

**HEARING ON
BILL 20-627, THE POST-EMPLOYMENT BENEFITS
TRUST FUND JURISDICTION AMENDMENT ACT OF
2013**

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

The Honorable Phil Mendelson, Chairman

January 28, 2014, 1:30 p.m.
The John A. Wilson Building
Room 412



Testimony of
Jeff DeWitt
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Good afternoon Chairman Mendelson and members of the Committee of the Whole. I am Jeff DeWitt, Chief Financial Officer of the District of Columbia. I am pleased to testify on Bill 20-0627, the “Post-Employment Benefits Trust Fund Jurisdiction Amendment Act of 2013.” With me today is Jeffrey Barnette, Treasurer for the District of Columbia, who is available to help answer any questions you may have.

Chairman Mendelson, I deeply appreciate the time you have personally devoted to reviewing the District’s OPEB status and our several discussions regarding this matter that have led to several of the improvements I will discuss. I also want to thank the Mayor and the Council for their leadership in establishing the trust, and the prudent administration of the OPEB plan by the Office of Finance and Treasury.

In recent years, other post-employment benefits (OPEB) costs, which relate to retiree health and life benefits, have received increased attention due to the nation’s aging work-force and the financial obligations in both the private and public sectors to pay for these benefits. In my previous position as CFO for the City of Phoenix, I served on the City of Phoenix Employees Retirement Board, and was involved in the establishment and governance of OPEB trusts. This included spending considerable time over the past years examining this complicated issue that involves actuarial assumptions, long and short-term investment decisions and forecasts of benefits pay-outs, among other factors.

By way of history, the District’s OPEB plan was established in 1999, but received the majority of its funding starting in 2007. This was part of a new Governmental Accounting Standards Boards (GASB) issuance known as GASB 45 which

outlined the governmental standards to move from an annual “pay as you go” funding of retiree health care benefits to a long-term trust that is invested and used exclusively for the benefits established.

The District was one of the early implementers of this kind of trust and has achieved a level of funding since 2007 that is among the best of any governmental entity in the nation. Considerable effort has been taken over the past few years by the District’s Treasurer to ensure that the investments, actuarial analyses and all other necessary elements are in place for a sound and sustainable OPEB trust.

In contrast to other government OPEB plans around the country which have a median funding ratio of only 7.10%, the District’s OPEB currently has a funding ratio of 75.40%. Given that the majority of the D.C. government workforce, in particular a significant portion of the Baby Boom generation, has yet to approach retirement, our funding ratio provides a solid basis for continuing to provide OPEB to those retirees who choose this benefit. It is also noteworthy that there are only eleven state plans in the entire country, including ours, that have funding levels greater than 10%.

The OPEB investment portfolio achieved rates of return of 15.45% over the past year, and 9.90% over the past three-year period. These are positive returns and compare favorably to the returns of the DC Retirement Board.

I have extensively reviewed practices and procedures related to the OPEB Trust with the Deputy CFO, Jeff Barnette. I have concluded that the trust is well-established, has a recent actuarial study that included an extensive review of all related assumptions, and, as discussed previously, has performed very well. I have

made clear in my first weeks in this position that one of my top priorities for my office is continuous improvement. Although the District's OPEB funding is well-funded, a comprehensive review of the program will be undertaken to ensure it not only meets best practices but exceeds them, consistent with our goals of continuous improvement. In this regard, the Government Finance Officers Association has several recommendations for OPEB administration that we will use to review our internal policies and procedures that govern the OPEB trust. As was discussed, the goal is best practices and a transparent process.

At your suggestion, I am also convening an advisory board, comprised of independent, outside subject-matter experts, who can review with OCFO staff OPEB plan particulars, including actuarial assumptions and investment objectives and decisions and make recommendations in regard to best practices. And, in order to enhance transparency and greater understanding by the public of OPEB, my office is committed to providing an annual report that will apprise the Mayor, Council and the public of the status, performance, and major changes in our actuarial assumptions. Beginning with this fiscal year, we will issue an annual report on the OPEB plan, similar to annual reports for the District's 401(a) and 457 deferred compensation plans and the 529 college savings plans.

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