

**PERFORMANCE AND OVERSIGHT HEARING ON  
THE OTHER POST-EMPLOYMENT BENEFITS FUND  
FOR FISCAL YEAR 2022**

Before the  
Committee of the Whole  
Council of the District of Columbia

The Honorable Phil Mendelson, Chairman

**February 27, 2023, at  
2:00 p.m.**



**Testimony of  
Carmen Pigler  
Deputy Chief Financial Officer - Treasurer  
Office of the Chief Financial Officer  
Government of the District of Columbia**

**Glen Lee  
Chief Financial Officer  
Government of the District of Columbia**

Good afternoon, Chairman Mendelson, and members of the Committee of the Whole. I am Carmen Pigler, Deputy Chief Financial Officer, and Treasurer of the District of Columbia. I am pleased to testify on the Fiscal Year 2022 performance of the Other Post-Employment Benefits (“OPEB”) Fund, referred to hereafter as the “Trust Fund”.

The Trust Fund is administered by the Office of Finance and Treasury (“OFT”) pursuant to the Annuitants’ Health and Life Insurance Employer Contribution Plan document. The Trust Fund’s assets pay health and life insurance benefits for participants and administrative expenses associated with the OPEB Plan (“the Plan”).

District of Columbia legislation established the Other Post-Employment Advisory Committee (“the Committee”) comprised of independent subject-matter experts. The Committee, which meets semi-annually, provides additional guidance on investment objectives and best practices. During the last meeting of OPEB’s advisory committee, on January 23, 2023, OFT provided the committee with an overview of the Trust Fund’s Fiscal Year 2022 performance and shared additional information comparable to this testimony.

As of September 30, 2022, the Trust Fund was valued at \$1.65 billion with 3,200 participants. By comparison, the Trust Fund was valued at \$2 billion with 2,800 participants at the end of Fiscal Year 2021.

Performance for Fiscal Year 2022 reflects broad underperformance in the equity and bond markets. The Trust Fund realized a net investment loss of \$398.9 million, declining 19.54% versus the policy benchmark decline of 17.79%. By comparison, the Trust Fund had a rate of return (gross of fees) of 22.04%, and 7.03% in Fiscal

Years 2021 and 2020 respectively. For the five-year period ending September 30, 2022, the Trust Fund had a return of 2.38%. The rate of return since the Trust Fund's inception is 5.71%.

The District's annual contribution to the Trust Fund was \$53 million for Fiscal Year 2022, compared to \$53.6 million in Fiscal Year 2021. The annual contribution budgeted for Fiscal Year 2023 is \$41.5 million.

An actuarial analysis of the Plan's assets and liabilities is performed annually to determine the funding status of the Plan. For the year ending September 30, 2022, the Plan had a funding ratio of 90.5% based on the market value of assets, and 102.67% based on the actuarial value of assets. A plan's funding ratio is the value of assets as a percentage of liabilities. Many industry experts consider a plan that is at least 80% funded to be healthy.

On April 21, 2022, OFT completed and delivered the Trust Fund's Fiscal Year 2021 annual report to the Mayor, and the Council. The annual report included the Fiscal Year 2021 audited financial statements, Plan performance, and actuarial assumptions. OFT is currently working to produce the Fiscal Year 2022 annual report.

In conjunction with the Annual Comprehensive Financial Report (ACFR), the Plan's Fiscal Year 2022 financial statements were audited and given an unqualified (clean) audit opinion by the ACFR auditors, McConnell & Jones.

During Fiscal Year 2022, OFT issued a request for proposal for Outsourced Chief Investment Officer (OCIO) investment management services. The contract was awarded to NEPC, LLC ("NEPC") in Fiscal Year 2023. The OCIO model will allow

the Plan to invest more dynamically and nimbly within the parameters of the investment policy and achieve higher returns while lowering the Trust Fund's risk profile. OFT and NEPC will work together to update the Plan's Investment Policy, implement an asset allocation strategy, and diversify the pool of investment managers the Plan engages.

Also, through competitive bids conducted in Fiscal Year 2022, Bert Smith & Co. was awarded the contract to audit the Plan and OFT retained the services of Cheiron as the Plan actuary. A Request for Proposals will be issued in the coming weeks for a custodian of the Fund's assets.

In summary, the District's Plan is adequately funded and OFT continues to review the program to ensure it not only meets best practices but exceeds them. This is consistent with the Office of the Chief Financial Officer's continuous improvement values. The Trust Fund's healthy funding status will ensure Plan assets are sufficient to meet the obligated costs of participant health and life insurance benefits as required by the Plan. OCFO's goals are to continue to oversee a well-funded plan, achieve higher risk adjusted returns, and ensure that the Trust Fund is managed using best practices.

This concludes my remarks. I would be pleased to answer any questions you may have.