

**PERFORMANCE OVERSIGHT HEARING ON
THE OTHER POST-EMPLOYMENT BENEFITS FUND
FOR FISCAL YEAR 2023**

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

The Honorable Phil Mendelson, Chairman

February 29, 2024, at 9:30 a.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 testify on the Fiscal Year 2023 performance of the Other Post-Employment Benefits (“OPEB”) 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, 2023, the Trust Fund was valued at \$1.84 billion with 3,600 participants.

In Fiscal Year 2023, the Trust Fund generated net gains from investments of \$185.5 million. Performance for Fiscal Year 2023 was boosted by favorable equity and bond markets. Gross returns in Fiscal Year 2023 were 11.46%, versus the Fund’s policy benchmark returns of 11.52%. Total returns for the year, net of fees, were 11.23%. For the five-year period ending September 30, 2023, Fund assets returned 3.57%. The Fund’s rate of return since inception is 5.37%, 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 2023 study is nearing completion.

The “Funding Ratio” is the ratio of a plan’s asset value to its accrued liability at a point in time. Based on Cheiron’s preliminary analysis of Fund assets and liabilities, the Plan’s funding ratio as of September 30, 2023, was 93% based on the market value

of assets, and 100.7% based on the actuarial value of assets. A plan is considered fully funded when it has a funding ratio between 90% and 120%.

The “Employer Contribution” is the payment made to a plan by a plan sponsor. The accumulation of Employer Contributions and investment earnings pay plan liabilities. In Fiscal Year 2023, the District’s Employer Contribution was \$41.5 million, and \$72.7 million in Fiscal Year 2024.

OFT engaged certified public accountants Bert Smith & Co., to compile the Plan’s Fiscal Year 2023 financial statements. In conjunction with the District’s annual audit and publication of the Annual Comprehensive Financial Report, the financial statements were completed and given an unqualified audit opinion by the District’s independent auditors, McConnell & Jones.

Although the Plan is adequately funded, OFT continues to monitor Plan assets to ensure it is meeting long term investment goals. To this end, OFT onboarded a Outsourced Chief Investment Officer (OCIO) and co-fiduciary, NEPC, in Fiscal Year 2023. OFT and NEPC are incorporating the OCIO’s recommended asset allocation and diversifying the Plan’s investment strategy.

District of Columbia law established the OPEB Advisory Committee (“Advisory Committee”) comprised of independent subject-matter experts. These experts provide an additional level of oversight on 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 January 29, 2024. 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 well-positioned to ensure Plan assets are sufficient to meet the obligated costs of participant health and life insurance benefits now and in the future. Our 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.