

**PUBLIC OVERSIGHT HEARING ON
THE OTHER POST-EMPLOYMENT BENEFITS FUND
FOR FISCAL YEAR 2024**

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

The Honorable Phil Mendelson, Chairman

March 6, 2025, at 9:30a.m.



**Testimony of
Carmen Pigler
Deputy Chief Financial Officer
and 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 morning, 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 appear before you today to testify on the Fiscal Year 2024 performance of the Other Post-Employment Benefits Fund, referred to hereafter as the “Trust Fund” or the “Plan.” I am joined by Benedict Richardson, Associate Treasurer; Rodney Dickerson, Director; and Ken Alozie, Program Manager.

The Trust Fund’s assets pay health and life insurance benefits for participants and administrative expenses associated with the Plan. 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. As of September 30, 2024, the Trust Fund was valued at \$2.29 billion with 3,855 participants.

In Fiscal Year 2024, the Trust Fund generated net gains from investments of \$407.6 million. In order to evaluate Fund performance, investment returns are periodically compared to a policy benchmark, a composite index with a risk profile similar to the Plan’s. The Trust Fund’s gross return in Fiscal Year 2024 was 22.27%, versus the Trust Fund’s policy benchmark return of 22.49%. The total return for the year, net of fees, was 22.06%.

For the five-year period ending September 30, 2024, Trust Fund assets returned 7.18%, net of fees. The Trust Fund’s rate of return since inception is 5.81% net of fees, below the target actuarial rate of return of 6.50%.

The actuarial consulting firm Cheiron performs an actuarial analysis of the Plan’s assets and liabilities annually to determine the Plan’s Funding Ratio and the District’s Employer Contribution. The Fiscal Year 2024 study was completed February 2025.

A plan's "Funding Ratio" is the ratio of the plan's asset value to its actuarially accrued liability at a point in time. Based on the actuarial consultant's findings, the Plan's funding ratio as of September 30, 2024, was 103.19% based on the market value of assets and 97.91% based on the actuarial value of assets. A plan is considered fully funded when it has a Funding Ratio between 90% and 120%.

The District's Employer Contribution is \$63.9 million for Fiscal Year 2025. Based on the actuary's analysis, the budgeted contribution for Fiscal Year 2026 is \$73.6 million.

OFT engaged Certified Public Accounts, Bert Smith & Company to compile the Plan's Fiscal Year 2024 financial statements. In conjunction with the District's annual audit, the financial statements were completed and given an unmodified (clean) audit opinion by the District's auditors, McConnell & Jones LLP.

OFT continues to review the Plan to ensure fund assets grow at a rate that will meet all future obligations. In partnership with the Plan's Outsourced Chief Investment Officer and co-fiduciary NEPC LLC, OFT is incorporating recommended asset allocations and diversifying the Plan's investment strategy.

District law established the Other Post-Employment Advisory Committee ("Advisory Committee") comprised of independent subject-matter experts. They provide an additional level of oversight into important issues that can impact the performance and value of the Trust Fund, including actuarial assumptions, investment objectives, and best practices. The Advisory Committee meets biannually. The last meeting was February 13, 2025. OFT provided the Advisory Committee with a performance overview of the Trust Fund and shared additional information comparable to this testimony.

In summary, the Trust Fund is effectively managed using proper fiduciary oversight to help ensure Plan assets are sufficient to meet the obligated costs of participant health and life insurance benefits as required by the Plan. Our goals are to continue to oversee a well-funded plan, to outperform the policy benchmark portfolio on a risk-adjusted basis, and continue to manage the Trust Fund prudently, utilizing industry best practices.

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