lineup.

## Contributions

Cost sharing arrangements for annuitants vary depending on whether the employee was a General Employee, Teacher, Police Officer, or Firefighter. For General Employees and Teachers, annuitants with at least 10 years of creditable District service (but less than 30 years of creditable District service) pay a percentage of their health insurance premiums, and the District pays the remainder. The percentage paid by the annuitant is 75%, reduced by an additional 2.50% for each year of creditable service over 10 years, up to a maximum of 20 such additional years. Thus, the District’s contribution shall not exceed 75% of the cost of the selected health benefit plan. For annuitants with 30 or more years of creditable District service, the District pays 75% of the cost of the selected health benefit plan, and the annuitant pays 25% of the cost of the selected health benefit plan.

Covered family members of General Employee and Teacher annuitants with at least 10 years of creditable District service (but less than 30 years of creditable District service) pay a percentage of their health insurance premiums, and the District pays the remainder. The percentage paid by the covered family member is 80%, reduced by an additional 1.00% for each year of creditable District service over 10 years, up to a maximum of 20 such additional years. Thus, the District’s contribution shall not exceed 40% of the cost

of the selected health benefit plan for covered family members of an annuitant with 30 or more years of creditable District service, and the family members of an annuitant with 30 or more years of creditable District service pay up to 60% of the cost of the selected health benefit plan.

For Police Officers and Firefighters, annuitants with at least 10 years of creditable District service, but less than 25 years of creditable District service pay a percentage of their health insurance premiums, and the District pays the remainder. The percentage paid by the annuitant is 70%, reduced by an additional 3.00% for each year of creditable service over 10 years, up to a maximum of 15 such additional years.

Thus, the District’s contribution shall not exceed 75% of the cost of the selected health benefit plan. For annuitants with 25 or more years of creditable District service, or Police Officer or Firefighter annuitants who are injured in the line of duty, the District pays 75% of the cost of the selected health benefit plan, and the annuitant pays 25% of the cost of the selected health benefit plan. Special rules apply for Police Officers and Firefighters who were hired before November 10, 1996.

Covered family members of Police Officers and Firefighter annuitants with at least 10 years of creditable District service (but less than 25 years of creditable District service) pay a percentage of their health insurance premiums, and the District pays the remainder. The percentage paid by the covered family members is 75%, reduced by an additional 3.00% for each year of creditable District service over 10 years. However, the portion paid by the covered family member is never less than 40%, and the District’s contribution shall not exceed 60% of the cost of the selected health benefit plan; the family member pays 40% of the cost of the selected health benefit plan for covered family members of Police Officers or Firefighters who were hired before November 10, 1996.





## Advisory Committee

The District established an Advisory Committee to advise the Office of Finance and Treasury (OFT) on the administration and investment management of the OPEB Fund. The Committee shall consist of the following members: four appointed by the CFO; one appointed by the Mayor; one appointed by the Council; and one member who is either a member of the DCRB or a member of DCRB's professional staff. The current Advisory Committee consists of the following members:

- Ventris Gibson, Director, District of Columbia Department of Human Resources (Mayor)
- Sheila Morgan-Johnson, Executive Director, District of Columbia Retirement Board (DCRB Staff)
- Matthew Brown, Chief Financial Officer, District of Columbia Water (CFO)
- Ritta McLaughlin, Director, Investor Education Community Outreach, FINRA Investor Education Foundation (CFO)
- Thompson H. Sawyer Jr., Deputy Director, Division of Finance, Federal Deposit Insurance Corporation (CFO)
- Deborah Freis, Director, Office of Revenue and Analysis (CFO)
- Barbara Davis Blum, President, BDB Investment Partnership (Council)

# INVESTMENT MANAGER INFORMATION

INVESTMENT MANAGER	ASSET CLASS	BENCHMARK	INCEPTION DATE
<b>Equity</b>			
Brandywine Global Investment Management, LLC	U.S. Large-Cap Value	Russell 1000 Value Index	01/01/2012
State Street Global Advisors	U.S. Large-Cap Growth	Russell 1000 Growth Index	09/01/2020
ClearBridge Advisors	U.S. Mid-Cap Core	Russell Midcap Index <sup>1</sup>	01/01/2012
State Street Global Advisors	U.S. Small-Cap Core	Russell 2000 Index	11/01/2015
Baillie Gifford	Intl Large-Cap Growth	MSCI EAFE Growth NR USD	12/01/2011
Artisan Partners	Intl Large-Cap Value	MSCI EAFE Value NR USD	12/01/2011
<b>Emerging Market Equity</b>			
State Street Global Advisors	Emerging Market Equity	MSCI EM (net)	11/01/2013
<b>Fixed Income</b>			
State Street Global Advisors	Core	Barclays Capital Aggregate Bond Index	08/01/2010
AllianceBernstein L.P.	Core Plus	Barclays Capital Aggregate Bond Index	12/01/2011
RBC Global Asset Management (U.S.) Inc.	Core	Barclays Capital U.S. Securitized Index	12/01/2011
AllianceBernstein L.P.	Non-U.S. Unhedged	Barclays Capital Global Aggregate	01/01/2012
<b>Emerging Market Debt</b>			
BlueBay Asset Management LLP	Emerging Market Debt	50% JPM EMBI Global Diversified/50% JPM GBI-EM Global Diversified U.S. <sup>2</sup>	11/01/2013
<b>Commodity</b>			
Gresham Investment	Commodities	Bloomberg Commodity Index Total Return	11/01/2013
<b>Cash</b>			
Northern Trust Investment, Inc.	Cash	ML U.S. Treasury Bill 3 Month	05/01/2017

<sup>1</sup> Benchmark as of 10/01/2012. From 01/01/2012 through 09/30/2012, the benchmark was the S&P MidCap 400 Index.

<sup>2</sup> Benchmark as of 02/01/2015. From 11/01/2013 through 01/31/2015, the benchmark was the 50% JPM EMBI Global Diversified/50% JPM GBI-EM Broad Diversified U.S. Index.



# INVESTMENT MANAGER DESCRIPTIONS

## Equity

### Brandywine Large Cap Value

The Classic Large Cap Value Equity strategy seeks attractive total return, a dividend yield greater than the benchmark, and style consistency, while maintaining a focus on bottom-up stock picking. The team's focus on free cash flow metrics is one of the primary factors differentiating the team from style peers. Although bottom-up stock picking drives portfolio construction, the team spends significant effort to recognize the impact of macroeconomic changes when analyzing and researching companies.

### SSgA Russell 1000 Large Cap Growth Index Fund

The strategy seeks an investment return that approximates as closely as practicable, before expenses, the performance of its benchmark index ("Index") over the long term. The Russell 1000® Growth Index is comprised of approximately 1,000 of the largest U.S. securities in the U.S. market and accounts for approximately 90% of the U.S. stock market capitalization.

The strategy is managed using a "passive" or "indexing" investment approach, by which SSgA attempts to match, before expenses, the performance of the Index. SSgA will typically attempt to invest in the equity securities comprising the Index, in approximately the same proportions as they are represented in the Index. Equity securities may include common stocks, preferred stocks, depository receipts, or other securities convertible into common stock. The strategy may purchase securities in their initial public offerings ("IPOs"). In some cases, it may not be possible or practicable to purchase all the securities comprising the Index, or to hold them in the same weightings as they represent in the Index. In those circumstances, SSgA may employ a sampling or optimization technique to construct the portfolio in question. From time to time, securities are added to or removed from the Index. SSgA may sell securities that are represented in the Index, or purchase securities that are not yet represented in the Index, prior to or after their removal or addition to the Index.

The strategy may at times purchase or sell index futures contracts, or options on those futures, or engage in other transactions involving the use of derivatives, in lieu of investment directly in the securities making up the Index or to enhance the strategy's replication of the Index return. The strategy's return may not match the return of the Index.

### ClearBridge Mid Cap Core

This fund invests in a diversified portfolio focused primarily on mid-sized companies. It seeks long-term capital appreciation through a disciplined, consistent, and transparent investment process. It employs an investment strategy that is driven by stock selection, with a focus on companies that exhibit high free cash flow, strong balance sheets, undervalued growth potential, and management teams that exercise capital discipline.

## SSgA Russell 2000 Index Fund

The strategy seeks an investment return that approximates as closely as practicable, before expenses, the performance of its benchmark index (“Index”) over the long term. The Russell 2000® Index is comprised of approximately 2,000 of the smallest U.S. securities in the U.S. Market and accounts for approximately 8% of the U.S. stock market capitalization.

The strategy is managed using a “passive” or “indexing” investment approach, by which SSgA attempts to match, before expenses, the performance of the Index. SSgA will typically attempt to invest in the equity securities comprising the Index, in approximately the same proportions as they are represented in the Index. Equity securities may include common stocks, preferred stocks, depository receipts, or other securities convertible into common stock. The strategy may purchase securities in their initial public offerings (“IPOs”). In some cases, it may not be possible or practicable to purchase all the securities comprising the Index, or to hold them in the same weightings as they represent in the Index. In those circumstances, SSgA may employ a sampling or optimization technique to construct the portfolio in question. From time to time, securities are added to or removed from the Index. SSgA may sell securities that are represented in the Index, or purchase securities that are not yet represented in the Index, prior to or after their removal or addition to the Index.

The strategy may at times purchase or sell index futures contracts, or options on those futures, or engage in other transactions involving the use of derivatives, in lieu of investment directly in the securities making up the Index or to enhance the strategy’s replication of the Index return. The strategy’s return may not match the return of the Index.

## Baillie Gifford International Growth Equity

The fund is designed to pursue long-term capital appreciation by investing in high-quality, attractively valued, non-U.S. growth companies of all market capitalizations. Baillie Gifford’s investment philosophy is built on three fundamental viewpoints:

1. Share prices follow company fundamentals;
2. Companies that grow their earnings and cash flows faster than average outperform the market; and
3. Company analysis is more useful than economic data.

Their investment process is based on a highly analytical research-driven process and builds portfolios from the bottom up. The strategy invests primarily in developed markets, but also may invest up to 20% of the Fund’s net assets at market value, at the time of purchase, in emerging markets. Currency hedging is used for defensive purposes and only used under certain conditions.

## Artisan International Value Equity

This fund seeks to invest in undervalued companies that are generating high returns on capital, are financially strong, and are managed by people who are working to build value over time. The investment team seeks to invest in companies with histories of generating strong free cash flow, improving returns on capital, and strong competitive positions in their industries. This criteria helps rule out businesses that are statistically cheap but whose values are deteriorating over time. The team believes that investing in companies with strong balance sheets helps to reduce the potential for capital risk and provides company management the ability to build value when attractive opportunities are available.





## SSgA Emerging Market Index Fund

The fund is managed using a “passive” or “indexing” investment approach, by which SSgA attempts to match, before expenses, the performance of the MSCI Emerging Markets Index, which is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. SSgA will typically attempt to invest in the equity securities comprising the Index, in approximately the same proportions as they are represented in the Index. Equity securities may include common stocks, preferred stocks, depository receipts, or other securities convertible into common stock. Equity securities held by the fund may be denominated in foreign currencies and may be held outside the United States. In some cases, it may not be possible or practicable to purchase all the securities comprising the Index or to hold them in the same weightings as they represent in the Index. In those circumstances, SSgA may employ a sampling or optimization technique to construct the portfolio in question. SSgA may also utilize other pooled investment vehicles, including those managed by SSgA and its affiliates, as substitutes for gaining direct exposure to securities or a group of securities in the Index.

## Fixed Income

### SSgA U.S. Aggregate Bond Index Fund

The fund seeks an investment return that approximates as closely as practicable, before expenses, the performance of the Barclays Capital U.S. Aggregate Bond Index (the “Index”) over the long term. The fund is managed using a “passive” or “indexing” investment approach, by which SSgA attempts to replicate, before expenses, the performance of the Index. The fund may attempt to invest in the securities comprising the Index in the same proportions as they are represented in the Index. However, due to the large number of securities in the Index, some of the securities may be unavailable for purchase, so it may not be possible for the fund to purchase all the securities comprising the Index.



## Bernstein Strategic Core — Plus

This is a multisector fixed-income strategy with a research-driven investment approach. This fund has as its neutral composition both strategic overweights to non-Treasury sectors, such as investment-grade corporates and mortgages, and strategic allocations to high-yield, non-U.S. and emerging market debt; these allocations are neutral targets around which portfolio exposures vary in accordance with perceived opportunity. The goal is to outperform the Barclays U.S. Aggregate Index by 100 to 200 basis points annually, before fees, over full market cycles. The strategy has a minimum average credit quality of A.

## RBC Global — Access Capital

The fund's investment objective is to invest in geographically specific debt securities located in portions of the United States designated by fund investors. The fund engages in socially responsible investing that helps build stronger communities through its support of low- and moderate-income homebuyers, affordable rental housing units, small business administration loans, and economic development projects. The fund invests at least 75% of the fund in securities rated AAA or equivalent.

## Bernstein Global Plus

This is an actively managed global bond strategy with a research-driven investment approach. This fund invests in the sovereign debt of developed countries other than the U.S., investment-grade credits, agencies, mortgages, commercial mortgage-backed securities and asset-backed securities, and takes opportunistic positions in high-yield and emerging-market debt, where permitted by client guidelines. The goal is to outperform the Barclays Global Aggregate Index by 100 to 200 basis points annually, before fees, over full market cycles. The strategy has a minimum average credit quality of A.

## Emerging Market Debt

### Bluebay Emerging Market Bond

This fund invests predominantly in fixed income securities issued by emerging market countries or issuers based in such countries. The fund seeks to generate excess returns via superior country and issue selection through an in-depth country and security selections process focusing on value in external credit spreads, local currencies, and local interest rates. Particular emphasis is given to avoiding deteriorating credits and one-off currency devaluations. The fund has a focus on absolute returns. Both their long-only and alternative strategies use short exposures (either directly or via credit derivatives) as one of a number of techniques designed to deliver absolute-style returns. There is a strong emphasis on capital preservation; the use of credit derivatives helps to maximize portfolio efficiency and potentially minimize risk.



## Commodity

### Gresham Strategic Commodities Fund

This fund seeks to provide diversified exposure to commodities using long-only, fully collateralized commodity futures. Gresham's Tangible Asset Program (TAP), is a long-only, diversified, tangible commodity futures investment strategy with a 26-year real-time track record. The TAP methodology balances rules-based construction with market-driven implementation and is designed to maximize return through effective trading and minimize volatility by constraining sector and individual commodity weightings as well as a systematic interim rebalancing strategy. The fund also generates return through investment of the collateral.

## Cash

### Northern Institutional Treasury Portfolio

The Portfolio invests in high-quality securities, primarily in U.S. Treasuries and repurchase agreements that are collateralized by Treasury Obligations and/or Government Obligations carrying the full faith and credit of the U.S. government. In addition to investing in Treasuries, the Portfolio invests in repurchase agreements, which may offer a potential yield advantage over a Portfolio invested only in Treasuries. The Portfolio, under normal circumstances, will invest at least 80% of its net assets (plus the amount of any borrowings for investment purposes) in Treasury Obligations and repurchase agreements collateralized solely by Treasury Obligations. The Portfolio operates as a "government money market fund" under Sec Rule 2a-7.

# ASSET ALLOCATION AND INVESTMENT PERFORMANCE

## ASSET ALLOCATION BY CLASS<sup>1</sup>

CLASS	MARKET VALUE (\$)	ALLOCATION (%)
Domestic Equity	715,465,683	43.59
Domestic Fixed Income	317,740,460	19.36
International Equity	200,616,798	12.22
International Fixed Income	164,542,456	10.03
Emerging Equity	103,812,185	6.32
Commodities	36,606,197	2.23
Emerging Fixed Income	34,423,413	2.10
Cash	68,119,172	4.15
Total	1,641,326,364 <sup>2</sup>	100.00 <sup>3</sup>

## ASSET ALLOCATION BY MANAGER<sup>4</sup>

MANAGER	MARKET VALUE (\$)	ALLOCATION (%)
Brandywine Large Cap Value	215,027,163	13.10
SSgA Russell 1000 Growth Index Fund	248,700,786	15.15
Bernstein International Fixed	164,542,456	10.03
Bernstein Strategic Core	188,662,065	11.49
ClearBridge Mid Cap Core	166,390,558	10.14
SSgA Emerging Market Index Fund	103,812,185	6.32
Baillie Gifford International Growth Equity	133,080,373	8.11
SSgA U.S. Aggregate Bond Index Fund	94,703,202	5.77
SSgA Russell 2000 Index Fund	85,347,043	5.20
Artisan International Value Equity	67,536,425	4.11
Gresham Investment	36,606,197	2.23
RBC Global – Access Capital	34,375,193	2.09
BlueBay Emerging Market Bond	34,423,413	2.10
Cash Account	68,119,172	4.15
Total	1,641,326,364 <sup>5</sup>	100.00 <sup>6</sup>

<sup>1,4</sup> Source: The Northern Trust Company

<sup>2,5</sup> Asset total will differ from the financial statements due to accrual reporting of certain expenses in the financial statements.

<sup>3,6</sup> Numbers may not add up to 100% due to rounding.



# PERFORMANCE FOR TOTAL FUND AND ASSET CLASS AS OF SEPTEMBER 30, 2020

	PERFORMANCE (%)						Inception Date <sup>7</sup>
	1 Year <sup>1</sup>	3 Years <sup>2</sup>	5 Years <sup>3</sup>	7 Years <sup>4</sup>	10 Years <sup>5</sup>	Since Inception <sup>6</sup>	
<b>Total Fund Composite</b>	<b>7.03</b>	<b>4.63</b>	<b>7.24</b>	<b>5.38</b>	<b>6.66</b>	<b>6.52</b>	<b>01/01/03</b>
Policy Index	7.89	6.30	8.07	6.40	7.55	7.72	
<b>Domestic Equity</b>	<b>4.88</b>	<b>5.48</b>	<b>9.22</b>	<b>7.91</b>	<b>10.43</b>	<b>10.14</b>	<b>01/01/03</b>
Equity Policy Index	11.32	9.74	12.43	11.03	12.85	12.71	
U.S. All Cap Equity (SA+CF) Median	5.72	9.38	12.00	11.12	12.62		
<b>International Equity</b>	<b>28.06</b>	<b>8.22</b>	<b>12.66</b>	<b>7.95</b>	<b>8.70</b>	<b>8.02</b>	<b>01/01/03</b>
MSCI EAFE Index	0.93	1.11	5.77	3.49	5.11	4.98	
IM International Large Cap Core Equity	3.90	2.32	6.46	4.42	6.13		
<b>Emerging Market Equity</b>	<b>10.51</b>	<b>2.37</b>	<b>8.88</b>	<b>N/A</b>	<b>N/A</b>	<b>3.01</b>	<b>11/01/13</b>
MSCI EM (net)	10.54	2.42	8.97	3.74	2.51	3.08	
IM Emerging Markets Equity	10.19	2.45	8.85	4.34	4.09		
<b>Domestic Fixed Income</b>	<b>6.79</b>	<b>5.23</b>	<b>4.31</b>	<b>4.09</b>	<b>3.86</b>	<b>4.14</b>	<b>01/01/03</b>
Fixed Income Policy Index	6.98	5.24	4.18	3.97	3.71	4.40	
U.S. Fixed Income (SA+CF) Median	5.87	4.63	4.47	4.17	4.18		
<b>International Fixed Income</b>	<b>5.03</b>	<b>2.55</b>	<b>3.97</b>	<b>1.59</b>	<b>N/A</b>	<b>1.59</b>	<b>11/01/11</b>
Barclays Global Aggregate Ex USD	5.48	3.07	3.60	1.28	1.35	1.24	
IM International Fixed Income	2.79	2.64	5.72	3.52	3.69		
<b>Emerging Market Debt</b>	<b>-1.40</b>	<b>-0.39</b>	<b>3.31</b>	<b>N/A</b>	<b>N/A</b>	<b>0.24</b>	<b>11/01/13</b>
Emerging Market Debt Policy Index	-0.02	1.89	5.53	N/A	N/A	2.84	
IM Emerging Markets Debt	1.99	2.64	6.29	4.77	4.97		
<b>Commodity</b>	<b>-9.44</b>	<b>-4.94</b>	<b>-3.61</b>	<b>N/A</b>	<b>N/A</b>	<b>-7.77</b>	<b>11/01/13</b>
Bloomberg Commodity Index	-8.20	-4.18	-3.09	-7.24	-6.03	-7.12	
<b>Cash Account</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>05/01/17</b>

<sup>1,2,3,6</sup> Performance provided by The Northern Trust Company

<sup>4,5</sup> Performance provided by Segal Marco Advisors

<sup>7</sup> Historical performance measurement data begins on 01/01/2003.

## PERFORMANCE BY INVESTMENT MANAGER

PERFORMANCE (%)							
	1 Year <sup>1</sup>	3 Years <sup>2</sup>	5 Years <sup>3</sup>	7 Years <sup>4</sup>	10 Years <sup>5</sup>	Since Inception <sup>6</sup>	Inception Date <sup>7</sup>
<b>Domestic Equity</b>							
<b>Brandywine Large Cap Value</b>	<b>-0.01</b>	<b>1.78</b>	<b>7.39</b>	<b>6.33</b>	<b>N/A</b>	<b>10.39</b>	<b>01/01/12</b>
Russell 1000 Value Index	-5.03	2.63	7.66	7.35	9.95	10.13	
IM U.S. Large Cap Value Equity (SA+CF) Median	-3.35	3.51	8.06	7.93	10.39		
<b>SSgA Russell 1000 Growth Index Fund</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>-3.57</b>	<b>09/01/20</b>
Russell 1000 Growth Index	37.53	21.67	20.10	17.39	17.25	-3.56	
IM U.S. Large Cap Growth Equity (SA+CF) Median	33.19	19.59	18.19	16.03	16.36		
<b>ClearBridge Mid Cap Core</b>	<b>6.35</b>	<b>6.40</b>	<b>8.79</b>	<b>8.57</b>	<b>N/A</b>	<b>12.09</b>	<b>01/01/12</b>
Russell Midcap Index <sup>8</sup>	4.55	7.13	10.13	11.76	N/A	12.14	
IM U.S. Mid Cap Equity (SA+CF) Median	4.10	6.61	9.63	9.13	11.70		
<b>SSgA Russell 2000 Index Fund</b>	<b>0.41</b>	<b>1.80</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>6.74</b>	<b>12/01/15</b>
Russell 2000 Index	0.39	1.77	8.00	6.42	9.85	6.49	
U.S. Equity Small Cap Core Funds (MF) Median	-7.64	-1.21	5.50	9.65	8.29		
<b>International Equity</b>							
<b>Baillie Gifford International Growth Equity</b>	<b>54.05</b>	<b>15.49</b>	<b>19.10</b>	<b>11.33</b>	<b>N/A</b>	<b>11.64</b>	<b>12/01/11</b>
MSCI EAFE Growth Index	13.81	7.47	9.64	6.61	7.39	7.93	
IM International Growth Equity (SA+CF) Median	17.40	6.97	9.90	7.25	8.12		
<b>Artisan International Value Equity</b>	<b>-3.90</b>	<b>-2.07</b>	<b>4.20</b>	<b>3.06</b>	<b>N/A</b>	<b>6.19</b>	<b>12/01/11</b>
MSCI EAFE Value	-11.45	-5.30	1.74	0.24	2.68	2.89	
IM International Value Equity (SA+CF) Median	-3.48	-1.91	4.55	2.56	5.44		
<b>Emerging Market Equity</b>							
<b>SSgA Emerging Market Index Fund</b>	<b>10.51</b>	<b>2.37</b>	<b>8.88</b>	<b>N/A</b>	<b>N/A</b>	<b>3.01</b>	<b>11/01/13</b>
MSCI EM (net)	10.54	2.42	8.97	3.74	2.51	3.08	
IM Emerging Markets Equity (SA+CF) Median	10.19	2.45	8.85	4.34	4.09		

<sup>1,2,3,6</sup> Performance provided by The Northern Trust Company

<sup>4,5</sup> Performance provided by Segal Marco Advisors

<sup>7</sup> Historical performance measurement data begins on 01/01/2003.

<sup>8</sup> Benchmark as of 10/01/2012. From 01/01/2012 through 09/30/2012, the benchmark was the S&P MidCap 400 Index.

## PERFORMANCE BY INVESTMENT MANAGER (CONTINUED)

PERFORMANCE (%)							
	1 Year <sup>1</sup>	3 Years <sup>2</sup>	5 Years <sup>3</sup>	7 Years <sup>4</sup>	10 Years <sup>5</sup>	Since Inception <sup>6</sup>	Inception Date <sup>7</sup>
<b>Domestic Fixed Income</b>							
<b>SSgA U.S. Aggregate Bond Index Fund</b>	<b>7.03</b>	<b>5.28</b>	<b>4.21</b>	<b>4.00</b>	<b>3.65</b>	<b>3.74</b>	<b>08/01/10</b>
Barclays U.S. Aggregate	6.98	5.24	4.18	3.97	3.64	3.71	
U.S. Broad Market Core Fixed Income (SA+CF) Median	7.55	5.67	4.73	4.43	4.17		
<b>Bernstein Strategic Core</b>	<b>7.16</b>	<b>5.62</b>	<b>4.73</b>	<b>4.40</b>	<b>N/A</b>	<b>4.07</b>	<b>12/01/11</b>
Barclays U.S. Aggregate	6.98	5.24	4.18	3.97	3.64	3.52	
IM U.S. Fixed Income (SA+CF) Median	5.87	4.63	4.47	4.17	4.18		
<b>RBC Global – Access Capital</b>	<b>4.13</b>	<b>3.13</b>	<b>2.54</b>	<b>2.79</b>	<b>N/A</b>	<b>2.45</b>	<b>12/01/11</b>
Barclays U.S. Securitized Index	4.52	3.80	3.06	3.21	N/A	2.85	
IM U.S. Broad Market Core Fixed Income (MF) Median	7.55	5.67	4.73	4.43	4.17		
<b>International Fixed Income</b>							
<b>Bernstein Global Plus</b>	<b>5.03</b>	<b>2.55</b>	<b>3.97</b>	<b>1.59</b>	<b>N/A</b>	<b>1.59</b>	<b>01/01/12</b>
Barclays Global Aggregate Ex USD	5.48	3.07	3.60	1.28	1.35	1.24	
IM International Fixed Income (SA+CF) Median	2.79	2.64	5.72	3.52	3.69		
<b>Emerging Market Debt</b>							
<b>BlueBay Emerging Market Bond</b>	<b>-1.40</b>	<b>-0.39</b>	<b>3.31</b>	<b>N/A</b>	<b>N/A</b>	<b>0.24</b>	<b>11/01/13</b>
Emerging Market Debt Policy Index (50% JPM EMBI Global Diversified/50% JPM GBI-EM Broad Diversified U.S.) <sup>8</sup>	-0.02	1.89	5.53	N/A	N/A	2.84	
IM Emerging Markets Debt (SA+CF) Median	1.99	2.64	6.29	4.77	4.97		
<b>Commodity</b>							
<b>Gresham Investment</b>	<b>-9.44</b>	<b>-4.94</b>	<b>-3.61</b>	<b>N/A</b>	<b>N/A</b>	<b>-7.77</b>	<b>11/01/13</b>
Bloomberg Commodity Index Total Return	-8.20	-4.18	-3.09	-7.24	-6.03	-7.12	

<sup>1,2,3,6</sup> Performance provided by The Northern Trust Company

<sup>4,5</sup> Performance provided by Segal Marco Advisors

<sup>7</sup> Historical performance measurement data begins on 01/01/2003.

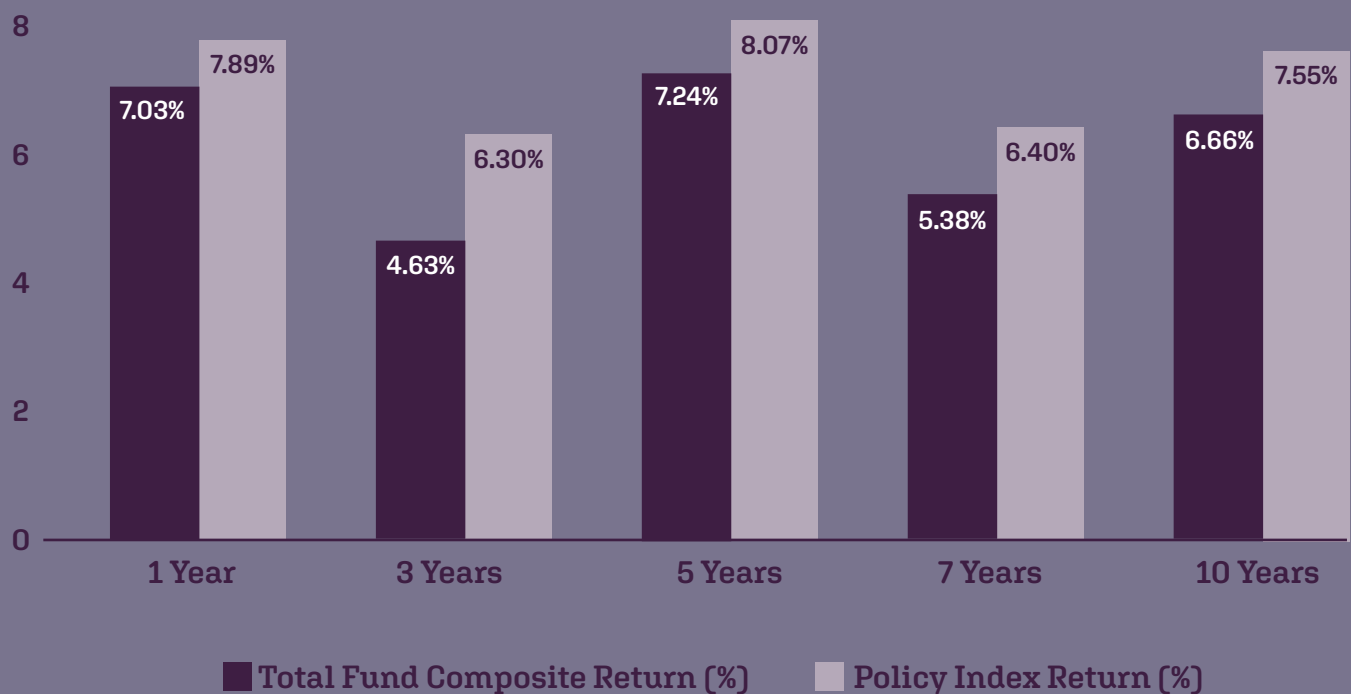
<sup>8</sup> Benchmark as of 02/01/2015. From 11/01/2013 through 01/31/2015, the benchmark was the 50% JPM EMBI Global Diversified/50% JPM GBI-EM Broad Diversified U.S. Index.



## ASSET ALLOCATION POLICY

ASSET CLASS	MINIMUM	MAXIMUM	TARGET	ACTUAL
Domestic Equity	35%	55%	45%	43.59%
International Equity	4%	14%	9%	12.22%
Emerging Market Equity	0%	9%	4%	6.32%
Domestic Fixed Income	19%	29%	24%	19.36%
International Fixed Income	5%	15%	10%	10.03%
Emerging Market Debt	0%	8%	3%	2.10%
Commodity	0%	10%	5%	2.23%
Cash Account	0%	10%	0%	4.15%

## COMPARATIVE PERFORMANCE AS OF SEPTEMBER 30, 2020



# COMPARATIVE ANALYSIS TABLES WITH DCRB

## ASSET ALLOCATION COMPARATIVE

	DCRB		OPEB Fund	
	Current Allocation	Target Allocation (%)	Current Allocation	Target Allocation (%)
<b>Public Equities</b>	<b>50.10</b>	<b>46.00</b>	<b>62.13</b>	<b>58.00</b>
Domestic Equity Assets	21.80	20.00	43.59	45.00
International Developed Market Equity Assets	17.40	16.00	12.22	9.00
International Emerging Market Equity Assets	10.90	10.00	6.32	4.00
<b>Fixed Income</b>	<b>33.20</b>	<b>30.00</b>	<b>31.49</b>	<b>37.00</b>
Investment Grade Bond	11.50	11.00	19.36	24.00
TIPS Assets	8.00	6.00	0.00	0.00
High Yield Assets	4.10	4.00	0.00	0.00
Emerging Market Debt Assets	4.00	4.00	2.10	3.00
Foreign Developed Bond Assets	2.00	2.00	10.03	10.00
Bank Loan Assets	3.60	3.00	0.00	0.00
<b>Alternatives</b>	<b>16.70</b>	<b>24.00</b>	<b>2.23</b>	<b>5.00</b>
Absolute Return Assets	3.30	4.00	0.00	0.00
Private Equity Assets	5.80	9.00	0.00	0.00
Real Estate Assets	5.50	6.00	0.00	0.00
Infrastructure/ Opportunistic Assets	0.80	3.00	0.00	0.00
Private Energy Assets	1.20	2.00	0.00	0.00
Commodities			2.23	5.00
<b>Cash</b>	<b>0.10</b>	<b>0.00</b>	<b>4.15</b>	<b>0.00</b>

As of 09/30/20

## ACTUARIAL ASSUMPTIONS COMPARATIVE

	DCRB	OPEB FUND
Valuation Date	10/01/2019	09/30/2020
Actuarial Cost Method	Entry Age Normal	Entry Age Normal, Level Percentage of Pay
Amortization Method	Level Dollar Closed	Level Percentage of Pay, Closed
Remaining Amortization Period	13 years	16 years beginning with 09/30/2018
Asset Valuation Method	5 Year Smoothed, Market	5 Year Smoothed, Market
<b>Actuarial Assumptions</b>		
Investment Rate of Return <sup>1</sup>	6.50%	6.50%
Rate of Salary Increase <sup>2</sup>	4.25%–9.98%	3.50% (plus merit scale)
Cost of Living Adjustments/ Medical Trend	3.50% (COLA limited to 3.00% for those hired after 11/10/1996)	5.30% grading down to 3.90% The Society of Actuaries Getzen Model of Long-Run Medical Cost Trends, reaching the ultimate medical inflation rate in 2040

<sup>1</sup> Includes inflation of 3.50% for DCRB, 2.75% for OPEB

<sup>2</sup> Includes wage inflation of 4.25% for DCRB, 3.50% for OPEB







**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE CHIEF FINANCIAL OFFICER  
OFFICE OF FINANCE AND TREASURY**

**OTHER POST-EMPLOYMENT BENEFITS FUND**

**Financial Statements  
Together with Independent Auditors' Reports**

**For The Years Ended September 30, 2020 and 2019**

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OTHER POST-EMPLOYMENT BENEFITS FUND**

**SEPTEMBER 30, 2020 AND 2019**

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## INDEPENDENT AUDITORS' REPORT

To the Mayor, Members of the Council of the Government of the District of Columbia and  
Inspector General of the Government of the District of Columbia  
Washington, D.C.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Government of the District of Columbia Other Post-Employment Benefits Fund (the Fund), a fiduciary fund of the Government of the District of Columbia, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The Fund's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of September 30, 2020, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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### ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, the financial statements of the Fund are intended to present only the financial position of the Fund and do not purport to, and do not present fairly the financial position of the Government of the District of Columbia as of September 30, 2020, and the changes in its financial position for the year then ended, in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Prior Period Financial Statements***

The financial statements of the Fund as of and for the year ended September 30, 2019 were audited by other auditors. Those auditors expressed an unmodified opinion on those statements in their report dated January 6, 2020.

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, schedule of changes in the net OPEB asset (liability) on page 37, schedule of contributions and related ratios on page 38, schedule of investment returns on page 38, and notes to the required supplementary information on page 39, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2021, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read 'McConnell &amp; Jones'.

Washington, D.C.  
January 4, 2021

# GOVERNMENT OF THE DISTRICT OF COLUMBIA OTHER POST-EMPLOYMENT BENEFITS FUND

## Management's Discussion and Analysis September 30, 2020 and 2019

The following presents our discussion and analysis of the financial performance of the Government of the District of Columbia's (the "District") Other Post-Employment Benefits Fund ("OPEB" or the "Fund"), a fiduciary fund of the Government of the District of Columbia, for the fiscal years ended September 30, 2020 and 2019. This discussion and analysis should be read in conjunction with the financial statements and note disclosures.

All employees hired after September 30, 1987, who retired under the Teacher Retirement System or Police and Fire Retirement System, or who are eligible for retirement benefits under the Social Security Act, are eligible to participate in the Fund.

### Overview of the Financial Statements

The Fund is required to follow U.S. Generally Accepted Accounting Principles and, as such, the Fund's financial statements consist of two basic financial statements: (a) Statement of Fiduciary Net Position and (b) Statement of Changes in Fiduciary Net Position.

- The Statement of Fiduciary Net Position presents the Fund's assets, liabilities, and net position available for postretirement benefits.
- The Statement of Changes in Fiduciary Net Position presents the additions to, and deductions from, the Fund's net position.
- The Notes to Financial Statements provide additional information that is essential for a full understanding of the financial statements. The notes are an integral part of the financial statements and include detailed information not readily evident in the basic financial statements, such as accounting policies, plan membership and benefits, and summary disclosures of selected financial data.
- The Required Supplementary Schedules immediately following the Notes to Financial Statements provide information illustrating the Schedule of Changes in Net OPEB Liability (Asset), Schedule of Contributions and Related Ratios and Schedule of Investment Returns.

The financial statements reflect the requirements of Government Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which addresses accounting and financial reporting issues related to measurement of the total and net OPEB liability, as well as financial reporting by plans that administer OPEB benefits on behalf of governments.

### Financial Highlights

	Fiscal Year Ended September 30,		
	2020	2019	2018
The Fund's Investments	\$1,553,924,348	\$1,404,403,946	\$1,400,747,331
District's Contributions	47,300,000	46,000,000	44,500,000

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OTHER POST-EMPLOYMENT BENEFITS FUND**

**Management's Discussion and Analysis (continued)  
September 30, 2020 and 2019**

**Table 1 – Condensed Statements of Fiduciary Net Position as of September 30, 2020, 2019, and 2018**

	2020	2019	FY2020 - FY2019		2018	FY2019 - FY2018	
			Variance	Variance %		Variance	Variance %
<b>Assets</b>							
Cash and cash equivalents	\$ 89,494,072	\$ 111,234,143	\$ (21,740,071)	-19.5%	\$ 64,918,000	\$ 46,316,143	71.3%
Receivables	13,738,085	5,089,173	8,648,912	169.9%	4,516,294	572,879	12.7%
Investments, at fair value	1,553,924,348	1,404,403,946	149,520,402	10.6%	1,400,747,331	3,656,615	0.3%
Total assets	1,657,156,505	1,520,727,262	136,429,243	9.0%	1,470,181,625	50,545,637	3.4%
<b>Liabilities</b>							
Investments and other payable	16,474,998	11,624,991	4,850,007	41.7%	8,151,766	3,473,225	42.6%
<b>Net Position Restricted for Other Post-Employment Benefits</b>	<b>\$ 1,640,681,507</b>	<b>\$ 1,509,102,271</b>	<b>\$ 131,579,236</b>	<b>8.7%</b>	<b>\$ 1,462,029,859</b>	<b>\$ 47,072,412</b>	<b>3.2%</b>

**Table 2 – Condensed Statements of Changes in Fiduciary Net Position for Fiscal Years Ended September 30, 2020, 2019 and 2018**

	2020	2019	FY2020 - FY2019		2018	FY2019 - FY2018	
			Variance	Variance %		Variance	Variance %
<b>Additions</b>							
Contributions	\$ 48,189,387	\$ 46,834,228	\$ 1,355,159	2.9%	\$ 45,206,225	\$ 1,628,003	3.6%
Net investment income	107,411,644	20,646,604	86,765,040	420.2%	67,385,188	(46,738,584)	-69.4%
Total additions	155,601,031	67,480,832	88,120,199	130.6%	112,591,413	(45,110,581)	-40.1%
<b>Deductions</b>							
Insurance premiums	23,436,697	19,678,332	3,758,365	19.1%	16,446,608	3,231,724	19.6%
Administrative expenses	585,098	730,088	(144,990)	-19.9%	397,007	333,081	83.9%
Total deductions	24,021,795	20,408,420	3,613,375	17.7%	16,843,615	3,564,805	21.2%
<b>Net Increase</b>	<b>131,579,236</b>	<b>47,072,412</b>	<b>\$ 84,506,824</b>	<b>179.5%</b>	<b>95,747,798</b>	<b>\$ (48,675,386)</b>	<b>-50.8%</b>
<b>Beginning Net Position</b>	<b>1,509,102,271</b>	<b>1,462,029,859</b>			<b>1,366,282,061</b>		
<b>Ending Net Position</b>	<b>\$ 1,640,681,507</b>	<b>\$ 1,509,102,271</b>			<b>\$ 1,462,029,859</b>		



## **GOVERNMENT OF THE DISTRICT OF COLUMBIA OTHER POST-EMPLOYMENT BENEFITS FUND**

### **Management's Discussion and Analysis *(continued)* September 30, 2020 and 2019**

#### **Financial Analysis – Fiduciary Net Position**

##### **Fiscal Year 2020**

The Fund's investments increased by \$149.5 million or 10.6%, over the prior fiscal year. Cash and cash equivalents decreased by \$21.7 million or 19.5% over the prior fiscal year. The overall change in investments and cash and cash equivalents is primarily due to net investment income of \$107.4 million and the excess of contributions over deductions of \$24.2 million during fiscal year 2020. Market conditions were more favorable during fiscal year 2020 compared to 2019; and as a result, ten (10) of fifteen (15) investment funds had positive rates of return. As of September 30, 2020, the funds were invested in equities, (61.55%); debt securities, (30.78%); and commodities, (2.23%).

Receivables increased by \$8.6 million or 169.9% over the prior fiscal year due primarily to an increase in receivables from investment sales at the end of the year. There was a marginal increase in interest and dividends receivable over the prior fiscal year.

Investments and other payables increased by \$4.9 million or 41.7% over the prior fiscal year primarily because of increases in trades payable at the end of the year, which was reduced by decreases in management and other fees payable over the prior fiscal year.

##### **Fiscal Year 2019**

The Fund's investments increased by \$3.7 million or 0.3%, over the prior fiscal year. Cash and cash equivalents increased by \$46.3 million or 71.3% over the prior fiscal year. The overall change in investments and cash and cash equivalents is primarily due to net investment income of \$20.6 million and the excess of contributions over deductions of \$26.4 million during fiscal year 2019. Market conditions were marginally less favorable during fiscal year 2019 compared to 2018; and as a result, eight (8) of fourteen (14) investment funds had positive rates of return. As of September 30, 2019, the funds were invested in equities, (58.82%); debt securities, (31.17%); and commodities, (2.67%).

Receivables increased by \$0.6 million or 12.7% over the prior fiscal year due to an increase in interest and dividends receivable and trades receivable at the end of the year.

Investments and other payables increased by \$3.5 million or 42.6% over the prior fiscal year primarily because of increases in trades and administrative fees payable at the end of the year.

#### **Financial Analysis – Changes in Fiduciary Net Position**

##### **Fiscal Year 2020**

Additions to the Fund increased by \$88.1 million or 130.6%, over the prior fiscal year because of an increase in contributions of \$1.4 million and net investment income of \$86.8 million. Deductions from the Fund increased by \$3.6 million or 17.7%, over the prior fiscal year, primarily because of an increase in insurance premiums. A detailed analysis of the major components of additions and deductions are provided below.

# GOVERNMENT OF THE DISTRICT OF COLUMBIA

## OTHER POST-EMPLOYMENT BENEFITS FUND

### Management's Discussion and Analysis *(continued)*

#### September 30, 2020 and 2019

#### Fiscal Year 2019

Additions to the Fund decreased by \$45.1 million or 40.1%, over the prior fiscal year because of an increase in contributions of \$1.6 million and a decrease in net investment income of \$46.7 million. Deductions from the Fund increased by \$3.6 million or 21.2%, over the prior fiscal year, primarily because of an increase in insurance premiums and administrative expenses. A detailed analysis of the major components of additions and deductions are provided below.

#### **Fund Contributions**

For fiscal years ended September 30, 2020, 2019 and 2018, the District made actuarially based contributions in the amounts of \$47,300,000, \$46,000,000, and \$44,500,000, respectively; which were based on congressionally approved budget authority. The District made contributions to the Fund that covered current and future Fund benefits. Annuitant contributions for years ended September 30, 2020, 2019 and 2018, amounted to \$889,387, \$834,228, and \$706,225, respectively.

#### **Investment Income**

For fiscal years ended September 30, 2020, 2019 and 2018, the Fund had a rate of return (gross of fees) of 7.03%, 1.70%, and 5.22%, respectively, and net investment income of \$107,411,644, \$20,646,604, and \$67,385,188, respectively. The net investment income for the Fund for the fiscal year 2020 was a result of positive rates of returns on domestic and international equity and fixed income, which was reduced by negative returns on domestic and international equities, fixed income and commodities. The rate of return, by investment fund manager, is listed in the table below.

Investment	Rate of Return 2020	Benchmark 2020	Rate of Return 2019	Benchmark 2019	Rate of Return 2018	Benchmark 2018
Access Capital ETI	4.13%	4.52%	7.27%	7.93%	-1.80%	-0.87%
Artisan International Value Equity	-3.90%	-11.45%	-0.17%	-4.31%	-2.09%	0.24%
Baillie Gifford International Growth Equity	54.05%	13.81%	-4.44%	2.64%	4.64%	6.27%
Bernstein Global Plus	5.03%	5.48%	5.01%	5.34%	-2.21%	-1.45%
Bernstein Strategic Core - Plus	7.16%	6.98%	10.58%	10.30%	-0.56%	-1.22%
BlueBay Emerging Market Bond	-1.40%	-0.02%	8.26%	10.91%	-7.40%	-4.60%
Brandywine Large Cap Value	-0.01%	-5.03%	-3.28%	4.00%	9.02%	9.45%
ClearBridge Mid Cap Core	6.35%	4.55%	3.67%	3.19%	9.26%	13.98%
Farr, Miller Washington Large Cap Growth**	3.20%	23.28%	3.59%	3.71%	16.70%	26.30%
Gresham Strategic Commodities Fund	-9.44%	-8.20%	-11.10%	-6.57%	6.68%	2.59%
Northern Trust Company Cash Fund	0.77%	1.10%	2.19%	2.39%	1.38%	1.59%
SSgA U.S. Aggregate Bond Index Fund	7.03%	6.98%	10.35%	10.30%	-1.20%	-1.22%
SSgA Emerging Market Index Fund	10.51%	10.54%	-2.01%	-2.02%	-0.95%	-0.81%
SSgA Russell 1000 Growth Fund**	-3.57%	-3.56%	N/A**	N/A**	N/A**	N/A**
SSgA Russell 2000 Index Fund	0.41%	0.39%	-8.85%	-8.89%	15.27%	15.24%

\*\* Farr, Miller Washington Large Cap Growth was terminated, and SSgA Russell 1000 Growth Fund commenced, in August 2020.

## **GOVERNMENT OF THE DISTRICT OF COLUMBIA OTHER POST-EMPLOYMENT BENEFITS FUND**

### **Management's Discussion and Analysis *(continued)* September 30, 2020 and 2019**

In 2020, ten (10) of fifteen (15) investment funds had positive rates of return: led by Baillie Gifford International Growth Equity, 54.05%; SSgA Emerging Market Index Fund, 10.51%; Bernstein Strategic Core - Plus, 7.16%; SSgA U.S. Aggregate Bond Index Fund, 7.03%; and ClearBridge Mid Cap Core, 6.35%. The Fund had dividend and interest income in the amount of \$22,242,582, a net appreciation of \$90,596,004, and a currency loss on FX contracts and settlements of \$(1,712,999) for the year ended September 30, 2020.

In 2019, eight (8) of fourteen (14) investment funds had positive rates of return: led by Bernstein Strategic Core - Plus, 10.58%; SSgA U.S. Aggregate Bond Index Fund, 10.35%; BlueBay Emerging Market Bond, 8.26%; and Access Capital ETI, 7.27%. The Fund had dividend and interest income in the amount of \$22,577,571, a net appreciation of \$5,327,431, and a currency loss on FX contracts and settlements of \$(3,405,111) for the year ended September 30, 2019.

In 2018, seven (7) of fourteen (14) investment funds had positive rates of return: led by Farr, Miller Washington Large Cap Growth, 16.70%; SSgA Russell 2000 Index Fund, 15.27%; ClearBridge Mid Cap Core, 9.26%; and Brandywine Large Cap Value, 9.02%. The Fund had dividend and interest income in the amount of \$20,140,281, a net appreciation of \$51,998,762, and a currency loss on FX contracts and settlements of \$(897,146) for the year ended September 30, 2018.

### **Insurance Carrier Premiums**

Insurance carrier premiums represent amounts paid to the Fund's health and life insurance carriers. The premium expenses for the years ended September 30, 2020, 2019 and 2018 totaled \$23,436,697, \$19,678,332, and \$16,446,608, respectively. The Defined Benefit Fund insurance premiums for the years ended September 30, 2020, 2019 and 2018 totaled \$21,198,871, \$17,556,642, and \$14,590,936, respectively. All remaining insurance premiums are attributable to general employee retirees. The insurance premiums increased in fiscal year 2020, when compared to 2019, and 2018, due to rising national health care costs. The rising costs resulted in an increase in coverage cost for District employees as well as the number of annuitants receiving benefits. As of September 30, 2020, 2019 and 2018, the Fund had 2,551, 1,939, and 1,683 annuitants receiving benefits, respectively.

### **Administrative Expenses**

Administrative expenses decreased by \$0.1 million or 19.9% over the prior fiscal year because of a reduction in general administrative expenses incurred by the Fund. Administrative expenses include the cost of certain administrative services the District provides to the Trust as well as annual actuarial, accounting, audit and certain investment services fees.

### **Summary of Actuarial Analysis**

An independent actuary was retained by the District, to perform an actuarial valuation of the District of Columbia Annuitants' Post Retirement Life and Health Plan (the Plan) as of September 30, 2020. The purpose of the valuation was to provide an estimate of the total OPEB liability and the Fund's fiduciary net position.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OTHER POST-EMPLOYMENT BENEFITS FUND**

**Management's Discussion and Analysis (continued)  
September 30, 2020 and 2019**

**Summary of Actuarial Analysis (continued)**

The results of the actuarial analysis are summarized below:

	<b>September 30, 2020</b>	<b>September 30, 2019</b>
Total OPEB Liability	\$ 1,621,634,069	\$ 1,464,701,414
Fund Fiduciary Net Position	1,640,681,507	1,509,102,271
Net OPEB Liability (Asset)	<u>\$ (19,047,438)</u>	<u>\$ (44,400,857)</u>
Fund Fiduciary Net Position as a percentage of the Total OPEB Liability	<b>101.17%</b>	103.03%

Actuarial valuations of an ongoing Fund involve estimates of the value of reported amounts, and assumptions about the probability of occurrence of events far into the future. An example includes assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations, and new assumptions are made about the future.

The District executed an experience study during the 2018 and 2017 fiscal years. The study examined participation assumptions for the Fund. The number of current retirees under the Fund is quite small because the benefit is only available to retirees who were hired by the District after September 30, 1987. Since there is currently not substantial participation experience, the participation assumption chosen for valuations prior to the 2014 valuation purposely contained a large to scale margin when compared to current actual rates of participation. The District will continue to track actual rates of participation in the future, and will continue to compile participation data so that updated analyses of participation rates can be made as part of future valuations. The District will plan to maintain a funding ratio between 90% and 120% indicating that the plan is fully funded.

The actuarial calculations included actual retired annuitants and potential annuitants employed with the District. The actuarial valuations for fiscal year 2020 and 2019, were based on annuitant data as of September 30, 2019 and 2018, and were as follows:

	<b>September 30, 2019</b>	<b>2018</b>
Retired Annuitants <i>(included those who received benefits)</i> :		
Firefighters, Police Officers and Teachers	1,499	1,344
General Employees	179	170
	<u>1,678</u>	<u>1,514</u>
Potential Annuitants <i>(in active employment with the District)</i>	<u>26,087</u>	<u>25,419</u>



# GOVERNMENT OF THE DISTRICT OF COLUMBIA OTHER POST-EMPLOYMENT BENEFITS FUND

## Management's Discussion and Analysis (continued) September 30, 2020 and 2019

### Investment Management and Custody Fees

Investment management and custody fees for the years ended September 30, 2020, 2019 and 2018, are detailed in the table below. Investments increased to \$1,553,924,348 as of September 30, 2020, from \$1,404,403,946 as of September 30, 2019, which is an increase of 10.6% over the prior year, and an increase of 10.9% over the past two years.

Investment Firm (In dollars)	September 30,		
	2020	2019	2018
Farr, Miller Washington Large Cap Growth**	\$ 1,155,592	\$ 1,258,291	\$ 1,177,810
Brandywine Large Cap Value	853,531	850,844	885,358
ClearBridge Mid Cap Core	788,677	761,025	752,925
Bernstein Global Plus	420,607	414,955	413,643
Bernstein Strategic Core - Plus	409,128	385,735	350,905
SSgA Emerging Market Index Fund	117,157	131,063	141,544
SSgA Russell 1000 Growth Fund**	7,311	-	-
SSgA Russell 2000 Index Fund	38,352	52,070	53,544
SSgA U.S. Aggregate Bond Index Fund	32,634	38,657	37,188
<b>Subtotal Management Fees from Investment Managers</b>	<b>3,822,989</b>	<b>3,892,640</b>	<b>3,812,917</b>
Northern Trust Company Custody Fees	261,173	240,204	241,389
<b>Subtotal Management and Custody Fees</b>	<b>4,084,162</b>	<b>4,132,844</b>	<b>4,054,306</b>
<b>Management Fees from Net Asset Valuation</b>			
Access Capital ETI	169,253	165,059	153,874
BlueBay Emerging Market Bond	208,833	404,983	374,087
Gresham Strategic Commodities Fund	275,415	303,173	341,008
Baillie Gifford International Growth Equity	950,581	820,675	858,795
Artisan International Value Equity	709,445	737,895	739,156
<b>Subtotal Management Fees from Net Asset Valuation</b>	<b>2,313,527</b>	<b>2,431,785</b>	<b>2,466,920</b>
<b>Total Investment Management and Custody Fees</b>	<b>\$ 6,397,689</b>	<b>\$ 6,564,629</b>	<b>\$ 6,521,226</b>

\*\* Farr, Miller Washington Large Cap Growth was terminated, and SSgA Russell 1000 Growth Fund commenced, in August 2020.

Note: Management fees paid from the net asset valuation are shown as part of the net appreciation in fair value of investments in the Statement of Changes in Fiduciary Net Position.

### Contact Information

This financial report is designed to provide a general overview of the Fund's finances. Questions concerning any information provided in this report, or requests for additional financial information, should be addressed to the Office of the Chief Financial Officer (Office of Finance and Treasury); Government of the District of Columbia; 1101 4th Street SW, 8th Floor Washington, DC, 20024.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OTHER POST-EMPLOYMENT BENEFITS FUND**

**Statements of Fiduciary Net Position  
As of September 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	<u>\$ 89,494,072</u>	<u>\$ 111,234,143</u>
Receivables:		
Investment sales and other	10,789,746	2,256,828
Interest and dividends	<u>2,948,339</u>	<u>2,832,345</u>
Total receivables	<u>13,738,085</u>	<u>5,089,173</u>
Investments:		
Equities	1,011,454,452	891,542,527
Debt securities	505,863,699	472,438,360
Commodities	<u>36,606,197</u>	<u>40,423,059</u>
Total investments	<u>1,553,924,348</u>	<u>1,404,403,946</u>
Total Assets	<u>1,657,156,505</u>	<u>1,520,727,262</u>
<b>LIABILITIES</b>		
Investment purchases and other	15,760,033	10,502,908
Investment management and administrative fees	<u>714,965</u>	<u>1,122,083</u>
Total liabilities	<u>16,474,998</u>	<u>11,624,991</u>
<b>Net Position Restricted for Other Post Employment Benefits</b>	<u><u>\$ 1,640,681,507</u></u>	<u><u>\$ 1,509,102,271</u></u>

The accompanying notes are an integral part of these financial statements.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OTHER POST-EMPLOYMENT BENEFITS FUND**

**Statements of Changes in Fiduciary Net Position  
For the Years Ended September 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>ADDITIONS</b>		
Contributions:		
District contributions	\$ 47,300,000	\$ 46,000,000
Annuitant contributions	889,387	834,228
Total contributions	<u>48,189,387</u>	<u>46,834,228</u>
Investment income:		
Net appreciation in fair value of investments	90,596,004	5,327,431
Interest	10,524,939	11,425,284
Dividends	11,717,643	11,152,287
Currency loss on FX contracts and settlements	(1,712,999)	(3,405,111)
Other income	370,219	279,557
Total income from investment activities	<u>111,495,806</u>	<u>24,779,448</u>
Less: Investment management fees	4,084,162	4,132,844
Net investment income	<u>107,411,644</u>	<u>20,646,604</u>
<b>Total Additions</b>	<u>155,601,031</u>	<u>67,480,832</u>
<b>DEDUCTIONS</b>		
Insurance carrier premiums	23,436,697	19,678,332
Administrative expenses	585,098	730,088
<b>Total Deductions</b>	<u>24,021,795</u>	<u>20,408,420</u>
Changes in Fund Net Position	131,579,236	47,072,412
<b>Net Position Restricted for Other     Post Employment Benefits</b>		
Beginning of the year	<u>1,509,102,271</u>	1,462,029,859
<b>End of the Year</b>	<u>\$ 1,640,681,507</u>	<u>\$ 1,509,102,271</u>

The accompanying notes are an integral part of these financial statements.

# **GOVERNMENT OF THE DISTRICT OF COLUMBIA OTHER POST-EMPLOYMENT BENEFITS FUND**

## **Notes to Financial Statements September 30, 2020 and 2019**

### **NOTE 1 – FUND DESCRIPTION AND CONTRIBUTIONS**

The Government of the District of Columbia (the District) established the Fund on October 1, 1999, under the Annuitants' Health and Life Insurance Employer Contribution Amendment Act of 1999 (the "Act"). The Fund was established to receive the District's contributions for health and life insurance premiums, from which the District's contributions would be paid. The Fund is managed and administered jointly by the District's Office of Finance and Treasury (OFT), within the District's Office of the Chief Financial Officer; and the District's Office of Human Resources, pursuant to the terms of the Plan. The Fund is a fiduciary fund of the District.

The Fund is a single employer defined benefit fund. As of September 30, 2009, the District finalized all the terms and provisions of the Fund. A trust agreement, dated September 30, 2006, designated the Chief Financial Officer of the District as the trustee of the Fund. The Trust became operational in 2007; and is administered as an irrevocable trust, through which assets are accumulated, and benefits are paid as they become due, in accordance with the Fund's plan document.

The District established an Advisory Committee to advise the Office of Finance and Treasury on the administration and investment management of the Fund. The Committee consists of the following members: four appointed by the Chief Financial Officer (CFO); one appointed by the Mayor; one appointed by the Council; and one member who is either a member of the District of Columbia Retirement Board (DCRB) or a member of DCRB's professional staff.

The current advisory committee consists of the following members:

- Director, District of Columbia Department of Human Resources
- Executive Director, District of Columbia Retirement Board
- Chief Education Officer, Municipal Securities Rulemaking Board
- Deputy Director, Division of Finance, Federal Deposit Insurance Corporation
- Director, Office of Revenue and Analysis
- President, BDB Investment Partnership
- Chief Financial Officer, District of Columbia Water and Sewer Authority

### **Fund Description**

The Fund is a single employer defined benefit fund that provides health and life insurance benefits to retired eligible District employees. All employees hired after September 30, 1987, who retired under the Teachers' Retirement System or Police and Fire Retirement System, or who are eligible for retirement benefits under the Social Security Act, are eligible to participate in the Fund. The Fund was established to hold and pay the District's contributions for health and life insurance for annuitants. The purpose of the Fund (as defined in Section 1.02 of the Plan) is to manage and administer the Fund for the benefit of annuitants, as provided in the Act.



## **GOVERNMENT OF THE DISTRICT OF COLUMBIA OTHER POST-EMPLOYMENT BENEFITS FUND**

### **Notes to Financial Statements September 30, 2020 and 2019**

#### **NOTE 1 – FUND DESCRIPTION AND CONTRIBUTIONS** *(continued)*

##### **Fund Description** *(continued)*

To continue insurance benefits into retirement, employees must have been continuously enrolled (or covered as a family member) under the D.C. Employees Health Benefits (DCEHB) program, or the D.C. Employees Group Life Insurance (DCEGLI) program for five years prior to retirement. If the employee was employed less than five years, the employee must have been enrolled for his/her length of employment. Coverage under Medicare is not considered in determining continuous coverage. Dependents are also covered if the employee elects family coverage.

As of September 30, 2020 and 2019, the Fund had 2,551 and 1,939 annuitants (inactive plan members) currently receiving benefits, respectively. The 2020 annuitants were comprised of 2,166 Firefighters, Police, and Teachers; and 385 General Employees. The 2019 annuitants were comprised of 1,505 Firefighters, Police, and Teachers; and 434 General Employees. The premium expenses for the fiscal years ended September 30, 2020 and 2019, totaled \$23,436,697 and \$19,678,332, respectively. The insurance premiums attributable to Police, Firefighter, and Teacher retirees for the fiscal years 2020 and 2019 totaled \$21,198,871 and \$17,556,642, respectively. All remaining insurance premiums are attributable to General Employee retirees.

The actuarial valuation for the fiscal year ended September 30, 2020, was based on the actuarial valuation performed as of September 30, 2019. The actuarial report showed that there was a total of 1,678 retired participants. They consisted of 1,499 Firefighters, Police, and Teachers; and 179 General Employees.

The actuarial valuation for the fiscal year ended September 30, 2019 was based on the actuarial valuation performed as of September 30, 2018. The actuarial report showed that there was a total of 1,514 retired participants. They consisted of 1,344 Firefighters, Police, and Teachers; and 170 General Employees.

##### **Contributions**

Cost sharing arrangements for annuitants vary depending on whether the employee was a General Employee, Teacher, Police Officer or Firefighter. For General Employees and Teachers, annuitants with at least 10 years of creditable District service but less than 30 years of creditable District service pay a percentage of their health insurance premiums and the District pays the remainder. The percentage paid by the annuitant is 75%, reduced by an additional 2.50% for each year of creditable service over 10 years up to a maximum of 20 such additional years. Thus, the District's contribution shall not exceed 75% of the cost of the selected health benefit plan. For annuitants with 30 or more years of creditable District service, the District pays 75% of the cost of the selected health benefit plan and the annuitant pays 25% of the cost of the selected health benefit plan.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OTHER POST-EMPLOYMENT BENEFITS FUND**

**Notes to Financial Statements  
September 30, 2020 and 2019**

**NOTE 1 – FUND DESCRIPTION AND CONTRIBUTIONS** *(continued)*

**Contributions** *(continued)*

Covered family members of General Employees and Teacher annuitants with at least 10 years of creditable District service but less than 30 years of creditable District service pay a percentage of their health insurance premiums and the District pays the remainder. The percentage paid by the covered family member is 80%, reduced by an additional 1.00% for each year of creditable District service over 10 years up to a maximum of 20 such additional years. Thus, the District's contribution shall not exceed 40% of the cost of the selected health benefit plan for covered family members of an annuitant with 30 or less years of creditable District service; and the family members of an annuitant with 30 or more years of creditable District service pays up to 60% of the cost of the selected health benefit plan.

For Police Officers and Firefighters, annuitants with at least 10 years of creditable District service but less than 25 years of creditable District service pay a percentage of their health insurance premiums and the District pays the remainder. The percentage paid by the annuitant is 70%, reduced by an additional 3.00% for each year of creditable service over 10 years up to a maximum of 15 such additional years. Thus, the District's contribution shall not exceed 75% of the cost of the selected health benefit plan. For annuitants with 25 or more years of creditable District service or Police Officer or Firefighter annuitants who are injured in the line of duty, the District pays 75% of cost of the selected health benefit plan and the annuitant pays 25% of the cost of the selected health benefit plan. Special rules apply for Police Officers and Firefighters who were hired before November 10, 1996.

Covered family members of Police Officers and Firefighter annuitants with at least 10 years of creditable District service but less than 25 years of creditable District service pay a percentage of their health insurance premiums and the District pays the remainder. The percentage paid by the covered family members is 75%, reduced by an additional 3.00% for each year of creditable District service over 10 years. However, the portion paid by the covered family member is never less than 40% and the District's contribution shall not exceed 60% of the cost of the selected health benefit plan. Covered family members of Police Officers or Firefighters who were hired before November 10, 1996 pay 40% of the cost of the selected health benefit.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB).

## **GOVERNMENT OF THE DISTRICT OF COLUMBIA OTHER POST-EMPLOYMENT BENEFITS FUND**

### **Notes to Financial Statements September 30, 2020 and 2019**

#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

##### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The Fund's financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. The Fund's policy is to recognize member contributions in the period in which the contributions are due and paid. The District's (employer) contributions to the Fund are recognized when due, and when the District has made a formal commitment to provide the contributions. Benefit related expenses and refunds are recognized when due and payable, in accordance with the terms of the Fund. Most administrative costs (employee salaries) of the Fund are paid by the District.

##### **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and change therein, as of the date of the financial statements; as well as the actuarial present value of accumulated benefits during the reporting period. Actual results could differ from these estimates. Further actuarial valuations of an ongoing benefits fund involve estimates of the value of reported amounts, and assumptions about the probability of occurrence of events far into the future.

Examples include assumptions about future employment, mortality, interest rates, inflation rates, and healthcare cost trends. Amounts determined regarding the funded status of the Fund and the annual required contributions of the District are subject to continual revision, as actual results are compared with past expectations and new assumptions are made about the future.

##### **Investment Valuation and Income Recognition**

Investments are reported at fair value, with realized and unrealized gains and losses included in the Statements of Changes in Fiduciary Net Position. GASB issued Statement 40, *Deposit and Investment Risk Disclosures*, provides disclosure guidance requirements on deposits and investments of state and local governments that are exposed to investment risks related to credit risk, concentration of credit risks, interest rate risk, and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates.

In addition, deposits that are not covered by depository insurance and are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's agent, but not in the depositor-government's name, are part of the requirements of this Statement.

Also, investment securities that are uninsured, are not registered in the name of the government, and are held by either (a) the counterparty; or (b) the counterparty's trust department or agent, but not in the government's name, are also part of the requirements of Statement 40. See Note 5 for the related deposits and investment risk disclosures.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OTHER POST-EMPLOYMENT BENEFITS FUND**

**Notes to Financial Statements  
September 30, 2020 and 2019**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**Fair Value Measurements**

OFT is responsible for the oversight of the investments of Fund assets, and has established the Plan to guide the administration and management of the Fund. The duties and responsibilities of the OFT also include, but are not limited to, the financial administration and management of the Fund, the establishment of investment objectives, the determination of investment policies, the establishment of management policies, and the management and control of Fund assets. Fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, inputs are observable for similar transactions or the inputs are unobservable. However, the objective of fair value measurement in all cases is to determine the price at which an orderly transaction to sell assets or to transfer liability would take place between market participants at the measurement date under current market conditions. The Trustee has delegated to each investment firm the responsibility to determine the fair value of an investment security when a price is not available from a pricing service or broker-dealer. The investment firm's Portfolio Management and Performance Committee (Valuation Committee) is responsible for determining whether the price provided by a pricing service or broker-dealer does not approximate fair value.

Accounting principles generally accepted in the United States requires a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – observable market inputs that are unadjusted quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 – inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly (for example, quoted prices for similar assets or liabilities in active markets).

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement (including the District's own assumptions in determining the fair value of investments).

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OTHER POST-EMPLOYMENT BENEFITS FUND**

**Notes to Financial Statements  
September 30, 2020 and 2019**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**Recent Accounting Pronouncements**

**Pronouncements Adopted**

GASB issued Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61* effective for the periods beginning after December 15, 2019 (year ending September 30, 2021). It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The Fund implemented the standard in fiscal year 2020 to be consistent with the primary government. The adopted did not have a material effect on the financial statements.

GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which is effective for fiscal year 2020, delayed the implementation requirements for certain Statements and Implementation Guides in order to provide temporary relief to governments and other stakeholders because of the COVID-19 pandemic.

**Pronouncement to be Adopted**

GASB issued Statement No. 84, *Fiduciary Activities* effective for periods beginning after December 15, 2019 (year ending September 30, 2021). The Fund is evaluating the impact that will result from adopting the GASB statement, but does not expect that the GASB statement will have a material effect on the financial statements. The Fund will adopt the GASB statement, as applicable, by their effective date.

GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* effective for fiscal years beginning after June 15, 2022 (year ending September 30, 2023). This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The Fund is evaluating the impact that will result from adopting the GASB statement, but does not expect that the GASB statement will have a material effect on the financial statements. The Fund will adopt the GASB statement, as applicable, by their effective date.

GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. Except for the requirements in paragraph 4 of this Statement, which were effective immediately upon issuance, the other requirements are effective for fiscal years beginning after June 15, 2021. The Fund is evaluating the impact of this statement and will adopt the other remaining requirements by the effective date.



**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OTHER POST-EMPLOYMENT BENEFITS FUND**

**Notes to Financial Statements  
September 30, 2020 and 2019**

**NOTE 3 – MASTER CUSTODIAN CONTRACT**

The Fund administrators have a Master Custodian Contract to reduce risk of loss and to improve security. Maintaining assets with the Master Custodian provides the additional advantage of tracking information provided by the investment managers, since the Master Custodian provides information on investment transactions from an independent source; as well as providing reporting capabilities for the Fund. The Master Custodian of the plan is the Northern Trust Company.

**NOTE 4 – CASH AND CASH EQUIVALENTS**

Custodial credit risk for cash and cash equivalents is the risk that, in the event of a financial institution failure, the Fund may not be able to recover the value of cash and cash equivalents. The Fund, through its investment firms, maintains certain cash and cash equivalent balances. These balances are not required to be collateralized by statute or policy. The Fund's cash and cash equivalents balances are uninsured and unregistered, and are held by the counterparty in the Fund's name. The Fund maintains cash and cash equivalents in investments accounts, as detailed below, as of September 30, 2020 and 2019:

<b>Funds by Investment Firm</b>	<b>September 30,</b>			
	<b>2020</b>	<b>Percentage*</b>	<b>2019</b>	<b>Percentage*</b>
Cash Account	\$ 68,119,203	4.14%	\$ 47,249,475	3.12%
Bernstein Strategic Core - Plus	2,539,633	0.15%	9,458,749	0.62%
Brandywine Large Cap Value	5,250,762	0.32%	16,538,230	1.09%
Farr, Miller Washington Large Cap Growth**	-	0.00%	19,977,304	1.32%
ClearBridge Mid Cap Core	4,430,919	0.27%	4,411,065	0.29%
Bernstein Global Plus	9,153,555	0.56%	13,599,320	0.90%
<b>Total Cash and Cash Equivalents</b>	<b>\$ 89,494,072</b>	<b>5.45%</b>	<b>\$ 111,234,143</b>	<b>7.34%</b>

\* Includes cash and investments.

\*\* Farr, Miller Washington Fund was terminated in August 2020.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OTHER POST-EMPLOYMENT BENEFITS FUND**

**Notes to Financial Statements  
September 30, 2020 and 2019**

**NOTE 5 – INVESTMENTS**

The majority of the Fund's assets as of September 30, 2020 and 2019 were investments, which totaled \$1,553,924,348 and \$1,404,403,946, respectively. As of September 30, 2020 and 2019, the funds were invested in equities (61.55% and 58.82%); debt securities (30.78% and 31.17%); and commodities (2.23% and 2.67%). The fair values of each investment firm's assets, as of September 30, 2020 and 2019, were as follows:

	September 30,			
	2020		2019	
<b>Equity Funds by Investment Firm</b>	<b>Amount</b>	<b>Percentage*</b>	<b>Amount</b>	<b>Percentage*</b>
Brandywine Large Cap Value	\$ 211,362,512	12.86%	\$ 198,081,654	13.07%
Farr, Miller Washington Large Cap Growth**	-	0.00%	205,819,618	13.58%
ClearBridge Mid Cap Core	161,615,128	9.83%	152,042,939	10.03%
Baillie Gifford International Growth Equity	133,080,373	8.10%	86,386,848	5.70%
Artisan International Value Equity	67,536,425	4.11%	70,275,713	4.64%
SSgA Russell 1000 Growth**	248,700,786	15.13%	-	-
SSgA Russell 2000 Index Fund	85,347,043	5.19%	84,997,115	5.61%
SSgA Emerging Market Index Fund	103,812,185	6.32%	93,938,640	6.20%
<b>Total Equity</b>	<b>\$ 1,011,454,452</b>	<b>61.55%</b>	<b>\$ 891,542,527</b>	<b>58.82%</b>
<b>Debt Securities Funds by Investment Firm</b>	<b>Amount</b>	<b>Percentage*</b>	<b>Amount</b>	<b>Percentage*</b>
Bernstein Strategic Core - Plus	\$ 186,762,219	11.36%	\$ 169,188,442	11.16%
Bernstein Global Plus	155,599,672	9.47%	146,842,679	9.69%
SSgA U.S. Aggregate Bond Index Fund	94,703,202	5.76%	88,483,088	5.84%
Access Capital ETI	34,375,193	2.09%	33,011,841	2.18%
BlueBay Emerging Market Bond	34,423,413	2.09%	34,912,310	2.30%
<b>Total Debt Securities</b>	<b>\$ 505,863,699</b>	<b>30.78%</b>	<b>\$ 472,438,360</b>	<b>31.17%</b>
<b>Commodities Funds by Investment Firm</b>	<b>Amount</b>	<b>Percentage*</b>	<b>Amount</b>	<b>Percentage*</b>
Gresham Strategic Commodities Fund	\$ 36,606,197	2.23%	\$ 40,423,059	2.67%

\* Includes cash and investments.

\*\* Farr, Miller Washington Fund was terminated, and SSgA Russell 1000 Growth Fund commenced, in August 2020.

There is a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. An asset or a liability categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The summary of inputs used to determine the fair valuation of the Fund's investments as of September 30, 2020 and 2019, is as follows:

*Equity Securities:* These investments are primarily classified as Level 1 of the fair value hierarchy, and are valued using prices quoted in active markets for those securities. The mutual funds are deemed to be actively traded, and support classification of the fair value measurement as Level 1 in the fair value hierarchy. The real estate investment trust securities are classified as Level 1 because these are activity traded securities.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OTHER POST-EMPLOYMENT BENEFITS FUND**

**Notes to Financial Statements  
September 30, 2020 and 2019**

**NOTE 5 – INVESTMENTS** (*continued*)

*Debt Securities:* These investments are primarily classified as Level 2 of the fair value hierarchy, and are valued using market pricing and other observable market inputs for similar securities from several data providers, standard in the industry; or a broker quote in a non-active market. International government issues include structured debt which are valued using inflation adjusted mid evaluation and are classified as Level 3 in the fair value hierarchy. Collateralized auto loan securities, which are included in Collateralized Debt Obligations, are classified in Level 2; and are valued using consensus pricing. The mutual funds are deemed to be actively traded, and support classification of the fair value measurement as Level 1 in the fair value hierarchy.

*Commodities Fund:* The investment objectives of the fund are to provide a partial price hedge with an attractive risk/return profile, as compared to other products using a commodity index or a pool of commodities. Partial or complete redemption may be made, upon five (5) days' prior written notice, on the last business day of each calendar month or at such times and on such terms as the General Partner of the fund may, in his/her sole discretion, allow. The valuation techniques and inputs categorization within the valuation hierarchy is based upon Level 3; and uses the income approach, where the advisor considers a list of factors to determine whether there has been significant decrease in the relation to normal market activity.

*Investment Derivative Instruments:* The Fund's derivative financial instruments are valued by a third-party investment fund's manager, based on prevailing market data derived from proprietary models, and are carried at fair value. The Fund had two types of off-balance sheet derivative financial instrument outstanding: swaps and currency forwards. These derivative instruments are financial contracts, whose values depend on the value of one or more underlying assets, or reference rates or financial indices, which dictate the rate of change of output with respect to the financial contracts. The financial instruments categorization within the valuation hierarchy is based upon Level 2, which is the lowest level of input that is significant to the fair value measurement.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OTHER POST-EMPLOYMENT BENEFITS FUND**

**Notes to Financial Statements  
September 30, 2020 and 2019**

**NOTE 5 – INVESTMENTS (continued)**

As of September 30, 2020 and 2019, the Fund had the following recurring fair value measurements:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>As of September 30, 2020</b>	<b>Total</b>			
<b>Investments by fair value level</b>				
Equity Securities				
U.S. Equities (by Industry)				
Industrials	\$ 104,802,905	\$ 104,802,905	\$ -	\$ -
Consumer Retail	58,703,790	58,703,790	-	-
Information Technology	69,809,162	69,809,162	-	-
Financial Institutions	59,070,694	59,070,694	-	-
Healthcare	47,739,476	47,739,476	-	-
International Equities (by Industry)				
Industrials	1,750,935	1,750,935	-	-
Consumer Retail	6,664,690	6,664,690	-	-
Financial Institutions	1,770,635	1,770,635	-	-
Healthcare	4,921,066	4,921,066	-	-
Real Estate Investment Trust Securities	17,744,532	17,744,532	-	-
Total equity securities	372,977,885	372,977,885	-	-
Debt Securities				
U.S. Debt Securities				
U.S. Government Issues	90,332,538	-	90,332,538	-
Corporate Bonds	75,720,591	-	75,720,591	-
Credit Card/Automotive Receivables	7,746,918	-	7,746,918	-
U.S. State and Local Government Bonds	5,393,201	-	5,393,201	-
International Debt Securities				
International Government Issues	98,774,862	-	97,323,219	1,451,643
Corporate Bonds	60,422,886	-	60,422,886	-
Credit Card/Automotive Receivables	1,226,956	-	1,226,956	-
Other Government Bonds	2,743,694	-	2,743,694	-
Mutual Funds	34,375,193	34,375,193	-	-
Total debt securities	376,736,839	34,375,193	340,910,003	1,451,643
Commodity Investments				
Gresham Commodities Fund	36,606,197	-	-	36,606,197
<b>Total Investments by Fair Value Level</b>	<b>786,320,921</b>	<b>\$ 407,353,078</b>	<b>\$ 340,910,003</b>	<b>\$ 38,057,840</b>
<b>Investments measured at the Net Asset Value (NAV)</b>				
SSgA Emerging Market Index Fund	103,812,185			
SSgA Russell 1000 Growth Fund	248,700,786			
SSgA Russell 2000 Index Fund	85,347,043			
SSgA U.S. Aggregate Bond Index Fund	94,703,202			
Ballie Gifford International Growth Equity	133,080,373			
Artisan International Value Equity	67,536,425			
BlueBay Emerging Market Bond	34,423,413			
Total investments measured at the NAV	767,603,427			
<b>Total investments measured at fair value</b>	<b>\$ 1,553,924,348</b>			
<b>Investment derivative instruments</b>				
Interest Rate Swaps	\$ (302,855)	\$ -	\$ (302,855)	\$ -
Credit Defaults Swaps	323,511	-	323,511	-
Foreign Exchange Forwards	425,274	-	425,274	-
<b>Total investment derivative instruments</b>	<b>\$ 445,930</b>	<b>\$ -</b>	<b>\$ 445,930</b>	<b>\$ -</b>

# GOVERNMENT OF THE DISTRICT OF COLUMBIA

## OTHER POST-EMPLOYMENT BENEFITS FUND

### Notes to Financial Statements

### September 30, 2020 and 2019

#### NOTE 5 – INVESTMENTS (continued)

As of September 30, 2019	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>				
Equity Securities				
U.S. Equities (by Industry)				
Industrials	\$ 117,984,116	\$ 117,984,116	\$ -	\$ -
Consumer Retail	105,643,361	105,643,361	-	-
Information Technology	105,130,263	105,130,263	-	-
Financial Institutions	78,336,300	78,336,300	-	-
Healthcare	94,863,243	94,863,243	-	-
International Equities (by Industry)				
Industrials	4,660,087	4,660,087	-	-
Consumer Retail	21,847,232	21,847,232	-	-
Financial Institutions	2,520,942	2,520,942	-	-
Healthcare	4,444,788	4,444,788	-	-
Real Estate Investment Trust Securities	20,513,881	20,513,881	-	-
Total equity securities	555,944,213	555,944,213	-	-
Debt Securities				
U.S. Debt Securities				
U.S. Government Issues	94,070,603	-	94,070,603	-
Corporate Bonds	63,705,995	-	63,705,995	-
Mortgage-backed Securities	183,864	-	183,864	-
Credit Card/Automotive Receivables	11,440,753	-	11,440,753	-
U.S. State and Local Government Bonds	6,522,940	-	6,522,940	-
International Debt Securities				
International Government Issues	93,025,129	-	83,701,680	9,323,449
Corporate Bonds	41,931,954	-	41,931,954	-
Credit Card/Automotive Receivables	254,895	-	254,895	-
Other Government Bonds	4,894,987	-	4,894,987	-
Mutual Funds	33,011,841	33,011,841	-	-
Total debt securities	349,042,961	33,011,841	306,707,671	9,323,449
Commodity Investments				
Gresham Commodities Fund	40,423,059	-	-	40,423,059
<b>Total Investments by Fair Value Level</b>	<b>945,410,233</b>	<b>\$ 588,956,054</b>	<b>\$ 306,707,671</b>	<b>\$ 49,746,508</b>
<b>Investments measured at the Net Asset Value (NAV)</b>				
SSgA Emerging Market Index Fund	93,938,640			
SSgA Russell 2000 Index Fund	84,997,115			
SSgA U.S. Aggregate Bond Index Fund	88,483,088			
Ballie Gifford International Growth Equity	86,386,848			
Artisan International Value Equity	70,275,713			
BlueBay Emerging Market Bond	34,912,309			
Total investments measured at the NAV	458,993,713			
<b>Total investments measured at fair value</b>	<b>\$ 1,404,403,946</b>			
<b>Investment derivative instruments</b>				
Interest Rate Swaps	\$ 64,030	\$ -	\$ 64,030	\$ -
Credit Defaults Swaps	(630,121)	-	(630,121)	-
Foreign Exchange Forwards	(538,315)	-	(538,315)	-
<b>Total investment derivative instruments</b>	<b>\$ (1,104,406)</b>	<b>\$ -</b>	<b>\$ (1,104,406)</b>	<b>\$ -</b>



**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OTHER POST-EMPLOYMENT BENEFITS FUND**

**Notes to Financial Statements  
September 30, 2020 and 2019**

**NOTE 5 – INVESTMENTS** *(continued)*

Investments measured at the Net Asset Value (NAV): The NAV of an investment company is the company's total assets, minus its total liabilities. This investment category consists of seven (7) funds that include funds both relative return funds and absolute return type funds; the latter are funds that employ dynamic trading strategies aimed at achieving a positive return. Certain investment funds below do not redeem shares on a daily basis. The funds have varying restrictions on liquidity and transferability. The fair values of the investments in this type have been determined using the NAV per share of the investments. Additional information about the nature of investments measured at the Net Asset Value per share is presented in the tables below:

<b>Investment</b>	<b>Fair Value as of September 30,</b>		<b>Unfunded</b>	<b>Redemption</b>	<b>Redemption</b>
	<b>2020</b>	<b>2019</b>	<b>Commitments</b>	<b>Frequency (If Currently Eligible)</b>	<b>Notice Period</b>
SSgA Emerging Market Index Fund (1)	\$ 103,812,185	\$ 93,938,640	None	Monthly	5 days
SSgA Russell 1000 Growth Fund (2)	248,700,786	-	None	Daily	N/A
SSgA Russell 2000 Index Fund (3)	85,347,043	84,997,115	None	Daily	N/A
SSgA U.S. Aggregate Bond Index Fund (4)	94,703,202	88,483,088	None	Daily	N/A
Baillie Gifford International Growth Equity (5)	133,080,373	86,386,848	None	Monthly	5 days
Artisan International Value Equity (6)	67,536,425	70,275,713	None	Monthly	5 days
BlueBay Emerging Market Bond (7)	34,423,413	34,912,309	None	Monthly	30 days
<b>Total Investments Measured at NAV</b>	<b>\$ 767,603,427</b>	<b>\$ 458,993,713</b>			

- 1) *SSgA Emerging Market Index Fund*: This fund is managed, using a “passive” or “indexing” investment approach, by which SSgA attempts to match, before expenses, the performance of the MSCI Emerging Markets Index, which is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. Equity securities may include common stocks, preferred stocks, depository receipts, or other securities convertible into common stock. Equity securities held by the fund may be denominated in foreign currencies and may be held outside the United States. In some cases, it may not be possible or practicable to purchase all the securities comprising the Index, or to hold them in the same weightings as they represent in the Index. In those circumstances, SSgA may employ a sampling or optimization technique to construct the portfolio.
- 2) *SSgA Russell 1000 Growth Fund*: The fund is managed using an “indexing” investment approach, by which SSgA attempts to match, before expenses, the performance of the Russell 1000 Growth Index over the long term. SSgA will typically attempt to invest in the equity securities comprising the Index, in approximately the same proportions as they are represented in the Index. Equity securities may include common stocks, preferred stocks, depository receipts, or other securities convertible into common stock. The strategy may purchase securities in their initial public offerings (“IPOs”). In some cases, it may not be possible or practicable to purchase all the securities comprising the Index, or to hold them in the same weightings as they represent in the Index. In those circumstances, SSgA may employ a sampling or optimization technique to construct the portfolio in question. The strategy may at times purchase or sell index futures contracts, options on those futures, or engage in other

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OTHER POST-EMPLOYMENT BENEFITS FUND**

**Notes to Financial Statements  
September 30, 2020 and 2019**

transactions involving the use of derivatives, in lieu of investment directly in the securities making up the Index.

- 3) *SSgA Russell 2000 Index Fund*: The fund is managed using a “passive” or “indexing” investment approach, by which SSgA attempts to match, before expenses, the performance of the Index. SSgA will typically attempt to invest in the equity securities comprising the Index, in approximately the same proportions as they are represented in the Index. Equity securities may include common stocks, preferred stocks, depository receipts, or other securities convertible into common stock. The strategy may purchase securities in their initial public offerings (“IPOs”). In some cases, it may not be possible or practicable to purchase all the securities comprising the Index, or to hold them in the same weightings as they represent in the Index. In those circumstances, SSgA may employ a sampling or optimization technique to construct the portfolio in question.
- 4) *SSgA U.S. Aggregate Bond Index Fund*: The fund seeks an investment return that approximates as closely as practicable, before expenses, the performance of the Barclays Capital U.S. Aggregate Bond Index (the “Index”) over the long term. The fund is managed using a “passive” or “indexing” investment approach, by which SSgA attempts to replicate, before expenses, the performance of the Index. The fund may attempt to invest in the securities comprising the Index in the same proportions as they are represented in the Index. However, due to the large number of securities in the Index and the fact that many of the securities comprising the Index may be unavailable for purchase, it may not be possible for the fund to purchase some of the securities comprising the Index.
- 5) *Baillie Gifford International Growth Equity*: The fund is designed to pursue long-term capital appreciation by investing in high-quality, attractively valued, non-U.S. growth companies of all market capitalizations. Their investment process is based on a highly analytical research-driven process, and builds portfolios from the bottom-up. The strategy invests primarily in developed markets, but also may invest up to 20% of the Fund’s net assets at market value, at the time of purchase, in emerging markets. Currency hedging is used for defensive purposes, and are only used under certain conditions.
- 6) *Artisan International Value Equity*: This fund seeks to invest in undervalued companies that are generating high returns on capital, are financially strong and are managed by people who are working to build value over time. The investment team seeks to invest in companies with histories of generating strong free cash flow, improving returns on capital and strong competitive positions in their industries. This criteria helps rule out businesses that are statistically cheap, but whose values are deteriorating over time. The team believes that investing in companies with strong balance sheets helps to reduce the potential for capital risk and provides company management the ability to build value when attractive opportunities are available.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OTHER POST-EMPLOYMENT BENEFITS FUND**

**Notes to Financial Statements  
September 30, 2020 and 2019**

**NOTE 5 – INVESTMENTS** *(continued)*

- 7) *Blue Bay Emerging Market Bond*: This fund invests predominantly in fixed income securities issued by emerging market countries or issuers based in such countries. The fund seeks to generate excess returns via superior country and issue selection through an in-depth country and security selections process focusing on value in external credit spreads, local currencies and local interest rates. Particular emphasis is given to avoiding deteriorating credits and one-off currency devaluations. The fund has a focus on absolute returns, both their long-only and alternative strategies use short exposures (either directly or via credit derivatives) as one of a number of techniques designed to deliver absolute-style returns. There is a strong emphasis on capital preservation; the use of credit derivatives helps to maximize portfolio efficiency and potentially minimize risk.

During the year ended September 30, 2020 and 2019, the Fund recognized no transfers to/from Level 1 or 2. The Fund's policy is to recognize transfers to/from Level 1, Level 2, and Level 3 at the end of the reporting period, utilizing fair value at the beginning of the period.

The annual money-weighted rate of return on OPEB plan investments is calculated as the internal rate of return on OPEB plan investments, net of OPEB plan investment expense. OPEB plan investment expense should be measured on the accrual basis of accounting. Inputs to the internal rate of return calculation should be determined at least monthly. However, the use of more frequently determined inputs is encouraged. The valuation of the weighted rate of return was 7.05% and 1.40% for fiscal year 2020 and 2019, respectively.

*Custodial Credit Risk* is the risk that, in the event of the failure of the counterparty to a transaction, a government may not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The counterparty is the party that pledges collateral or repurchase agreement securities to the government; or that sells investments to, or buys them for, the government.

The Fund's investments are uninsured and unregistered, and are held by the counterparty in the Fund's name. The Fund is also subject to certain credit, interest rate, and foreign currency risks.

*Foreign Currency Risk* is the risk that changes in exchange rates will adversely affect the fair value of an investment in a foreign currency. The Fund does not have a formal policy for limiting its exposure to changes in exchange rates. The Fund's investments as of September 30, 2020 and 2019, held in currencies other than U.S. dollars, were as follows:

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OTHER POST-EMPLOYMENT BENEFITS FUND**

**Notes to Financial Statements  
September 30, 2020 and 2019**

**NOTE 5 – INVESTMENTS** *(continued)*

**As of September 30, 2020**

<b>International Securities</b>	<b>Short Term and Cash</b>	<b>Convertible and Fixed Income</b>	<b>Total</b>
AUSTRALIAN DOLLAR	\$ (76,614)	\$ 5,826,519	\$ 5,749,905
BRAZILIAN REAL	19,601	(17,492)	2,109
BRITISH POUND STERLING	12,952	14,159,495	14,172,447
CANADIAN DOLLAR	(48,876)	11,407,939	11,359,063
COLOMBIAN PESO	(605)	230,214	229,609
CHINESE YUAN RENMINBI	(1,238)	(165,050)	(166,288)
EURO	(910,643)	59,962,146	59,051,503
INDIAN RUPEE	(4,310)	-	(4,310)
INDONESIAN RUPIAH	(16,247)	-	(16,247)
JAPANESE YEN	95,124	28,642,520	28,737,644
MALAYSIAN RINGGIT	23,462	1,551,163	1,574,625
MEXICAN PESO	36,318	309,374	345,692
NEW TAIWAN DOLLAR	(29,546)	-	(29,546)
NEW ZEALAND DOLLAR	(15,817)	-	(15,817)
NORWEGIAN KRONE	38,028	-	38,028
PERUVIAN NUEVO SOL	2,005	395,355	397,360
SOUTH AFRICAN RAND	17,527	5,563,126	5,580,653
SOUTH KOREAN WON	(6,499)	4,426,372	4,419,873
SWEDISH KRONA	39,742	1,159,650	1,199,392
<b>Totals</b>	<b>\$ (825,636)</b>	<b>\$ 133,451,331</b>	<b>\$ 132,625,695</b>

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
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**Notes to Financial Statements  
September 30, 2020 and 2019**

**NOTE 5 – INVESTMENTS** *(continued)*

**As of September 30, 2019**

<b>International Securities</b>	<b>Short Term and Cash</b>	<b>Convertible and Fixed Income</b>	<b>Total</b>
AUSTRALIAN DOLLAR	\$ (18,404)	\$ -	\$ (18,404)
BRAZILIAN REAL	(11,154)	-	(11,154)
BRITISH POUND STERLING	(172,469)	11,131,184	10,958,715
CANADIAN DOLLAR	(13,550)	12,299,918	12,286,368
CHILEAN PESO	33,811	-	33,811
EURO	799,140	51,665,159	52,464,299
INDIAN RUPEE	(17,230)	-	(17,230)
INDONESIAN RUPIAH	34,426	984,934	1,019,360
JAPANESE YEN	122,714	31,258,236	31,380,950
MALAYSIAN RINGGIT	207,213	4,540,292	4,747,505
MEXICAN PESO	(80,517)	1,576,259	1,495,742
NEW ISRAELI SHEKEL	(21,102)	-	(21,102)
NEW ZEALAND DOLLAR	19,777	-	19,777
NORWEGIAN KRONE	(121,636)	-	(121,636)
POLISH ZLOTY	87,610	-	87,610
RUSSIAN RUBLE	44,083	1,911,197	1,955,280
SINGAPORE DOLLAR	24,552	1,272,133	1,296,685
SOUTH AFRICAN RAND	9,419	377,136	386,555
SWEDISH KRONA	95,514	3,641,807	3,737,321
<b>Totals</b>	<b>\$ 1,022,197</b>	<b>\$ 120,658,255</b>	<b>\$ 121,680,452</b>



# GOVERNMENT OF THE DISTRICT OF COLUMBIA OTHER POST-EMPLOYMENT BENEFITS FUND

## Notes to Financial Statements September 30, 2020 and 2019

### NOTE 5 – INVESTMENTS *(continued)*

*Credit Risk* is the risk that an issuer to an investment will not fulfill its obligations. The average quality of the all the bond holdings in each investment manager’s portfolio should be maintained at “A” or higher. For portfolios that were not individually managed as of September 30, 2020, the credit quality of “BBB” for the portfolios were higher than the index value of “BBB-.” Exchange-traded derivatives that are valued using quoted prices are classified within Level 1 of the valuation hierarchy. The Fund has not failed to access collateral, when required. Since these derivative products have been established for some time, the Fund uses models that are widely accepted in the financial services industry. These models reflect the contractual terms of the derivatives, including the period to maturity; and market-based parameters such as interest rates, volatility, and the credit quality of the counterparty. Further, many of these models do not contain a high level of subjectivity, as the methodologies used in the models do not require significant judgment, and inputs to the model are readily observable from actively quoted contracts and credit default swaps. Such instruments are generally classified within Level 2 on the valuation hierarchy. The aggregate fair value of derivatives in net asset positions, net of collateral posted by the counter party; and the effect of master netting arrangements are reflected in net unrealized gain (loss) on Foreign Currency Forward Contracts, in the tables on pages 30 and 31.

Although the Fund executes hedging derivative instruments with various counterparties; eight contracts, comprising approximately 90 percent of the net exposure to credit risk, are based with two counterparties. There are no significant concentrations of net exposure to credit risk that has not been reduced by collateral and other off-sets.

As of September 30, 2020 and 2019, the average quality ratings by investment firm were as follows:

<b>Investment Firm</b>	<b>September 30,</b>	
	<b>2020</b>	<b>2019</b>
Bernstein Strategic Core - Plus	<b>AA-</b>	<b>AA-</b>
Bernstein Global Plus	<b>A</b>	<b>A</b>
Access Capital ETI	<b>AAA</b>	<b>AAA</b>
SSgA U.S. Aggregate Bond Index Fund	<b>Aa2</b>	<b>Aa2</b>
BlueBay Emerging Market Bond	<b>BBB</b>	<b>BBB-</b>

*Interest rate risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. The Fund addresses interest rate risk through a process that focuses on the review of investment managers and fund returns. The Fund also uses an independent consultant to examine how sensitive the fixed income portfolios’ underlying assets are to movements in interest rates, and to recommend any appropriate investment manager changes.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OTHER POST-EMPLOYMENT BENEFITS FUND**

**Notes to Financial Statements  
September 30, 2020 and 2019**

**NOTE 5 – INVESTMENTS** *(continued)*

The average duration in years was as follows, by investment firm, for the years ended September 30, 2020 and 2019:

<b>Investment Firm</b>	<b>September 30,</b>	
	<b>2020</b>	<b>2019</b>
Bernstein Strategic Core - Plus	<b>7.12</b>	5.44
Bernstein Global Plus	<b>9.01</b>	8.55
Access Capital ETI	<b>2.09</b>	3.03
SSgA U.S. Aggregate Bond Index Fund	<b>6.16</b>	5.79
BlueBay Emerging Market Bond	<b>7.94</b>	6.65

*Derivative Financial Instruments:* In accordance with the Fund's investment policies, the Fund regularly invests in derivative financial instruments with off-balance-sheet risk in the normal course of its investing activities, in order to enhance return on investment and manage exposure to certain risks within the fund.

Derivative instruments are financial contracts whose values depend on the value of one or more underlying assets, reference rates, or financial indices. During fiscal year, the Fund invested directly in forward currency contracts.

As of September 30, 2020 and 2019, the Fund had two types of off-balance-sheet derivative financial instrument outstanding: swaps and currency forwards. The Swaps represents Interest Swaps and Credit Default Swaps, which are used to hedge interest rate and credit exposure risks. Currency forwards represent foreign exchange contracts, and are used to effect settlements and to protect the base currency value of portfolio assets denominated in foreign currencies, against fluctuations in the exchange rates of those currencies or to gain exposure to the change in market value of a specific currency. A forward foreign currency exchange contract is a commitment to purchase or sell a foreign currency at a future date and at a negotiated price. The credit risk of currency contracts that are exchange-traded lies with the clearinghouse of the exchange where the contracts are traded. The credit risk of currency contracts traded over the counter lies with the counterparty, and exposure usually is equal to the unrealized profit on in-the-money contracts. The market risk in foreign currency contracts is related to adverse movements in currency exchange rates.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OTHER POST-EMPLOYMENT BENEFITS FUND**

**Notes to Financial Statements  
September 30, 2020 and 2019**

**NOTE 5 – INVESTMENTS** *(continued)*

Below is the list of derivatives aggregated by investment type, as of September 30, 2020 and 2019:

**As of September 30, 2020**

Investment Derivatives	Change in Fair Value		Fair Value as of September 30, 2020		Notional Amount
	Classification	Amount	Classification	Amount	
Credit Default Swaps Bought	Investment Revenue	\$ 435,170	Swaps	\$ 505,622	\$ 2,465,478
Credit Default Swaps Written	Investment Revenue	(1,653,124)	Swaps	(182,111)	2,853,000
Fixed Income Futures Long	Investment Revenue	405,242	Futures	-	99,915,897
Fixed Income Futures Short	Investment Revenue	(95,015)	Futures	-	(43,130,773)
Fixed Income Options Bought	Investment Revenue	86,801	Options	-	-
Foreign Exchange Forwards	Investment Revenue	(1,712,999)	Forwards	425,274	142,109,773
Pay Fixed Interest Rate Swaps	Investment Revenue	433,580	Swaps	122,900	25,731,191
Receive Fixed Interest Rate Swaps	Investment Revenue	(386,802)	Swaps	(425,755)	294,622,708
<b>Total</b>		<b>\$ (2,487,147)</b>		<b>\$ 445,930</b>	

**As of September 30, 2019**

Investment Derivatives	Change in Fair Value		Fair Value as of September 30, 2019		Notional Amount
	Classification	Amount	Classification	Amount	
Credit Default Swaps Bought	Investment Revenue	\$ (43,903)	Swaps	\$ 42,760	\$ 709,000
Credit Default Swaps Written	Investment Revenue	216,739	Swaps	(672,881)	1,515,000
Fixed Income Futures Long	Investment Revenue	989,391	Futures	-	52,077,434
Fixed Income Futures Short	Investment Revenue	120,662	Futures	-	(33,542,043)
Fixed Income Options Bought	Investment Revenue	95	Options	-	-
Foreign Exchange Forwards	Investment Revenue	(3,405,111)	Forwards	(538,315)	150,441,545
Pay Fixed Interest Rate Swaps	Investment Revenue	(56,930)	Swaps	152,698	1,515,000
Receive Fixed Interest Rate Swaps	Investment Revenue	(88,668)	Swaps	(88,668)	73,250,000
<b>Total</b>		<b>\$ (2,267,725)</b>		<b>\$ (1,104,406)</b>	

**Contingencies:**

All the Fund's derivative instruments include provisions that require the Fund to post collateral in the event its credit rating falls below "AA" as issued by Standard & Poor's, or "Aa" as issued by Moody's Investors Services. The collateral posted is to be in the form of U.S. Treasury funds in the amount of the fair value of hedging derivative instruments in liability positions, net of the effect of applicable netting arrangements. If the Fund does not post collateral, the hedging derivative instrument may be terminated by the counterparty. If the collateral posting requirements were triggered, the Fund would be required to post the aggregate fair value in collateral to its counterparties. The District had ratings of "Aaa" and "Aa" for the fiscal years 2020 and 2019, respectively; therefore, no collateral was required to be posted for these fiscal years.

The net unrealized gain (loss) on foreign currency forward contracts for the years ended September 30, 2020 and 2019, were as follows:

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OTHER POST-EMPLOYMENT BENEFITS FUND**

**Notes to Financial Statements  
September 30, 2020 and 2019**

**NOTE 5 – INVESTMENTS (continued)**

	2020		2019	
	Cost	Unrealized Gain/(Loss)	Cost	Unrealized Gain/(Loss)
<b>Foreign Currency Contracts Purchased</b>				
AUSTRALIAN DOLLAR	\$ 730,125	\$ 249	\$ 3,428,546	\$ (4,568)
BRAZILIAN REAL	3,149,325	(14,381)	7,132,922	10,135
CANADIAN DOLLAR	3,982,027	(27,454)	59,367	69
COLOMBIAN PESO	277,078	(10,400)	809,889	(27,811)
CHINESE YUAN	15,786,365	404,520	5,149,403	(31,272)
CZECH KORUNA	271,355	(10,133)	265,251	(10,425)
DANISH KRONE	787,394	26,264	771,880	(11,615)
EURO	24,178,649	(111,682)	26,645,032	(613,122)
BRITISH POUND STERLING	299,079	2,771	9,617,428	41,394
HUNGARIAN FORINT	209,839	(11,289)	212,967	(12,670)
INDIAN RUPEE	1,915,022	55,127	1,538,363	(33,868)
INDONESIAN RUPIAH	2,417,606	(14,840)	-	-
NEW ISRAELI SHEKEL	367,988	(1,821)	1,618,759	(183)
JAPANESE YEN	16,526,814	2,536	25,925,573	(184,092)
SOUTH KOREAN WON	1,220,056	26,058	3,376,499	21,116
MEXICAN PESO	4,667,022	(17,375)	2,370,713	(5,573)
NEW ZEALAND DOLLAR	2,099,886	22,297	-	-
NORWEGIAN KRONE	1,585,665	(70,681)	270,161	(4,884)
POLISH ZLOTY	617,421	(22,067)	2,921,721	(153,867)
RUSSIAN RUBLE	455,850	(5,899)	965,917	(10,761)
SINGAPORE DOLLAR	544,647	1,292	-	-
SWEDISH KRONA	1,483,624	13,883	-	-
SWISS FRANC	1,552,938	(15,502)	1,607,504	(15,154)
THAI BAHT	881,952	(3,733)	903,483	6,869
NEW TAIWAN DOLLAR	2,206,704	(9,588)	-	-
SOUTH AFRICAN RAND	3,125,344	21,612	-	-
<b>Total Contracts Purchased</b>		<b>229,764</b>		<b>(1,040,282)</b>
<b>Foreign Currency Contracts Sold</b>				
AUSTRALIAN DOLLAR	2,793,144	3,525	-	-
BRAZILIAN REAL	3,154,545	19,601	4,754,385	(11,154)
BRITISH POUND STERLING	3,985,932	27,784	7,459,225	87,132
CANADIAN DOLLAR	7,739,875	84,100	7,790,427	(21,445)
COLOMBIAN PESO	239,650	(605)	-	-
CHILEAN PESO	-	-	1,389,488	33,811
CHINESE YUAN	251,600	(1,238)	-	-
EURO	8,626,010	57,322	12,818,503	322,622
INDIAN RUPEE	1,959,568	(4,310)	1,466,621	(17,230)
INDONESIAN RUPIAH	1,470,984	(16,247)	134,544	334
JAPANESE YEN	4,458,885	(16,075)	6,937,882	16,830
SOUTH KOREAN WON	2,429,792	(24,544)	-	-
MALAYSIAN RINGGIT	716,324	(10,479)	3,933,120	(5,773)
MEXICAN PESO	4,329,400	63,501	3,128,104	(50,123)
NEW ISRAELI SHEKEL	-	-	1,237,089	(21,102)
NEW ZEALAND DOLLAR	3,844,572	(15,817)	1,229,498	19,777
NORWEGIAN KRONE	1,293,059	38,028	-	-
PERUVIAN NUEVO SOL	286,346	2,005	-	-
POLISH ZLOTY	-	-	2,275,417	87,610
RUSSIAN RUBLE	-	-	1,296,378	8,016
SINGAPORE DOLLAR	-	-	2,305,984	8,507
NEW TAIWAN DOLLAR	2,146,687	(29,546)	-	-
SOUTH AFRICAN RAND	8,660,620	17,527	289,058	9,419
SWEDISH KRONA	-	-	2,298,868	35,993
<b>Total Contracts Sold</b>		<b>194,532</b>		<b>503,224</b>
<b>Net Unrealized (Loss) Gain on Foreign Currency Forward Contracts</b>		<b>\$ 424,296</b>		<b>\$ (537,058)</b>

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OTHER POST-EMPLOYMENT BENEFITS FUND**

**Notes to Financial Statements  
September 30, 2020 and 2019**

**NOTE 6 – NET OPEB LIABILITY**

The components of the net OPEB liability for the District of Columbia as of September 30, 2020 and 2019 rolled forward, were as follows:

	<b>2020</b>	<b>2019</b>
Total OPEB Liability	<b>\$ 1,621,634,069</b>	\$ 1,464,701,414
Fund Fiduciary Net Position	<b>1,640,681,507</b>	1,509,102,271
Net OPEB Liability (Asset)	<b><u>\$ (19,047,438)</u></b>	<u>\$ (44,400,857)</u>
Fund Fiduciary Net Position as a percentage of the Total OPEB Liability	<b>101.17%</b>	103.03%

**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of September 30, 2019 and 2018, using the following actuarial assumptions, applied to all periods in the measurement and rolled forward to the measurement date as of September 30, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent of Pay, Closed	Level Percent of Pay, Closed
Remaining Amortization Period	16 years beginning with fiscal year end 2020	17 years beginning with fiscal year end 2019
Asset Valuation Method	Market Value	Market Value
Investment Rate of Return	6.50%	6.50%
Discount Rate	6.50%	6.50%
Salary Increase Rate	3.50% (plus merit scale)	3.50% (plus merit scale)
Medical Inflation Rate	5.3%, grading to 3.9% Assumption utilizes the Society of Actuaries Getzen Medical Trend Model, and reaches the ultimate medical inflation rate in 2040.	5.4%, grading to 3.9% Assumption utilizes the Society of Actuaries Getzen Medical Trend Model, and reaches the ultimate medical inflation rate in 2040.
Mortality	The RP-2014 Healthy Employee Mortality Table with the MP-2019 Improvement Scale, fully generational, was used for healthy lives both pre- and post-retirement. For disabled lives, the RP-2014 Disabled Life Mortality Table was used.	The RP-2014 Healthy Employee Mortality Table with the MP-2018 Improvement Scale, fully generational, was used for healthy lives both pre- and post-retirement. For disabled lives, the RP-2014 Disabled Life Mortality Table was used.



**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OTHER POST-EMPLOYMENT BENEFITS FUND**

**Notes to Financial Statements  
September 30, 2020 and 2019**

**NOTE 6 – NET OPEB LIABILITY (continued)**

**Long-term Expected Rate of Return**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the target asset allocation as of September 30, 2020 and 2019 are shown below. The 2020 and 2019 rates of return are geometric real rates of return.

Asset Class	2020		2019	
	Long-Term Expected Real Rate	Target Allocation	Long-Term Expected Real Rate	Target Allocation
U.S. Equity	4.9%	45.0%	6.6%	45.0%
International Equity	5.3%	9.0%	6.9%	9.0%
Emerging Market Equity	6.3%	4.0%	8.9%	4.0%
Core Fixed Income	1.0%	24.0%	3.4%	24.0%
Developed Markets Fixed Income	0.4%	10.0%	2.4%	10.0%
Emerging Market Debt	3.5%	3.0%	5.7%	3.0%
Commodities	2.4%	5.0%	4.7%	5.0%
Cash	0.6%	0.0%	2.7%	0.0%

**Discount Rate**

The discount rate used to measure the total OPEB liability was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that the District's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*Sensitivity of the net OPEB liability to changes in the discount rate.* The following presents the net OPEB liability of the District of Columbia, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current discount rate:

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OTHER POST-EMPLOYMENT BENEFITS FUND**

**Notes to Financial Statements  
September 30, 2020 and 2019**

**NOTE 6 – NET OPEB LIABILITY** *(continued)*

	<u>2020</u>		
	<u>Impact of Change in Discount Rate</u>		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>5.50%</u>	<u>6.50%</u>	<u>7.50%</u>
Net OPEB Liability (Asset)	<u>\$ 239,624,985</u>	<u>\$ (19,047,438)</u>	<u>\$ (226,824,026)</u>

	<u>2019</u>		
	<u>Impact of Change in Discount Rate</u>		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>5.50%</u>	<u>6.50%</u>	<u>7.50%</u>
Net OPEB Liability (Asset)	<u>\$ 193,568,679</u>	<u>\$ (44,400,857)</u>	<u>\$ (235,252,424)</u>

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.* The following presents the net OPEB liability of the District of Columbia, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate.

	<u>2020</u>		
	<u>Impact of Change in Healthcare Cost Trend Rate</u>		
	<u>1% Decrease</u>	<u>Trend Rates</u>	<u>1% Increase</u>
	<u>(4.3% to 2.9%)</u>	<u>(5.3% to 3.9%)</u>	<u>(6.3% to 4.9%)</u>
Net OPEB Liability (Asset)	<u>\$ (255,371,602)</u>	<u>\$ (19,047,438)</u>	<u>\$ 283,871,223</u>

	<u>2019</u>		
	<u>Impact of Change in Healthcare Cost Trend Rate</u>		
	<u>1% Decrease</u>	<u>Trend Rates</u>	<u>1% Increase</u>
	<u>(4.4% to 2.9%)</u>	<u>(5.4% to 3.9%)</u>	<u>(6.4% to 4.9%)</u>
Net OPEB Liability (Asset)	<u>\$ (262,150,688)</u>	<u>\$ (44,400,857)</u>	<u>\$ 235,421,154</u>

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OTHER POST-EMPLOYMENT BENEFITS FUND**

**Notes to Financial Statements  
September 30, 2020 and 2019**

**NOTE 7 – DISTRICT CONTRIBUTIONS**

The District, historically, makes its contributions to the Fund near the completion of its fiscal year, and the contribution is distributed by the Fund to the investment managers within a month of receipt from the District. Consequently, the significant cash balances in the Fund as of September 30, 2020 and 2019, were due to the receipt of the contribution of \$47,300,000 and \$46,000,000, respectively. As of September 30, 2020 and 2019, the District contribution were invested in the following fund:

<b>FUND</b>	<b>September 30,</b>	
	<b>2020</b>	<b>2019</b>
Northern Trust Cash Fund	<b>\$ 47,300,000</b>	<b>\$ 46,000,000</b>

**NOTE 8 – CONTINGENCIES**

The Fund is party to various legal proceedings, many of which occur in the normal course of the Fund's operations. These legal proceedings are not, in the opinion of the Office of the Attorney General of the District of Columbia, likely to have a material adverse impact on the Fund's financial position as of September 30, 2020 and 2019.

The Fund invests in various investment securities. Investment securities are exposed to various risks, such as interest rate risk, market risk, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term, and that such changes could materially affect the amounts reported in the accompanying statements of net position.

Fund contributions are made, and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

**NOTE 9 – SUBSEQUENT EVENTS**

As result of the incidence of COVID-19, economic uncertainties may negatively impact the financial position and results of operations of the Fund. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

The Fund has evaluated events subsequent to September 30, 2020 and through January 4, 2021, the date the financial statements were available to be issued, and determined there have not been any events that have occurred that would require adjustments to the financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OTHER POST-EMPLOYMENT BENEFITS FUND**

**Required Supplementary Information  
September 30, 2020**

**Schedule of Changes in the Net OPEB Liability (Asset)**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b><u>Total OPEB Liability</u></b>				
Total OPEB liability - beginning of year	\$ 1,464,701,414	\$ 1,391,000,862	\$ 1,224,600,000	\$ 1,115,776,087
Service cost	54,832,446	50,105,647	52,834,621	49,609,972
Interest	94,484,340	89,812,264	79,095,491	72,123,416
Difference between expected and actual experience	30,163,179	1,626,569	(728,816)	(539,321)
Changes in assumptions	-	(48,999,824)	50,939,949	-
Insurance carrier premiums net of retiree contributions	(22,547,310)	(18,844,104)	(15,740,383)	(12,370,154)
Net change in total OPEB liability	156,932,655	73,700,552	166,400,862	108,823,913
Total OPEB liability - end of year (a)	<u>\$ 1,621,634,069</u>	<u>\$ 1,464,701,414</u>	<u>\$ 1,391,000,862</u>	<u>\$ 1,224,600,000</u>
<b><u>Fund Fiduciary Net Position</u></b>				
Fund Fiduciary net position - beginning of year	\$ 1,509,102,271	\$ 1,462,029,859	\$ 1,366,282,061	\$ 1,197,441,214
Contributions - employer and annuitants	48,189,387	46,834,228	45,206,225	31,521,466
Net investment income	107,411,644	20,646,604	67,385,188	150,514,898
Insurance carrier premiums (benefit payments)	(23,436,697)	(19,678,332)	(16,446,608)	(12,891,620)
Administrative expense	(585,098)	(730,088)	(397,007)	(303,897)
Net change in plan fiduciary net position	131,579,236	47,072,412	95,747,798	168,840,847
Fund fiduciary net position - end of year (b)	<u>\$ 1,640,681,507</u>	<u>\$ 1,509,102,271</u>	<u>\$ 1,462,029,859</u>	<u>\$ 1,366,282,061</u>
Net OPEB liability (asset) - end of year ((a) - (b))	<u>\$ (19,047,438)</u>	<u>\$ (44,400,857)</u>	<u>\$ (71,028,997)</u>	<u>\$ (141,682,061)</u>
Fund fiduciary net position as a percentage of total OPEB liability	101.17%	103.03%	105.11%	111.57%
Covered payroll	\$ 2,173,453,518	\$ 2,038,767,088	\$ 1,940,801,248	\$ 1,820,046,000
Fund net OPEB liability (asset) as a percentage of covered payroll	-0.88%	-2.18%	-3.66%	-7.78%

\*These schedules are presented to illustrate the requirement to present information for 10 years. However, until a full 10-year trend is compiled, OPEB plans should present information for those years for which the information is available.



# GOVERNMENT OF THE DISTRICT OF COLUMBIA

## OTHER POST-EMPLOYMENT BENEFITS FUND

### Required Supplementary Information

#### September 30, 2020

#### Schedule of Contributions and Related Ratios

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contributions	\$ 47,300,000	\$ 46,000,000	\$ 44,500,000	\$ 31,000,000	\$ 29,000,000	\$ 91,400,000	\$ 86,600,000	\$ 85,200,000	\$ 95,500,000	\$ 94,200,000
Contributions in relation to the actuarially determined contributions	(47,300,000)	(46,000,000)	(44,500,000)	(31,000,000)	(29,000,000)	(91,400,000)	(86,600,000)	(107,778,000)	(109,825,000)	(94,200,000)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (22,578,000)	\$ (14,325,000)	\$ -
Covered payroll	\$ 2,173,453,518	\$ 2,038,767,088	\$ 1,940,801,248	\$ 1,820,046,000	\$ 1,771,334,730	\$ 1,608,000,000	\$ 1,484,300,000	\$ 1,441,100,000	\$ 1,399,100,000	\$ 1,559,800,000
Contributions as a percentage of covered payroll	2.18%	2.26%	2.29%	1.70%	1.64%	5.68%	5.83%	5.91%	6.83%	6.04%

#### Schedule of Investment Returns \*

	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	7.05%	1.40%	4.88%	12.49%

\*These schedules are presented to illustrate the requirement to present information for 10 years. However, until a full 10-year trend is compiled, OPEB plans should present information for those years for which the information is available.

## GOVERNMENT OF THE DISTRICT OF COLUMBIA OTHER POST-EMPLOYMENT BENEFITS FUND

### Notes to Required Supplementary Information September 30, 2020

The Schedules of Changes in the Net OPEB Liability (Asset) and related ratios presents multiyear trend information about whether the Fund's OPEB liability is increasing or decreasing over time, relative to the Fund's fiduciary net position. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or funding limitation on the pattern of cost sharing between the employer and Fund members in the future.

The Total OPEB Liability as of September 30, 2020, is an estimate based on a roll-forward of the 2019 valuation results for the Fund.

#### Method and Assumptions used in Calculations of Actuarially Determined Contributions

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay, Closed
Remaining Amortization Period	16 years beginning with fiscal year end 2020
Asset Valuation Method	Market Value
Investment Rate of Return	6.50%
Discount Rate	6.50%
Salary Increase Rate	3.50% (plus merit scale)
Medical Inflation Rate	5.3%, grading to 3.9% Assumption utilizes the Society of Actuaries Getzen Medical Trend Model, and reaches the ultimate medical inflation rate in 2040.
Mortality	The RP-2014 Healthy Employee Mortality Table with the MP-2019 Improvement Scale, fully generational, was used for healthy lives both pre- and post-retirement. For disabled lives, the RP-2014 Disabled Life Mortality Table was used.



## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

### **INDEPENDENT AUDITOR'S REPORT**

To the Mayor, Members of the Council of the Government of the District of Columbia and  
Inspector General of the Government of the District of Columbia  
Washington, D.C.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Government of the District of Columbia Other Post-Employment Benefits Fund (the Fund), a fiduciary fund of the Government of the District of Columbia, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated January 4, 2021.

#### ***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on

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the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Washington, D.C.  
January 4, 2021



**District of Columbia Office  
of the Chief Financial  
Officer**

**Other Post-Employment  
Benefits Fund  
Actuarial Valuation as of  
September 30, 2020**

**Produced by Cheiron  
March 2021**

[www.cheiron.us](http://www.cheiron.us) 1.877.CHEIRON (243.4766)



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*Letter of Transmittal*

March 12, 2021

Eugenia Collis  
Associate Treasurer, Asset Management  
Government of the District of Columbia  
Office of the Chief Financial Officer  
Office of Finance and Treasury  
1101 4th Street S.W., Suite 850 West  
Washington, DC. 20024

Dear Eugenia:

As requested, we have performed an actuarial valuation of the post-employment benefits provided by the District of Columbia (the "District") Office of the Chief Financial Officer Other Post-Employment Benefits Fund as of September 30, 2020. The following report contains our findings and disclosures required by the Governmental Accounting Standards Board (GASB) standards and will be used as the basis for the accounting disclosures for the fiscal year ending September 30, 2021. Valuation results shown for valuations prior to 2018 were derived from the prior actuary's report.

The purpose of this report is to present the annual actuarial valuation of the District of Columbia Office of the Chief Financial Officer Other Post-Employment Benefits Fund. This report is for the use of the District and its auditors in preparing financial reports in accordance with applicable law and accounting requirements. Any other user of this report is not an intended user and is considered a third party.

This is a full valuation year, in which, the claim curves and healthcare trends were developed based on current premiums and market conditions. The census and assets are as of the current valuation date. The results of this valuation rely on future plan experience conforming to the underlying assumptions and methods outlined in this report. Future results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the assumptions, changes in assumptions, and changes in plan provisions or applicable law. Actuarial computations are calculated based on our understanding of GASB 74/75 and are for purposes of fulfilling employer financial accounting requirements. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from the results in this report. Additional accounting disclosures for the fiscal year ending September 30, 2020 related to GASB Statements 74 and 75 were provided in a separate report on December 16, 2020 and were based on the valuation report as of September 30, 2019.

Appendix A describes the Participant Data, Assumptions, and Methods used in calculating the figures throughout the report. In preparing our report, we relied without audit, on information (some oral and some written) supplied by Plan Administrators. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

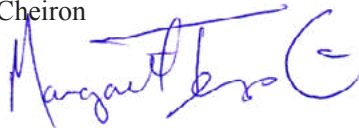
Appendix B contains our understanding of the substantive plan provisions based on the information provided by the District.

This report does not contain any adjustments for the potential impact of COVID-19. We anticipate the virus will impact both mortality and claims in the short term, as well as potentially other demographic experiences. However, the net impact is not determinable at this time.

This report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we collectively meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

This actuarial valuation report was prepared for the District of Columbia Office of the Chief Financial Officer for the purposes described herein and for the use by the plan auditor in completing an audit related to the matters herein. Other users of this report are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to such other users.

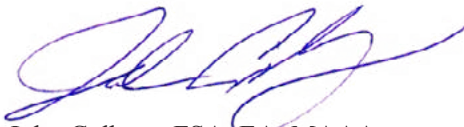
Sincerely,  
Cheiron



Margaret Tempkin, FSA, EA, MAAA  
Principal Consulting Actuary



Kathleen T. Weaver, FSA, MAAA, EA  
Consulting Actuary



John Colberg, FSA, EA, MAAA  
Principal Consulting Actuary



**DISTRICT OF COLUMBIA OFFICE OF THE CHIEF FINANCIAL OFFICER  
OTHER POST-EMPLOYMENT BENEFITS FUND  
ACTUARIAL VALUATION AS OF SEPTEMBER 30, 2020**

**SECTION I – VALUATION SUMMARY**

The District of Columbia Office of the Chief Financial Officer (OCFO) has engaged Cheiron to provide an analysis of its post-employment benefit liabilities as of September 30, 2020. The primary purposes of performing this actuarial valuation are to:

- Estimate the Actuarially Determined Contribution (ADC) and the Actuarial Liability (AL) of the retiree health benefits using GASB 74 and 75 methodology under the current funding strategy,
- Provide disclosures for future financial statements, and
- Provide projections for ADC, Net OPEB Liability (NOL), and actuarial liabilities.

We have determined costs, liabilities, and trends for the substantive plan using actuarial assumptions and methods that we consider reasonable.

**GASB’s OPEB Requirements**

GASB’s Statement 74 refers to the financial reporting for post-employment benefit plans other than pension plans, and Statement 75 refers to the employer accounting for these plans. Statement 74 is generally applicable where an entity has a separate trust or fund for Other Post-Employment Benefits (OPEB). We understand that the OCFO has a trust used to fund future OPEB obligations. The GASB No. 74 Statements are effective for the plan year ending September 30, 2017. The GASB 74 and 75 valuation sections are provided below.

Statement 75, which was adopted in the fiscal year ending (FYE) September 30, 2018, requires the employer to book the actuarial cost (net of employee, retiree, and their dependents’ contributions) of the plan as an expense on its financial statements. Additional disclosures required by GASB 74 and 75 include a description of the substantive plan, a summary of significant accounting policies (which we have not included in this report), contributions, and a statement of funding progress, along with the methods and assumptions used for these disclosures.

**Funding Policy**

The OCFO has a funding policy to contribute to the Actuarially Determined Contribution (ADC). For this purpose, the ADC is calculated as the normal cost determined under the Entry Age Normal Actuarial Cost Method, plus a closed 20-year, level percent of pay amortization of the unfunded actuarial liability. The amortization period was closed in FYE 2016. This report determines the ADC for the FYE September 30, 2022. The remaining amortization period is 14 years.



**DISTRICT OF COLUMBIA OFFICE OF THE CHIEF FINANCIAL OFFICER  
OTHER POST-EMPLOYMENT BENEFITS FUND  
ACTUARIAL VALUATION AS OF SEPTEMBER 30, 2020**

**SECTION I – VALUATION SUMMARY**

Table I-1 below summarizes the September 30, 2020 and September 30, 2019 actuarial valuation results. The results below are the basis for the liabilities provided in the financial statements. These results will be rolled forward to the next fiscal year end for GASB 74/75 disclosure purposes.

Table I-1 Summary of Valuation Results		
Valuation Date	September 30, 2019	September 30, 2020
Discount Rate	6.50%	6.50%
Actuarial Liability (AL)	\$ 1,493,023,648	\$ 1,588,936,238
Actuarial Value of Assets	1,544,974,993	1,670,614,421
<b>Unfunded actuarial liability (UAL)</b>	<b>\$ (51,951,345)</b>	<b>\$ (81,678,183)</b>
Funded Ratio (AVA/AL)	103.48%	105.14%
Expected Net Benefit Payments	33,410,732	36,493,629
Market Value of Assets	1,509,102,271	1,640,681,507
Funded Ratio (MVA/AL)	101.08%	103.26%
<b>Fiscal Year Ending</b>	<b>September 30, 2021</b>	<b>September 30, 2022</b>
Actuarially Determined Contribution	\$ 53,600,000	\$ 53,000,000

The Actuarial Liability increased from \$1.49 billion under the prior valuation to \$1.59 billion under this valuation. In addition to the expected increase in liability of \$119.51 million due to normal cost, benefit payments, and interest, the Plan experienced other changes in liability of (\$23.60) million attributable to an increase due to demographic experience and a decrease due to claims, trends and demographic assumption changes.

During the year ending September 30, 2020, the Plan's assets earned 7.06% on a money-weighted market value basis. The Plan's asset smoothing technique recognizes only a portion of the gains and losses for each year, and the money-weighted return on the actuarial asset value was 6.52%. This return was above the assumed rate of return of 6.50% and resulted in an actuarial gain on investments for the Plan

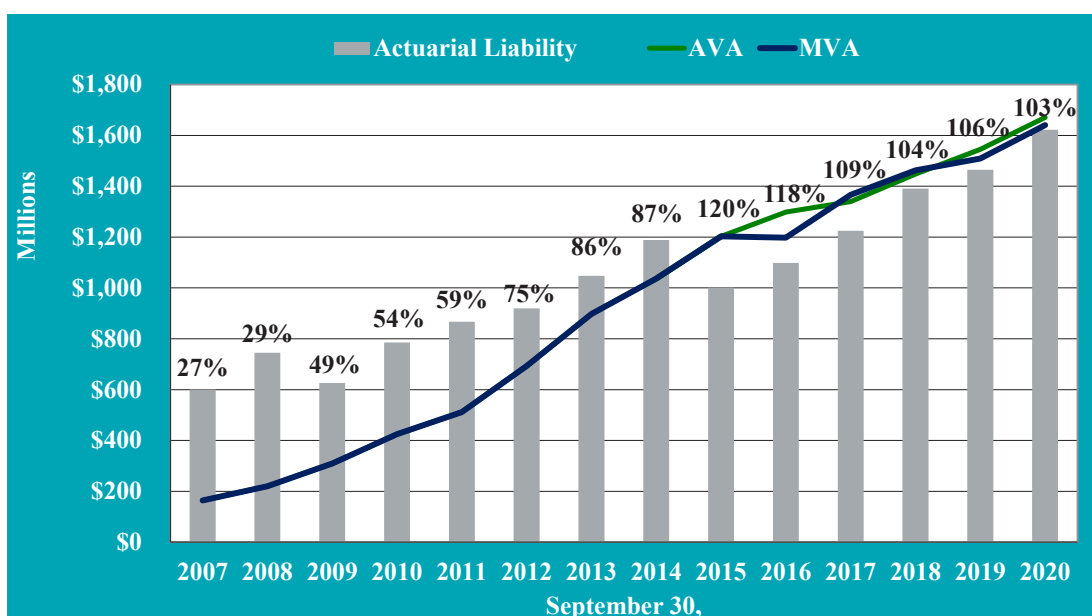
**DISTRICT OF COLUMBIA OFFICE OF THE CHIEF FINANCIAL OFFICER  
OTHER POST-EMPLOYMENT BENEFITS FUND  
ACTUARIAL VALUATION AS OF SEPTEMBER 30, 2020**

**SECTION I – VALUATION SUMMARY**

**Historical Trends**

This chart shows the historical trend of assets and the actuarial liability for the District’s OPEB Fund. The first valuation complying with GASB 43 and 45 was performed in 2007.

The grey bars represent the actuarial liability used to determine the ADC. The liabilities below represent the results for the District’s financial statements under GASB 43/45 and GASB 74/75. The results are based on the actuarial valuations rolled forward to the appropriate fiscal year end. As you can see, over time, the liability has grown as the Plan has matured. In 2015, the actuarial liability dropped mainly due to the change in the assumed percent of retirees and dependents electing coverage. The Market Value of Assets is represented by the blue line and the Actuarial Value of Assets is represented by the green line. Prior to 2016, the AVA was equal to the MVA. In 2016, the District adopted an actuarially smoothed asset value to determine the ADC. The Actuarial Value of Assets is developed by smoothing five years of investment returns, as seen on page 6. The percentages above the bars represent the funded ratio based on the AVA.





**DISTRICT OF COLUMBIA OFFICE OF THE CHIEF FINANCIAL OFFICER  
OTHER POST-EMPLOYMENT BENEFITS FUND  
ACTUARIAL VALUATION AS OF SEPTEMBER 30, 2020**

**SECTION II – ASSETS**

**Assets**

Table II-1 below shows the reconciliation of assets for the current and prior fiscal years. This section reconciles to the assets of September 30, 2020, that are used to develop the FYE 2022 ADC.

Table II-1 Changes in Market Market Value of Assets		
	September 30, 2019	September 30, 2020
<b>Market Value of Assets - as of beginning of Fiscal Year</b>	<b>\$1,462,029,859</b>	<b>\$1,509,102,271</b>
<b><u>Additions</u></b>		
Employer Contributions	\$ 46,000,000	\$ 47,300,000
Participant Contributions	834,228	889,387
Total contributions	\$ 46,834,228	\$ 48,189,387
Investment Return		
Net Realized Appreciation and Unrealized Appreciation	5,327,431	90,596,004
Interest	11,425,284	10,524,939
Dividends	11,152,287	11,717,643
Currency (loss)/gain on FX contracts and settlements	(3,405,111)	(1,712,999)
Other Income	279,557	370,219
Total income from investment activities	\$ 24,779,448	\$ 111,495,806
Investment Expenses	(4,132,844)	(4,084,162)
Total Investment Return	\$ 20,646,604	\$ 107,411,644
<b><u>Deductions</u></b>		
Benefit Payments Made	\$ 19,678,332	\$ 23,436,697
Administrative Expenses	730,088	585,098
Total Deductions	\$ 20,408,420	\$ 24,021,795
<b><u>Total</u></b>		
Net Increase (Decrease)	\$ 47,072,412	\$ 131,579,236
<b>Market Value of Assets - as of end of Fiscal Year</b>	<b>\$ 1,509,102,271</b>	<b>\$1,640,681,507</b>
Money-weighted Market Return for Period	1.40%	7.06%



**DISTRICT OF COLUMBIA OFFICE OF THE CHIEF FINANCIAL OFFICER  
OTHER POST-EMPLOYMENT BENEFITS FUND  
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**SECTION II – ASSETS**

Table II-2 below shows the money-weighted rate of return of plan investments. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of plan investments by the proportion of time they are available to earn a return during that period. External cash flows are determined on a monthly basis and are assumed to occur at the middle of each month. The external cash inflows include the sponsor and retiree contributions. The external cash outflows include the benefit payments and administrative expenses.

<b>Table II-2 Calculation of Money-Weighted Rate of Return</b>				
	<b>Net External Cash Flows</b>	<b>Periods Invested</b>	<b>Period Weight</b>	<b>Net External Cash Flows With Interest</b>
<b>Beginning Value October 1, 2019</b>	<b>\$ 1,509,102,271</b>	<b>12</b>	<b>1.00</b>	<b>\$ 1,615,524,440</b>
Monthly Net External Cash Flows:				
October	\$ (1,788,082)	11.5	0.96	(1,908,750)
November	(1,722,520)	10.5	0.88	(1,828,352)
December	(1,781,556)	9.5	0.79	(1,880,307)
January	(1,958,294)	8.5	0.71	(2,055,137)
February	(1,913,784)	7.5	0.63	(1,997,053)
March	45,378,166	6.5	0.54	47,084,449
April	(1,897,076)	5.5	0.46	(1,957,262)
May	(2,311,524)	4.5	0.38	(2,371,354)
June	(1,871,954)	3.5	0.29	(1,909,532)
July	(1,992,561)	2.5	0.21	(2,021,050)
August	(1,993,344)	1.5	0.13	(2,010,396)
September	(1,982,549)	0.5	0.04	(1,988,187)
<b>Ending Value September 30, 2020</b>				<b>\$ 1,640,681,507</b>
<b>Money-Weighted Rate of Return</b>				<b>7.05%</b>

**DISTRICT OF COLUMBIA OFFICE OF THE CHIEF FINANCIAL OFFICER  
OTHER POST-EMPLOYMENT BENEFITS FUND  
ACTUARIAL VALUATION AS OF SEPTEMBER 30, 2020**

**SECTION II – ASSETS**

**Actuarial Value of Assets**

The actuarial value of assets is the current market value, adjusted by a five-year smoothing of gains and losses on a market value basis. Each year's gain or loss is determined as the difference between the actual market return and the expected market return using the assumed rate of investment return. The actuarial value is adjusted to remain within 20% of the market value. Table II-3 below illustrates the calculation of the market value gains and losses.

<b>Table II-3 Development of Unrecognized Gain/(Loss) on Investments as of September 30, FYE</b>					
	Fiscal Year Ending 9/30/2016	Fiscal Year Ending 9/30/2017	Fiscal Year Ending 9/30/2018	Fiscal Year Ending 9/30/2019	Fiscal Year Ending 9/30/2020
<b>1. Market Value of Assets as of September 30, Beginning of Fiscal Year</b>	<b>\$1,076,550,114</b>	<b>\$1,197,441,214</b>	<b>\$1,366,282,061</b>	<b>\$1,462,029,859</b>	<b>\$1,509,102,271</b>
<b>Fiscal Year Cash Flow</b>					
2. Employer Contributions for the Plan Year Ending September 30, FYE	\$ 29,000,000	\$ 31,000,000	\$ 44,500,000	\$ 46,000,000	\$ 47,300,000
3. Participant Contributions for the Plan Year Ending September 30, FYE	430,587	521,466	706,225	834,228	889,387
4. Benefit Payments through September 30, FYE	(10,043,719)	(12,891,620)	(16,446,608)	(19,678,332)	(23,436,697)
5. Administrative Expenses through September 30, FYE	(292,482)	(303,897)	(397,007)	(730,088)	(585,098)
6. Net Cash Flow	\$ 19,094,386	\$ 18,325,949	\$ 28,362,610	\$ 26,425,808	\$ 24,167,592
<b>Investment Performance</b>					
7. Interest of 6.50% on Market Value of Assets to September 30, FYE	\$ 69,975,757	\$ 77,833,679	\$ 88,808,334	\$ 95,031,941	\$ 98,091,648
8. Interest on employer contributions assuming received at the end year to September 30, FYE	0	0	0	0	0
9. Interest on participant contributions assuming received uniformly throughout the year to September 30, FYE	13,994	16,948	22,952	27,112	28,905
10. Interest on benefit payments assuming payments made uniformly throughout the year to September 30, FYE	(326,421)	(418,978)	(534,515)	(639,546)	(761,693)
11. Interest on administrative expenses assuming payments made uniformly throughout the year to September 30, FYE	(9,506)	(9,877)	(12,903)	(23,728)	(19,016)
12. Expected Investment Performance (7 + 8 + 9 + 10 + 11)	\$ 69,653,824	\$ 77,421,772	\$ 88,283,868	\$ 94,395,779	\$ 97,339,844
13. Expected Market Value of Assets as of September 30, FYE (1 + 6 + 12)	\$ 1,165,298,324	\$ 1,293,188,935	\$ 1,482,928,539	\$ 1,582,851,446	\$ 1,630,609,707
<b>14. Market Value of Assets as of September 30, FYE</b>	<b>\$ 1,197,441,214</b>	<b>\$ 1,366,282,061</b>	<b>\$ 1,462,029,859</b>	<b>\$ 1,509,102,271</b>	<b>\$ 1,640,681,507</b>
15. Market Value of Assets Investment Gain/(Loss) (14 - 13)	\$ 32,142,890	\$ 73,093,126	\$ (20,898,680)	\$ (73,749,175)	\$ 10,071,800



**DISTRICT OF COLUMBIA OFFICE OF THE CHIEF FINANCIAL OFFICER  
OTHER POST-EMPLOYMENT BENEFITS FUND  
ACTUARIAL VALUATION AS OF SEPTEMBER 30, 2020**

**SECTION II – ASSETS**

Table II-4 then illustrates the calculation of actuarial value of assets for the September 30, 2020 valuation.

Table II-4 Development of Actuarial Value of Assets as of September 30, 2020			
<b>1. Actuarial Value of Assets as of September 30, 2019</b>	<b>\$</b>	<b>1,544,974,993</b>	
2. Net Cash Flow (Contributions - Benefit Payments - Expenses)	\$	24,167,592	
3. Expected Investment Performance	\$	97,339,844	
	Initial Unrecognized		
<u>Recognition of gain/(loss)</u>	<u>Gain/(Loss)</u>		<u>Recognition</u>
4. 20% of gain/(loss) as of September 30, 2016	\$ 32,142,890	\$	6,428,578
5. 20% of gain/(loss) as of September 30, 2017	\$ 73,093,126	\$	14,618,625
6. 20% of gain/(loss) as of September 30, 2018	\$ (20,898,680)	\$	(4,179,736)
7. 20% of gain/(loss) as of September 30, 2019	\$ (73,749,175)	\$	(14,749,835)
8. 20% of gain/(loss) as of September 30, 2020	\$ 10,071,800	\$	<u>2,014,360</u>
9. Recognized gain/(loss) as of September 30, 2020 (sum of 4 - 8)		\$	4,131,992
<b>10. Actuarial Value of Assets as of September 30, 2020 (1 + 2 + 3 + 9)</b>	<b>\$</b>	<b>1,670,614,421</b>	
Market Value of Assets as of September 30, 2020	\$	1,640,681,507	
<b>Corridor for Actuarial Value of Assets</b>			
80% of Market Value	\$	1,312,545,206	
120% of Market Value	\$	1,968,817,808	
Actuarial Value of Assets as of September 30, 2020	\$	1,670,614,421	
Actuarial Value as a percent of Market Value			101.8%
Money-weighted Return on Actuarial Value of Asset			6.5%



**DISTRICT OF COLUMBIA OFFICE OF THE CHIEF FINANCIAL OFFICER  
OTHER POST-EMPLOYMENT BENEFITS FUND  
ACTUARIAL VALUATION AS OF SEPTEMBER 30, 2020**

**SECTION III – VALUATION RESULTS**

This section of the report calculates the current and expected future contribution requirements under the District's funding policy. This valuation calculates the contribution for the fiscal year ending 2022.

Information about the actuarial liabilities of the Plan as of September 30, 2020 and September 30, 2019 are shown in Table III-1 below.

<b>Table III-1 Actuarial Liability</b>		
<b>Valuation Date</b>	<b>September 30, 2019</b>	<b>September 30, 2020</b>
Discount Rate	6.50%	6.50%
<b>Actuarial Liability</b>		
Current active members	\$ 999,496,008	\$ 1,042,296,688
Current retirees, beneficiaries, and dependents	493,527,640	546,639,550
<b>Total Actuarial Liability (AL)</b>	<b>\$ 1,493,023,648</b>	<b>\$ 1,588,936,238</b>
Actuarial Value of Assets (AVA)	1,544,974,993	1,670,614,421
<b>Unfunded Actuarial Liability (UAL)</b>	<b>\$ (51,951,345)</b>	<b>\$ (81,678,183)</b>
Funded Ratio (AVA/AL)	103.48%	105.14%
Market Value of Assets (MVA)	1,509,102,271	1,640,681,507
<b>Unfunded Actuarial Liability (UAL)</b>	<b>\$ (16,078,623)</b>	<b>\$ (51,745,269)</b>
Funded Ratio (MVA/AL)	101.08%	103.26%
<b>Normal Cost</b>	<b>\$ 51,485,865</b>	<b>\$ 53,680,704</b>

Table III-2 below, shows the Actuarial Liability for actives and retirees, the normal cost, the Actuarial Asset Value, and the resulting unfunded actuarial liability (UAL) as of September 30, 2020 at a 6.50% discount rate. Note that this development of the AL and UAL are based on the actual measurement at September 30, 2020 and will be used in the determination of the Actuarially Determined Contribution for FYE 2022. The table shows the liability results separate for Firefighters, Police, Teachers, and General Employees.

<b>Table III-2 Actuarial Liability, Normal Cost &amp; Actuarial Asset Value as of September 30, 2020</b>					
	<b>Firefighters</b>	<b>Police</b>	<b>Teachers</b>	<b>General</b>	<b>Total</b>
<b>Actuarial Liability</b>					
Active Employees	\$193,517,015	\$316,841,341	\$138,026,093	\$393,912,239	\$ 1,042,296,688
Retired Employees	<u>67,052,355</u>	<u>389,278,481</u>	<u>56,322,522</u>	<u>33,986,192</u>	<u>546,639,550</u>
Total Liability	\$260,569,370	\$706,119,822	\$194,348,615	\$427,898,431	\$1,588,936,238
Actuarial Value of Assets					<u>1,670,614,421</u>
Unfunded Actuarial Liability (UAL)					\$ (81,678,183)
<b>Normal Cost</b>	\$11,191,404	\$19,555,265	\$6,065,603	\$16,868,432	\$53,680,704



**DISTRICT OF COLUMBIA OFFICE OF THE CHIEF FINANCIAL OFFICER  
OTHER POST-EMPLOYMENT BENEFITS FUND  
ACTUARIAL VALUATION AS OF SEPTEMBER 30, 2020**

**SECTION III – VALUATION RESULTS**

**Reconciliation**

Table III-3 provides an estimate of the major factors contributing to the change in liability since the last actuarial valuation report (AVR).

<b>Table III-3 Reconciliation of Actuarial Liability</b>	
<b>Actuarial Liability at September 30, 2019</b>	<b>\$ 1,493,023,648</b>
Normal Cost	51,485,865
Expected Benefits paid throughout the year	(33,410,732)
Interest	99,307,270
Expected Actuarial Liability at September 30, 2020	\$ 1,610,406,051
<b>Actuarial Liability at September 30, 2020</b>	<b>1,588,936,238</b>
Gain or (Loss)	\$ 21,469,813
Gain or (Loss) due to:	
Benefit changes	\$ -
Census changes	(34,888,549)
Demographic Assumption changes	40,231,912
Healthcare Claims changes	16,126,450
Total changes	\$ 21,469,813

Below is a brief description of each of the above components:

- *Benefits Changes* refers to changes in the Plan or eligibilities. There were no benefit changes since the prior valuation.
- *Census Changes* refers to differences in the valuation census due to members terminating, retiring, dying, and becoming disabled at rates different than expected.
- *Demographic assumption changes* refer to the changes in demographic assumptions. There were changes in retirement, termination, mortality, and spouse election percent for the General Employees. There were changes to the Police, Fire, and Teachers for medical election percentage and spouse election percent.
- *Healthcare Claims changes* refers to the change in projected healthcare costs compared to the prior valuation. The healthcare claims were updated based on the new premiums available as well as the new assumption of Medicare Advantage election. The trends were updated as well.





**DISTRICT OF COLUMBIA OFFICE OF THE CHIEF FINANCIAL OFFICER  
OTHER POST-EMPLOYMENT BENEFITS FUND  
ACTUARIAL VALUATION AS OF SEPTEMBER 30, 2020**

**SECTION III – VALUATION RESULTS**

**Actuarially Determined Contribution (ADC)**

The ADC consists of two parts: (1) the *normal cost*, which represents the annual cost attributable to service earned in a given year, and (2) the amortization of the UAL. In Table III-4 below, we show the computed FYE 2021 and FYE 2022 ADC under the District’s funding policy and a 6.50% assumed discount rate (based on a long-term view of returns on the asset allocation). Please note that the ADC calculation for FYE 2021 is based on the 2019 actuarial report rolled forward. This timing lag is used to better coordinate the District’s budget timing.

<b>Table III-4 Calculation of Actuarially Determined Contribution (ADC)</b>		
<b>For Fiscal Year Ending</b>	<b>9/30/2021</b>	<b>9/30/2022</b>
Normal cost	\$ 57,793,000	\$ 60,564,000
Amortization of UAL	<u>(4,193,000)</u>	<u>(7,564,000)</u>
<b>Total ADC (not less than \$0)</b>	<b>\$ 53,600,000</b>	<b>\$ 53,000,000</b>
Projected payroll	\$ 2,173,453,518	\$ 2,331,261,622
ADC as a percentage of pay	2.47%	2.27%
Expected Net Benefit Payments	\$ 33,410,732	\$ 36,493,629



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**SECTION III – VALUATION RESULTS**

**Projected Cash Flow**

The following table presents a 30-year payout projection of employer benefit payments for the District OPEB Plan.

Table III-5 Projected Cash Flow					
Fiscal Year Ending September 30,		Employer Payment	Fiscal Year Ending September 30,		Employer Payment
2021	\$	36,494,000	2036	\$	154,318,000
2022		44,289,000	2037		162,476,000
2023		52,106,000	2038		170,438,000
2024		60,009,000	2039		179,752,000
2025		67,933,000	2040		189,579,000
2026		76,327,000	2041		199,932,000
2027		84,890,000	2042		210,201,000
2028		93,565,000	2043		220,180,000
2029		101,688,000	2044		231,312,000
2030		109,955,000	2045		242,205,000
2031		118,184,000	2046		252,258,000
2032		125,197,000	2047		259,971,000
2033		132,333,000	2048		266,106,000
2034		140,415,000	2049		269,536,000
2035		147,296,000	2050		271,291,000



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**SECTION III – VALUATION RESULTS**

**Projections**

Table III-6 shows a projection of future years' Actuarial Liability (AL), Actuarial Asset Value (AVA), Unfunded Actuarial Liability (UAL), Funded Ratio, and Actuarially Determined Contribution (ADC) for FYEs 2022 through 2026, based on a projection of the September 30, 2020 valuation results. These projections are based on the adoption of a closed 20-year amortization of the UAL, effective for FYE 2016. The ADC for the FYE 2021 is also shown and is computed based on the September 30, 2019 valuation results.

Table III-6 Projections of Actuarial Results (\$ in Thousands)							
	Fiscal Year Ending September 30,						
	2021	2022	2023	2024	2025	2026	
Projected OPEB Liability	\$ 1,612,536	\$ 1,711,707	\$ 1,837,805	\$ 1,967,357	\$ 2,100,495	\$2,237,598	
Expected Actuarial Asset Value	<u>1,659,525</u>	<u>1,792,624</u>	<u>1,899,428</u>	<u>2,015,337</u>	<u>2,150,638</u>	<u>2,287,402</u>	
Expected Unfunded Actuarial Liability	(46,989)	(80,917)	(61,623)	(47,980)	(50,143)	(49,804)	
Funded Ratio	102.9%	104.7%	103.4%	102.4%	102.4%	102.2%	
Normal Cost	\$ 57,800	\$ 60,600	\$ 63,900	\$ 67,200	\$ 70,700	\$ 74,400	
Amortization of Unfunded Liability	<u>(4,200)</u>	<u>(7,600)</u>	<u>(6,100)</u>	<u>(5,100)</u>	<u>(5,700)</u>	<u>(6,200)</u>	
Actuarially Determined Contribution	\$ 53,600	\$ 53,000	\$ 57,800	\$ 62,100	\$ 65,000	\$ 68,200	
Amortization Period for UAL (Years)	15	14	13	12	11	10	



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**SECTION IV – SENSITIVITY OF RESULTS**

The liabilities produced in this report are sensitive to the assumptions used. Table IV-1 shows liabilities under the actuarial funding scenario using a 1% increase and decrease in healthcare trend rates to provide some measure of sensitivity. In all cases, we are using the full actuarial funding assumption of 6.50% for the discount rate. GASB 74/75 requires the sensitivity figures shown below, roll-forwarded and compared to Market Value of Assets, for the next valuation.

<b>Table IV-1</b>			
<b>Healthcare Trend Rate Sensitivity as of September 30, 2020</b>			
<b>Healthcare Trend Rates</b>	<b>-1%</b>	<b>Base</b>	<b>+1%</b>
<b>Actuarial Liability</b>			
Current active members	\$ 870,333,583	\$ 1,042,296,688	\$ 1,262,440,767
Current retirees, beneficiaries, and dependents	496,912,255	546,639,550	606,943,469
Total Actuarial Liability (AL)	\$ 1,367,245,838	\$ 1,588,936,238	\$ 1,869,384,236
Actuarial Value of Assets	1,670,614,421	1,670,614,421	1,670,614,421
Unfunded actuarial liability (UAL)	\$ (303,368,583)	\$ (81,678,183)	\$ 198,769,815
Normal Cost	\$ 43,676,970	\$ 53,680,704	\$ 67,477,342

Table IV-2 shows liabilities under the actuarial funding scenario using a 1% increase and decrease in discount rates to provide some measure of sensitivity. GASB 74/75 requires the sensitivity figures shown below, roll-forwarded and compared to Market Value of Assets, for the next valuation.

<b>Table IV-2</b>			
<b>Discount Rate Sensitivity as of September 30, 2020</b>			
<b>Discount Rate</b>	<b>5.50%</b>	<b>6.50%</b>	<b>7.50%</b>
<b>Actuarial Liability</b>			
Current active members	\$ 1,230,824,157	\$ 1,042,296,688	\$ 889,708,130
Current retirees, beneficiaries, and dependents	612,437,927	546,639,550	493,114,995
Total Actuarial Liability (AL)	\$ 1,843,262,084	\$ 1,588,936,238	\$ 1,382,823,125
Actuarial Value of Assets	1,670,614,421	1,670,614,421	1,670,614,421
Unfunded actuarial liability (UAL)	\$ 172,647,663	\$ (81,678,183)	\$ (287,791,296)
Normal Cost	\$ 69,228,881	\$ 53,680,704	\$ 42,206,868



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**SECTION V – SCHEDULE OF FUNDING PROGRESS**

The Government Finance Officers Association (GFOA) maintains a checklist of items to be included in the Comprehensive Annual Financial Report (CAFR) in order to receive recognition for excellence in financial reporting. In accordance with those statements, we have prepared the following disclosures.

**Schedule of Funding Progress**

The schedule of funding progress compares the assets used for funding purposes to the comparable liabilities to determine how well the Plan is funded, and how this status has changed over the past several years. The actuarial liability is compared to the actuarial value of assets to determine the funding ratio. The actuarial liability under GASB is determined assuming that the Plan is ongoing and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions.

The figures below represent the results for the District's financial statements under GASB 43/45 and GASB 74/75. The results are based on the actuarial valuations rolled forward to the appropriate fiscal year end. Years prior to 2018 were taken from the prior actuary's report.

<b>Table V-1</b> <b>Schedule of Funding Progress for Fiscal Year Ending September 30,</b> <b>(\$ in Millions)</b>						
<b>Valuation Year</b>	<b>Actuarial Asset Value</b>	<b>Actuarial Liability</b>	<b>Unfunded Actuarial Liability</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAL as a Percentage of Covered Payroll</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c)=(b-a)</b>	<b>(d)=(a)/(b)</b>	<b>(e)</b>	<b>(f) = (c)/(e)</b>
2007	\$164.2	\$600.1	\$435.9	27.4%	\$1,090.9	39.96%
2008	219.7	745.2	525.5	29.5%	1,107.1	47.47%
2009	309.1	625.9	316.8	49.4%	1,579.9	20.05%
2010	424.3	784.9	360.6	54.1%	1,544.5	23.35%
2011	511.5	866.6	355.1	59.0%	1,559.8	22.77%
2012	693.3	919.7	226.4	75.4%	1,399.1	16.18%
2013	897.8	1,048.0	150.2	85.7%	1,441.1	10.42%
2014	1,036.6	1,188.3	151.7	87.2%	1,484.3	10.22%
2015	1,202.4	1,001.2	(201.2)	120.1%	1,608.0	(12.51)%
2016	1,298.1	1,098.5	(199.6)	118.2%	1,656.2	(12.05)%
2017	1,339.6	1,224.6	(115.0)	109.4%	1,820.0	(6.32)%
2018	1,447.6	1,391.0	(56.6)	104.1%	1,940.8	(2.91)%
2019	1,545.0	1,464.7	(80.3)	105.5%	2,038.8	(3.94)%
2020	1,670.6	1,621.6	(49.0)	103.0%	2,173.5	(2.26)%



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**SECTION V – SCHEDULE OF FUNDING PROGRESS**

**Schedule of Employer Contributions**

The schedule of employer contributions, Table V-2, shows whether the employer has made contributions that are consistent with an actuarially sound method of funding the benefits to be provided.

Years prior to 2018 were taken from the prior actuary's report.

<b>Table V-2</b> <b>Schedule of Employer Contributions</b> <b>(\$ in Millions)</b>				
<b>Fiscal Year Ended</b>	<b>Annual Required Contribution (ARC)</b>	<b>Amount Contributed</b>	<b>Percentage of ARC Contributed</b>	<b>Net OPEB Obligation</b>
2008	\$103.4	\$110.8	107.2%	\$42.1
2009	130.9	81.1	62.0%	44.7
2010	92.2	90.7	98.4%	45.6
2011	94.2	94.2	100.0%	32.2
2012	95.5	109.8	115.0%	9.9
2013	85.2	107.8	126.5%	10.0
2014	86.6	86.6	100.0%	10.0
2015	91.4	91.4	100.0%	10.0
2016	29.0	29.0	100.0%	10.0
2017	31.0	31.0	100.0%	10.0
<b>Fiscal Year Ended</b>	<b>Actuarially Determined Contribution</b>	<b>Amount Contributed</b>	<b>Percentage of ADC Contributed</b>	<b>OPEB Expense</b>
2018	\$44.5	\$44.5	100.0%	\$53.4
2019	46.0	46.0	100.0%	63.8
2020	47.3	47.3	100.0%	71.7
2021	53.6	TBD	TBD	TBD
2022	53.0	TBD	TBD	TBD
2023*	57.8	TBD	TBD	TBD
2024*	62.1	TBD	TBD	TBD
2025*	65.0	TBD	TBD	TBD





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**APPENDIX A – MEMBERSHIP INFORMATION**

The census data used to develop the Actuarial Liability (AL) as of September 30, 2020 was provided by the District.

September 30, 2020					
Active Participants	Fire	Police	Teachers	General	Total
Number	1,589	2,933	4,855	17,738	27,115
Average age	40.1	39.7	40.1	46.8	44.4
Average years of service	14.2	12.7	7.90	11.3	11
Projected payroll	\$ 139,258,966	\$ 254,244,413	\$ 453,877,569	\$ 1,483,880,674	\$ 2,331,261,622
<b>Retirees Enrolled in Health Care</b>					
Number of retirees	180	1,119	348	224	1,871
Average age	52.5	54.4	68.5	70.5	58.7
Numbers of spouses and dependents (excluding children)	129	726	94	75	1,024
<b>Retirees with Life Insurance</b>					
Number of retirees	168	1123	636	434	2,361
<b>Total Retirees with Medical and/or Life Insurance</b>					
Number of retirees	203	1264	693	494	2,654

**Active Member Data as of September 30, 2020**

COUNTS BY AGE/SERVICE											
Age	Service										Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 25	100	192	17	0	0	0	0	0	0	0	309
25 to 29	364	1,398	553	37	0	0	0	0	0	0	2,352
30 to 34	400	1,641	1,464	469	31	0	0	0	0	0	4,005
35 to 39	280	1,204	1,287	1,165	405	6	0	0	0	0	4,347
40 to 44	153	734	839	888	771	252	9	0	0	0	3,646
45 to 49	104	537	621	731	788	631	224	80	0	0	3,716
50 to 54	88	389	433	636	572	565	325	215	2	0	3,225
55 to 59	56	289	337	507	457	383	291	231	8	0	2,559
60 to 64	22	152	212	363	321	284	193	191	3	5	1,746
65 to 69	5	62	85	184	157	144	119	98	1	1	856
70 & up	3	11	37	69	81	68	41	42	1	1	354
Total	1,575	6,609	5,885	5,049	3,583	2,333	1,202	857	15	7	27,115

Reconciliation of Members with Medical Coverage			
	Active	Retired	Total
<b>September 30, 2019</b>	<b>26,087</b>	<b>1,678</b>	<b>27,765</b>
New Hires	2,882		2,882
Retirement, Elect Medical Coverage	(171)	171	0
Termination/Retirement, No Medical Coverage	(1,683)		(1,683)
Deaths / Drop Coverage		(97)	(97)
Other Data Changes		119	119
<b>September 30, 2020</b>	<b>27,115</b>	<b>1,871</b>	<b>28,986</b>

Please note that the above data was used to project the figures in this report.



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**APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS**

**Economic Assumptions**

- 1. Discount Rate** 6.50% per year. The assets are sufficient to cover all expected benefits, thus the long-term rate of return is used.
- 2. Inflation Assumption** 2.75%
- 3. Payroll Increase Rate** 3.50% per year for purposes of attributing individual costs under the Entry Age actuarial cost method
- 4. Salary Increase Rate**

The base inflation rate used was 2.75% plus a productivity increase of 0.75%. Merit and seniority increases are additional and are shown below. The General population salary increase is assumed to be a flat 3.5%.

Service	Salary Increase		
	Teachers	Police	Fire
5	4.00%	3.56%	2.50%
10	3.00%	2.58%	2.50%
15	0.50%	2.31%	2.50%
20	0.20%	2.50%	2.50%
30	0.20%	0.50%	2.50%

**5. Per Person Health Care Cost Trends**

Medical Trend assumptions used were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The SOA model was released in December 2007, and version 2020\_b was used for this valuation and the prior valuation. The following assumptions were used as input variables into this model:

Trend Assumption Inputs	
Variable	Rate
Rate of Inflation	2.50%
Rate of Growth in Real Income/GDP per capita 2029+	1.50%
Extra Trend due to Taste/Technology 2029+	1.10%
Expected Health Share of GDP 2030	20.00%
Health Share of GDP Resistance Point	25.00%
Year for Limiting Cost Growth to GDP Growth	2040



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The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of the SOA Project Oversight Group. Sample medical trends are listed in the table below. The initial health cost trend was 7.0% for Non-Medicare and 6.0% for Medicare for the period October 1, 2020 – September 30, 2021 and declines gradually to an ultimate rate of 4.0% starting in 2041.

Below are the healthcare trends starting October 1, 2020:

	NonMedicare	Medicare
To FYE	Annual Trend	Annual Trend
2021	7.0%	6.0%
2022	6.0%	5.7%
2023	5.5%	5.5%
2024	5.2%	5.2%
2026	5.2%	5.2%
2031	5.2%	5.2%
2036	4.4%	4.4%
2041	4.0%	4.0%

**6. Basis for Economic Assumptions**

The discount rate and inflation assumptions were selected by the District of Columbia Office of the Chief Financial Officer and are based on the assumed asset returns and current market conditions. These assumptions are reviewed each year for reasonableness.

The payroll and salary assumptions for Teachers, Fire, and Police are based on the DCRB pension valuation. For General employees, the salary assumption was based on the prior actuary's assumption and reviewed for reasonableness based on available data.

The trend rates were developed by Cheiron and are based on the Getzen model. In developing the trends, plan provisions and market conditions are considered.

**7. Changes Since Last Valuation**

Healthcare trends were updated to reflect the current market expectations.



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**APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS**

## Demographic Assumptions

### 1. Retirement Rates

Retirement rates for each group vary by age and service with the District. Sample rates are shown in the tables below:

General		Teachers			Police		Fire Fighters	
Age	General	Age	< 30 YOS	30+ YOS	Service	Rate	Service	Rate
50-54	2.5%	50-54	5.0%	5.0%	Under 25	15.0%	25	12.5%
55-59	5.0%	55-56	9.0%	22.0%	25	22.0%	26	15.0%
60-61	15.0%	57	9.0%	20.0%	26	38.0%	27	12.0%
62-64	20.0%	58	10.0%	20.0%	27	35.0%	28	20.0%
65-70	25.0%	59	10.0%	25.0%	28	34.0%	29	20.0%
71-74	30.0%	60	27.0%	28.0%	29	28.0%	30	22.0%
75+	100.0%	61	25.0%	28.0%	30	38.0%	31	40.0%
		62	22.0%	25.0%	31	32.0%	32	45.0%
		63	25.0%	22.0%	32	28.0%	33	50.0%
		64	20.0%	25.0%	33	35.0%	34	40.0%
		65	25.0%	35.0%	34	35.0%	35	40.0%
		66	30.0%	25.0%	35	18.0%	Min Ret Age = 50 100% retirement at age 60	
		67	25.0%	25.0%	36-39	16.0%		
		68	30.0%	30.0%	40+	16.0%		
		69	25.0%	30.0%	Min Ret Age = 50 100% retirement at age 65			
		70	30.0%	30.0%				
		71	25.0%	30.0%				
		72	35.0%	30.0%				
		73-74	35.0%	35.0%				
		75	100.0%	100.0%				

YOS = Years of Service

### 2. Rates of Withdrawal

Withdrawal rates for each group vary by age and service with the District. Sample rates are shown in the tables below:

General Employees				Teachers			Police			Fire	
Age	Years of Service			Service	Years of Service		Service	Years of Service		Service	Unisex
	<4	4-9	10+		Male	Female		Male	Female		
20	31.42%	25.00%	10.00%	<1	26.00%	23.00%	<1	13.00%	11.00%	<1	7.50%
25	22.23%	15.00%	9.72%	1	26.00%	23.00%	1	10.00%	11.00%	1	7.50%
30	16.03%	12.00%	5.90%	2	26.00%	23.00%	2	7.00%	8.00%	2	5.00%
35	15.03%	10.00%	5.58%	3	26.00%	23.00%	3	6.00%	5.00%	3	4.00%
40	14.93%	8.00%	5.09%	4	18.00%	16.00%	4	6.00%	5.00%	4	4.00%
45	14.72%	8.00%	4.71%								
50	14.26%	8.00%	4.55%								
55	14.10%	8.00%	4.56%								
60	14.58%	8.00%	4.81%								
62+	0.00%	0.00%	0.00%								

Teachers			Police			Fire	
5 or More Years of Service			5 or More Years of Service			5 or More Years of Service	
Age	Males	Females	Age	Male	Female	Age	Unisex
25	18.00%	18.00%	25	5.00%	5.00%	25	3.00%
30	16.00%	16.00%	30	4.25%	4.50%	30	2.60%
35	12.00%	10.00%	35	2.75%	3.50%	35	1.80%
40	12.00%	8.00%	40	1.50%	1.50%	40	1.40%
45	8.00%	6.50%	45	1.50%	1.50%	45	1.20%
50	8.00%	6.50%	50	1.50%	1.50%	50	1.20%
55	8.00%	6.50%	55	1.50%	1.50%	55	0.80%
						60	0.60%



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**APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS**

**3. Rates of Disability**

Disability rates for each group vary by age. Sample rates are shown in the table below:

Disability Rates					
	General	Teachers	Police		Fire
Age	Unisex	Unisex	Male	Female	Fighters Unisex
20	0.03%	0.01%	0.02%	0.04%	0.01%
25	0.03%	0.01%	0.05%	0.08%	0.05%
30	0.05%	0.02%	0.10%	0.12%	0.18%
35	0.07%	0.03%	0.22%	0.28%	0.25%
40	0.07%	0.07%	0.25%	0.40%	0.30%
45	0.08%	0.12%	0.30%	0.62%	0.35%
50	0.12%	0.20%	0.40%	0.70%	0.40%
55	0.25%	0.25%	0.60%	0.75%	0.45%
60	0.40%	0.30%	0.80%	0.90%	0.50%
62+	0.00%	0.00%	0.00%	0.00%	0.00%

**4. Rates of Mortality**

General Employees:

*Healthy Mortality:* Pub-2010 General Employees Headcount-Weighted Mortality projected forward generationally from 2010 using mortality improvement scale MP-2020 for pre-retirement mortality. Pub-2010 General Retirees Headcount-Weighted Mortality projected forward generationally from 2010 using mortality improvement scale MP-2020 for post-retirement mortality. Weighted 120%.

*Disabled Mortality:* Pub-2010 General Disabled Retirees Headcount-Weighted Mortality projected forward generationally from 2010 using mortality improvement scale MP-2020 for post-retirement mortality.

Police, Fire, and Teachers:

*Healthy Mortality:* RP-2014 Healthy Employee Mortality projected forward generationally using mortality improvement scale MP-2020 for pre-retirement mortality. RP-2014 Healthy Annuitant Mortality Tables, projected forward generationally using mortality improvement scale MP-2020 for post-retirement mortality. *Previously the mortality improvement scale MP-2019 was used.*

*Disabled Mortality:* RP-2014 Disabled Mortality table.



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**5. Percent of Retirees Electing Coverage**

**Pre-Medicare retiree:** 90% of Police and Fire future retirees, 50% of General, and 80% of Teacher retirees are assumed to elect coverage.

**Medicare-eligible retiree:** 90% of Police and Fire future retirees, 70% of General, and 80% of Teacher retirees are assumed to elect coverage.

**6. Spousal Coverage**

	Under 65		65 and Over	
	Male Retiree	Female Retiree	Male Retiree	Female Retiree
General Employees	45%	20%	45%	25%
Teachers	35%	35%	35%	20%
Police	75%	50%	70%	50%
Fire	75%	50%	70%	50%

**7. Dependent Age**

For current retirees, the actual spouse date of birth was used when available. For future retirees and missing spouse dates of birth, husbands are assumed to be 3-years older than wives.

**9. Basis for Demographic Assumptions**

During 2021, an experience study was performed on the general employees' population. The results of this study were provided to the District of Columbia Office of the Chief Financial Officer on February 12, 2021. For the general employees, the demographic assumptions recommended in the February 12, 2021 experience study was used in this valuation. For the police, fire, and teachers' valuation assumptions relating to election percentage and spousal assumptions were studied and a recommendation was made and used in this valuation. Additionally, we reviewed the assumptions for police, fire, and teachers and recommended continuing to use the assumptions as recommended by the actuary for the D.C. Retirement Board in their May 12, 2017 experience study.

**11. Changes Since Last Valuation**

The Mortality improvement scale was updated to MP2020 from MP2019, as expected each year.

On February 15, 2020, we have provided an experience study for the General Employees with recommendations on the following items:

General Mortality – update to 120% of Pub-2010 General with MP 2020 improvement scale



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General Termination – increase termination between 0-4 years of service and after 10+ years of service

General Retirements – decrease retirement assumptions between 62 and 70

Election Percentage – increase election percentage for Police, Fire and Teachers, no change for General Employees

Spouse Election Percentage: update spouse election percentage for female Police and Fire employees, all Teachers and male General Employees as well as female General Employees under age 65





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**Claim and Expense Assumptions**

The claims costs were developed based on the actual premiums in effect for 2021. An adjustment was made to the claims to account for children of retirees. Additionally, 2021 contractual administrative expenses are included. The resulting per person per month (PPPM) cost is then adjusted using age curves.

**1. Average Annual Claims and Expense Assumptions**

The following October 1, 2020 to September 30, 2021 annual claims costs were developed based on the total premium rates charged by plan and tier. Subsequent years' costs are based on the first-year cost adjusted with the trend. These costs are net of deductibles and other benefit plan cost-sharing provisions. These claims are derived from actual blended premiums and allocated using Cheiron's aging factors to each age and by gender, including an assumed cost for children. The medical costs reduce at age 65 when the retiree becomes eligible for Medicare and Medicare is primary for their covered services. This is the third valuation in which the District has members enrolled in Medicare Advantage plans.

We have assumed that 50% (*previously 49%*) of current retirees under the age of 65 will elect the Medicare Advantage plans and the rest will remain enrolled in the plans that are also available to non-Medicare eligibles. We have assumed that 50% (*previously 49%*) of current retirees over the age of 65 will elect the Medicare Advantage plans and the rest will remain enrolled in the plans that are also available to non-Medicare eligibles.

Current retirees under age 65

For Fiscal Year 10/1/2020 - 9/30/2021:

District of Columbia		
Age	Male	Female
40	\$7,972	\$10,701
45	\$9,702	\$11,809
50	\$11,801	\$13,515
55	\$14,013	\$15,222
60	\$16,967	\$16,550
64	\$20,101	\$16,455
65	\$6,482	\$5,284
70	\$7,274	\$5,576
75	\$7,877	\$6,001
80	\$8,280	\$6,404
85	\$8,484	\$6,677

Current retirees over age 65

For Fiscal Year 10/1/2020 - 9/30/2021:

District of Columbia		
Age	Male	Female
40	\$7,972	\$10,701
45	\$9,702	\$11,809
50	\$11,801	\$13,515
55	\$14,013	\$15,222
60	\$16,967	\$16,550
64	\$20,101	\$16,455
65	\$6,542	\$5,329
70	\$7,346	\$5,625
75	\$7,950	\$6,051
80	\$8,349	\$6,452
85	\$8,550	\$6,724



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We have assumed that 70% (*previously 49%*) of actives employees will elect the Medicare Advantage plans and the rest will remain enrolled in the plans that are also available to non-Medicare eligibles.

Active employees

**For Fiscal Year 10/1/2020 - 9/30/2021:**

District of Columbia		
Age	Male	Female
40	\$7,972	\$10,701
45	\$9,702	\$11,809
50	\$11,801	\$13,515
55	\$14,013	\$15,222
60	\$16,967	\$16,550
64	\$20,101	\$16,455
65	\$5,617	\$4,695
70	\$6,200	\$4,900
75	\$6,836	\$5,349
80	\$7,363	\$5,825
85	\$7,677	\$6,172



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**2. Retiree Contributions**

The monthly contributions are as of the period starting September 30, 2020. For retirees and spouses prior to October 1, 2020, the contribution percentage is the actual percentage provided by the District for these retirees. For retirees and spouse who will retire after October 1, 2020, their contributions are based on the amount of service earned under each plan. Subsequent years' premiums are based on the first year premium adjusted with the trend

2021 Monthly Health Premiums			
	Self	Self +1	Family
<b>Pre-Medicare Plans</b>			
Kaiser Permanente HMO	\$668.86	\$1,277.53	\$1,959.70
United Healthcare Choice	797.51	1,523.23	2,336.67
Aetna CDHP Plan	305.16	599.82	881.81
Aetna PPO Plan	798.84	1,570.30	2,308.49
Aetna HMO Plan	832.38	1,636.20	2,405.37
CareFirst PPO	847.59	1,618.89	2,483.42
CareFirst HMO	750.55	1,478.59	2,169.10
<b>Medicare Plans</b>			
Aetna Medicare Advantage	\$396.99	\$793.98	N/A
CareFirst PPO Medicare	685.96	1,371.92	N/A
CareFirst HMO Medicare	606.85	1,213.70	N/A
Kaiser Permanente Medicare Plus	243.17	486.34	N/A
United Health Care Medicare Advantage	418.17	836.34	N/A

For General and Teachers, the District contribution for future retirees is 2.5% of the premium for each year of service up to a maximum of 75%. For spouses, the District contribution is 2.0% of the premium for each year of service up to a maximum of 60%.

For Police/Fire who were hired prior to November 10, 1996, the District will contribute 75% for retirees and 60% for spouses as long as the member can demonstrate that he or she has five years of creditable service. For Police/Fire who were hired on or after November 10, 1996, the benefits are 75% after 25 years of service for retirees and 60% for spouses with the amount reduced proportionately for those who retire with less than 25 years of service. For Police/Fire who died or become disabled in the line of duty, the benefit is 75% of the premium for both retirees and spouses.

**3. Medicare Part D Subsidy**

Per GASB guidance, any Retiree Drug Subsidy that the City receives from the Centers for Medicare Service (CMS) has not been reflected in this valuation.



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**4. Medicare Part B Premium Subsidy**

Assumed that Medicare-eligible retirees pay the Medicare Part B premiums.

**5. Medicare Eligibility**

All retirees who turn age 65 are assumed to be eligible for Medicare.

**6. Geography**

Implicitly assumed to remain the same as current retirees.

**7. Administrative Expenses**

Health plan administrative expenses are included in the per capita claims costs.

**8. Changes Since Last Valuation**

The healthcare claim curves were updated to reflect the new premium rates charged as well as the assumption concerning future retirees electing the Medicare Advantage Plans.



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**Methodology**

The Entry Age Normal Actuarial Cost method is used to determine costs. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan member and then summed to produce the total normal cost for the City.

The Actuarial Accrued Liability is that portion of the present value of projected benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and funds accumulated as of the same date is referred to as the unfunded actuarial liability.

The portion of the Actuarial Liability in excess of OPEB Trust's assets is amortized to develop additional costs or savings, which is added to each year's employer normal cost. Under this cost method, actuarial gains and losses are directly reflected in the size of the unfunded actuarial liability.

The unfunded actuarial liability is amortized over a closed 20-year period effective FYE 2016. The amortization is a level dollar amortization. There are 14 years remaining as of FYE 2022.

The liabilities presented in this section are based on the assumption of an ongoing plan and would not be appropriate for measuring the settlement value of plan obligations.

The claims costs were developed using actual 2021 premiums. Expenses were based on contractual rates. From this data, we developed per person per month (PPPM) costs for January 1, 2021 to December 31, 2022. The per person per month was then adjusted to a per adult per month then adjusted using age curves, such that the total expected claims are determined.

**Disclosures regarding Models Used**

In accordance with Actuarial Standard of Practice No. 56 (Modeling), the following disclosures are made:

**a. Valuation Software**

Cheiron utilizes ProVal, an actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate the liabilities, normal costs, and projected benefit payments. We have relied on WinTech as the developer of ProVal. We have reviewed ProVal and have a basic understanding of it and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this actuarial valuation.

**b. Getzen Trend Model**

Medical Trend assumptions were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model version 2020\_B. The assumptions that were input into this model are detailed in Economic Assumptions #5 on page 17.



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The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of the SOA Project Oversight Group.

The trends selected from 2021-2024 were based on plan design and renewal projections. The rate of inflation was based on investment assumptions, and the rate of growth in Real Income/GDP per capital is more than the baseline assumption due the fully funded nature of the Plan.

We have reviewed the assumptions for the model and found them to be reasonable and consistent with the other economic assumptions used in the valuation.

We have relied on the Society of Actuaries as the developer of the Model. We have reviewed the Model and have a basic understanding of the Model and have used the Model in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of the Model that would affect this report.

### **Actuarial Value of Assets**

For purposes of determining the contribution rate to the Plan, we use an actuarial value of assets. The asset adjustment method dampens the volatility in asset values that could occur because of fluctuations in market conditions. Use of an asset smoothing method is consistent with the long-term nature of the actuarial valuation process.

The actuarial value of assets is the current market value, adjusted by a five-year smoothing of gains and losses on a market value basis. Each year's gain or loss is determined as the difference between the actual market return and the expected market return using the assumed rate of investment return. The actuarial value is adjusted to remain within 20% of the market value.



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**APPENDIX C – SUMMARY OF PLAN PROVISIONS**

**Summary of Key Substantive Plan Provisions**

**Eligibility**

Employees hired after September 30, 1987 are eligible for post-employment health and life insurance coverage if they have been continuously enrolled in a District health benefit plan for at least 5 years and they:

1. Are classified as a General Employee, are at least age 60, have at least 10 years of creditable District service, are covered under the District defined contribution program and have obtained a Social Security award letter (including disability); or
2. Have at least 10 years of creditable District service and retire under the Teachers' Retirement System, the Judges' Retirement System or the Teachers' Insurance and Annuity Association program; or
3. Retire under the Police Officers' & Firefighters Retirement Plan with at least 10 years of creditable District service (5 years if hired before 11/10/1996)

Plan	Eligibility			
	Criteria to qualify for retirement			
	Unreduced Age	Service	Reduced Age	Service
Teachers (note: service must include 5 years of school service)	55*	30	50	20
	60	20	Any	25
	62	5		
Police & Firefighters - hired before 11/10/1996**	50	25	NA	NA
	60	5	NA	NA
Police & Firefighters - hired on or after 11/10/1996	Any	25	NA	NA
	60	None	NA	NA

\*If hired on or after 11/1/1996, there is no age requirement if have 30 years of service.

\*\*If hired prior to 2/15/1980, retirement available after 20 years of service, regardless of age.

A surviving spouse may continue healthcare coverage upon the retiree's death.





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**Summary of 2020 Benefit Plans**

Currently, the District of Columbia's Other Post-Employment Benefits Fund offers the same health plans as active employees. Benefits are payable under the plan for medical care obtained from the District's health care insurers. The District currently allows the participant to choose from a PPO, POS, or several HMOs. These choices are Kaiser HMO, United HealthCare (UHC), Aetna CDHP, Aetna HMO, Aetna PPO, CareFirst HMO, and CareFirst PPO plans. Once a participant becomes eligible for Medicare, the plans pay as if Medicare is primary, even if the retiree does not enroll in Medicare. In addition, the retiree has the choice of three Medicare Advantage plans.

January 1, 2021 Plans				
Plan	Aetna CDHP	Aetna PPO	Aetna HMO	Kaiser Permanente HMO
<b><u>In-Network (INN) Benefits</u></b>				
Deductible (Individual / Family)	\$1,400 / \$2,800	\$750 / \$1,500	\$0	\$0
Coinsurance	85%	85%	100%	100%
Out-of-Pocket Max (Individual / Family)	\$3,425 / \$6,850	\$1,500 / \$3,000	\$3,500 / \$9,400	\$3,500 / \$9,400
<b>Coverages</b>				
Preventive Care	Fully Covered	Fully Covered	Fully Covered	Fully Covered
Office Visit (OV)-Primary Care	DC*	\$15 Copay	\$10 Copay	\$10 Copay
OV - Specialist Care Provider (SCP)	DC*	\$15 Copay	\$20 Copay	\$20 Copay
Hospital Emergency Room (ER)	DC*	\$100 Copay	\$100 Copay	\$50 Copay
Urgent Care (UC)	DC*	\$25 Copay	\$20 Copay	\$20 Copay
Outpatient Surgery	DC*	DC*	\$50 Copay	\$50 Copay
Hospital Inpatient	DC*	DC*	\$100 Copay per stay	\$100 Copay per stay
Lifetime Max	No Limit	No Limit	No Limit	No Limit
<b><u>Out-of-Network (OON) Benefits</u></b>				
Deductible (Individual / Family)	\$2,500 / \$5,000	\$1,500 / \$3,000		
Coinsurance	60%	75%		
Out-of-Pocket Max (Individual / Family)	\$6,450 / \$12,900	\$3,000 / \$6,000		
<b><u>Prescription Drug Benefits</u></b>				
Retail (30 Days) - Generic/Formulary/Non-form. Copay	\$10 / \$30 / \$60	\$20 / \$40 / \$55	\$20 / \$40 / \$55	\$10/\$20/\$35 Plan Pharmacy; \$20/\$40/\$55 Participating
Mail Order (90 Days) - Generic/Formulary/Non-form. Copay	\$20 / \$60 / \$120	\$20 / \$40 / \$55	\$8 / \$18 / \$33	\$8 / \$18 / \$33
Separate Drug Out of Pocket Max	N/A	\$5,100 / \$10,200	\$3,100 / \$3,800	N/A
<b><u>Detail Benefits</u></b>				
Mental Health and Substance Abuse Inpatient	DC*	DC*	\$100 Copay per stay	\$100 Copay per stay
Mental Health and Substance Abuse Outpatient	DC*	\$15 Copay	\$10	\$10 / \$5 group
Rehabilitation	DC*	DC*	\$10	\$20
Chiropractors	DC*	DC*	\$20	\$20
Dental	Not covered	Not covered	Not covered	Not covered
Vision Exam	100%	100%	\$10 Copay	\$10 Copay
Vision Lens/Frames/Contacts	\$100/ 24 months	\$100/ 24 months	\$100/ 24 months	Every 24 months

\*DC = Deductible and Coinsurance

<sup>1</sup> No network, benefits same as in-network benefits



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January 1, 2021 Plans			
Plan	CareFirst HMO	CareFirst PPO	United Health Care HMO
<b><u>In-Network (INN) Benefits</u></b>			
Deductible (Individual / Family)	\$0	\$750 / \$1,500	\$0
Coinsurance	100%	100%	100%
Out-of-Pocket Max (Individual / Family)	\$3,500 / \$9,400	\$1,500 / \$3,000	\$3,500 / \$9,400
<b><u>Coverages</u></b>			
Preventive Care	Fully Covered	Fully Covered	Fully Covered
Office Visit (OV)-Primary Care	\$10 Copay	\$15 Copay	\$10 Copay
OV - Specialist Care Provider (SCP)	\$20 Copay	\$15 Copay	\$20 Copay
Hospital Emergency Room (ER)	\$100 Copay	\$100 Copay	\$100 Copay
Urgent Care (UC)	\$20 Copay	\$25 Copay	\$20 Copay
Outpatient Surgery	\$50 Copay	DC*	\$50 Copay
Hospital Inpatient	\$100 Copay per stay	DC*	\$100 Copay per stay
Lifetime Max	No Limit	No Limit	No Limit
<b><u>Out-of-Network (OON) Benefits</u></b>			
Deductible (Individual / Family)		\$1,500 / \$3,000	
Coinsurance		100%	
Out-of-Pocket Max (Individual / Family)		\$3,000 / \$6,000	
<b><u>Prescription Drug Benefits</u></b>			
Retail (30 Days) - Generic/Formulary/Non-form. Copay	\$20 / \$40 / \$55	\$20 / \$40 / \$55	\$20 / \$40 / \$55
Mail Order (90 Days) - Generic/Formulary/Non-form. Copay	\$40 / \$80 / \$110	\$40 / \$80 / \$110	\$16 / \$36 / \$66
Separate Drug Out of Pocket Max	N/A	\$5,100 / \$10,200	N/A
<b><u>Detail Benefits</u></b>			
Mental Health and Substance Abuse Inpatient	\$100 Copay per stay	DC*	\$100 Copay per stay
Mental Health and Substance Abuse Outpatient	\$10 Copay	\$15 Copay	\$10 Copay
Rehabilitation	\$10 Copay	DC*	\$10 Copay
Chiropractors			
Dental	Not covered	Not covered	Not covered
Vision Exam	\$10 Copay	\$10 Copay	Not covered
Vision Lens/Frames/Contacts			Not covered

\*DC = Deductible and Coinsurance

<sup>1</sup> No network, benefits same as in-network benefits



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Plan	Aetna Medicare PPO with ESA	Kaiser Permanente Medicare Advantage HMO	United Health Care Group Medicare Advantage (PPO)
<b><u>In-Network (INN) Benefits</u></b>			
Deductible (Individual / Family)	\$0	\$0	\$0
Coinsurance	100%	100%	100%
Out-of-Pocket Max (Individual / Family)	\$6,700	\$3,400	\$500
<b>Coverages</b>			
Preventive Care	Fully Covered	Fully Covered	Fully Covered
Office Visit (OV)-Primary Care	\$15 Copay	\$15 Copay	\$5 Copay
OV - Specialist Care Provider (SCP)	\$15 Copay	\$15 Copay	\$10 Copay
Hospital Emergency Room (ER)	\$50 Copay	\$50 Copay	\$65 Copay
Urgent Care (UC)	\$15 Copay	\$15 Copay	\$5 Copay
Outpatient Surgery	Fully Covered	Fully Covered	Fully Covered
Hospital Inpatient	Fully Covered	\$100 Copay per stay	\$100 Copay per stay
Lifetime Max	No Limit	No Limit	No Limit
<b><u>Out-of-Network (OON) Benefits</u></b>			
Deductible (Individual / Family)	\$0		
Coinsurance	0%		
Out-of-Pocket Max (Individual / Family)	\$6,700		
<b><u>Prescription Drug Benefits</u></b>			
Retail (30 Days) - Generic/Formulary/Non-form. Copay	\$10 / \$20 / \$40	\$12.50	\$10 / \$30 / \$40
Mail Order (90 Days) - Generic/Formulary/Non-form. Copay	\$20 / \$40 / \$80	\$10	\$20 / \$60 / \$80
Separate Drug Out of Pocket Max	N/A	N/A	N/A
<b><u>Detail Benefits</u></b>			
Mental Health and Substance Abuse Inpatient	Fully Covered	Fully Covered	\$100 Copay per stay
Mental Health and Substance Abuse Outpatient	\$15 Copay	\$15 Copay	\$10 Copay
Rehabilitation	\$15 Copay	\$15 Copay	\$5 Copay
Chiropractors	\$15 Copay	\$15 Copay	\$10 Copay
Medicare Covered Dental	\$15 Copay	\$30 Copay	Not covered
Vision Exam	100%	\$15 Copay	\$10 Copay
Vision Lens/Frames/Contacts	\$100/ 24 months	20% to Medicare's Limit	Not covered

\*DC = Deductible and Coinsurance

<sup>1</sup> No network, benefits same as in-network benefits



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**Retiree Contributions**

General Employees

Retirees under the age of 62 pay the full aggregate active-life rate for coverage. Thus, prior to age 62, the retiree healthcare plan is an access-only plan. Once a retiree attains age 62, the retiree pays a portion of the aggregate, active-life rate, as determined under the following schedule:

General		
Annuitant's Years of Service	Percentage of Plan Aggregate Retiree Coverage	Cost Rate Paid by Retiree for: Dependent/Survivor's Coverage
Less than 10	100%	100%
10-25	75% minus 2.5% for each year of service in excess of 10	80% minus 2.5% for each year of service in excess of 10
25-29	75% minus 2.5% for each year of service in excess of 10	40%
30 or more	25%	40%

Teachers

For annuitants who are injured in the line of duty, the retiree contributes 25% of the Plan aggregate, active-life rate for both the retiree and dependent coverage, regardless of years of service.

Teachers		
Annuitant's Years of Service	Percentage of Plan Aggregate Retiree Coverage	Cost Rate Paid by Retiree for: Dependent/Survivor's Coverage
Less than 10	100%	100%
10-25	75% minus 2.5% for each year of service in excess of 10	80% minus 2.5% for each year of service in excess of 10
25-29	75% minus 2.5% for each year of service in excess of 10	40%
30 or more	25%	40%



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**Police & Fire**

For annuitants who are injured in the line of duty, the retiree contributes 25% of the Plan aggregate, active-life rate for both retiree and dependent coverage, regardless of years of service.

<b>Police &amp; Fire</b>		
<b>Annuitant's Years of Service</b>	<b>Percentage of Plan Aggregate Retiree Coverage</b>	<b>Cost Rate Paid by Retiree for: Dependent/Survivor's Coverage</b>
<b>Hired before 11/10/1996</b>		
Less than 5	100%	100%
5 or more	25%	40%
<b>Hired on or after 11/10/1996</b>		
Less than 10	100%	100%
10-21	70% minus 3.0% for each year of service in excess of 10	75% minus 3.0% for each year of service in excess of 10
25-29	70% minus 3.0% for each year of service in excess of 10	40%
30 or more	25%	40%

**Life Insurance**

The District offers Basic Life Insurance coverage with the continuation of Supplemental Life insurance. Participants may elect to continue the amount of the basic preretirement group life insurance amount in retirement, which is one times earnings, plus \$2,000. Under the 75% reduction option, participant biweekly premiums of \$0.065 per \$1,000 of insurance are required until age 65, with no participant contribution thereafter. Under the 75% reduction option, coverage reduces 2% per month after age 65 until the coverage amount reaches 25% of the original insurance amount and is level thereafter.

Retirees may also elect a 50% or a 0% reduction option, which require additional retiree contributions. Retirees may also purchase additional life insurance coverage beyond the basic coverage, on a retiree-pay-all basis.

**Changes Since Prior Valuation**

None



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**APPENDIX D – GLOSSARY OF TERMS**

**1. Actuarial Assumptions**

Assumptions as to the occurrence of future events affecting OPEB costs, such as mortality, withdrawal, and retirement; changes in compensation; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the actuarial value of assets; and other relevant items.

**2. Actuarial Cost Method**

A procedure for determining the actuarial present value of OPEB plan benefits and expenses and for developing an allocation of such value to each year of service, usually in the form of a normal cost and an actuarial liability.

**3. Actuarially Determined Contribution**

A target or recommended contribution for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.

**4. Actuarial Gain (Loss)**

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

**5. Actuarial Liability**

The portion of the actuarial present value of projected benefits, which will not be paid by future normal costs. It represents the value of the past normal costs with interest to the valuation date.

**6. Actuarial Present Value (Present Value)**

The value as of a given date of a future amount or series of payments, the actuarial present value discounts the payments to the given date at the assumed investment return and includes the probability of the payment being made. As a simple example: assume you owe \$100 to a friend one year from now. Also, assume there is a 1% probability of your friend dying over the next year, in which case you will not be obligated to pay him. If the assumed investment return is 10%, the actuarial present value is:

<u>Amount</u>		<u>Probability of Payment</u>		$\frac{1/}{(1+\text{Discount Rate})}$		<u>Present Value</u>
\$100	x	(1 - .01)	x	$\frac{1}{1/(1+.1)}$	=	\$90



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**7. Actuarial Valuation Date**

The date as of which an actuarial valuation is performed. This date may be up to 24 months prior to the measurement date and up to 30 months prior to the employer's reporting date.

**8. Actuarial Value of Assets**

The value of cash, investments, and other property belonging to an OPEB plan as used by the actuary for the purpose of an actuarial valuation. The purpose of an actuarial value of assets is to smooth out fluctuations in market values. This way long-term costs are not distorted by short-term fluctuations in the market.

**9. Amortization Payment**

The portion of the OPEB plan contribution, which is designed to pay interest and principal on the unfunded actuarial liability in order to pay for that liability in a given number of years.

**10. Entry Age Normal Actuarial Cost Method**

A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit ages.

**11. Normal Cost**

That portion of the actuarial present value of OPEB plan benefits and expenses, which is allocated to a valuation year by the actuarial cost method.

**12. Unfunded Actuarial Liability**

The excess of the actuarial liability over the actuarial value of assets.

**13. Funded Percentage**

The ratio of the actuarial value of assets to the actuarial liabilities.

**14. Mortality Table**

A set of percentages, which estimate the probability of death at a particular point in time. Typically, the rates are annual and based on age and sex.





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**15. Discount Rate**

The assumed interest rate used for converting projecting +dollar-related values to a present value as of the valuation date.

**16. Medical Trend**

The assumed increase in dollar-related values in the future due to the increase in the cost of health care.

**17. Deferred Inflow of Resources**

An acquisition of net assets by a government employer that is applicable to a future reporting period. In the context of GASB 75, these are experience gains on the total OPEB liability, assumption changes reducing the total OPEB liability, or investment gains that are recognized in future reporting periods.

**18. Deferred Outflow of Resources**

A consumption of net assets by a government employer that is applicable to a future reporting period. In the context of GASB 75, these are experience losses on the total OPEB liability, assumption changes increasing the total OPEB liability, or investment losses that are recognized in future reporting periods.

**19. Entry Age Actuarial Cost Method**

The actuarial cost method required for GASB 74 and 75 calculations. Under this method, the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit ages. The portion of this actuarial present value allocated to a valuation year is called the Service Cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future service costs is called the total OPEB liability.

**20. Measurement Date**

The date as of which the total OPEB liability and plan fiduciary net position are measured, the total OPEB liability may be projected from the Actuarial Valuation Date to the Measurement Date. The Measurement Date must be the same as the Reporting Date for the plan.



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**21. Net OPEB Liability**

The liability of employers and non-employer contributing entities for employees for benefits provided through a defined benefit OPEB plan. It is calculated as the total OPEB liability less the plan fiduciary net position.

**22. Plan Fiduciary Net Position**

The fair or Market Value of Assets.

**23. Reporting Date**

The last day of the plan or employer's fiscal year.

**24. Service Cost**

The portion of the actuarial present value of projected benefit payments that is attributed to the current period of employee service in conformity with the requirements of GASB 74 and 75. The Service Cost is the normal cost calculated under the entry age actuarial cost method.

**25. Total OPEB Liability**

The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of GASB 74 and 75. The total OPEB liability is the Actuarial Liability calculated under the entry age actuarial cost method.





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