



GOVERNMENT OF THE DISTRICT OF COLUMBIA

401(a) & 457(b) Retirement Plans

ANNUAL REPORT - FISCAL YEAR 2022



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Executive Summary

Fiscal year 2022 was a down year for investors as both equity and fixed income markets experienced steep declines. A combination of historically high inflation, rising interest rates, the war in Ukraine and lingering COVID-19 issues weighed on the results. U.S. equities, as measured by the S&P 500 Index, posted a decline of 15.5%. Within international equity markets, developed markets outpaced emerging markets declining 25.1% and 28.1%, respectively. Fixed income markets suffered a historic sell-off with domestic fixed income markets, as measured by the Bloomberg Aggregate Index, declining 14.6%, as a result of the jump in interest rates (yields). As yields rise, bond prices decline. The Federal Reserve raised rates three times during fiscal year 2022 in response to the surge in inflation. Non-U.S. fixed income was down 24.8%.

Assets in the 401(a) Defined Contribution Plan ("401(a) Plan") decreased 16.2% from \$1.482 billion to \$1.241 billion as assets depreciated. The plan had 30,661 participants and the average account balance was \$40,482. The District contributed \$83.8 million in fiscal year 2022 compared to \$81.9 million for the prior year.

Assets in the 457(b) Deferred Compensation Plan ("457(b) Plan") decreased 10.6% from \$1.209 billion to \$1.081 billion. The plan had 31,847 participants and the average account balance was \$33,935. Participants contributed \$126.6 million in fiscal year 2022 compared to \$117.9 million for the prior year. The employee participation rate for the 457(b) Plan in 2022 was 69% vs. 64% in 2021 representing an increase of 5 percentage points. We encourage and educate employees about the benefits of saving for retirement with a goal of 100% participation in the program.

We continued a robust educational program for participants that included monthly financial literacy seminars and individual account reviews. During the fiscal year 2,280 employees attended 191 seminars held by MissionSquare (recordkeeper) and 5,087 employees met one-on-one (in person or virtually) with a MissionSquare representative. There were a few key campaigns to engage employees in their retirement plans: Simplify Your Retirement; Smart Money Moves; Summer Passport; Turning Your 457(b) Savings into Income; Start Your Journey; and Financially Fit DC at Work.

This report also provides more detailed information regarding the plans' investment funds and investment performance; reviews of our financial educational programs; lists relevant plan statistics; and outlines the administrative work performed by our partners in the District government and at MissionSquare.

The Office of Finance and Treasury regularly reviews the performance of the funds with our independent investment management consulting firm, Segal Marco Advisors. The operations of the plans and their assets are examined each year by an independent accounting firm. The plans received an unqualified (clean) opinion from the auditor, F.S. Taylor & Associates, P.C. The audited financial statements are included in this report as an appendix.

We hope you find the information in this report helps you gain a better understanding of the District's retirement plans, as well as the oversight performed on an ongoing basis by the Office of Finance and Treasury and the DC Department of Human Resources.

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MissionSquare Retirement Fund Information and Benchmark Descriptions

The following is a summary of the investment options in the 401(a) and 457(b) Retirement Plans, organized by asset class. There are 30 investment options, ranging from conservative funds that focus on stability of principal to more aggressive funds such as a global/international fund and a brokerage option. This summary includes a description of the benchmark for each fund. More detailed information on each investment option, including fund fact sheets, can be found online at DCRetire.com. On an ongoing basis, the District monitors all investment options, evaluating investment performance, fund manager performance and other factors.



Stable Value/Cash Management

MISSIONSQUARE PLUS FUND R10

Vantagepoint Investment Advisers, LLC employs a structured, multi-product, multi-manager approach in managing this fund. The fund invests primarily in a diversified and tiered portfolio of stable value investment contracts and fixed income securities, fixed income mutual funds and fixed income commingled trust funds (“fixed income assets”) that back certain stable value investment contracts. In addition, the fund invests in money market mutual funds, as well as cash and cash equivalents. The fund’s portfolio may include different types of investments with a wide variety of negotiated terms and maturities and is diversified across sectors and issuers. The composition of the fund’s portfolio and its allocations to various stable value investments and fixed income investment sectors, across the fund’s multiple tiers, is determined based on prevailing economic and capital market conditions, relative value analysis, liquidity needs and other factors.

The fund invests in stable value investment contracts to seek to achieve, over the long run, returns higher than those of money market funds and short-term bank rates and relatively stable returns compared to short-to-intermediate term fixed income funds. The fund generally will not track shorter-term interest rates as closely as money market mutual funds because of its longer maturity, potential adverse market changes and provisions in stable value contracts held by

the fund. In addition, while the fund’s returns are generally expected to follow interest rate trends over time, they typically will do so on a lagged basis.

BENCHMARK: *The ICE BofA US 1-3 Year Treasury Index is an unmanaged index consisting of all public U.S. Treasury securities with remaining terms to maturity of 1-3 years. Returns are annualized for all periods.*

VANGUARD FEDERAL MONEY MARKET FUND

The investment seeks to provide current income while maintaining liquidity and a stable share price of \$1. The fund invests primarily in high quality, short term money market instruments. Under normal circumstances, at least 80% of the fund’s assets are invested in securities issued by the U.S. government and its agencies and instrumentalities. It maintains a dollar-weighted average maturity of 60 days or less and a dollar-weighted average life of 120 days or less. The fund generally invests 100% of its assets in government securities and therefore will satisfy the 99.5% requirement for designation as a government money market fund.

BENCHMARK: *The ICE BofA US Treasury Bill 3-Month Index is comprised of a single U.S. Treasury Bill issue purchased at the beginning of each month and held for a full month, at which time that issue is sold and rolled into a newly selected issue. The issue selected each month is that having a maturity date closest to, but not beyond, 90 days from the rebalance date.*

Bond

DC PLUS FIXED INCOME FUND

The portfolio invests 50% of its assets in the Vanguard® Total Bond Market Index Fund and 50% of its assets in the Touchstone Impact Bond Y Fund and derives its objectives and strategies from these underlying mutual funds. The Vanguard fund seeks to track the performance of a broad, market weighted bond index by employing an indexing investment approach designed to track the performance of the Barclays U.S. Aggregate Float Adjusted Index. Investments are selected using a sampling process and at least 80% of its assets will be invested in bonds held by that index. The Touchstone fund seeks current income; capital appreciation is a secondary goal. It invests at least 80% of its assets in investment grade fixed income securities. It may invest up to 20% of its total assets in non investment-grade debt securities ("junk bonds").

Benchmark: The Bloomberg U.S. Aggregate Bond Index consists of investment-grade U.S. fixed income securities.

PIMCO REAL RETURN COLLECTIVE TRUST II

The objective of the PIMCO Real Return Fund is to seek maximum real return (total return less inflation). The fund's investment strategy is to invest for both current income (bond coupons and dividends) and capital appreciation (bond price movements), consistent with preservation of capital and prudent investment management.

BENCHMARK: *The Bloomberg U.S. Treasury Inflation-Linked Bond Index (Series-L) consists of all U.S. Treasury inflation protected securities rated investment grade or better, having at least one year to final maturity and at least \$250 million par amount outstanding. The Series-L reference identifies this index as the former Lehman Brothers U.S. TIPS Index.*

Guaranteed Lifetime Income

MISSIONSQUARE RETIREMENT INCOME ADVANTAGE FUND

The objective of the fund is to seek both moderate capital growth and current income while providing a guaranteed lifetime income feature that protects retirement income against market downturns. The fund invests in a Separate Account under a group variable annuity issued by Prudential Retirement Insurance and Annuity Company.

The Separate Account, in turn, invests in collective trust funds with an asset allocation of approximately 60% equities (both domestic and foreign) and 40% fixed income. MissionSquare is responsible for managing the assets of the Separate Account. The Separate Account's target allocation to each collective trust fund is as follows:

- **Equity Funds** – MissionSquare Broad Market Index Fund: 25%; MissionSquare Growth & Income Fund: 20%; MissionSquare International Fund: 15%
- **Fixed Income Funds** – Prudential Core Conservative Intermediate Bond Fund: 30%; MissionSquare Inflation Focused Fund: 10%

BENCHMARK: *The MissionSquare Retirement IncomeAdvantage custom benchmark is comprised of the market indexes of the funds in which the MissionSquare Retirement IncomeAdvantage Fund invests, in weighted percentages that correspond to the historical target allocation to those funds and the historical market indexes. Should the target allocations for the MissionSquare Retirement IncomeAdvantage Fund or the market indexes of the funds change, the percentage allocations to the corresponding indexes or the market indexes will also change.*



Target Date/Lifecycle/Allocation

The trusts seek to provide growth of capital and current income consistent with its current target allocation by investing in a gradually more conservative mix of the following Vanguard funds: Total Stock Market Index Fund Institutional Plus Shares, Total Bond Market II Index Fund Institutional Shares, Total International Bond II Index Fund Institutional Shares, Short-Term Inflation-Protected Securities Index Fund Institutional Shares and Total International Stock Index Fund Institutional Shares.

VANGUARD TARGET RETIREMENT INCOME TRUST I

Vanguard Target Retirement Income Trust uses an asset allocation strategy designed for investors currently in retirement. As of 9/30/2022, the fund's holdings are as follows: 37.0% in the Total Bond Market II Index Fund, 17.0% in Short-Term Inflation-Protected Securities Index Fund Institutional Shares, 16.9% in Total Stock Market Index Fund Institutional Plus Shares, 16.4% in Total Int'l Bond II Index Fund Institutional Shares, 11.7% in Total Int'l Stock Index Fund Institutional Shares and 1.0% in Cash Currency.

BENCHMARK: *Target Income Composite Index: The Target Date Composite Indexes represent the performance of the target date fund's asset class benchmarks according to their respective weightings in each fund. Please visit [DCRetire.com](https://www.dcretire.com) to view the underlying composite index compositions.*

VANGUARD TARGET RETIREMENT 2020 TRUST I

Vanguard Target Retirement 2020 Trust Plus uses an asset allocation strategy designed for investors with planned retirements between 2018 and 2022. As of 9/30/2022, the fund's holdings are as follows: 31.8% in Total Bond Market II Index Fund Institutional Shares, 24.9% in Total Stock Market Index Fund Institutional Plus Shares, 16.9% in Total Int'l Stock Index Fund Institutional Shares, 14.2% in Total Int'l Bond II Index Fund Institutional Shares, 11.1% in Short-Term Inflation-Protected Securities Index Fund Institutional Shares and 1.1% in Cash Currency.

BENCHMARK: *Target 2020 Composite Index: The Target Date Composite Indexes represent the performance of the target date fund's asset class benchmarks according to their respective weightings in each fund. Please visit [DCRetire.com](https://www.dcretire.com) to view the underlying composite index compositions.*

VANGUARD TARGET RETIREMENT 2025 TRUST I

Vanguard Target Retirement 2025 Trust uses an asset allocation strategy designed for investors planning to retire between 2023 and 2027. As of 9/30/2022, the fund's holdings are as follows: 32.3% in Total Stock Market Index Fund Institutional Plus Shares, 28.8% in Total Bond Market II Index Fund Institutional Shares, 21.5% in Total Int'l Stock Index Fund Institutional Shares, 12.9% in Total Int'l Bond II Index Fund Institutional Shares, 3.4% in Short-Term Inflation-Protected Securities Index Fund Institutional Shares and 1.1% in Cash Currency.

BENCHMARK: *Target 2025 Composite Index: The Target Date Composite Indexes represent the performance of the target date fund's asset class benchmarks according to their respective weightings in each fund. Please visit [DCRetire.com](https://www.dcretire.com) to view the underlying composite index compositions.*

VANGUARD TARGET RETIREMENT 2030 TRUST I

Vanguard Target Retirement 2030 Trust uses an asset allocation strategy designed for investors planning to retire between 2028 and 2032. As of 9/30/2022, the fund's holdings are as follows: 37.6% in Total Stock Market Index Fund Institutional Plus Shares, 25.3% in Total Bond Market II Index Fund Institutional Shares, 24.8% in Total Int'l Stock Index Fund Institutional Shares, 11.1% in Total Int'l Bond II Index Fund Institutional Shares and 1.2% in Cash Currency.

BENCHMARK: *Target 2030 Composite Index: The Target Date Composite Indexes represent the performance of the target date fund's asset class benchmarks according to their respective weightings in each fund. Please visit [DCRetire.com](https://www.dcretire.com) to view the underlying composite index compositions.*

VANGUARD TARGET RETIREMENT 2035 TRUST I

Vanguard Target Retirement 2035 Trust Plus uses an asset allocation strategy designed for investors planning to retire between 2033 and 2037. As of 9/30/2022, the fund's holdings are as follows: 42.1% in Total Stock Market Index Fund Institutional Plus Shares, 27.8% in Total Int'l Stock Index Fund Institutional Shares, 20.1% in Total Bond Market II Index Fund Institutional Shares, 8.7% in Total Int'l Bond II Index Fund Institutional Shares and 1.3% in Cash Currency.

BENCHMARK: *Target 2035 Composite Index: The Target Date Composite Indexes represent the performance of the target date fund's asset class benchmarks according to their respective weightings in each fund. Please visit [DCRetire.com](https://www.dcretire.com) to view the underlying composite index compositions.*

VANGUARD TARGET RETIREMENT 2040 TRUST I

Vanguard Target Retirement 2040 Trust uses an asset allocation strategy designed for investors planning to retire between 2038 and 2042. As of 9/30/2022, the fund's holdings are as follows: 46.5% in Total Stock Market Index Fund Institutional Plus Shares, 30.8% in Total Int'l Stock Index Fund Institutional Shares, 14.8% in Total Bond Market II Index Fund Institutional Shares, 6.5% in Total Int'l Bond II Index Fund Institutional Shares and 1.4% in Cash Currency.

BENCHMARK: *Target 2040 Composite Index: The Target Date Composite Indexes represent the performance of the target date fund's asset class benchmarks according to their respective weightings in each fund. Please visit [DCRetire.com](https://www.dcretire.com) to view the underlying composite index compositions.*

VANGUARD TARGET RETIREMENT 2045 TRUST I

Vanguard Target Retirement 2045 Trust uses an asset allocation strategy designed for investors planning to retire between 2043 and 2047. As of 9/30/2022, the fund's holdings are as follows: 51.0% in Total Stock Market Index Fund Institutional Plus Shares, 33.9% in Total Int'l Stock Index Fund Institutional Shares, 9.5% in Total Bond Market II Index Fund Institutional Shares, 4.2% in Total Int'l Bond II Index Fund Institutional Shares and 1.4% in Cash Currency.

BENCHMARK: *Target 2045 Composite Index: The Target Date Composite Indexes represent the performance of the target date fund's asset class benchmarks according to their respective weightings in each fund. Please visit [DCRetire.com](https://www.dcretire.com) to view the underlying composite index compositions.*

VANGUARD TARGET RETIREMENT 2050 TRUST I

Vanguard Target Retirement 2050 Trust uses an asset allocation strategy designed for investors planning to retire between 2048 and 2052. As of 9/30/2022, the fund's holdings are as follows: 52.8% in Total Stock Market Index Fund Institutional Plus Shares, 35.6% in Total Int'l Stock Index Fund Institutional Shares, 6.9% in Total Bond Market II Index Fund Institutional Shares, 3.2% in Total Int'l Bond II Index Fund Institutional Shares and 1.5% in Cash Currency.

BENCHMARK: *Target 2050 Composite Index: The Target Date Composite Indexes represent the performance of the target date fund's asset class benchmarks according to their respective weightings in each fund. Please visit [DCRetire.com](https://www.dcretire.com) to view the underlying composite index compositions.*

VANGUARD TARGET RETIREMENT 2055 TRUST I

Vanguard Target Retirement 2055 Trust uses an asset allocation strategy designed for investors planning to retire between 2053 and 2057. As of 9/30/2022, the fund's holdings are as follows: 52.7% in Total Stock Market Index Fund Institutional Plus Shares, 35.6% in Total Int'l Stock Index Fund Institutional Shares, 7.0% in Total Bond Market II Index Fund Institutional Shares, 3.2% in Total Int'l Bond II Index Fund Institutional Shares and 1.5% in Cash Currency.

BENCHMARK: *Target 2055 Composite Index: The Target Date Composite Indexes represent the performance of the target date fund's asset class benchmarks according to their respective weightings in each fund. Please visit [DCRetire.com](https://www.dcretire.com) to view the underlying composite index compositions.*

VANGUARD TARGET RETIREMENT 2060 TRUST I

Vanguard Target Retirement 2060 Trust uses an asset allocation strategy designed for investors planning to retire between 2058 and 2062. As of 9/30/2022, the fund's holdings are as follows: 52.7% in Total Stock Market Index Fund Institutional Plus Shares, 35.6% in Total Int'l Stock Index Fund Institutional Shares, 6.9% in Total Bond Market II Index Fund Institutional Shares, 3.1% in Total Int'l Bond II Index Fund Institutional Shares and 1.7% in Cash Currency.

BENCHMARK: *Target 2060 Composite Index: The Target Date Composite Indexes represent the performance of the target date fund's asset class benchmarks according to their respective weightings in each fund. Please visit [DCRetire.com](https://www.dcretire.com) to view the underlying composite index compositions.*

VANGUARD TARGET RETIREMENT 2065 TRUST I

Vanguard Target Retirement 2065 Trust uses an asset allocation strategy designed for investors planning to retire between 2063 and 2067. As of 9/30/2022, the fund's holdings are as follows: 52.7% in Total Stock Market Index Fund Institutional Plus Shares, 35.7% in Total Int'l Stock Index Fund Institutional Shares, 6.7% in Total Bond Market II Index Fund Institutional Shares, 3.1% in Total Int'l Bond II Index Fund Institutional Shares and 1.8% in Cash Currency.

BENCHMARK: *Target 2065 Composite Index: The Target Date Composite Indexes represent the performance of the target date fund's asset class benchmarks according to their respective weightings in each fund. Please visit [DCRetire.com](https://www.dcretire.com) to view the underlying composite index compositions.*

PIMCO ALL ASSET FUND

This investment seeks maximum real return, consistent with preservation of real capital and prudent investment management. The fund is a “fund of funds,” which is a term used to describe mutual funds that pursue their investment objective by investing in other funds.

It seeks to achieve its investment objective by investing substantially all of its assets in the least expensive class of shares of any actively managed or smart beta funds (including mutual funds or exchange-traded funds) of the Trust, or PIMCO ETF Trust or PIMCO Equity Series, each of which is an affiliated open-end investment company, except other funds of funds.

BENCHMARK: *The Bloomberg U.S. 1-10 Year Treasury Inflation Notes Index is the 1-10 Year maturity component of the unmanaged U.S. Treasury Inflation Notes Index and consists of Inflation-Protection securities issued by the U.S. Treasury.*

U.S. Stock

DC PLUS LARGE CAP VALUE

The portfolio invests 85% of its assets in the T. Rowe Price Equity Income Portfolio, collective investment fund and 15% of its assets in the Edgar Lomax Value Fund and derives its objectives and strategies from these underlying investments. The T. Rowe Price Equity Income Portfolio seeks a high level of dividend income and long-term growth of capital primarily through investments in stocks. Under normal market conditions, it invests at least 80% of its net assets (plus borrowings for investment purposes) in common stocks, with an emphasis on large-cap stocks that have a strong track record of paying dividends or that are believed to be undervalued. The Edgar Lomax Value Fund seeks long-term capital growth while providing some income by investing primarily in large, well-recognized companies which the fund's adviser believes are undervalued. It invests at least 85% of its total assets in equity securities.

BENCHMARK: *The Russell 1000® Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000® Index companies with lower price-to-book ratios and lower expected growth values.*

AMERICAN FUNDS FUNDAMENTAL

The investment seeks long-term growth of capital and income. The fund invests primarily in common stocks of companies that appear to offer superior opportunities for capital growth and most of which have a history of paying dividends. It may invest significantly in securities of issuers domiciled outside the United States. The investment adviser uses a system of multiple portfolio managers in managing the fund's assets.

BENCHMARK: *The S&P 500 Index consists of 500 companies representing larger capitalization stocks traded in the U.S.*

VANGUARD INSTITUTIONAL INDEX INSTITUTIONAL PLUS

The investment seeks to track the performance of the S&P 500 Index that measures the investment return of large-capitalization stocks. The fund employs an indexing investment approach designed to track the performance of the S&P 500 Index, a widely recognized benchmark of U.S. stock market performance that is dominated by the stocks of large U.S. companies. The advisor attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

BENCHMARK: *The S&P 500 Index consists of 500 companies representing larger capitalization stocks traded in the U.S.*

DFA U.S. CORE EQUITY I PORTFOLIO

The investment seeks to achieve long-term capital appreciation. The fund purchases a broad and diverse group of securities of U.S. companies. It invests in companies of all sizes, with increased exposure to smaller capitalization, lower relative price and higher profitability companies as compared to their representation in the U.S. universe. The Advisor generally defines the U.S. universe as a market capitalization weighted set of U.S. operating companies listed on a securities exchange in the U.S. that is deemed appropriate by the Advisor.

BENCHMARK: *The Russell 3000® Index includes and measures the performance of the largest 3,000 U.S. publicly traded companies based on market capitalization, representing a substantial portion of the investable U.S. equity market.*



DC PLUS LARGE CAP GROWTH

The portfolio invests 70% of its assets in the American Funds The Growth Fund of America® and 30% of its assets in the Vanguard Growth Index Fund and derives its objectives and strategies from these underlying mutual funds. The Growth Fund of America® seeks growth of capital by primarily investing in common stocks and seeks to invest in companies that appear to offer superior opportunities for growth of capital.

It may invest up to 25% of its assets in securities of issuers domiciled outside the U.S. The Vanguard Growth Index Fund employs an indexing investment approach designed to track the performance of the CRSP US Large Cap Growth Index, a broadly diversified index predominantly made up of growth stocks of large U.S. companies. The fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

BENCHMARK: *The Russell 1000® Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values.*

ARIEL INSTITUTIONAL

The investment seeks long-term capital appreciation. The fund invests in small/mid-cap undervalued companies that show strong potential for growth. It invests primarily in equity securities of U.S. companies that have market capitalizations within the range of the companies in the Russell 2500™ Index, measured at the time of initial purchase.

BENCHMARK: *The Russell 2500® Value Index measures the performance of those Russell 2500 companies with lower price-to-book ratios and lower forecasted growth values.*

VANGUARD SMALL-CAP INDEX INSTITUTIONAL

The investment seeks to track the performance of the CRSP US Small Cap Index that measures the investment return of small-cap stocks. The fund employs an indexing investment approach designed to track the performance of the CRSP US Small Cap Index, a broadly diversified index of stocks of small U.S. companies. The advisor attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

BENCHMARK: *The Spliced Small Cap Index represents the performance of stocks of small U.S. companies. It tracks the performance of the MSCI US Small Cap 1750 Index through January 30, 2013 and the CRSP US Small Cap Index thereafter.*

BROWN CAPITAL MANAGEMENT SMALL COMPANY INSTITUTIONAL

The investment seeks long-term capital appreciation; current income is a secondary consideration in selecting portfolio investments. The fund invests at least 80% of its net assets (plus any borrowings for investment purposes) in the equity securities of those companies with total operating revenues of \$500 million or less at the time of the initial investment. It typically invests in common stocks. The advisor seeks to build a portfolio of exceptional small companies with the wherewithal to become exceptional large companies. The fund typically holds a portfolio of between 40–65 securities which the advisor believes have the potential for growth.

BENCHMARK: *The Russell 2000® Growth Index measures the performance of those Russell 2000® companies with higher price-to-book ratios and higher forecasted growth values.*

International/Global Stock

AMERICAN FUNDS NEW PERSPECTIVE FUND®

The investment seeks long-term growth of capital; future income is a secondary objective. The fund seeks to take advantage of investment opportunities generated by changes in international trade patterns and economic and political relationships by investing in common stocks of companies located around the world. In pursuing its investment objective, it invests primarily in common stocks that the investment adviser believes have the potential for growth.

BENCHMARK: *The MSCI All Country World Index (Net) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of large and mid-cap segments of developed and emerging markets. The net version of this index reinvests dividends after the deduction of withholding taxes, using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.*

HARBOR INTERNATIONAL INSTITUTIONAL

The investment seeks long-term total return, principally from growth of capital. The fund invests primarily (no less than 65% of its total assets under normal market conditions) in common and preferred stocks of foreign companies located principally in developed markets across Europe, Japan and Asia Pacific ex Japan.

The Subadviser's investment strategy focuses on identifying attractive long-term investment opportunities that can arise as a result of certain capital cycle, or supply-side, conditions.

BENCHMARK: *The MSCI Europe Australasia Far East (EAFE) Index (Net) is a free float-adjusted market capitalization index of equity securities that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. The net version of this index reinvests dividends after the deduction of withholding taxes, using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.*

VIRTUS VONTOBEL EMERGING MARKETS OPPORTUNITIES FUND

The investment seeks capital appreciation. The fund offers investors exposure to emerging economies through well-established companies. Under normal circumstances, it invests at least 80% of its assets in equity securities or equity-linked instruments of issuers located in emerging markets countries; such issuers may be of any capitalization. Emerging markets countries generally include every nation in the world except the U.S., Canada, Japan, Australia, New Zealand and most nations in Western Europe.

BENCHMARK: *The MSCI Emerging Markets Index (Net) is a free float-adjusted market capitalization index of equity securities that is designed to measure the equity market performance of emerging markets. The net version of this index reinvests dividends after the deduction of withholding taxes, using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.*

Specialty

NUVEEN REAL ESTATE SECURITIES FUND

The investment seeks to provide above average current income and long-term capital appreciation. The fund normally invests at least 80% of the sum of its net assets and the amount of any borrowings for investment purposes in income-producing common stocks of publicly traded companies engaged in the real estate industry.

The advisor expects to emphasize investments in equity REITs, although it may invest in all three kinds of REITs. It may invest up to 15% of its total assets in non-dollar denominated equity securities of non-U.S. issuers. Up to 15% of the fund's total assets may be invested in equity securities of emerging market issuers.

BENCHMARK: *The MSCI US REIT Index reflects the aggregate common stock performance of REITs (Real Estate Investment Trusts) that own, develop and manage properties.*

MissionSquare Retirement Fund Performance Summary

(as of September 30, 2022)

Mutual funds and collective investment trusts are long-term investment vehicles designed for retirement purposes. They allow you to allocate contributions among a variety of investment options that have the potential to grow tax-deferred until withdrawal upon retirement. Early withdrawals from your 401(a) Defined Contribution Plan will reduce your account value and if taken prior to age 59½, a 10% IRS penalty may apply.

The performance data quoted represents past performance. Past performance does not guarantee future results. For month-end performance, which may be lower or higher than the performance data shown, call Participant Services at 800-669-7400 or DCRetire.com. The value of an investment will fluctuate so that, when sold, an investment may be worth more or less than the original cost.

There is a plan administration fee of 2 to 22 basis points (0.02 percent to 0.22 percent), which is assessed to participant accounts. The investment expense ratio and revenue sharing component of the calculation are subject to change at the discretion of each mutual fund's manager. The administration fee of 2 to 22 basis points is based on the contract between the District of Columbia and MissionSquare.

You should consider the investment objectives, risks and charges and expenses of the variable product and its underlying fund options carefully before investing. The disclosure booklet contains this and other information.

Before investing, please read the applicable Fund Fact Sheet(s), the Fund's Disclosure Memorandum and/or the fund prospectus carefully for a complete summary of all fees, expenses, investment objectives and strategies and risks. This information is available when you log in at DCRetire.com, or upon request by calling 800-669-7400.

Returns for less than one year are not annualized. The fund inception date is the date used in calculating the periodic returns. This date may also precede the portfolio's inclusion in the product.

The performance chart on pages 12 and 13 performance of each fund over short-term (1 year), mid-term (3 and 5 years) and long-term (10 years) periods, or for as long as the fund has been in operation ("Since Fund Inception"). The "Since Fund Inception" column illustrates performance only for funds that have been in operation for less than 10 years and do not have a 1-, 3-, 5-, or 10-year history to report. If a fund has been in existence longer than 10 years, performance for the 1-, 3-, 5- and 10-year time periods is reported and the "Since Fund Inception" information is not necessary.

MissionSquare Retirement Fund Performance *(as of September 30, 2022)*

Fund Name	3 Mos.	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Stable Value/Cash Management								
Vantagepoint PLUS Fund R10	0.50%	1.42%	1.88%	2.05%	2.16%	2.14%	N/A	10/11/13
<i>ICE BofAML US 1-3 YR Treasury Index</i>	-1.56%	-4.35%	-4.86%	-0.48%	0.57%	0.60%	N/A	
Vanguard Federal Money Market	0.50%	0.67%	0.67%	0.52%	1.06%	0.62%	3.88%	7/13/81
<i>ICE BofAML US 3 Month Treasury Bill Index</i>	0.46%	0.61%	0.62%	0.59%	1.15%	0.68%	N/A	
Bond								
PIMCO Real Return CIT II	-5.08%	-13.40%	-11.49%	1.09%	1.93%	0.73%	1.19%	3/30/12
<i>Bloomberg U.S. Treasury Inflation-Linked Bond Index</i>	-5.14%	-13.61%	-11.57%	0.79%	1.95%	0.98%	N/A	
DC Plus Fixed Income – 401	-4.61%	-14.40%	-14.50%	-3.30%	-0.29%	0.84%	N/A	5/5/09
<i>Bloomberg U.S. Aggregate Bond Index</i>	-4.75%	-14.61%	-14.60%	-3.26%	-0.27%	0.89%	N/A	
DC Plus Fixed Income – 457	-4.61%	-14.40%	-14.50%	-3.30%	-0.29%	0.84%	N/A	5/5/09
<i>Bloomberg U.S. Aggregate Bond Index</i>	-4.75%	-14.61%	-14.60%	-3.26%	-0.27%	0.89%	N/A	
Guaranteed Lifetime Income								
MissionSquare Retirement IncomeAdvantage	-5.67%	-20.97%	-17.28%	1.53%	2.73%	4.70%	N/A	8/23/10
<i>Custom Benchmark</i>	-5.04%	-19.44%	-15.41%	3.40%	4.61%	6.43%	N/A	
Target Date/Lifecycle/Allocation								
Vanguard Target Retire Inc Tr	-4.71%	-15.90%	-14.20%	0.01%	2.00%	3.38%	4.11%	6/22/07
<i>Target Income Composite Index</i>	-4.56%	-15.77%	-14.03%	0.33%	2.23%	3.54%	N/A	
Vanguard Target Retire 2020 Tr	-5.16%	-18.23%	-15.81%	1.21%	2.97%	5.54%	4.57%	6/22/07
<i>Target 2020 Composite Index</i>	-4.93%	-17.97%	-15.53%	1.62%	3.26%	5.74%	N/A	
Vanguard Target Retire 2025 Tr	-5.60%	-20.26%	-17.39%	1.53%	3.26%	6.07%	4.68%	6/28/07
<i>Target 2025 Composite Index</i>	-5.32%	-19.95%	-17.09%	1.97%	3.58%	6.29%	N/A	
Vanguard Target Retire 2030 Tr	-5.89%	-21.49%	-18.25%	1.94%	3.53%	6.56%	4.80%	6/28/07
<i>Target 2030 Composite Index</i>	-5.58%	-21.16%	-17.96%	2.39%	3.86%	6.78%	N/A	
Vanguard Target Retire 2035 Tr	-6.11%	-22.36%	-18.78%	2.49%	3.89%	7.09%	5.04%	6/28/07
<i>Target 2035 Composite Index</i>	-5.75%	-22.01%	-18.48%	2.94%	4.21%	7.31%	N/A	
Vanguard Target Retire 2040 Tr	-6.31%	-23.24%	-19.32%	3.02%	4.21%	7.51%	5.33%	6/28/07
<i>Target 2040 Composite Index</i>	-5.93%	-22.86%	-19.01%	3.47%	4.55%	7.75%	N/A	
Vanguard Target Retire 2045 Tr	-6.50%	-24.08%	-19.84%	3.52%	4.49%	7.70%	5.44%	6/28/07
<i>Target 2045 Composite Index</i>	-6.11%	-23.71%	-19.55%	3.99%	4.85%	7.96%	N/A	
Vanguard Target Retire 2050 Tr	-6.61%	-24.43%	-20.12%	3.50%	4.48%	7.70%	5.47%	6/28/07
<i>Target 2050 Composite Index</i>	-6.21%	-24.04%	-19.81%	3.97%	4.84%	7.95%	N/A	
Vanguard Target Retire 2055 Tr	-6.61%	-24.42%	-20.11%	3.50%	4.47%	7.68%	7.98%	10/5/10
<i>Target 2055 Composite Index</i>	-6.21%	-24.04%	-19.81%	3.97%	4.84%	7.95%	N/A	
Vanguard Target Retire 2060 Tr	-6.62%	-24.41%	-20.10%	3.52%	4.49%	7.67%	7.58%	3/1/12
<i>Target 2060 Composite Index</i>	-6.21%	-24.04%	-19.81%	3.97%	4.84%	7.95%	N/A	
Vanguard Target Retire 2065 Tr	-6.62%	-24.39%	-20.11%	3.51%	4.51%	N/A	5.65%	7/7/17
<i>Target 2065 Composite Index</i>	-6.21%	-24.04%	-19.81%	3.97%	4.84%	N/A	N/A	
PIMCO All Asset Instl	-6.16%	-17.54%	-14.90%	2.53%	2.59%	3.10%	6.04%	7/31/02
<i>Bloomberg U.S. 1-10 Year Treasury Inflation Notes Index</i>	-3.94%	-8.84%	-7.44%	1.79%	2.27%	1.17%	N/A	

MissionSquare Retirement Fund Performance *(as of September 30, 2022)*

Fund Name	3 Mos.	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
U.S. Large-Cap Stock								
DC Plus Large Cap Value – 401	-6.56%	-14.07%	-7.71%	5.01%	5.81%	8.79%	N/A	5/5/09
<i>Russell 1000 Value Index</i>	-5.62%	-17.75%	-11.36%	4.36%	5.29%	9.17%	N/A	
DC Plus Large Cap Value – 457	-6.56%	-14.06%	-7.70%	5.00%	5.81%	8.79%	N/A	5/5/09
<i>Russell 1000 Value Index</i>	-5.62%	-17.75%	-11.36%	4.36%	5.29%	9.17%	N/A	
American Funds Fundamental Inv	-5.14%	-24.62%	-18.01%	5.86%	6.45%	10.60%	12.02%	5/1/09
<i>S&P 500 Index</i>	-4.88%	-23.87%	-15.47%	8.16%	9.24%	11.70%	N/A	
Vanguard Institutional Index Inst'l Plus	-4.89%	-23.88%	-15.49%	8.15%	9.23%	11.69%	7.59%	7/7/97
<i>S&P 500 Index</i>	-4.88%	-23.87%	-15.47%	8.16%	9.24%	11.70%	N/A	
DFA US Core Equity I	-4.34%	-22.22%	-14.72%	8.04%	8.19%	11.25%	8.49%	9/15/05
<i>Russell 3000 Index</i>	-4.46%	-24.62%	-17.63%	7.70%	8.62%	11.39%	N/A	
DC Plus Large Cap Growth – 401	-2.99%	-32.36%	-27.05%	8.31%	9.50%	11.71%	N/A	5/5/09
<i>Russell 1000 Growth Index</i>	-3.60%	-30.66%	-22.59%	10.67%	12.17%	13.70%	N/A	
DC Plus Large Cap Growth – 457	-2.99%	-32.36%	-27.04%	8.31%	9.51%	11.71%	N/A	5/5/09
<i>Russell 1000 Growth Index</i>	-3.60%	-30.66%	-22.59%	10.67%	12.17%	13.70%	N/A	
U.S. Mid-Cap Stock								
Ariel Institutional	-7.41%	-27.46%	-24.82%	4.46%	4.12%	9.47%	10.28%	12/30/11
<i>Russell 2500 Value Index</i>	-4.50%	-20.41%	-15.35%	4.52%	3.78%	8.41%	N/A	
U.S. Small-Cap Stock								
Vanguard Small-Cap Index Instl	-2.60%	-23.68%	-20.73%	4.99%	5.38%	9.58%	8.29%	7/7/97
<i>Spliced Small Cap Index</i>	-2.63%	-23.71%	-20.75%	4.96%	5.35%	9.55%	N/A	
Brown Cap Mgmt Small Co Instl	-2.69%	-36.01%	-35.51%	-2.22%	3.98%	10.69%	11.42%	12/15/11
<i>Russell 2000 Growth Index</i>	0.24%	-29.28%	-29.27%	2.94%	3.60%	8.81%	N/A	
International/Global Stock								
American Funds New Perspective	-6.04%	-31.44%	-26.83%	6.07%	6.92%	9.85%	11.31%	5/1/09
<i>MSCI ACWI Index (Net)</i>	-6.82%	-25.63%	-20.66%	3.75%	4.44%	7.28%	N/A	
Harbor International Instl	-10.43%	-27.80%	-27.34%	-1.26%	-2.04%	2.08%	8.88%	12/29/87
<i>MSCI EAFE Index (Net)</i>	-9.36%	-27.09%	-25.13%	-1.83%	-0.84%	3.67%	N/A	
Virtus Vontobel Emerg Mkts Ops	-9.31%	-26.44%	-26.00%	-5.24%	-3.15%	0.44%	5.05%	10/20/97
<i>MSCI Emerging Markets Index (Net)</i>	-11.57%	-27.16%	-28.11%	-2.07%	-1.81%	1.05%	N/A	
Specialty								
Nuveen Real Estate Securities	-10.11%	-27.70%	-15.75%	-1.58%	3.24%	N/A	4.93%	4/30/13
<i>MSCI US REIT Index</i>	-9.96%	-28.26%	-16.56%	-2.00%	2.93%	N/A	N/A	

Education Summary

The education strategy for District of Columbia (“District”) employees incorporated a wide range of communications to ensure that plan messages would reach participants regardless of their individual learning styles and preferences. These outreach methods included in person one-on-one sessions; virtual group educational seminars and individual meetings with dedicated, local MissionSquare Retirement Plans Specialists (“RPS”); messages and information shared on the DCRetire.com website; monthly e-blasts that arrive in participants’ email inboxes; quarterly newsletters available in print and via email; and the DC Summer Passport Program.

In 2022, the local team continued diligently working toward increasing its dedication to servicing participants in the local office. We returned to a more robust onsite schedule, which gave District participants the opportunity to schedule appointments with a Retirement Plan Specialist, 9 a.m. to 4:30 p.m. Monday-Thursday and 9 a.m. to 1 p.m. Friday. We also continued the strategy of sending weekly email campaigns to HR Advisors, resulting in a successful year for the Retirement Plan Specialists. Educational materials were developed to support plan goals, including increasing awareness and understanding of the 401(a) Defined Contribution Plan; updating account information across both plans; increasing enrollment in the 457(b) Deferred Compensation Plan; boosting participants’ contributions to their 457(b) Deferred Compensation Plan accounts; and taking steps toward overall financial wellness and literacy.

Helping District employees adequately and confidently prepare for retirement is a top priority for the local service team as well as for the DC Office of the Chief Financial Officer (OCFO)/Office of Finance and Treasury (OFT) and the DC Department of Human Resources (DCHR). Working in partnership with the OCFO/OFT and DCHR, dedicated Retirement Plan Specialists planned and implemented a strong local service strategy for all District employees in fiscal year 2022.

The local team’s dedication to increasing the financial literacy of District employees was supported by our continued virtual presence and availability to employees; and our onsite group education seminars and meetings at Fire & Emergency Medical Services, Office of Unified Communications and United Medical Center.

Virtual Services: Group Meetings

In 2022, the local MissionSquare team’s goal was to increase servicing of participants in the local offices. However, on October 4, MissionSquare moved to a hybrid work schedule, resulting in a change in strategy. The updated strategy, which began for the local team on November 1, recognized there would be limited opportunities for in person meetings at certain agencies and refocused on virtual meetings and seminars, as well as weekly email campaigns to participants and HR Advisors. The following virtual seminars were used during the year:

- Bridging Your Income Gap
- Build Your Investment Portfolio
- Guided Pathways® Advisory Services
- Get to Know Your Roth Option
- Get to Know Your 401(a)
- Get to Know Your 457(b)
- Investing in Retirement Basics
- Investing in Volatile Markets
- Juggling Financial Goals
- Questions to Guide Your Retirement
- Retirement Income Solutions
- MissionSquare Retirement Income Advantage Fund (RIA): Making Your Money Last in Retirement
- Your Savings and Investing Goals
- Your Retirement Plans Work Together
- Why Start Now?

Virtual Services: Individual Meetings

In 2022, DC employees would again have access to all services and resources. Eligible employees, participants and retirees were able to visit the DC Retirement Service Center located 777 North Capitol Street, NE, Washington, DC, to meet with an RPS on Monday through Thursday, with a scheduled appointment. Employees can talk about everything relating to retirement readiness, from enrolling in the 401(a) Defined Contribution Plan or 457(b) Deferred Compensation Plan, to planning their retirement. We also continued with the virtual one-on-one interactions which, like in-person visits, give participants the opportunity to receive the direct attention they need while discussing their financial well-being. Across all retirement plan events, in 2022, MissionSquare Retirement Plan Specialists met with 5,087 individuals (virtually and in person).

Virtual Services: New Employee Orientation

MissionSquare Retirement Plan Specialists actively participate in the “New Employee Orientation” process during the year to encourage employees to consider their retirement options when they are hired. Our goal is to educate new employees on the benefits of their 401(a) Defined Contribution Plan and 457(b) Deferred Compensation Plan and encourage these employees to enroll and contribute into the 457(b) Deferred Compensation Plan immediately, as they are eligible to participate starting on their first day of employment. During orientation, new and rehired employees have the opportunity to learn about auto enrollment plan features, including the 5% default contribution rate, the 30-day opt-out period and how to change make changes to their contribution amount. Employees will also sign a DCHR Auto-Enrollment Acknowledgment form.

The DCHR, DC Housing Authority, DC Public Schools, OCFO and Office of the Attorney General conduct new employee orientations often (dates vary by agency). Agencies such as the Fire and Emergency Medical Services Department, the Metropolitan Police Department and the Department of Health conduct new employee orientations as needed. Bi-weekly orientation meetings are conducted virtually for all agencies under the control of the Mayor.

Virtual Services: Agency Meetings

In 2022, the Retirement Plan Specialists engaged regularly with 85 agencies across the District. Regularly scheduled virtual meetings and seminars were held with the following agencies:

- Office of the Chief Financial Officer (1101 4th Street, SW)
- Department of Human Resources (1015 Half Street, SE)
- Department of Employment Services (4058 Minnesota Avenue, NE)
- Department of Disability Rights (1125 15th Street, NW)
- Department of Behavioral Health (64 New York Avenue, NE)
- Department of Human Services (64 New York Avenue, NE)
- DC Metropolitan Police Department (Various Locations)
- Reeves Center (2000 14th Street, NW)
- Office of United Communications (2720 MLK Ave SE)
- United Medical Center (1310 Southern Ave SE)
- DC Housing Authority (1133 North Capitol Street, NE)
- Department of Public Works (1725 West Virginia Avenue, NE)
- Department of Child and Family Services (200 I Street, SW)
- Department of Corrections (1901 D Street, SW)
- DC Fire and Emergency Medical Services (33 Locations)

The local service team continues to proactively meet with participants and eligible employees virtually and they take pride in providing excellent service throughout the District.

ONSITE VISITS

As the District returns to work, so has our local team with onsite visits. During 2022, we maintained an open local office located at 777 N. Capitol Street NE and averaged five DC employee visits per day. During these meetings we broached topics regarding investment strategies, contribution discussions, beneficiary updates and other financial wellness topics. In addition, we visited several agencies that were opening to the public during 2022. These agencies include DC Housing Authority, DHS, MPD, DC Fire and EMS, OUC, DPW and Parks and Rec. We will continue to service DC employees where they are.

Campaigns and Mailings

Several communication campaigns were developed throughout the year to address various goals of the District and the financial education needs of employees. Campaigns are designed to motivate employees to enroll in the 457(b) Plan, save more for retirement, manage their investments and take steps to improve their financial wellness and retirement security.

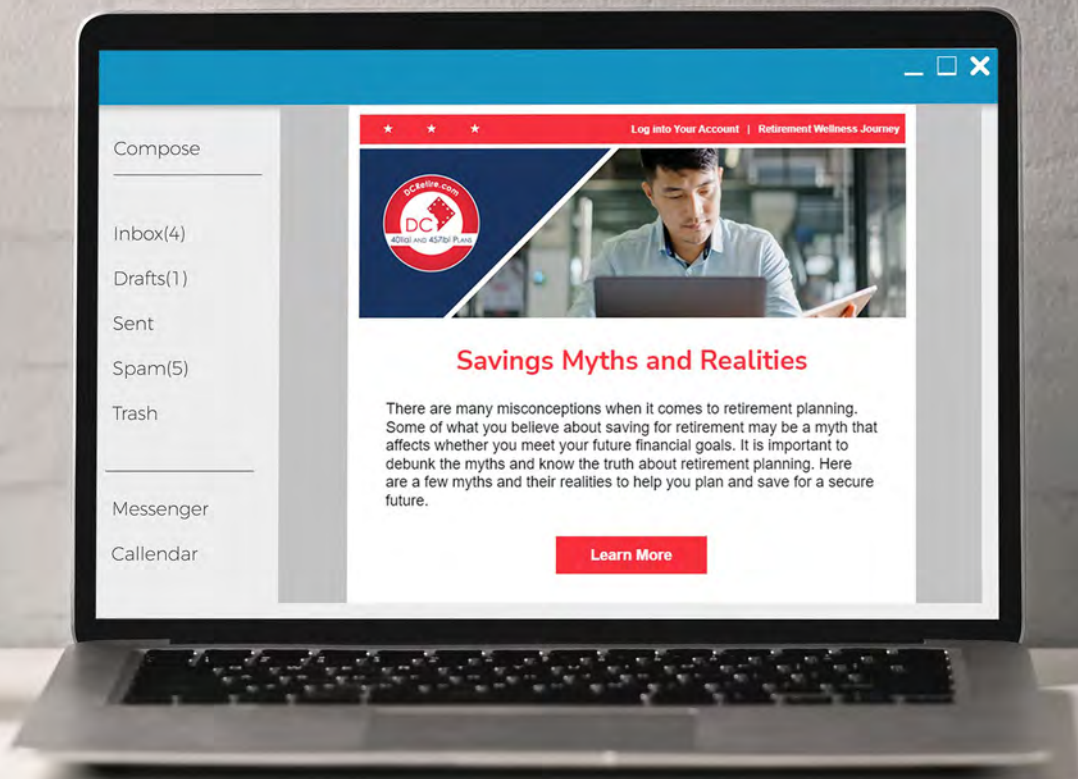
DC INSIGHTS MONTHLY EMAIL

A primary objective for the District is to ensure all employees are aware and engaged in their retirement savings plans. The DC Insights monthly email campaign encouraged employees to stay focused on their retirement savings plan by understanding and managing their 401(a) Defined Contribution Plan account and actively enrolling in the 457(b) Deferred Compensation Plan.

The campaign provided employees insight into the impact of saving early and saving more, investing wisely, practicing effective money management habits and understanding the impact their overall financial wellness can have on their final retirement savings account. The emails provided quick messages with calls to action encouraging the use of resources such as calculators, videos, articles and other educational tools. The emails highlighted many key features of the plans and employees are encouraged to take the next step in their journey by enrolling or scheduling a meeting with a Retirement Plans Specialist for a one-on-one consultation.

News you can use.

Monthly *DC Insights* emails covered topics about saving and investing.



2022 RETIREMENT WELLNESS JOURNEY

The 2022 Retirement Wellness Journey was an extended campaign where participants embarked on a monthly journey that provided online events such as webinars, videos and other financial wellness calls to action. Participants made their way through various events and actions that helped them take regular steps in their overall financial wellness. The goals of the program were to increase enrollment in the retirement program, improve plan awareness and engage participants in tacking actions toward effective retirement planning.

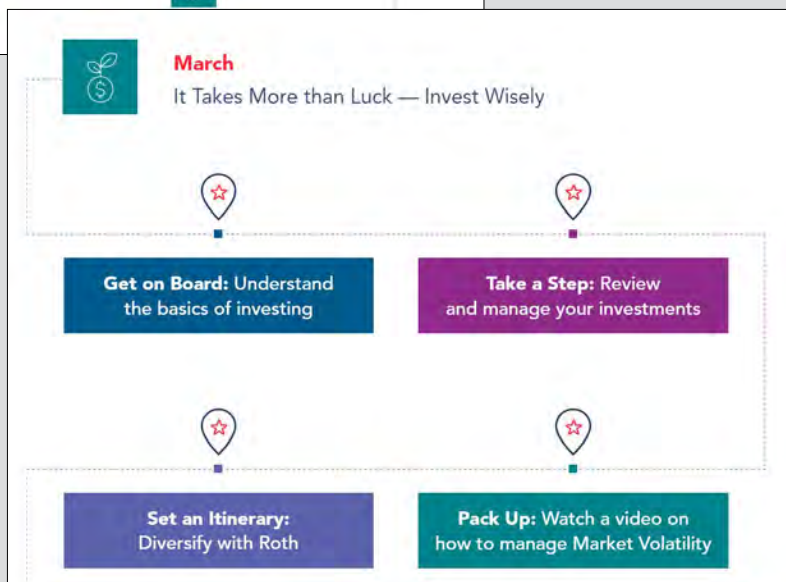
The campaign included monthly engagement emails, live webinars, monthly action items, a banner on DCRetire.com and a custom call to action microsite – “DC Retirement Wellness Journey” for easy access to relevant events and resources.

Throughout the campaign, almost 300 employees attended webinars and employees took 3,800 action steps that resulted in a 13% increase in contributions; a 17% increase in participants’ use of Account Access; a 25% increase in enrollments and a 13% increase in one-on-one consultations with the Retirement Plans Specialists.

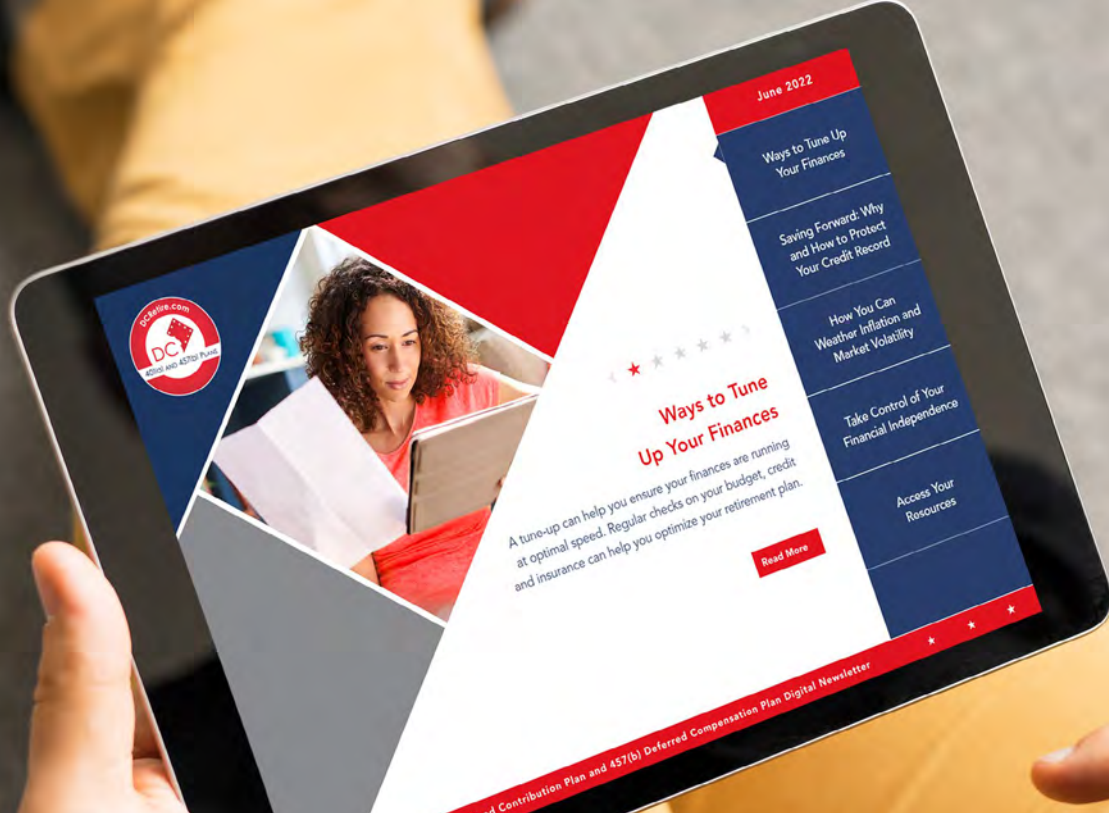


Supporting successful journeys.

Monthly *Retirement Wellness Journey* action items helped participants focus on taking one step at a time to reach their retirement goals.



Go online anytime.
The District's digital newsletter and mobile app were two ways for participants to stay informed 24/7.



LET'S MEET CAMPAIGN

The Let's Meet campaign encouraged participants to get back to meeting with Retirement Plan Specialists in a post-COVID world. With the reopening our local service office we were able to remind employees that their local service team was regularly available to meet with them face-to-face or virtually, if they preferred. The campaign included a flyer, email and website banner that linked to an online calendar for scheduling an appointment with a Retirement Plan Specialist.

DCRETIRE.COM

The DCRetire.com website continues to serve as a resource for eligible employees and participants who need information about retirement planning. Monthly, the website is updated and includes the addition of new dynamic banners and sliders relevant to the enrollment, education and retention campaigns. The DC Insights newsletter is also posted to the website for ongoing and updated access to articles and financial wellness education. Participants can also visit the website view their accounts and investments, conduct transactions and access educational resources. In addition, participants can register online for one-on-one appointments and group education seminars with the local Retirement Plan Specialists and webinars with Certified Financial Planners. Descriptions of upcoming group seminars and schedules are also available online.

DISTRICT MOBILE APP

District employees can access their 401(a) Defined Contribution Plan and 457(b) Deferred Compensation Plan accounts with convenience and flexibility using the custom District mobile app. The mobile app features facial and touch recognition, a simplified app layout and enhanced design. Participants can manage their accounts and boost their investing knowledge directly from their smartphone or tablet. The mobile app can be downloaded from the App Store® and Google Play™ and can be used on any compatible smartphone or tablet. With the mobile app, participants can:

- View account balances, year-to-date account activity, retirement income projection and fund performance
- Change fund selections and update personal information
- Review messages within their retirement savings account to stay current on plan services and features
- Check out our online RealizeRetirement® Education Center (www.icmarc.org/education) with a variety of videos, calculators and other easy-to-use tools designed to help participants save and invest for retirement

TEXTACCESS TEXTING FEATURE

MissionSquare offers TextAccess, a feature that allows participants to send a text to MissionSquare and have certain account information sent directly to their mobile phones. There were 6,049 District participants using TextAccess. The top three requests or actions among District users of TextAccess were BAL to find out their account balance, ROR to find out their investments' rate of return and LOAN to find out their most recent loan amount.

- 61,782 times for code BAL
- 5,908 times for code ROR
- 2,151 time for code LOAN

PARTICIPANT SERVICES AND VOICE RESPONSE UNIT (VRU)

Participants can reach plan representatives by dialing into the VRU. Participants may use the system to obtain account information 24 hours a day in addition to using the plan's dedicated website. During the past fiscal year, 42,515 District participants called into the toll-free phone line to obtain account information. Of those calls, 38,131 were answered by Participant Services.





401(a) Defined Contribution Plan

401(a) Defined Contribution Plan

The 401(a) Defined Contribution Plan is a retirement program created in 1987 as the basic retirement plan for general employees of the District, hired for the first time on or after October 1, 1987.

Performance Summary

Fiscal year 2022 was a challenging year for investment markets and plan participants. We had negative returns as of September 30, 2022, for 28 of 29 funds. Vanguard Target Retirement Trusts provided returns in line with their respective benchmarks:

- Vanguard Target Retire Income Trust lost 14.20%
- Vanguard Target Retire 2020 Trust lost 15.81%
- Vanguard Target Retire 2025 Trust lost 17.39%
- Vanguard Target Retire 2030 Trust lost 18.25%
- Vanguard Target Retire 2035 Trust lost 18.78%
- Vanguard Target Retire 2040 Trust lost 19.32%
- Vanguard Target Retire 2045 Trust lost 19.84%
- Vanguard Target Retire 2050 Trust lost 20.12%
- Vanguard Target Retire 2055 Trust lost 20.11%
- Vanguard Target Retire 2060 Trust lost 20.10%
- Vanguard Target Retire 2065 Trust lost 20.11%

For comparison purposes, the S&P 500 Index fell 15.47% and the Bloomberg Barclays U.S. Aggregate Bond Index was down 14.60%.

Plan assets decreased from \$1.482 billion to \$1.241 billion or 16.2% even though asset contributions outpaced depreciation and withdrawals. The Plan had 30,661 participants with an average account balance of \$40,482.

Eligibility

District government employees (except for police officers, firefighters, teachers and civil service employees) serving in covered employment and hired for the first time on or after October 1, 1987, are eligible for participation in the 401(a) Plan. Eligible employees automatically become participants in the Plan in the first pay period following completion of one year of creditable service.

Contributions

The District contributes an annual amount equal to 5% of base salary (5.5% for detention officers) to an account in the employee's name. Contributions are made each pay period based on the employee's pre-tax base salary (excluding overtime, holiday and Sunday compensation). Employee contributions under the Plan are not permitted.

Benefits

Participants' benefits are determined by the value of their account balances, specifically, District contributions plus (or minus) investment earnings (or losses). Each calendar quarter, participants will receive a detailed statement showing the District's contributions made during the quarter, any interest and investment gains or losses and the current account balance.

Participants become fully vested (entitled to the full value of their account) upon:

- Attainment of normal retirement age (age 65)
- Prior to December 8, 2009, completion of five years of creditable service in covered employment
- Effective December 8, 2009, graded vesting is based on the following schedule:

Less than 2 years	0%
2 years	20%
3 years	40%
4 years	60%
5 or more years	100%
- Permanent disability
- Death

Distributions

Benefits under the Plan can be distributed at termination of employment (if vested), death or permanent disability. The employee may choose from various payment options:

- Lump-sum cash payment
- Installment payments
- Rollovers
- Annuity payments

All payments distributed (excluding rollover amounts) are subject to federal and state taxes. In addition, participants will incur a 10% federal tax penalty on distributions received prior to age 59½.

The IRS requires that participants begin receiving payments by April 1st of the calendar year following the calendar year the employee attains age 72 or retires, whichever is later. Failure to receive the Required Minimum Distribution (RMD) for any tax year may result in a 50% excise tax being imposed on the participant for the amount required that was not distributed.



401(a) Plan Statistics

The charts in this section illustrate the allocation of assets and deferrals by asset class and investment option. In addition, this section includes charts that display total distributions.

Asset Allocation by Asset Class/Fund (as of September 30, 2022)

Asset Class/Fund Name	Assets as of September 30, 2022	Percentage of Total Assets	Number of Participants Invested
Stable Value/Cash Management			
MissionSquare PLUS Fund R10	\$ 92,046,208	7.42	2,324
Vanguard Federal Money Market	7,710,234	0.62	573
	\$ 99,756,442	8.04	2,897
Bond			
DC Plus Fixed Income	\$ 19,577,261	1.58	1,030
PIMCO Real Return CIT II	6,408,182	0.52	667
	\$ 25,985,443	2.10	1,697
Guaranteed Lifetime Income			
MissionSquare Retirement IncomeAdvantage	\$ 5,363,726	0.43	226
	\$ 5,363,726	0.43	226
Balanced/Asset Allocation			
Vanguard Target Retirement Income Trust	\$ 47,137,884	3.80	1,219
Vanguard Target Retirement 2020 Trust	82,535,603	6.65	1,577
Vanguard Target Retirement 2025 Trust	136,226,025	10.97	2,587
Vanguard Target Retirement 2030 Trust	169,371,078	13.64	3,309
Vanguard Target Retirement 2035 Trust	176,165,157	14.19	3,858
Vanguard Target Retirement 2040 Trust	131,045,416	10.56	3,533
Vanguard Target Retirement 2045 Trust	110,062,537	8.87	4,075
Vanguard Target Retirement 2050 Trust	71,573,614	5.77	4,172
Vanguard Target Retirement 2055 Trust	36,134,510	2.91	3,519
Vanguard Target Retirement 2060 Trust	7,197,924	0.58	1,393
Vanguard Target Retirement 2065 Trust	1,436,645	0.12	333
PIMCO All Asset Instl	417,505	0.03	61
	\$ 969,303,898	78.09	29,636
U.S. Stock			
American Funds Fundamental Inv	\$ 5,720,479	0.46	509
Ariel Institutional	10,085,461	0.81	708
Brown Cap Mgmt Small Co Instl	9,078,848	0.73	625
DC Plus Large Cap Growth	16,927,438	1.36	1,110
DC Plus Large Cap Value	9,767,278	0.79	1,127
DFA US Core Equity 1	8,288,093	0.67	802
Vanguard Institutional Index	45,353,498	3.65	1,869
Vanguard Small-Cap Index Instl	7,631,279	0.62	1,090
	\$ 112,852,374	9.09	7,840

Asset Class/Fund Name	Assets as of September 30, 2022	Percentage of Total Assets	Number of Participants Invested
International/Global Stock			
American Funds New Perspective	\$ 8,129,770	0.65	1,037
Harbor International Instl	11,547,932	0.93	1,208
Virtus Vontobel Emerg Mkts Ops	2,829,101	0.23	813
	\$ 22,506,803	1.81	3,058
Specialty			
Nuveen Real Estate Securities	\$ 5,450,432	0.44	1,119
	5,450,432	0.44	1,119
401(a) PLAN ASSETS	\$ 1,241,219,118	100.00	46,482

Contributions by Investment Option *(as of September 30, 2022)*

MissionSquare Retirement Fund Name	October 1, 2021 through September 30, 2022	Percent of Total Contributions
Stable Value/Cash Management		
MissionSquare PLUS Fund R10	\$ 3,557,329	4.08
Vanguard Federal Money Market	346,859	0.40
	\$ 3,904,188	4.48
Bond		
DC Plus Fixed Income	\$ 579,362	0.66
PIMCO Real Return CIT II	314,468	0.36
	\$ 893,830	1.02
Guaranteed Lifetime Income		
MissionSquare Retirement IncomeAdvantage	\$ 72,407	0.08
	\$ 72,407	0.08
Balanced/Asset Allocation		
Vanguard Target Retirement Income Trust	\$ 820,682	0.94
Vanguard Target Retirement 2015 Trust	1,214,618	1.39
Vanguard Target Retirement 2020 Trust	3,405,936	3.90
Vanguard Target Retirement 2025 Trust	6,678,393	7.66
Vanguard Target Retirement 2030 Trust	9,343,267	10.71
Vanguard Target Retirement 2035 Trust	10,758,583	12.33
Vanguard Target Retirement 2040 Trust	10,174,394	11.66
Vanguard Target Retirement 2045 Trust	10,915,160	12.51
Vanguard Target Retirement 2050 Trust	10,595,356	12.14
Vanguard Target Retirement 2055 Trust	7,863,703	9.01
Vanguard Target Retirement 2060 Trust	2,652,434	3.04
Vanguard Target Retirement 2065 Trust	400,498	0.46
PIMCO All Asset Instl	28,209	0.03
	\$ 74,851,233	85.78

MissionSquare Retirement Fund Name	October 1, 2021 through September 30, 2022	Percent of Total Contributions
U.S. Stock		
American Funds Fundamental Inv	\$ 607,456	0.70
Ariel Institutional	526,824	0.60
Brown Cap Mgmt Small Co Instl	597,348	0.69
DC Plus Large Cap Growth	754,880	0.87
DC Plus Large Cap Value	516,939	0.59
DFA US Core Equity 1	302,828	0.35
Vanguard Institutional Index	1,987,407	2.28
Vanguard Small-Cap Index Instl	559,786	0.64
	\$ 5,853,468	6.72
International/Global Stock		
American Funds New Perspective	\$ 555,734	0.64
Harbor International Instl	597,641	0.68
Virtus Vontobel Emerg Mkts Ops	218,727	0.25
	\$ 1,372,102	1.57
Specialty		
Nuveen Real Estate Securities	\$ 308,586	0.35
	\$ 308,586	0.35
401(a) PLAN CONTRIBUTIONS	\$ 87,255,814	100.00

Contributions by Asset Class

MissionSquare Retirement Asset Class	October 1, 2021 through September 30, 2022	Percent of Total Contributions
Stable Value/Cash Management	\$ 3,904,188	4.66
Bond	893,830	1.07
Guaranteed Lifetime Income	72,407	0.08
Balanced/Asset Allocation	74,851,233	89.31
U.S. Stock	5,853,468	6.98
International/Global Stock	1,372,102	1.64
Specialty	308,586	0.37
Contributions Subtotal	\$ 87,255,814	104.11
401(a) Plan Rollover Contributions	\$ 848,488	1.01
Subtotal	\$ 88,104,302	105.12
Net Change in Employer Contribution Receivable*	\$ (1,496,198)	(1.78)
Activity Adjustment	\$ (2,799,881)	(3.34)
Total Contributions	\$ 83,808,223	100.00

* See page 11 of 401(a) Plan Audit Report

FIGURE 1 Investment Assets

Reporting Period	Fixed Assets	Variable Assets	Total Assets
As of 9/30/2018	63,679,463	958,764,890	1,022,444,353
As of 9/30/2019	72,182,789	1,015,718,653	1,087,901,442
As of 9/30/2020	89,781,233	1,133,042,693	1,222,823,926
As of 9/30/2021	91,977,198	1,390,012,931	1,481,990,129
As of 9/30/2022	99,756,442	1,141,462,676	1,241,219,118

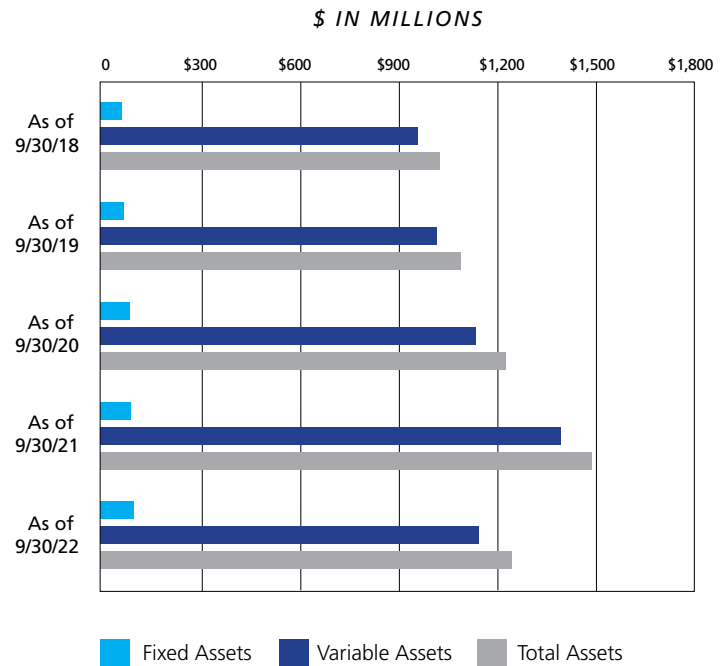


FIGURE 2 Historical Contributions

Reporting Period	Total Contributions*
As of 9/30/2018	70,488,848
As of 9/30/2019	77,687,087
As of 9/30/2020	82,119,951
As of 9/30/2021	86,235,768
As of 9/30/2022	83,808,223

*Includes incoming rollovers and changes in receivables/activity adjustments.

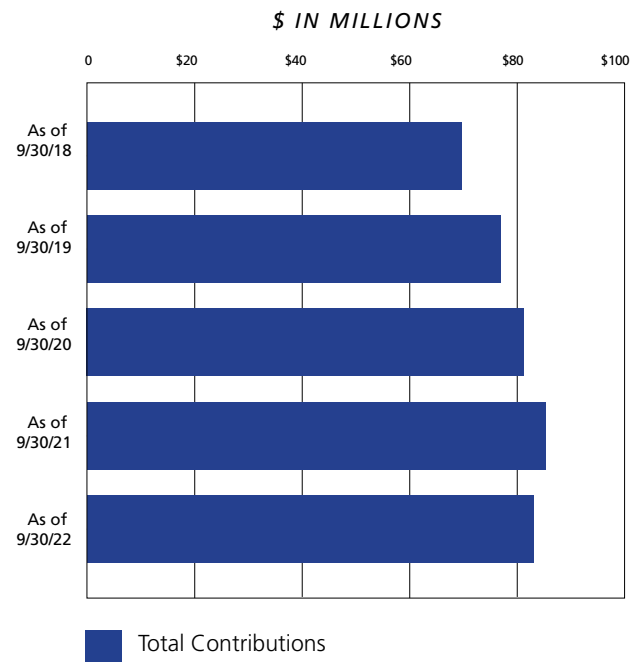


FIGURE 3 Historical Withdrawals

Reporting Period	Total Withdrawals
As of 9/30/2018	\$37,928,548
As of 9/30/2019	42,667,017
As of 9/30/2020*	41,075,920
As of 9/30/2021	50,376,513
As of 9/30/2022	61,481,262

*Includes Coronavirus-related distributions.

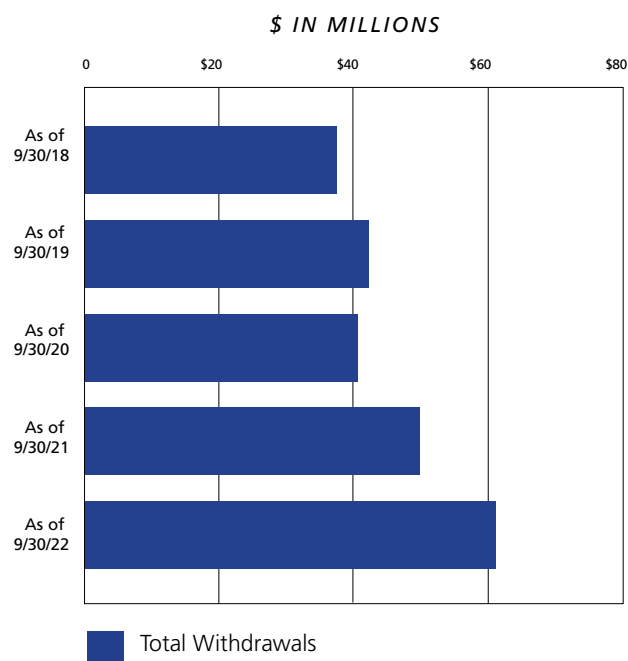


FIGURE 4 Dividends/Appreciation/Depreciation of Total Assets

Reporting Period	Dividends	Appreciation/Depreciation	Total Earnings
As of 9/30/2018	3,130,174	70,962,854	74,093,028
As of 9/30/2019	5,626,458	30,519,240	36,145,698
As of 9/30/2020	4,256,545	93,591,314	97,847,859
As of 9/30/2021	4,820,449	228,039,842	232,860,291
As of 9/30/2022	9,198,309	(272,200,033)	(263,001,724)

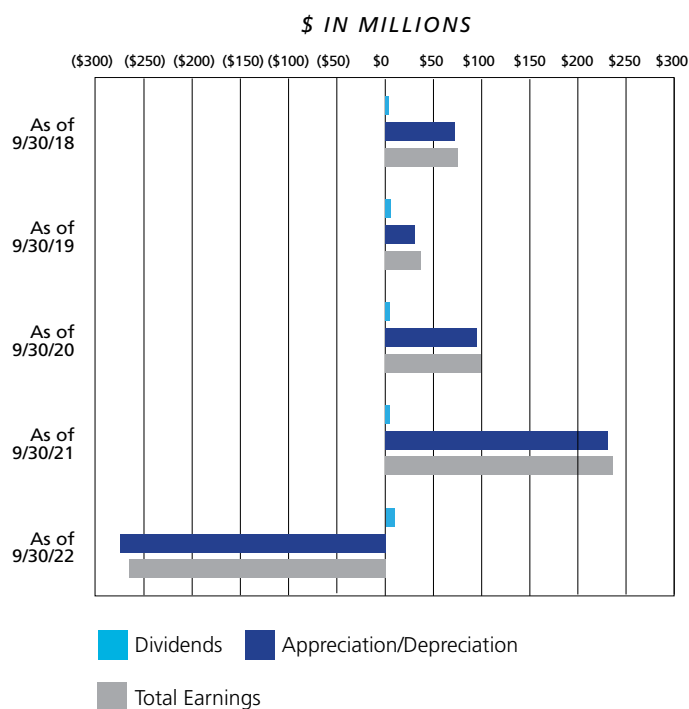


FIGURE 5 Monthly Contributions *(Reporting Period October 1, 2021 through September 30, 2022)*

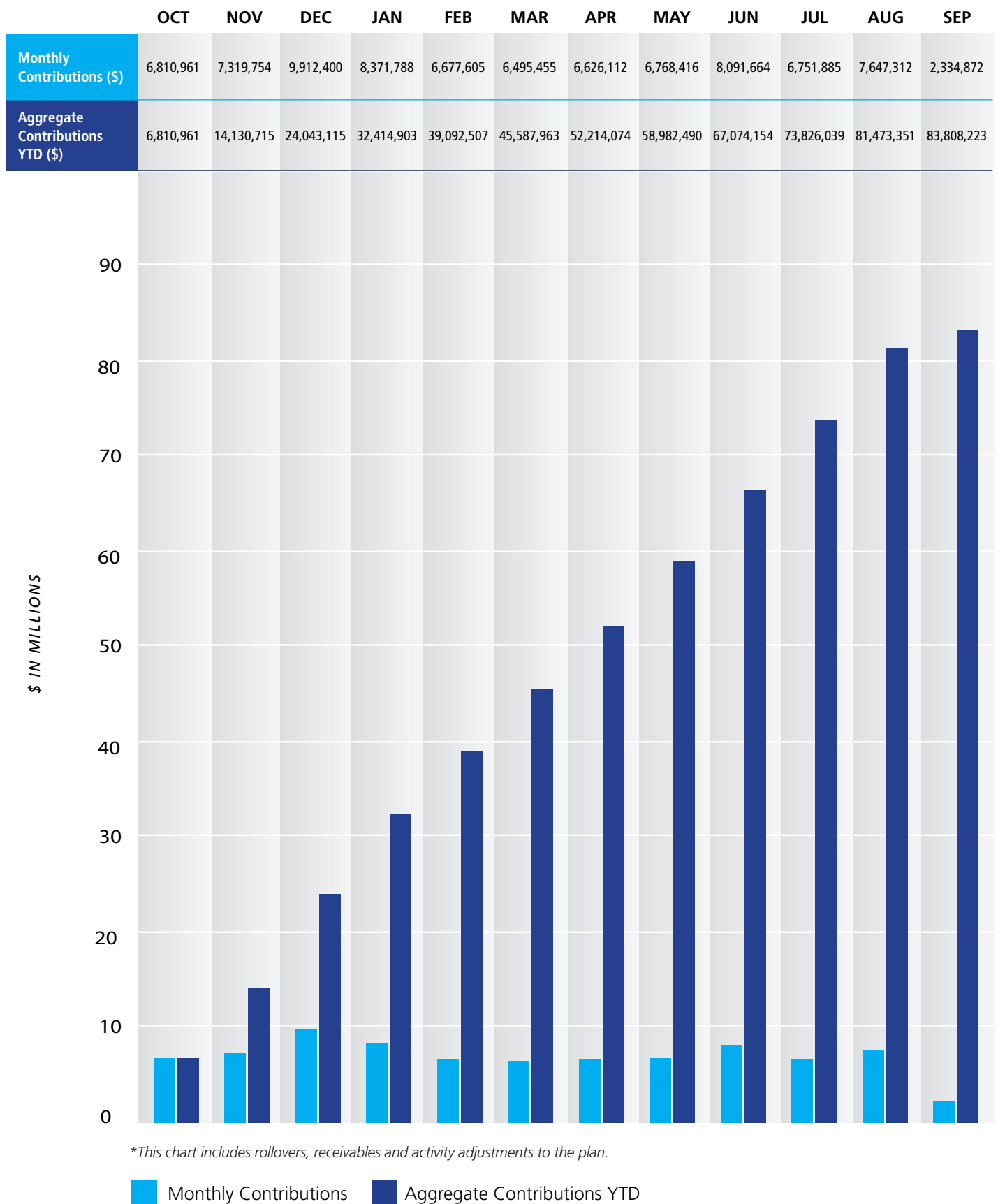
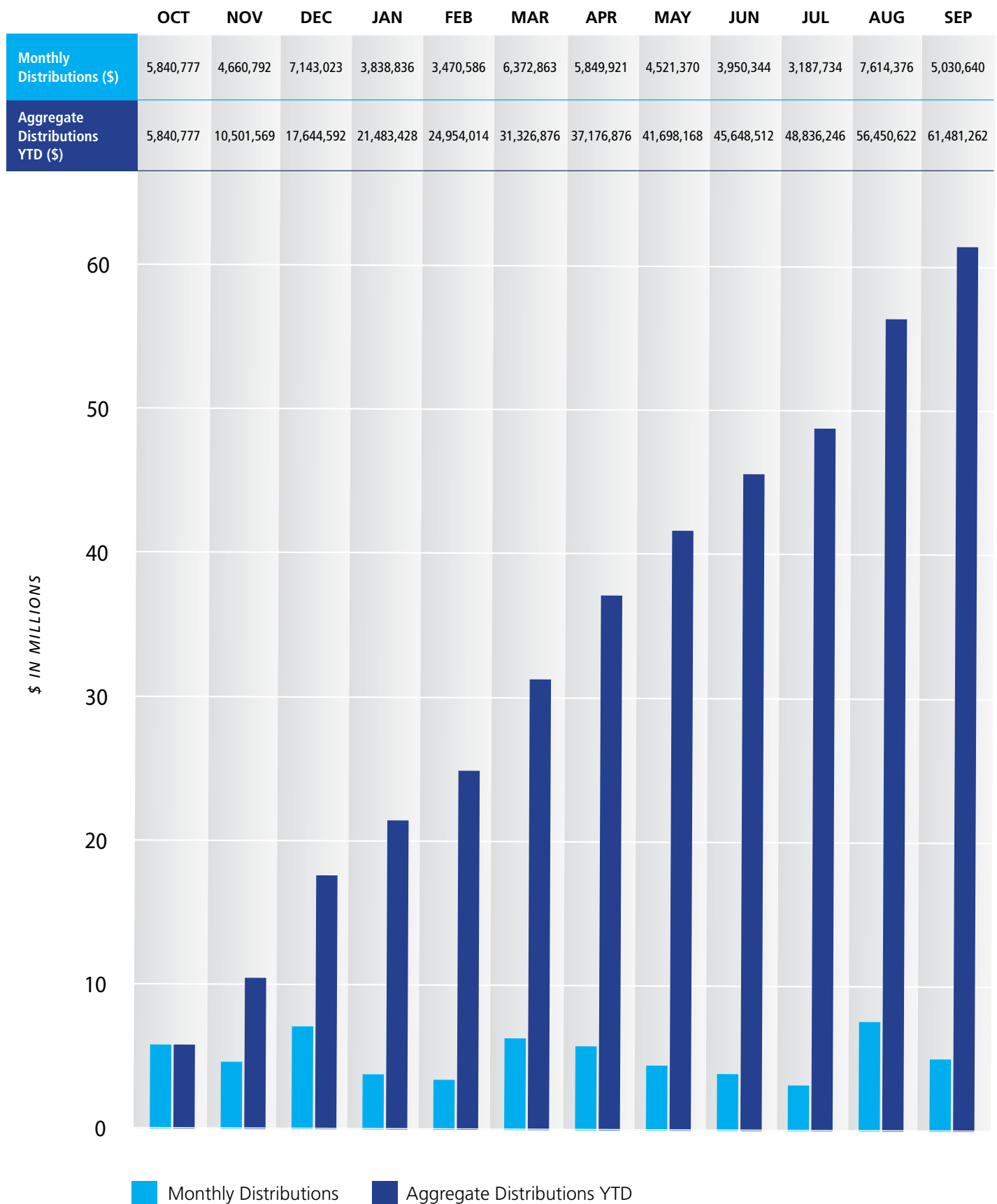


FIGURE 6 Monthly Distributions *(Reporting Period October 1, 2021 through September 30, 2022)*



Participant Demographics

The charts included in this section highlight participation by age group and new and terminated participants.

FIGURE 7 Age Stratification

This table illustrates participation and asset levels by age group as of September 30, 2022.

Age Ranges	Number of Participants	Total Investments	Average Balance
Under 30	1,610	\$7,922,791	\$4,921
30–39	7,468	\$110,445,703	\$14,789
40–49	7,638	\$277,719,628	\$36,360
50–59	7,607	\$439,965,455	\$57,837
60–69	4,856	\$321,624,423	\$66,232
Over 69	1,482	\$81,684,158	\$55,118
Total*	30,661	\$1,239,362,157	\$40,421

*Excludes beneficiary plans.

FIGURE 8 New vs. Terminated Plan Participants (Reporting Period October 1, 2021 through September 30, 2022)

This graph shows the number of new and terminated participants by month.

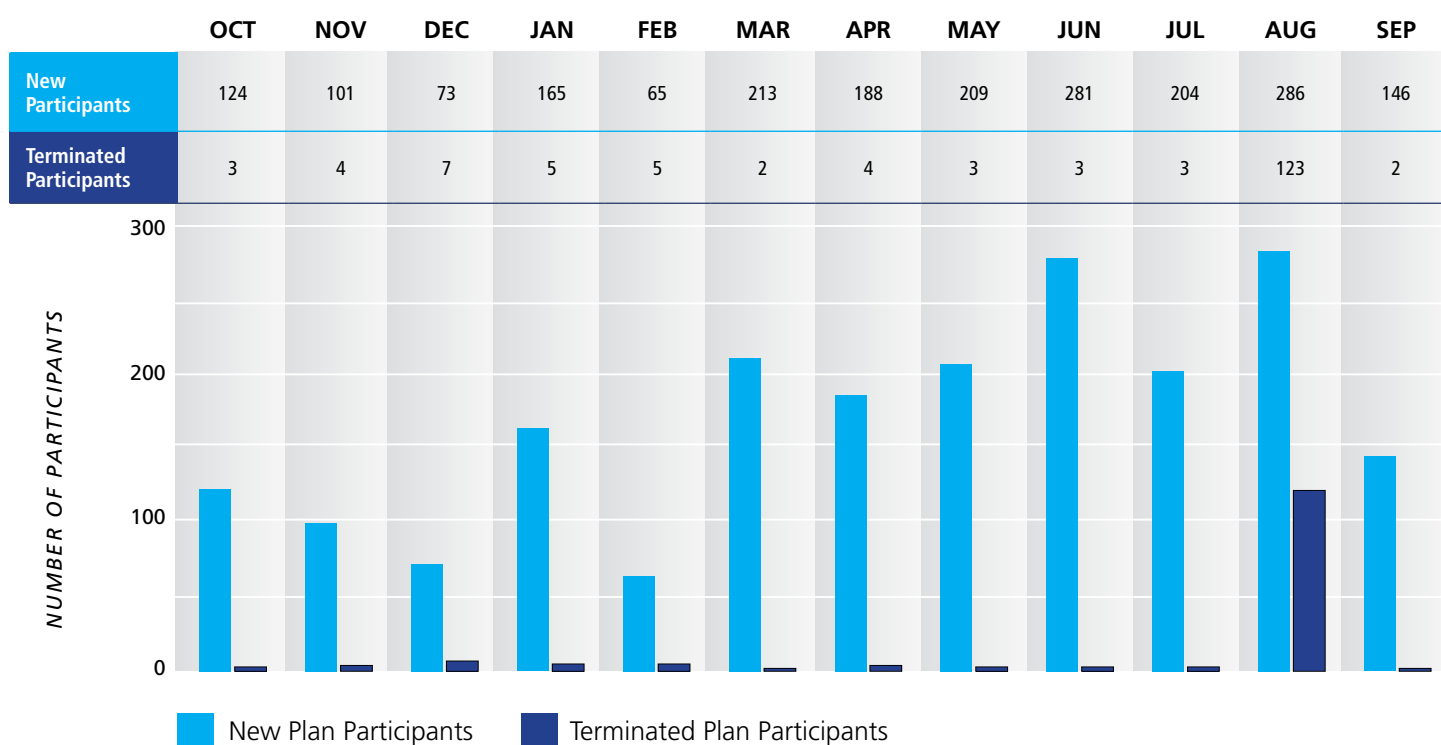
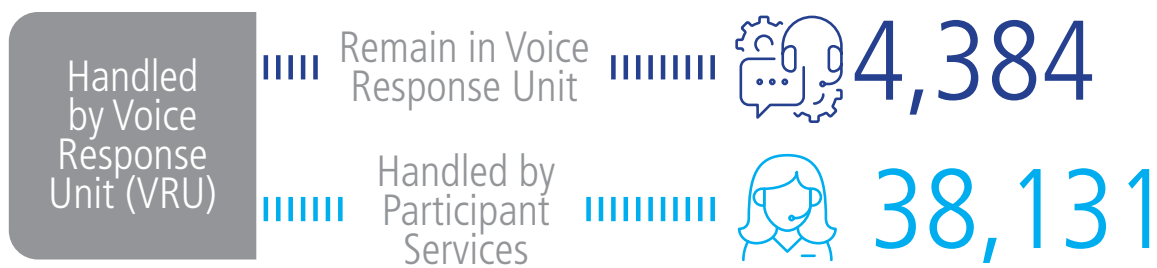


FIGURE 9 Participant Service Utilization (Reporting Period October 1, 2021 through September 30, 2022)



Participant Phone Calls



* Statistics are for all District of Columbia (401(a) and 457(b)) Retirement Plans combined.



457(b) Deferred Compensation Plan

457(b) Defined Contribution Plan

As of July 7, 2019, all eligible new District government employees are automatically enrolled into the 457(b) Deferred Compensation Plan. The retirement program allows all eligible District government employees to make tax-deferred and after-tax contributions (Roth) into investment options offered under the Plan. Taxes are due upon withdrawal for tax-deferred contributions only.

Performance Summary

Fiscal year 2022 was a difficult year for investment markets and plan participants. We had negative returns as of September 30, 2022, for 28 of 29 funds. Vanguard Target Retirement Trusts provided returns in line with their respective benchmarks:

- Vanguard Target Retire Income Trust lost 14.20%
- Vanguard Target Retire 2020 Trust lost 15.81%
- Vanguard Target Retire 2025 Trust lost 17.39%
- Vanguard Target Retire 2030 Trust lost 18.25%
- Vanguard Target Retire 2035 Trust lost 18.78%
- Vanguard Target Retire 2040 Trust lost 19.32%
- Vanguard Target Retire 2045 Trust lost 19.84%
- Vanguard Target Retire 2050 Trust lost 20.12%
- Vanguard Target Retire 2055 Trust lost 20.11%
- Vanguard Target Retire 2060 Trust lost 20.10%
- Vanguard Target Retire 2065 Trust lost 20.11%

For comparison purposes, the S&P 500 Index fell 15.47% and the Bloomberg Barclays U.S. Aggregate Bond Index was down 14.60%.

Plan assets decreased from \$1,209 billion to \$1,081 billion or 10.60% even though asset contributions outpaced depreciation and withdrawals. The Plan had 31,847 participants with an average account balance of \$33,935.

Eligibility

Employees eligible to participate in the Plan are employees of:

- An agency under the personnel authority of the mayor
- A subordinate agency as defined in the Comprehensive Merit Personnel Act of 1978
- If approved by the mayor, an agency not under the personnel authority of the mayor or an independent agency

Contributions

The District does not make contributions into the 457(b) Plan for employees; contributions are made solely by employees on a pre-tax and/or after-tax basis. The automatic deferral rate is 5% of employee's compensation as Pre-Tax Deferrals for newly enrolled employees. Within the first 30 days of employment an employee may elect to opt-out and request a withdraw of any default deferral (adjusted for gains and losses to the date of distribution). Employees who elect to remain in the plan may also elect to increase or decrease their contribution as well as employees enrolled in the plan prior to automatic enrollment. District employees employed prior to July 7, 2019, are required to contribute a minimum of \$20 per biweekly payroll period or \$43 per monthly payroll period, if they elect to participate in the Plan.

The maximum amount an employee could contribute for the 2022 calendar year was \$20,500, unless a higher amount was available under IRS catch-up provisions.

The 2022 calendar year age 50+ catch-up contribution limit was \$27,000, while the 457(b) Plan special catch-up contribution limit was a maximum of \$41,000, subject to certain limitations.

There are no age or length of service requirements to participate in the Plan and participants are immediately 100% vested (the participants' right to receive the account balance) upon enrollment.

Roth Contributions

Roth contributions can be made to the 457(b) Plan on an after-tax basis. Participants pay taxes on contributions now, rather than later. (Participants may make Roth and pre-tax contributions for a combined total of no more than \$20,500 for calendar year 2022.)

Roth contributions may be most appropriate for participants who expect to be in a higher tax bracket in retirement. (If income is higher when a participant retires and they wait to pay taxes – they could wind up paying more in taxes.)

Roth contributions are tax-free withdrawals. Qualified withdrawal of Roth assets are not subject to taxes.

Withdrawals of Roth assets (contributions and associated earnings) are qualified if:

- A period of five years has passed since January 1 of the year in which the first contribution (including rollovers) was made to the Roth account; and
- The participant is at least 59 ½ years old (or disabled or deceased).

If the requirements for a qualified distribution are not met and the assets are not rolled-over to another eligible plan, the earnings portion of the distribution will be taxable.

Having pre-tax and Roth options allows employees to choose the option that best fits their lifestyle.

Compared to Roth IRAs, 457(b) Plan participants have higher contribution limits; all income levels are eligible.

Benefits

Participants' benefits are determined by the value of their account balances; specifically, their contributions, plus (or minus) investment earnings (or losses). Each calendar quarter, participants will receive a detailed statement showing the timing of the deferrals made during the quarter, the share/unit price, the number of shares or units purchased, any interest and investment gains or losses and the current account balance. Statements are mailed within 15 business days after the end of each calendar quarter.

Loans

The Plan offers two types of loans: a personal loan or a residential loan. Participants can borrow up to 50 percent of their account balance or \$50,000, whichever is lower. Employees are only allowed to have one outstanding loan at a time.

Distributions

Benefits under the Plan can be distributed upon severance from employment, attainment of age 70 ½, death, or incurring of an unforeseeable emergency. The employee may choose from various payment options: lump sum, installment, annuity and direct rollover to another employer-sponsored eligible retirement plan or traditional IRA. All of the payments that a participant receives are subject to federal and state income taxes when distributed. Plan benefits must be applied for in writing.

The IRS requires that participants under a 457(b) Plan begin receiving payments by April 1st of the calendar year following the calendar year the employee reaches age 72, or retires, whichever is later. Failure to receive the Required Minimum Distribution (RMD) for any tax year will result in a 50% excise tax being imposed on the participant for the amount required that was not distributed.

457(b) Plan Statistics

The charts in this section illustrate the allocation of assets and deferrals by asset class and investment option. In addition, this section includes charts that display total distributions.

Asset Allocation by Asset Class/Fund (as of September 30, 2022)

Asset Class/Fund Name	Assets as of September 30, 2022	Percentage of Total Assets	Number of Participants Invested
Stable Value/Cash Management			
MissionSquare PLUS Fund R10	\$ 266,943,369	24.70	9,264
Vanguard Federal Money Market	16,099,370	1.49	1,032
Insurance Premium	N/A	0.00	0
	\$ 283,042,739	26.19	10,296
Bond			
DC Plus Fixed Income	\$ 34,687,343	3.21	2,849
PIMCO Real Return CIT II	12,874,342	1.19	1,145
	\$ 47,561,685	4.40	3,994
Guaranteed Lifetime Income			
MissionSquare Retirement IncomeAdvantage	\$ 5,665,698	0.52	293
	\$ 5,665,698	0.52	293
Balanced/Asset Allocation			
Vanguard Target Retirement Income Trust	\$ 9,182,349	0.85	360
Vanguard Target Retirement 2020 Trust	11,729,785	1.09	568
Vanguard Target Retirement 2025 Trust	26,603,193	2.46	1,133
Vanguard Target Retirement 2030 Trust	32,648,054	3.02	1,639
Vanguard Target Retirement 2035 Trust	35,473,685	3.28	2,070
Vanguard Target Retirement 2040 Trust	31,168,479	2.88	2,271
Vanguard Target Retirement 2045 Trust	34,896,414	3.23	2,981
Vanguard Target Retirement 2050 Trust	34,975,792	3.24	3,367
Vanguard Target Retirement 2055 Trust	23,580,521	2.18	3,598
Vanguard Target Retirement 2060 Trust	9,975,455	0.92	2,605
Vanguard Target Retirement 2065 Trust	3,209,249	0.30	1,034
PIMCO All Asset Instl	485,832	0.04	99
	\$ 253,928,808	23.49	21,725
U.S. Stock			
American Funds Fundamental Inv	\$ 24,205,187	2.24	1,966
Ariel Institutional	67,345,008	6.23	4,403
Brown Cap Mgmt Small Co Instl	23,233,604	2.15	2,071
DC Plus Large Cap Growth	43,950,450	4.07	3,460
DC Plus Large Cap Value	91,851,812	8.50	4,736
DFA US Core Equity 1	10,155,409	0.94	1,430
Vanguard Institutional Index	125,341,718	11.60	4,835
Vanguard Small-Cap Index Instl	26,565,009	2.46	2,774
	\$ 412,648,197	38.19	25,675

Asset Class/Fund Name	Assets as of September 30, 2022	Percentage of Total Assets	Number of Participants Invested
International/Global Stock			
American Funds New Perspective	\$ 15,260,673	1.41	1,844
Harbor International Instl	32,151,766	2.98	4,304
Virtus Vontobel Emerg Mkts Ops	4,738,492	0.44	1,470
	\$ 52,150,931	4.83	7,618
Specialty			
Nuveen Real Estate Securities	\$ 12,565,538	1.16	2,623
MissionSquare Brokerage	12,888,434	1.19	200
MissionSquare Roth Brokerage	273,032	0.03	33
	25,727,004	2.38	2,856
457(b) PLAN ASSETS	\$ 1,080,725,062	100.00	72,457

Contributions by Investment Option *(as of September 30, 2022)*

MissionSquare Retirement Fund Name	October 1, 2021 through September 30, 2022	Percent of Total Contributions
Stable Value/Cash Management		
MissionSquare PLUS Fund R10	\$ 17,460,428	14.91
Vanguard Federal Money Market	1,063,048	0.91
Insurance Premium	63,605	0.05
	\$ 18,587,081	15.87
Bond		
DC Plus Fixed Income	\$ 2,518,932	2.15
PIMCO Real Return CIT II	893,165	0.76
	\$ 3,412,097	2.91
Guaranteed Lifetime Income		
MissionSquare Retirement IncomeAdvantage	\$ 116,931	0.10
	\$ 116,931	0.10
Balanced/Asset Allocation		
Vanguard Target Retirement Income Trust	\$ 346,511	0.30
Vanguard Target Retirement 2015 Trust	367,681	0.31
Vanguard Target Retirement 2020 Trust	1,632,018	1.39
Vanguard Target Retirement 2025 Trust	3,835,493	3.28
Vanguard Target Retirement 2030 Trust	5,296,432	4.52
Vanguard Target Retirement 2035 Trust	6,404,819	5.47
Vanguard Target Retirement 2040 Trust	6,831,043	5.83
Vanguard Target Retirement 2045 Trust	8,819,976	7.53
Vanguard Target Retirement 2050 Trust	9,858,500	8.42
Vanguard Target Retirement 2055 Trust	8,267,005	7.06
Vanguard Target Retirement 2060 Trust	4,604,945	3.93
Vanguard Target Retirement 2065 Trust	1,499,276	1.28
PIMCO All Asset Instl	63,342	0.05
	\$ 57,827,041	49.37

MissionSquare Retirement Fund Name	October 1, 2021 through September 30, 2022	Percent of Total Contributions
U.S. Stock		
American Funds Fundamental Inv	\$ 2,527,242	2.16
Ariel Institutional	4,527,366	3.86
Brown Cap Mgmt Small Co Instl	2,291,285	1.96
DC Plus Large Cap Growth	3,807,570	3.25
DC Plus Large Cap Value	4,815,856	4.11
DFA US Core Equity 1	838,875	0.72
Vanguard Institutional Index	8,584,590	7.33
Vanguard Small-Cap Index Instl	2,657,596	2.27
	\$ 30,050,380	25.66
International/Global Stock		
American Funds New Perspective	\$ 1,801,683	1.54
Harbor International Instl	3,233,384	2.76
Virtus Vontobel Emerg Mkts Ops	676,954	0.58
	\$ 5,712,021	4.88
Specialty		
Nuveen Real Estate Securities	\$ 1,270,713	1.09
MissionSquare Brokerage	142,715	0.12
MissionSquare Roth Brokerage	3,550	0.00
	\$ 1,416,978	1.21
457(b) PLAN CONTRIBUTIONS	\$ 117,122,529	100.00

Contributions by Asset Class

MissionSquare Retirement Asset Class	October 1, 2021 through September 30, 2022	Percent of Total Contributions
Stable Value/Cash Management	\$ 18,587,081	14.69
Bond	3,412,097	2.70
Guaranteed Lifetime Income	116,931	0.09
Balanced/Asset Allocation	57,827,041	45.69
U.S. Stock	30,050,380	23.74
International/Global Stock	5,712,021	4.51
Specialty	1,416,978	1.12
Contributions Subtotal	\$ 117,122,529	92.54
457(b) Plan Rollover Contributions	\$ 8,540,633	6.75
Subtotal	\$ 125,663,162	99.29
Net Change in Employee Contribution Receivable*	\$ 757,725	0.60
Activity Adjustment	\$ 144,920	0.11
Total Contributions	\$ 126,565,807	100.00

*See page 11 of 457(b) Plan Audit Report

FIGURE 1 Investment Assets

Reporting Period	Fixed Assets	Variable Assets	Total Assets
As of 9/30/2018	243,338,388	579,531,093	822,869,481
As of 9/30/2019	254,310,763	618,357,483	872,668,246
As of 9/30/2020	271,531,327	681,913,496	953,444,823
As of 9/30/2021	278,914,067	929,972,079	1,208,886,146
As of 9/30/2022	283,042,739	797,682,323	1,080,725,062

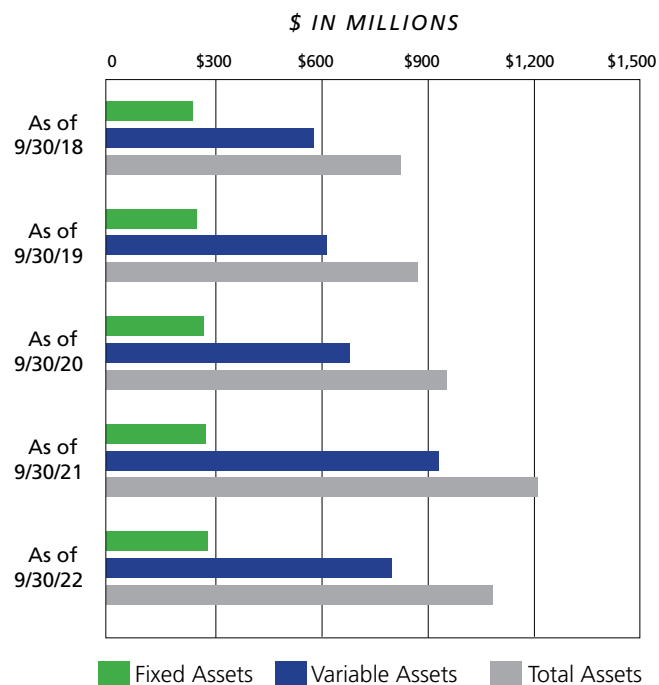


FIGURE 2 Historical Contributions

Reporting Period	Total Contributions*
As of 9/30/2018	\$ 74,786,216
As of 9/30/2019	87,153,299
As of 9/30/2020	100,008,009
As of 9/30/2021	117,258,123
As of 9/30/2022	126,565,807

*Includes incoming rollovers and changes in receivables/activity adjustments.

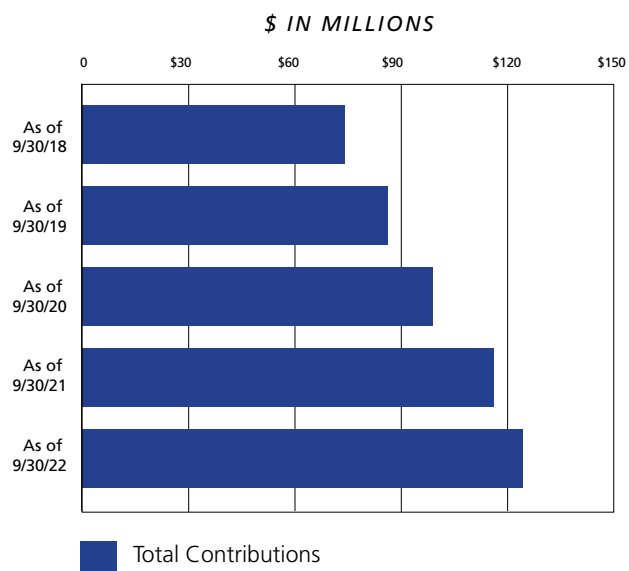


FIGURE 3 Historical Withdrawals (As of September 30, 2022)

Reporting Period	Employee Distributions	Deemed Distributions and Offset Loans	Total Distributions [†]
As of 9/30/2018	46,291,106	1,266,022	47,557,128*
As of 9/30/2019	47,133,348	1,850,059	48,983,407
As of 9/30/2020**	61,702,819	1,420,120	63,122,939
As of 9/30/2021	61,474,449	2,049,573	63,524,022
As of 9/30/2022	67,870,817	2,456,257	70,327,074

[†] Includes Cash Surrenders from Life Insurance Policies that were applied to participants accounts and later withdrawn.

* Amount differs from financial statement by \$18,707 due to interest added to deemed loans.

** Includes Coronavirus-Related Distributions.

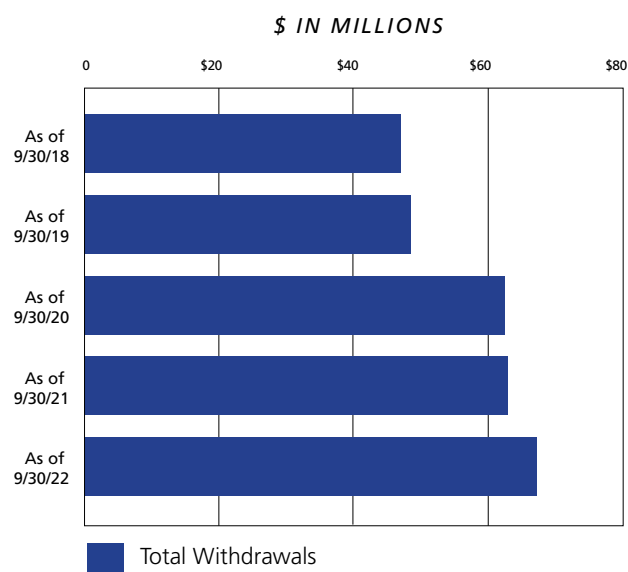


FIGURE 4 Dividends/Appreciation/Depreciation of Total Assets

Reporting Period	Dividends	Appreciation/Depreciation	Total Earnings
As of 9/30/2018	12,475,893	54,935,573	67,411,466
As of 9/30/2019	22,758,858	(9,640,662)	13,118,196
As of 9/30/2020	15,008,344	32,485,852	47,494,196
As of 9/30/2021	15,222,414	187,760,176	202,982,590
As of 9/30/2022	26,150,862	(209,573,629)	(183,422,767)

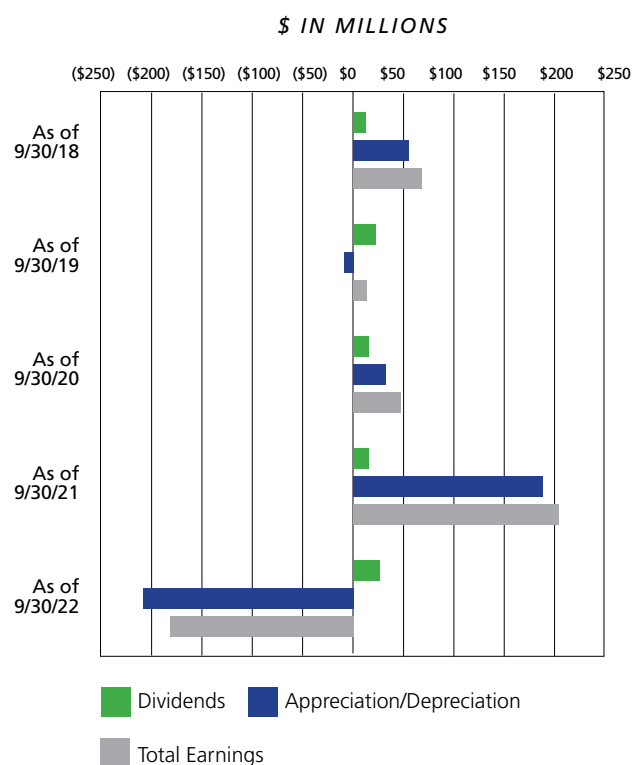
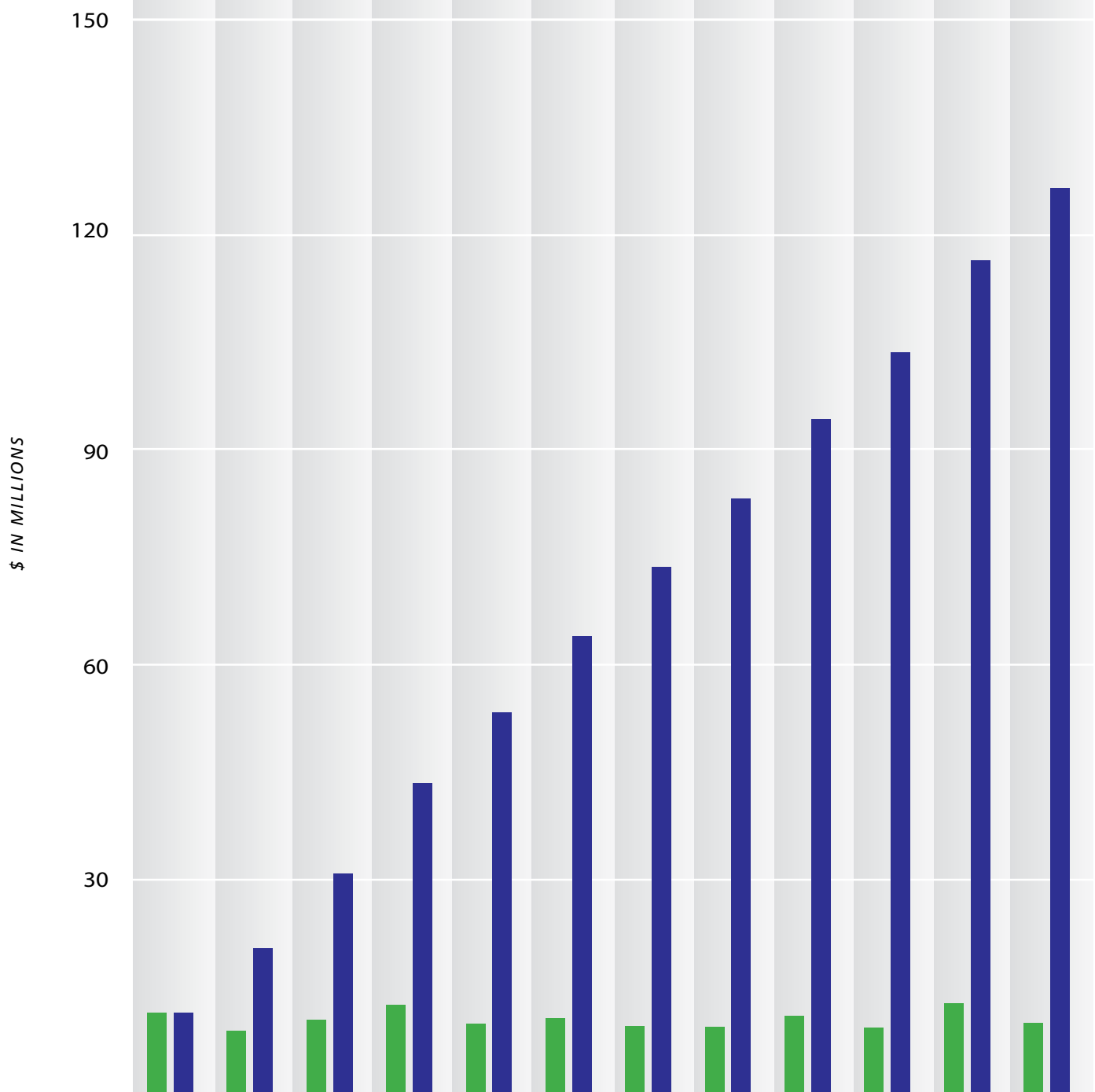


FIGURE 5 Monthly Contributions* (Reporting Period October 1, 2021 through September 30, 2022)

	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
Monthly Contributions (\$)	11,480,861	8,986,258	10,477,830	12,519,921	9,923,050	10,683,628	9,658,717	9,541,426	11,026,724	9,398,257	12,773,000	10,096,135
Aggregate Contributions YTD (\$)	11,480,861	20,467,118	30,944,949	43,464,870	53,387,919	64,071,548	73,730,265	83,271,691	94,298,415	103,696,672	116,469,672	126,565,807

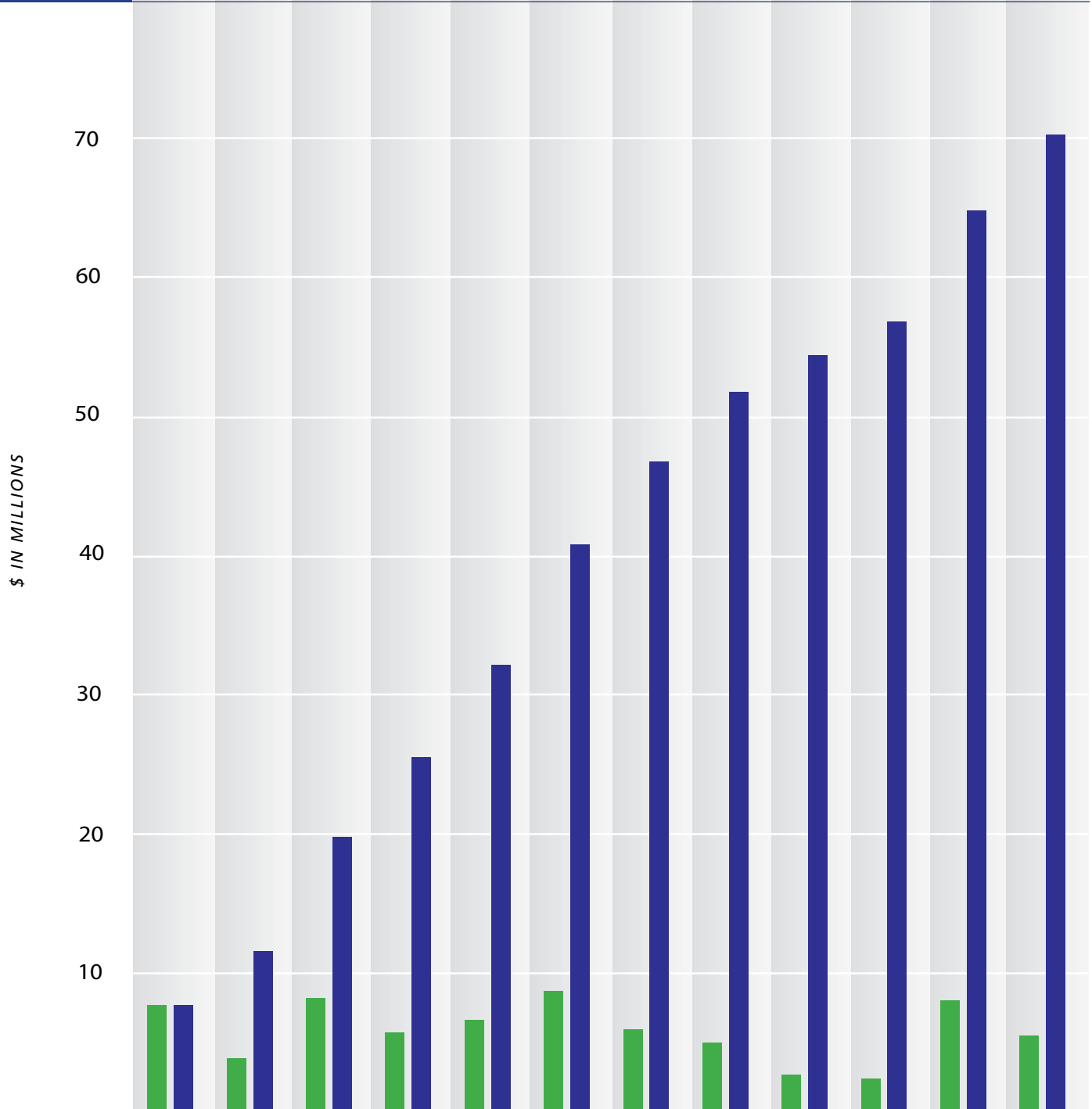


*This chart includes rollovers, receivables and activity adjustments to the plan.

Monthly Contributions Aggregate Contributions YTD

FIGURE 6 Monthly Distributions* (Reporting Period October 1, 2021 through September 30, 2022)

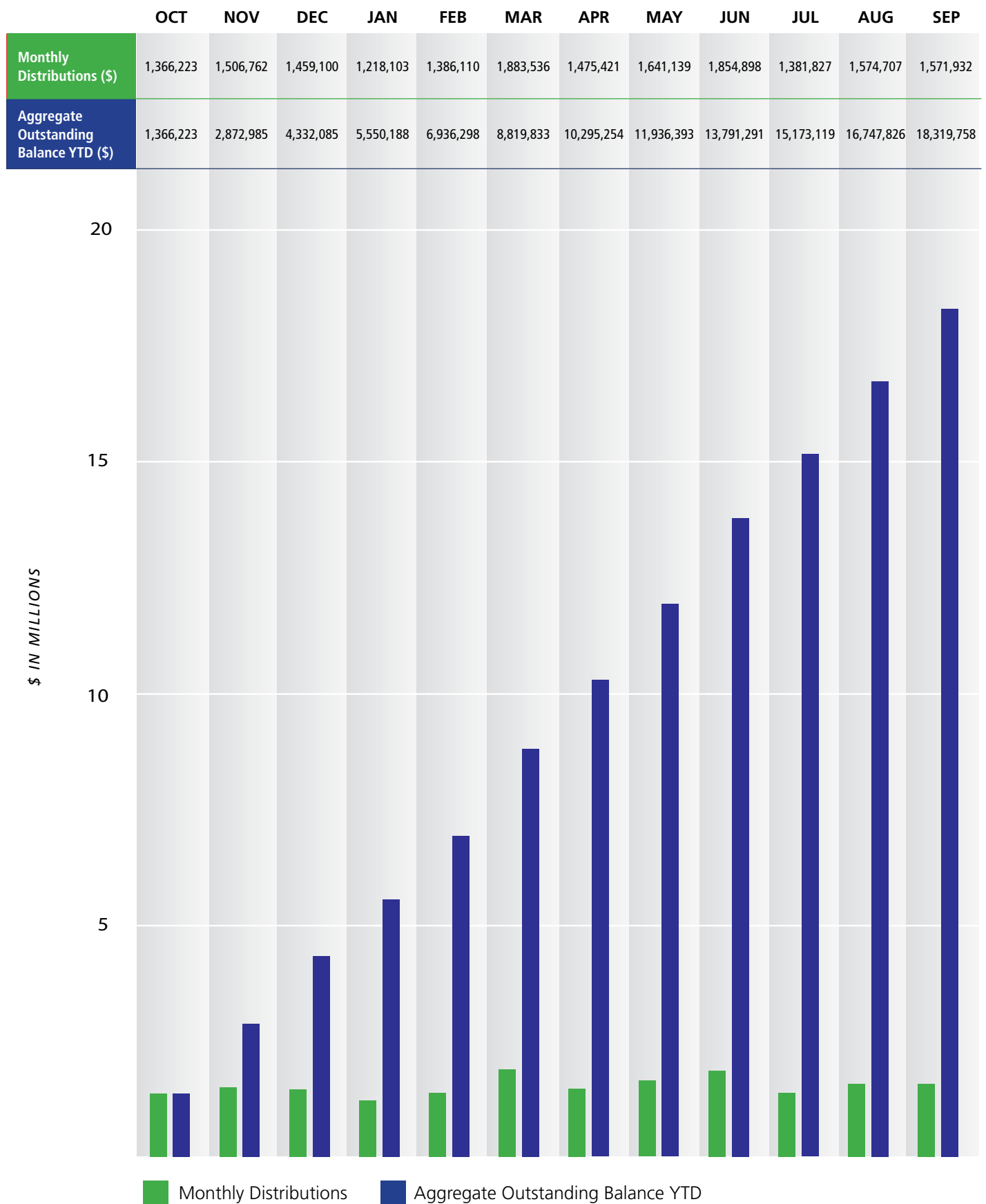
	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
Monthly Distributions (\$)	7,717,623	3,876,412	8,179,664	5,730,083	6,644,400	8,708,097	5,946,329	5,008,525	2,658,013	2,392,129	8,001,746	5,464,053
Aggregate Distributions YTD (\$)	7,717,623	11,594,035	19,773,699	25,503,783	32,148,183	40,856,280	46,802,608	51,811,133	54,469,146	56,861,275	64,863,021	70,327,074



*Total includes deemed distributions and offset loans

Monthly Distributions Aggregate Distributions YTD

FIGURE 7 New Loan Activity *(Reporting Period October 1, 2021 through September 30, 2022)*



Participant Demographics

The charts included in this section highlight participation by age group and new and terminated participants.

FIGURE 8 Age Stratification

This table illustrates participation and asset levels by age group as of September 30, 2022.

Age Ranges	Number of Participants	Total Investments	Average Balance
Under 30	3,731	\$14,652,898	\$3,927
30–39	8,554	\$110,299,564	\$12,895
40–49	7,234	\$214,270,295	\$29,620
50–59	6,591	\$298,713,536	\$45,321
60–69	4,100	\$283,140,449	\$69,059
Over 69	1,637	\$157,761,784	\$96,373
Total*	31,847	\$1,078,838,526	\$33,876

*Excludes Beneficiary Plans and Outstanding Loan Balance

FIGURE 9 New vs. Terminated Plan Participants (Reporting Period October 1, 2021 through September 30, 2022)

This graph shows the number of new and terminated participants by month.

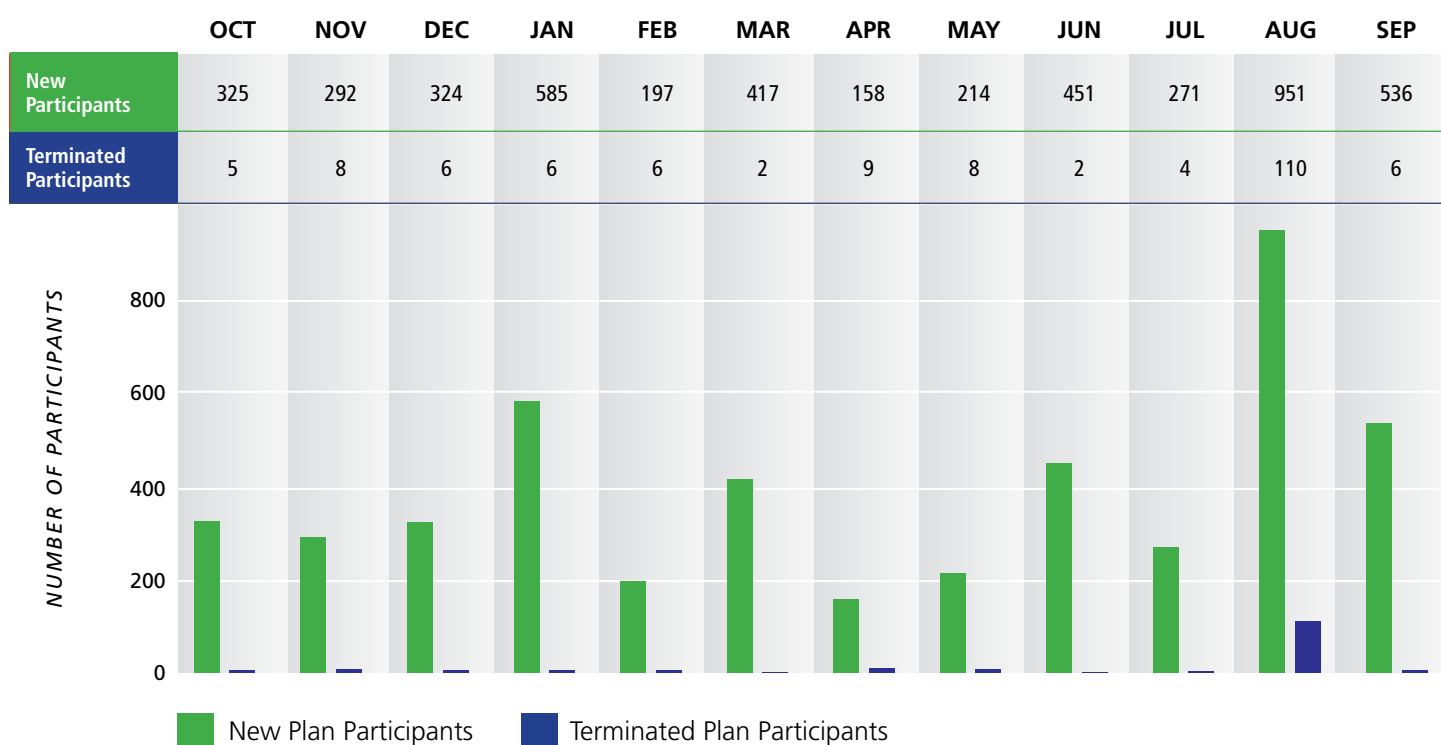


FIGURE 10 Monthly Meeting Attendance *(Reporting Period October 1, 2021 through September 30, 2022)*

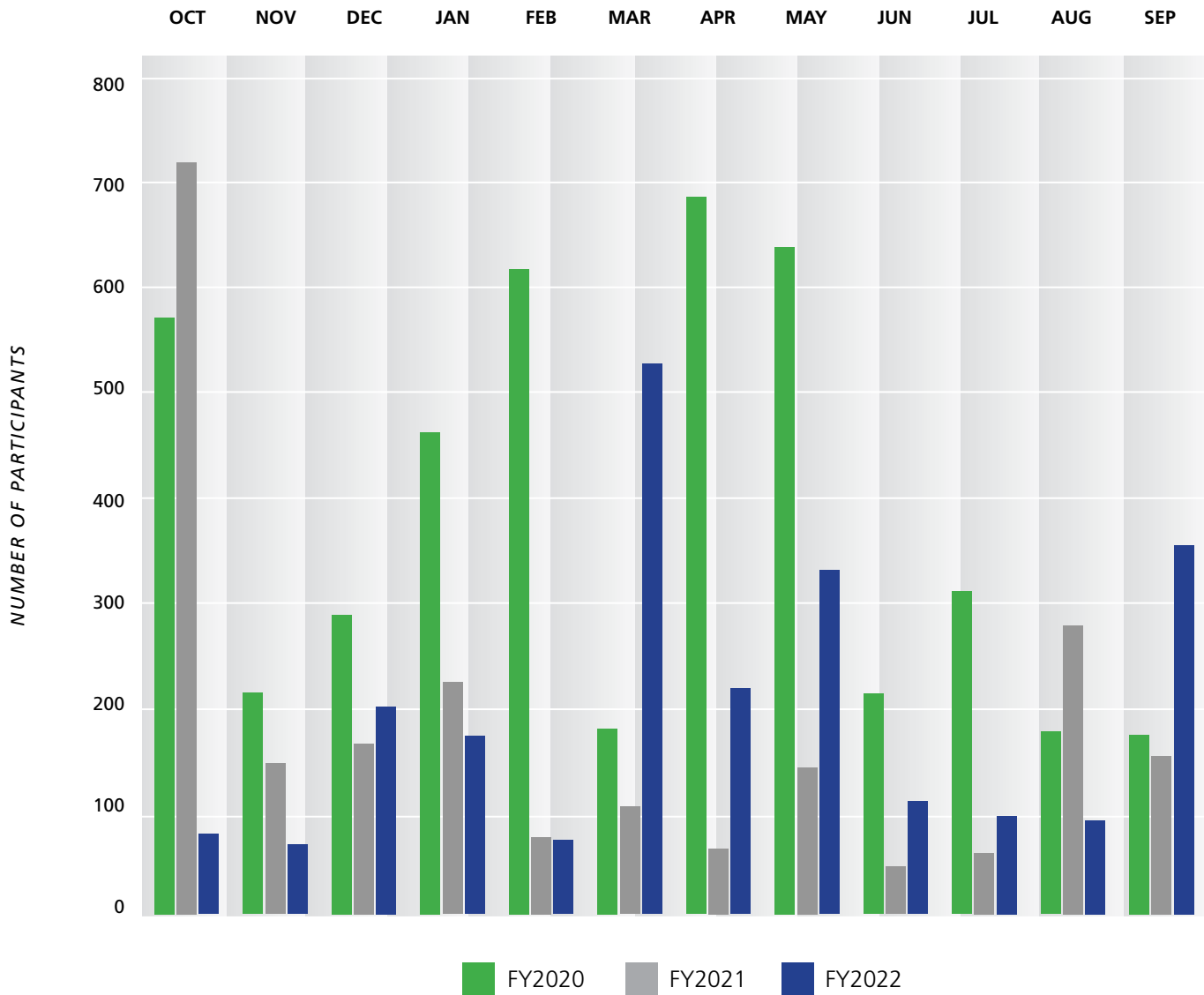
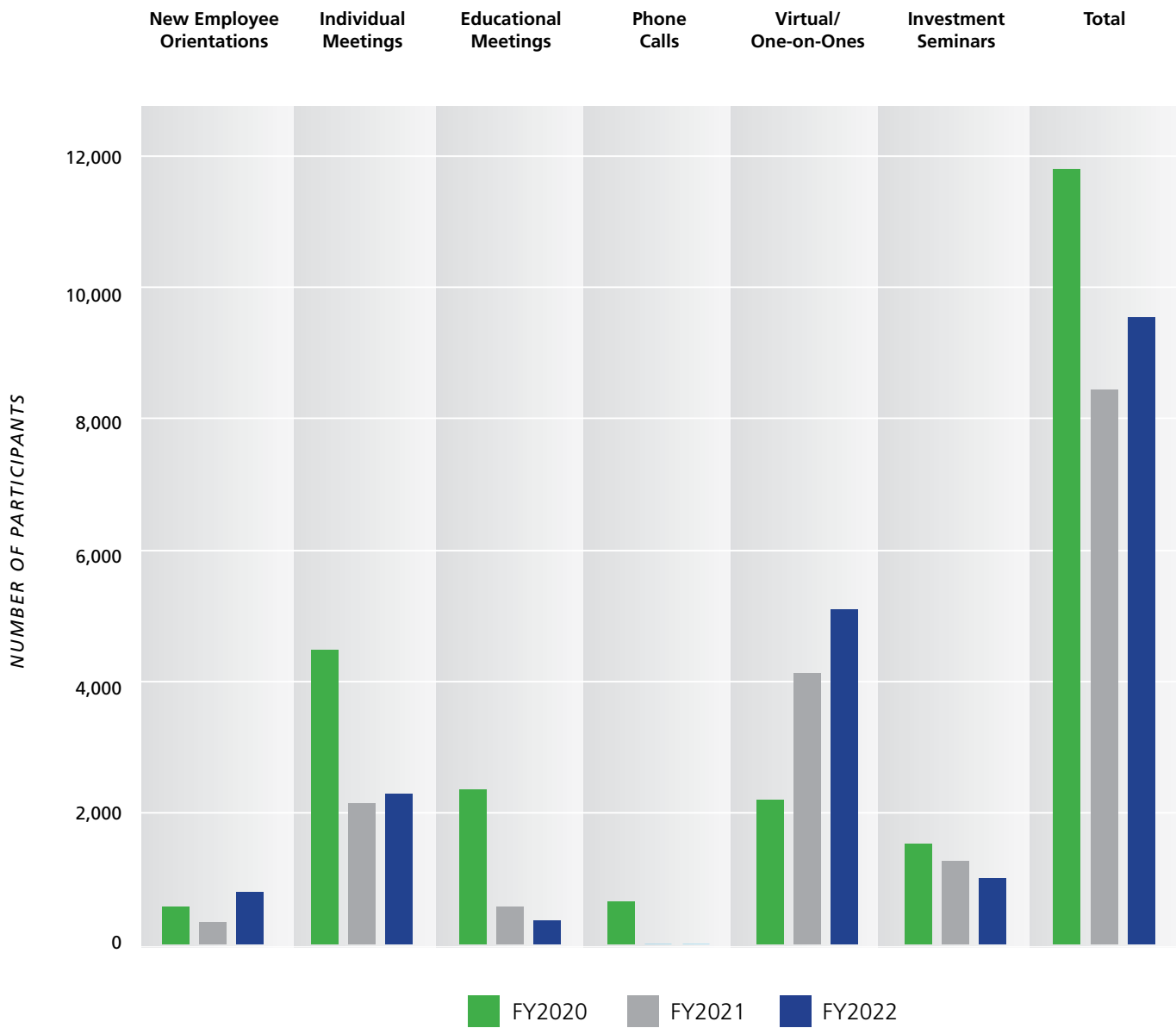


FIGURE 11 Overall Attendance by Meeting Type *(Reporting Period October 1, 2021 through September 30, 2022) Investment Seminars*

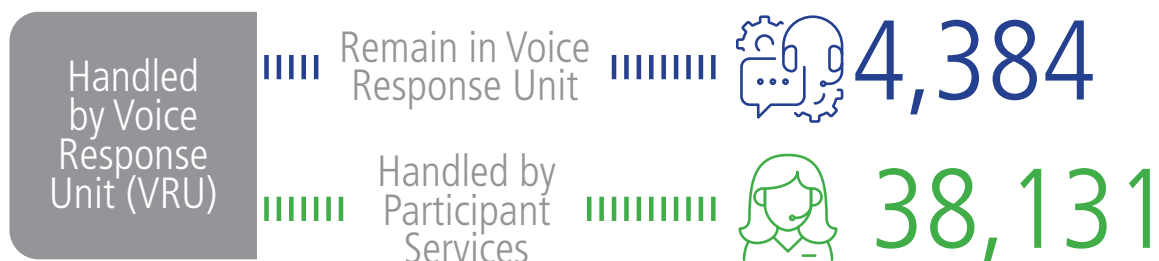


Note: Due to COVID-19, local office was closed starting in March of 2020. No calls were received at local office and participants were redirected to contact the MissionSquare Retirement Plans Specialist directly by scheduling virtual one-on-one calls.

FIGURE 12 Participant Service Utilization *(Reporting Period October 1, 2021 through September 30, 2022)*



Participant Phone Calls



* Statistics are for all District of Columbia (401(a) and 457(b)) Retirement Plans combined.

Life Insurance

The 457(b) Deferred Compensation Plan allows participants who had existing life insurance policies (under the Plan as of March 15, 2002) to continue to have their policies maintained under the Plan. These Universal Life Insurance policies are maintained by TransAmerica and Shenandoah Life Insurance Company. Purchasing life insurance is no longer an option for participants who did not have life insurance as of March 15, 2002.

FIGURE 13 Deferrals by Insurance Company
(as of September 30, 2022)

	Shenandoah	TransAmerica	Total
OCT	\$ 24	\$ 5,366	\$ 5,390
NOV	24	5,295	5,319
DEC	36	5,548	5,584
JAN	24	6,981	7,005
FEB	24	5,038	5,062
MAR	24	4,984	5,008
APR	24	4,827	4,851
MAY	24	5,003	5,027
JUN	36	5,247	5,283
JUL	24	4,673	4,697
AUG	24	6,129	6,153
SEP	24	4,176	4,200
	\$ 312	\$ 63,268	\$ 63,580

FIGURE 14 Number of Plan Participants with Insurance Policies
(as of September 30, 2022)

	Shenandoah	TransAmerica	Total
9/30/2018	18	738	756
9/30/2019	18	701	719
9/30/2020	18	656	674
9/30/2021	18	595	613
9/30/2022	18	543	561

FIGURE 15 Cash Surrender Value^{1,2}
(as of September 30, 2022)

	Shenandoah	TransAmerica	Total
9/30/2018	62,125	3,985,963	4,048,089
9/30/2019	55,780	3,841,556	3,897,336
9/30/2020	48,187	3,657,540	3,705,727
9/30/2021	38,928	3,346,042	3,384,970
9/30/2022	28,071	3,052,367	3,080,438

¹ Statistical information based on data provided by each respective insurance carrier.

² Cash Surrender Value – The amount you would receive if you surrendered your life insurance policy after any applicable surrender charges were assessed.



Retirement Plan Administration

District of Columbia Administration Teams

Office of Finance and Treasury

The Office of Finance and Treasury (“OFT”) manages the assets and liabilities of the District government. In addition to overseeing the day-to-day administration of the 401(a) and 457(b) Plans, OFT manages the District’s cash and liquid assets, all cash disbursements, banking relationships, the DC College Savings Program and the Other Post-Employment Benefits Fund (“OPEB”).

Carmen Pigler is Deputy Chief Financial Officer and Treasurer. Ms. Pigler manages the District’s treasury programs associated with its annual operating and capital budget. This includes management of the District’s banking and investment activities, check and electronic receipts and disbursements and its debt issuance and repayment activities. She also oversees the District’s 401(a) and 457(b) retirement plans, 529 college savings plan and the Unclaimed Property program.

Benedict Richardson, CFA, is the Associate Treasurer for asset management in the Office of Finance and Treasury (OFT). Mr. Richardson is charged with overseeing all of the District’s investment programs, including the general fund, the District’s 401(a) and 457(b) retirement programs, the 529 College Savings program and the District’s OPEB Fund program. Mr. Richardson also has responsibility for cash forecasting, OFT accounting and the Unclaimed Property Division within OFT.

Rodney Dickerson, the Program Director for the 401(a) Defined Contribution Plan and 457(b) Deferred Compensation Plan, is responsible for monitoring the Plan’s operations, including all communications and facilitates quarterly meetings with the program manager. Besides assessing and coordinating all 401(a) and 457(b) Plans education meetings and various other Plan events, as Program Director, he reconciles all Plan assets.

Mr. Dickerson serves as the liaison between the Office of Pay and Retirement Services (OPRS) and the DC Department of Human Resources (DCHR). He also manages the District’s OPEB Fund.

Ken Alozie, CFA, CAIA, is the Program Manager responsible for managing operations and relationships with investment

managers, record keepers, plan administrators and contractors for the District’s 401(a) Defined Contribution Retirement Plan, the 457(b) Deferred Compensation Plan, the DC 529 College Savings Plan and OPEB Fund. Mr. Alozie is also responsible for developing goals, objectives and assigning responsibilities among programs, formulating improvement strategies and reporting on performance.

Merzie Davis is the Financial Manager for the 457(b) Deferred Compensation Plan, monitors the Plan’s operations, including participant communications, facilitation of quarterly meetings with the program manager and monthly reconciles of all Plan assets.

Mr. Davis also serves as the liaison between the OPRS and DCHR.

Joseph Nzioki, Financial Analyst, works closely with Rodney Dickerson, Program Director, on the 401(a) Defined Contribution Plan and OPEB Fund. He assists with the monthly asset reconciliation for the 401(a) Plan and OPEB Fund. He updates the OPEB billing system with changes to participants’ data and researches discrepancies of various records.



Office of Finance and Treasury (OFT): Merzie Davis, Financial Manager; Rodney Dickerson, Program Director; Ken Alozie, Program Manager; Carmen Pigler, Deputy Chief Financial Officer and Treasurer; Benedict Richardson, Associate Treasurer; and Joseph Nzioki, Financial Analyst

DC Department of Human Resources

The Office of Finance and Treasury (OFT) and the DC Department of Human Resources (DCHR) formed a joint partnership to manage the 401(a) Defined Contribution Plan and the 457(b) Deferred Compensation Plan. DCHR hosts new employee orientation meetings where MissionSquare Retirement educates new employees of the benefits on the District's Retirement Plans. When an employee requests a distribution after separation of employment, DCHR advisors must validate the employee's distribution eligibility and vesting percentages in the 401(a) Plan for their respective agencies.

HR meetings and agency site visits are conducted monthly to keep agency HR Advisors apprised of plan and personnel processing changes, to answer any questions regarding the Retirement Plans and related pension issues and to receive feedback on how to best serve the District's workforce.

Lindsey Maxwell is Interim Director, Human Resources.

Mr. Maxwell is a native of Upper Montclair, N.J. and graduated from the University of Pittsburgh with a B.A. in Legal Studies.

While at Pitt, he was a standout athlete on the nationally ranked football and track teams. He went on to receive his J.D. from the University of Akron with a Certificate in Mediation.

Mr. Maxwell began his professional career as a bank examiner at the Federal Reserve Bank of Cleveland where he was responsible for evaluating the financial health of banks throughout the 4th District; encompassing Ohio, Western Pennsylvania and Northern Kentucky. He later served as a legislative aide in the New Jersey State Legislature before entering into the private practice of law in Washington, DC at Beins, Axelrod & Kraft. While there, he represented several public sector unions in contract negotiations, arbitrations and litigation. He later became a partner at the Perennial Law Group, a nationally-recognized leader in sports management and representation. At Perennial he represented the NBA Referees Association, the Major League Baseball Umpires Association and dozens of authors, musicians, television personalities and athletes.

He later became a partner at The Bailey Law Group, a

boutique firm focusing his practice on labor and employment litigation. While there he won the high profile case of Westmoreland vs. Prince George's County where he represented an African American female firefighter who had been subjected to both racial and gender discrimination. In 2011, he took over as the firm's head of Middle East operations and spent the next three years advising the firm's clients in Istanbul, Dubai and Abu Dhabi.

In early 2015, he returned to the public sector as the Supervisory Attorney of the DC Public Employee Relations Board. In this capacity, he managed the legal operations of the Agency and litigated all cases in DC Courts where the Agency was a party.

In January of 2019, Mayor Muriel Bowser appointed him to the cabinet position of Director of the Office of Labor Relations and Collective Bargaining.

Mr. Maxwell currently resides in Washington, DC in Ward 6 with his wife, Dr. Letty E. Maxwell.

Paul Shaw, is the Associate Director of the Benefits and Retirement Administration and provides executive direction and oversight to the Plan for DCHR. He coordinates the delivery of Plan services through various District agencies and reviews Plan benefits to ensure that they meet the needs of our employees.

Chad Clayton, Human Resources Benefits Specialist; Shannon Morris, Human Resources Benefits Specialist; Demetrius Patillo, Human Benefits Resources Specialist; and Maria Prescott, Supervisory Human Resources Specialist; coordinate the day-to-day service activity in the Plan. They work closely with District employees, MissionSquare Retirement, OFT and the Office of Pay and Retirement Services to ensure that participant issues and questions are resolved promptly.



*Lindsey Maxwell, Interim Director
Human Resources*



Standing: Chad Clayton and Demetrius Patillo, Human Resources Benefits Specialists; Seated: Maria Prescott, Supervisory Human Resources Specialist; Paul Shaw, Associate Director of the Benefits and Retirement Administration

Office of the Chief Financial Officer/Office of Pay and Retirement Services

The Office of Pay and Retirement Services (OPRS) transmits participant payroll data to MissionSquare at least two days prior to the payroll date and researches payroll contribution file rejections. Funds are sent via wire transfer on the pay date plus one business day. Excess deferrals are processed by OPRS and the funds are returned to the individual participant.



*Michelle Washington
and Alvin Blunt of
OPRS*

District of Columbia Housing Authority

The District of Columbia Housing Authority (DCHA) is an independent agency of the District of Columbia Government. DCHA enrolls new employee participants and communicate the benefits of the Plan to its employees.

The office works closely with DCHA employees to resolve any issues their employees have about the plan, work in conjunction with the District of Columbia Department of Human Resources to process distributions on behalf of DCHA employees, research any contribution that is rejected and other issues related to the transfer of contribution.



The MissionSquare Retirement Teams

MissionSquare is committed to delivering outstanding service and education for employees of the District of Columbia Government.

Local On-site Team

MissionSquare's headquarters is located in Washington, DC. Donnell Williams is a Regional Sales Director and oversees MissionSquare's local DC team of Andrew McFalls, Angela Macon, Kundai Mpundu, and Pilar Henderson. The team is located at the DC Service Centers at 777 North Capitol Street, NE, 4th Floor. The team provides the District with a local presence and maintains an ongoing relationship with the Office of Finance and Treasury, DC Department of Human Resources, DC Housing Authority and employees.

Each member of MissionSquare's local team is a financial professional, keeping up to date on the latest developments in the financial services industry and maintaining professional designations such as Certified Fund Specialist, successfully completing Financial Industry Regulatory Authority (FINRA) Series exams and other required insurance licenses:

- Donnell Williams: FINRA Series 6, 63, 65 and 26, Life and Health Certification
- Angela Macon: FINRA Series 6, 63 and 65, CRS
- Kundai Mpundu: FINRA Series 6, 63 and 65, Life and Health Certification
- Andrew McFalls: FINRA Series 6, 63 and 65
- Pilar Henderson: Field Sales Assistant

As highlighted in detail in the Education Summary of this report, MissionSquare's local team is responsible for:

- Enrollment in the Plan
- Scheduling and conducting education and investment meetings at various agencies
- Conducting orientation and retirement plan seminars
- Holding individual meetings with Plan participants
- Responding to employee and participant requests



Local on-site MissionSquare team members Angela Macon, Donnell Williams, Pilar Henderson, Andrew McFalls and Kundai Mpundu.

Along with these services, District employees can take advantage of:

- On-site, individual appointments at 777 North Capitol Street, NE, 4th Floor and 1015 Half Street, SE, 9th Floor or their respective agency
- Orientation sessions scheduled at various locations throughout the District
- Online access to Plan and participant account information on the Plan's custom website at www.DCRetire.com

Client Services Team

MissionSquare's Client Service Team is composed of Rod Alcazar, Senior Director, Key Client Relations; Sultan Ludd, Relationship Manager, Key Client Relations; Diana I. Diaz, Communications Consultant are responsible for the day-to-day administration of 401(a) Defined Contribution Plan and 457(b) Deferred Compensation Plan. These administrative responsibilities include:

- Processing of participant deferrals
- Processing of rollover contributions into the Plans
- Processing distributions from the Plans
- Processing enrollments
- Project Management
- Support Marketing and Communications efforts
- Providing quarterly participant statements and newsletters
- Developing and delivering monthly reports to the OFT
- Carrying out Plan audits and compliance assurance
- Instituting new Plan features with the approval of the OFT that may be made available based on legislative changes
- Monthly balancing of Plan assets
- Assembling monthly Plan reports
- Tracking and reporting Plan contributions
- Assisting with Plan level fund changes

- Maintaining and updating the Plan's website
- Coordinating the delivery of quarterly participant statements
- Processing participant adjustments/corrections based on OFT and DCHR direction
- Providing ad-hoc reports as requested

In addition, the MissionSquare Contact Center handles toll-free telephone support to Plan participants Monday through Friday 8:00 a.m. to 9:00 p.m. Eastern Time.

Participant Services Representatives can educate and answer questions relating to investment options and distribution options or assist in processing changes to investment options within the participant's account.



Rod Alcazar
Senior Director
Key Client Relations



Sultan Ludd
Relationship Manager
Key Client Relations



Diana Diaz
Communications
Consultant

MissionSquare Retirement: Commitment to Our Communities

MissionSquare Retirement's mission is to help public sector employees build retirement security. Founded in 1972, MissionSquare Retirement is a mission-based, nonstock, nonprofit financial services company based in Washington, DC, focused on providing retirement plans and related services for more than one million public sector participant accounts and more than 9,000 retirement plans. Our team is dedicated every day to our mission and serving those who serve our communities

MissionSquare Retirement partners with a number of public sector focused organizations which include: the Local Government Hispanic Network, National Forum for Black Public Administrators, International City/ County Management Association, National Association of Government Defined Contribution Administrators, Government Finance Officers Association, National League of Cities and the National Association of County Administrators.

In 2001, MissionSquare Retirement founded the MissionSquare Retirement Memorial Scholarship Fund (MissionSquare Memorial Scholarship Fund) to honor local and state government employees who lost their lives in service to their communities. To date, the MissionSquare Retirement Memorial Scholarship Fund has raised over \$1.3 million and awarded more than 450 scholarships to surviving children and spouses of fallen public sector employees from across the nation.

The Center for State and Local Government Excellence, now MissionSquare Research Institute, was founded in 2007 by MissionSquare Retirement to respond to the challenges facing state and local governments. Its mission is to promote excellence in state and local governments and other public service organizations so they can attract and retain talented public servants. The Institute is a premier resource for research on workforce trends, compensation, pensions, health care and retirement for state and local leaders and highlights promising practices and innovations through forums, webinars and outreach.

In 2015 and 2017, we joined in honoring and celebrating with public safety officials from around the globe as the Official Retirement Plan Services Provider for the World Police & Fire Games, an Olympic-style event attended by more than 10,000 first responder athletes.

MissionSquare Retirement is also a supporter of the Friends of Richmond K-9, a non-profit organization founded to facilitate educational opportunities and raise awareness of Police K9s and their activities and accomplishments. Our Richmond teammates participate in the Harry Pherson Memorial 5k for K-9's, which is held in memory of retired K-9 Officer Harry Pherson, who passed away in August, 2018.

MissionSquare Retirement has also been a sponsor of the National Police Week 5K hosted by the Officer Down Memorial Page for five years running. MissionSquare Retirement employees join with 2,000 other runners and walkers in Washington, DC to run and remember the 23,000+ fallen officers who have given their lives in the line of duty in U.S. history.

MissionSquare Retirement and its teammates consistently give their time and resources to communities throughout the country. As part of that commitment, we have long-term partnerships with philanthropies where our headquarters is located in the Washington, DC, metropolitan area such as So Others Might Eat (SOME) and Habitat for Humanity. Since 2005, MissionSquare Retirement teammates have selflessly volunteered to serve breakfast and lunch in the SOME dining room at 71 "O" Street, NW and to assist Habitat for Humanity in building homes in Montgomery County, MD.

MissionSquare Retirement is a proud supporter of the American Heart Association (AHA). Each year, our team participates in the Richmond and the Greater Washington Heart Walks. In addition to the corporate donation MissionSquare Retirement contributes to the AHA, we also create fundraising opportunities throughout the year so that teammates can further show support of this worthwhile cause.

Holiday giving initiatives are a large part of MissionSquare Retirement's community outreach. We work with worthy non-profits such as Toys for Tots, Soles4Souls and the Salvation Army's Angel Tree, as well as area schools and homeless shelters to support their missions throughout the holiday season.

Doing good and doing well is a key principle of MissionSquare Retirement's focus and our teammate volunteers know that focusing on community service is one of the most rewarding and fulfilling activities we do as corporate citizens.

Contact Information

DC OFFICE OF FINANCE AND TREASURY

1101 4th Street, SW 8th Floor
Washington, DC 20024
(202) 727-6055

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Rodney Dickerson, Program Director

Ken Alozie, CFA, CAIA, Program Manager

Merzie Davis, Financial Manager

Joseph Nzioki, Financial Analyst

DC DEPARTMENT OF HUMAN RESOURCES

1015 Half Street, SE 9th Floor
Washington, DC 20003
(202) 442-9655

Paul Shaw, Associate Director, Benefits

Maria Prescott, Supervisory Human Resources Specialist

DC RETIREMENT SERVICE CENTER

777 North Capitol Street, NE 4th Floor
Washington, DC 20002
(202) 759-7190

1015 Half Street, SE 9th Floor
Washington, DC 20003
(202) 442-9749
(202) 442-9640

Donnell Williams, Regional Director

Pilar Henderson, Field Sales Assistant

Andrew McFalls, Retirement Plans Specialist

Angela Macon, Retirement Plans Specialist

Kundai Mpundu, Retirement Plans Specialist

Stephen Taylor, Certified Financial Planner™ Professional

MISSIONSQUARE RETIREMENT

777 North Capitol Street, NE
Washington, DC 20002
(800) 669-7400



Appendix

Financial Statements, Notes and Report of Independent Certified Public Accountants

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT**

YEARS ENDED SEPTEMBER 30, 2022 AND 2021

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR’S REPORT**

YEARS ENDED SEPTEMBER 30, 2022 AND 2021

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F.S. TAYLOR & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

1420 N Street, N.W., Suite 100 / Washington, D.C. 20005 / 202/898-0008 Fax 202/898-0208

INDEPENDENT AUDITOR'S REPORT

Office of Finance and Treasury
Office of the Chief Financial Officer
Government of the District of Columbia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying statements of fiduciary net position of the Government of the District of Columbia 401(a) Defined Contribution Plan (the "Plan") as of September 30, 2022 and 2021, and the related statements of changes in fiduciary net position for the years then ended and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of September 30, 2022 and 2021, and the changes in the financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 December 21, 2022, on our consideration of the Plan'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 the Plan's 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 Plan's internal control over financial reporting and compliance.

F. S. Taylor & Associates, P.C.

Washington, D.C.
December 21, 2022

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

The following presents our discussion and analysis of the financial performance of the Government of District of Columbia 401(a) Defined Contribution Plan (the "Plan") for the fiscal years ended September 30, 2022 and 2021. This discussion and analysis should be read in conjunction with the financial statements and note disclosures.

The Plan was established under Government of the District of Columbia (the "District" or D.C.) Code 1-626.05(3). All District employees who were first hired on or after October 1, 1987 and have been employed a minimum of one-year creditable service are eligible to participate in the Plan. The District contributes 5% of eligible employees' base salaries, except for detention officers, who receive a 5.5% contribution. Employees do not make any contributions to the Plan. The duties of the Plan Administrator are performed jointly by the District's Office of the Chief Financial Officer, Office of Finance and Treasury and the D.C. Department of Human Resources.

Overview of Financial Statements

The Plan's financial statements consist of two basic financial statements: (a) Statement of Fiduciary Net Position and (b) Statement of Changes in Fiduciary Net Position. In addition to the basic financial statements are the notes to the financial statements.

- Statement of Fiduciary Net Position presents the Plan's assets, liabilities and net position available for participant benefits.
- Statement of Changes in Fiduciary Net Position presents the additions to and deductions from the Plan's net position.
- The notes to the financial statements provide a detailed discussion of key accounting policies and activities that occurred during the year. The notes provide additional information that is essential to a full understanding of the information provided in the financial statements.

2022 Financial Highlights

- Investments decreased by \$240,771,010 or (16.25%)
- Net investment loss was \$263,001,724, a decrease in net investment income of \$493,227,574 or (214.24%)
- District contributions increased by \$1,907,925 or 2.33%
- Benefits paid to participants increased by \$11,104,749 or 22.04%

2021 Financial Highlights

- Investments increased by \$259,166,203 or 21.19%
- Net investment income was \$230,225,850, an increase of \$132,377,991 or 135.29%
- District contributions increased by \$2,480,003 or 3.12%
- Benefits paid to participants increased by \$9,300,593 or 22.64%

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

Financial Analysis – Fiduciary Net Position

Table 1 – Condensed Statements of Fiduciary Net Position as of September 30, 2022, 2021 and 2020

				<u>2022-2021</u>		<u>2021-2020</u>	
ASSETS	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>\$ Variance</u>	<u>%Variance</u>	<u>\$ Variance</u>	<u>% Variance</u>
Investments	\$ 1,241,219,119	\$ 1,481,990,129	\$ 1,222,823,926	\$ (240,771,010)	(16.25%)	\$ 259,166,203	21.19%
Employer Contributions Receivable	3,567,061	5,063,259	3,372,958	(1,496,198)	(29.55%)	1,690,301	50.11%
Due from Program Manager	64,253	76,294	61,972	(12,041)	(15.78%)	14,322	23.11%
Total Assets	<u>1,244,850,433</u>	<u>1,487,129,682</u>	<u>1,226,258,856</u>	<u>(242,279,249)</u>	<u>(16.29%)</u>	<u>260,870,826</u>	<u>21.27%</u>
LIABILITIES							
Due to District Government	<u>2,386,484</u>	<u>2,520,668</u>	<u>1,461,128</u>	<u>(134,184)</u>	<u>(5.32%)</u>	<u>1,059,539</u>	<u>72.52%</u>
Total Liabilities	<u>2,386,484</u>	<u>2,520,668</u>	<u>1,461,128</u>	<u>(134,184)</u>	<u>(5.32%)</u>	<u>1,059,539</u>	<u>72.52%</u>
Fiduciary Net Position Available for Plan Benefits	<u>\$ 1,242,463,949</u>	<u>\$ 1,484,609,014</u>	<u>\$ 1,224,797,728</u>	<u>\$(240,648,868)</u>	<u>(16.31%)</u>	<u>\$ 259,811,286</u>	<u>21.21%</u>

Fiscal Year 2022

In fiscal year 2022, the Plan's investments decreased by \$240,771,010 or 16.25%, compared to the prior fiscal year balance; in addition, there was a decrease in net investment income of \$493,227,574. Market conditions were much less favorable during fiscal year 2022 compared to 2021 and as a result 27 out of 29 investment funds had negative rates of return.

As shown in **Table 2a - Investment by Fund with Rates of Return as of September 30, 2022**, a significant portion of the Plan's investments were in Vanguard Target Retirement 2035 (14.2%), Vanguard Target Retirement 2030 Fund (13.6%), Vanguard Target Retirement 2025 Fund (11.0%), Vanguard Target Retirement 2040 Fund (10.6%), Vanguard Target Retirement 2045 Fund (8.9%), MissionSquare PLUS Fund (7.4%), Vanguard Target Retirement 2020 Fund (6.6%) and Vanguard Target Retirement 2050 (5.8%). The Vanguard Target Date funds are designed for investors planning to retire at set dates and seek to provide growth of capital and current income consistent with its current target allocation by investing in a gradually more conservative mix of Vanguard funds.

Employer contribution receivables decreased by \$1,496,198 or 29.55% from the prior fiscal year due to a decrease in the amount due from the District at the end of the year.

The amount "Due to District Government" represents funds owed to the Plan Administrator to be used towards paying the Plan's administrative expenses. The Program Manager provides revenue sharing funds to the Plan Administrator on a monthly basis. The funding is equal to 5.5 basis points (0.055%) of the Plan's daily asset value. The amount also includes payments owed the District for contributions made on behalf of erroneously enrolled participants.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

Table 2a - Investment by Fund with Rates of Returns as of September 30, 2022

	Investment Value	Percent of Total Assets	Rate of Return %
American Funds Fundamental Investors	\$ 5,720,479	0.5	(18.01)
American Funds New Perspective Fund	8,129,770	0.7	(26.83)
Ariel Institutional	10,085,461	0.8	(24.82)
Brown Capital Management Small	9,078,848	0.7	(35.51)
DCPLUS Fixed Income Portfolio	19,577,261	1.6	(14.50)
DCPLUS Large Cap Growth Portfolio	16,927,438	1.4	(27.05)
DCPLUS Large Cap Value Portfolio	9,767,278	0.8	(7.71)
DFA US Core Equity 1 Portfolio	8,288,093	0.7	(14.72)
Harbor International Institutional	11,547,932	0.9	(27.34)
MissionSquare PLUS Fund	92,046,208	7.4	1.88
MissionSquare Retirement Income Advantage	5,363,726	0.4	(17.28)
Nuveen Real Estate Securities Fund	5,450,432	0.4	(15.75)
PIMCO All Asset Fund Institutional Class	417,505	0.0	(14.90)
PIMCO Real Return Collective Trust II	6,408,182	0.5	(11.49)
Vanguard Federal Money Market	7,710,234	0.6	0.67
Vanguard Institutional Index Fund	45,353,498	3.7	(15.49)
Vanguard Small Cap Index Fund	7,631,279	0.6	(20.73)
Vanguard Target Retirement 2020 Fund	82,535,603	6.6	(15.81)
Vanguard Target Retirement 2025 Fund	136,226,025	11.0	(17.39)
Vanguard Target Retirement 2030 Fund	169,371,078	13.6	(18.25)
Vanguard Target Retirement 2035 Fund	176,165,157	14.2	(18.78)
Vanguard Target Retirement 2040 Fund	131,045,416	10.6	(19.32)
Vanguard Target Retirement 2045 Fund	110,062,537	8.9	(19.84)
Vanguard Target Retirement 2050 Fund	71,573,614	5.8	(20.12)
Vanguard Target Retirement 2055 Fund	36,134,510	2.9	(20.11)
Vanguard Target Retirement 2060 Fund	7,197,924	0.6	(20.10)
Vanguard Target Retirement 2065 Fund	1,436,645	0.1	(20.11)
Vanguard Target Retirement Inc.	47,137,884	3.8	(14.20)
Virtus Emerging Markets Fund Class 1	2,829,102	0.2	(26.00)
	<u>\$ 1,241,219,119</u>	<u>100.0</u>	

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

Fiscal Year 2021

In fiscal year 2021, the Plan’s investments increased by \$259,166,203 or 21.19%, over the prior fiscal year; in addition, there was an increase in net investment income of \$132,377,991. Market conditions were more favorable during fiscal year 2021 compared to 2020 and as a result 29 out of 30 investment funds had positive rates of return.

As shown in **Table 2b - Investment by Fund with Rates of Return as of September 30, 2021**, a significant portion of the Plan’s investments were in Vanguard Target Retirement 2035 (14.5%), Vanguard Target Retirement 2030 Fund (14.0%), Vanguard Target Retirement 2025 Fund (11.6%), Vanguard Target Retirement 2040 Fund (10.7%), Vanguard Target Retirement 2045 Fund (9.0%), Vanguard Target Retirement 2020 Fund (7.1%), MissionSquare PLUS Fund (5.8%) and Vanguard Target Retirement 2050 (5.7%). The Vanguard Target Date funds are designed for investors planning to retire at set dates and seek to provide growth of capital and current income consistent with its current target allocation by investing in a gradually more conservative mix of Vanguard funds.

Employer contribution receivables increased by \$1,690,301 or 50.11% over the prior fiscal year due to an increase in the amount due from the District at the end of the year.

The amount “Due to District Government” represents funds owed to the Plan Administrator to be used towards paying the Plan’s administrative expenses. The Program Manager provides revenue sharing funds to the Plan Administrator on a monthly basis. The funding is equal to 5.5 basis points (0.055%) of the Plan’s daily asset value. The amount also includes payments owed the District for contributions made on behalf of erroneously enrolled participants.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

Table 2b - Investment by Fund with Rates of Return as of September 30, 2021

	Investment Value	Percent of Total Assets	Rate of Return %
American Funds Fundamental Investors	\$ 17,504,484	1.2	28.84
American Funds New Perspective Fund	9,458,194	0.6	29.71
Ariel Institutional	16,501,828	1.1	66.12
Brown Capital Management Small	16,600,908	1.1	13.98
DCPLUS Fixed Income Portfolio	14,912,383	1.0	(0.63)
DCPLUS Large Cap Growth Portfolio	24,718,250	1.7	29.70
DCPLUS Large Cap Value Portfolio	9,737,752	0.7	40.66
DFA US Core Equity 1 Portfolio	4,181,177	0.3	35.50
Harbor International Institutional	10,248,796	0.8	28.87
MissionSquare PLUS Fund	86,199,217	5.8	1.96
MissionSquare Retirement Income Advantage	6,045,497	0.4	15.75
Nuveen Real Estate Securities Fund	5,385,849	0.4	30.90
PIMCO All Asset Fund Institutional Class	507,523	0.0	25.61
PIMCO Real Return Collective Trust II	6,140,754	0.4	5.11
Vanguard Federal Money Market	5,777,981	0.4	0.02
Vanguard Institutional Index Fund	49,006,796	3.3	30.00
Vanguard Small Cap Index Fund	8,642,147	0.6	44.07
Vanguard Target Retirement 2015 Fund	43,655,681	2.9	9.61
Vanguard Target Retirement 2020 Fund	105,101,692	7.1	13.41
Vanguard Target Retirement 2025 Fund	171,738,339	11.6	16.05
Vanguard Target Retirement 2030 Fund	207,774,604	14.0	18.35
Vanguard Target Retirement 2035 Fund	215,519,758	14.5	20.73
Vanguard Target Retirement 2040 Fund	158,770,901	10.7	23.08
Vanguard Target Retirement 2045 Fund	132,734,617	9.0	25.48
Vanguard Target Retirement 2050 Fund	84,821,128	5.7	25.74
Vanguard Target Retirement 2055 Fund	40,045,257	2.7	25.72
Vanguard Target Retirement 2060 Fund	7,287,085	0.5	25.71
Vanguard Target Retirement 2065 Fund	1,332,507	0.1	25.73
Vanguard Target Retirement Inc.	18,481,436	1.2	8.49
Virtus Emerging Markets Fund Class 1	3,157,588	0.2	8.93
	<u>\$1,481,990,129</u>	<u>100.0</u>	

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

Financial Analysis – Changes in Fiduciary Net Position

Table 3 – Condensed Statements of Changes in Fiduciary Net Position for the Years Ended September 30, 2022, 2021 and 2020

	2022	2021	2020	2022 - 2021		2021 - 2020	
				\$ Variance	% Variance	\$ Variance	% Variance
ADDITIONS							
District Government Contributions	\$ 83,808,223	\$ 81,900,298	\$ 79,420,295	\$ 1,907,925	2.33%	\$ 2,480,003	3.12%
Net Investment (Loss) Income	(263,001,724)	230,225,850	97,847,859	(493,227,574)	(214.24%)	132,377,991	135.29%
Total Additions	(179,193,501)	312,126,148	177,268,154	(491,319,649)	(157.41%)	134,857,994	76.08%
DEDUCTIONS							
Benefits Paid to Participants	61,481,262	50,376,513	41,075,920	11,104,749	22.04%	9,300,593	22.64%
Administrative Expenses	869,912	869,668	704,200	244	0.03%	165,468	23.50%
Other Deductions	600,390	1,068,681	473,560	(468,291)	(43.82%)	595,121	125.67%
Total Deductions	62,951,564	52,314,862	42,253,680	10,636,702	20.33%	10,061,182	23.81%
Net Change	(242,145,065)	259,811,286	135,014,474	(501,956,351)	(193.20%)	124,796,812	92.43%
Fiduciary Net Position Available for Plan Benefits, Beginning of Year	1,484,609,014	1,224,797,728	1,089,783,254	259,811,286	21.21%	135,014,474	12.39%
Fiduciary Net Position Available for Plan Benefits, End of Year	\$ 1,242,463,949	\$ 1,484,609,014	\$ 1,224,797,728	\$ (242,145,065)	(16.31%)	\$ 259,811,286	21.21%

Fiscal Year 2022

The District was required to contribute cash of \$76,247,407 to the Plan during the fiscal year, which was a (2.52%) decrease from \$78,219,683 in the prior fiscal year. However, the actual amount contributed by the District was \$83,808,223, an increase of 2.33% over fiscal 2021. The District used the Plan's forfeiture funds to pay \$6,960,426 of the contributed amount. Under the Plan's laws and regulations, the District can use the forfeiture funds to either reduce its contributions or to pay the Plan's administrative expenses. During fiscal year 2022, the Plan returned \$600,390 to District for contributions made on behalf of erroneously enrolled participants.

The Plan's net investment loss was \$263,001,724 in fiscal year 2022, compared to a net investment income of \$230,225,850 for fiscal year 2021. The net investment loss was primarily due to unfavorable market conditions in fiscal year 2022 compared to 2021. Overall, 27 out of 29 funds of the Plan reflected negative rates of return, which contributed to a net depreciation in the fair value of investments. The Plan's weighted average rate of return was (18.01%) in fiscal year 2022 compared to a return of 19.28% for fiscal year 2021.

Benefits paid to participants increased by \$11,104,749 due to a decrease in the average amount paid out per participant while the number of participants receiving distributions increased. The total number of participants receiving distributions from the Plan for fiscal year 2022 was 5,311 compared to 3,945 in fiscal year 2021.

The administrative expenses for fiscal year 2022 were expenses incurred by the Program Manager and Plan Administrator for operations of the Plan. The Program Manager receives an administrative fee of 0.22% (22.0 basis points) of the Plan's daily asset value and reimburses the Plan Administrator at 0.055% (5.5 basis points) of the Plan's daily asset value or \$869,912 for the fiscal year.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

Fiscal Year 2021

The District was required to contribute cash of \$78,219,683 to the Plan during the fiscal year, which was a 3.17% increase from \$75,819,858 in the prior fiscal year. However, the actual amount contributed by the District was \$81,900,298, an increase of 3.12% over fiscal 2020. The District used the Plan's forfeiture funds to pay \$3,134,991 of the contributed amount. Under the Plan's laws and regulations, the District can use the forfeiture funds to either reduce its contributions or to pay the Plan's administrative expenses. During fiscal year 2021, the Plan returned \$1,068,681 to District for contributions made on behalf of erroneously enrolled participants.

The Plan's net investment income was \$230,225,850 in fiscal year 2021, compared to a net investment income of \$97,847,859 for fiscal year 2020. The increase in net investment income was primarily due to favorable market conditions in fiscal year 2021 compared to 2020. Overall, 29 out of 30 funds of the Plan reflected positive rates of return, which contributed to a net appreciation in the fair value of investments. The Plan's weighted average rate of return was 19.28% in fiscal year 2021 compared to a return of 9.19% for fiscal year 2020.

Benefits paid to participants increased by \$9,300,593 due to an increase in the average amount paid out per participant while the number of participants receiving distributions decreased. The total number of participants receiving distributions from the Plan for fiscal year 2021 was 3,945 compared to 4,223 in fiscal year 2020.

The administrative expenses for fiscal year 2021 were expenses incurred by the Program Manager and Plan Administrator for operations of the Plan. The Program Manager receives an administrative fee of 0.22% (22.0 basis points) of the Plan's daily asset value and reimburses the Plan Administrator at 0.055% (5.5 basis points) of the Plan's daily asset value or \$869,668 for the fiscal year.

Contact Information

The above discussion and analysis are presented to provide additional information regarding the activities of the Plan and also to meet the disclosure requirements of the Government Accounting Standards Board. If you have any questions about the report or need additional financial information, contact Rodney Dickerson, Program Director Government of the District of Columbia, Office of Finance and Treasury, 1101 4th Street, SW, 8th floor, Washington, DC 20024, (email: Rodney.Dickerson@dc.gov; phone: (202)727-0107.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
STATEMENTS OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<i>ASSETS</i>		
Investments:		
Registered Investment Companies	\$ 1,149,172,911	\$ 1,395,790,912
Stable Value Fund	92,046,208	86,199,217
Total Investments	<u>1,241,219,119</u>	<u>1,481,990,129</u>
Receivables:		
Employer Contributions	3,567,061	5,063,259
Due from Program Manager	64,253	76,294
Total Receivables	<u>3,631,314</u>	<u>5,139,553</u>
Total Assets	<u>1,244,850,433</u>	<u>1,487,129,682</u>
<i>LIABILITIES</i>		
Due to District Government	<u>2,386,484</u>	<u>2,520,668</u>
Total Liabilities	<u>2,386,484</u>	<u>2,520,668</u>
Fiduciary Net Position Available for Plan Benefits	<u>\$ 1,242,463,949</u>	<u>\$ 1,484,609,014</u>

The notes to the financial statements are an integral part of this statement.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<i>ADDITIONS</i>		
District Government Contribution	\$ 83,808,223	\$ 81,900,298
Investment Income:		
Net (Depreciation) Appreciation in Fair Value of Investments	(268,056,455)	229,507,502
Interest and Dividends	9,198,309	4,820,449
Less: Investment Management Fees	(2,242,203)	(2,110,506)
Program Manager Fees	(1,901,375)	(1,991,595)
Net Investment (Loss) Income	(263,001,724)	230,225,850
Total (Reductions) Additions	(179,193,501)	312,126,148
<i>DEDUCTIONS</i>		
Benefits Paid to Participants	61,481,262	50,376,513
Administrative Expenses	869,912	869,668
Other Deductions	600,390	1,068,681
Total Deductions	62,951,564	52,314,862
Net Change	(242,145,065)	259,811,286
Fiduciary Net Position Available for Plan Benefits, Beginning of Year	1,484,609,014	1,224,797,728
Fiduciary Net Position Available for Plan Benefits, End of Year	<u>\$1,242,463,949</u>	<u>\$1,484,609,014</u>

The notes to the financial statements are an integral part of this statement.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 1 - DESCRIPTION OF THE PLAN

The Government of the District of Columbia (the “District”) offers a Defined Contribution Plan (the “Plan”) that was established under D.C Code 1- 626.05(3). All District employees who were first hired on or after October 1, 1987 and have been employed a minimum of one year are eligible to participate in the Plan. The District contributes 5% of eligible employees’ base salary for all employees, except detention officers. Detention officers receive a 5.5% contribution of their base salary. Participants do not make any contributions to the Plan.

The District’s Office of the Chief Financial Officer, Office of Finance and Treasury (“OCFO-OFT”) and D.C. Department of Human Resources are joint Plan Administrators. They are jointly responsible for adopting the Plan’s administration rules and regulations, investment policies and overseeing the duties of the Plan’s Program Manager. In 2015, the OCFO-OFT, contracted with MissionSquare (formerly ICMA Retirement Corporation (“ICMA-RC”)) to be the Plan’s Program Manager. The Program Manager performs the Plan’s investment management, marketing and enrollment duties and is also the Trustee of the Plan. As the Trustee, the Program Manager has custody of the Plan’s assets and is responsible for the recordkeeping and reporting.

Effective October 1, 2017, the District of Columbia Government Comprehensive Merit Personnel Act of 1978, Section 2609(b), made by the Fiscal Year 2018 Budget Support Act of 2017 was amended for employees of the Council, the Office of the District of Columbia Auditor and the Office of Advisory Neighborhood Commissions participating in the deferred compensation plan established by section 2605(2), the District shall contribute each pay period an amount equal to that employee’s contribution pursuant to paragraph (1) of this subsection for that pay period; provided, that the District’s contribution pursuant to this paragraph on behalf of an employee in any pay period shall not exceed 3% of the employee’s base salary during that pay period. Matching contributions vest immediately.

The Plan’s Program Manager maintains an account for each participant that is adjusted for contributions, withdrawals, investment earnings and losses and Plan fees. Prior to December 8, 2009, a participant is 100% vested once the participant (1) attains five years of creditable service, (2) becomes disabled, or (3) dies. After that date, a participant is vested at certain percentages based on the years of creditable services, which is as follows:

Less than 2 years	0%
2 years	20%
3 years	40%
4 years	60%
5 or more years	100%

Upon separation from service, death or disability, a vested participant or the participant’s beneficiary can receive cash payment, installment payments, annuity payments or rollover to another eligible retirement plan or traditional IRA. The installment payments can be monthly or annually for designated periods of three, five, or ten years, but may not exceed the life expectancy of the participant or beneficiary.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

Generally, at the date beginning April 1st of the calendar year following the later of: (1) the calendar year in which the participant reaches age 72 (age 70 ½ for individuals attaining that age before 2020), or (2) the calendar year in which the participant retires, the participant must annually make a required minimum distribution (RMD).

Plan Membership

The Plan's membership consisted of the following at September 30, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Active Members	20,801	21,288
Inactive Members	<u>9,860</u>	<u>9,268</u>
	<u>30,661</u>	<u>30,556</u>

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Plan's 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") which requires two basic financial statements: statement of fiduciary net position and statement of changes in fiduciary net position. For financial reporting purposes, the Plan is considered a pension trust fund.

Basis of Accounting

The Plan's financial statements are prepared under the accrual basis of accounting. District contributions are recognized by the Plan when the payments become due from the District government. Investment income is recognized when earned. Deductions are recognized when due in accordance with the terms of the Plan.

Investment Valuation

At September 30, 2022 and 2021, the Plan's investments were in mutual funds and a stable value fund. Shares in mutual funds and the brokerage accounts are reported at fair value based on quoted market prices, which represent the net asset value of shares held by the Plan at year-end. Investments in the stable value fund are presented at contract value, which approximates fair value.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation and depreciation include the Plan's gains and losses on investments bought and sold as well as held during the year.

Fair Value Measurement

The Plan categorizes fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*. The valuation technique uses three level hierarchy of inputs to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These classifications are summarized as follows:

Fair Value Measurement

Level 1 Inputs: Quoted prices (unadjusted) for identical assets or liabilities in active markets that a reporting entity can access at the measurement date.

Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 Inputs: Unobservable inputs for an asset or liability.

In the event that inputs used to measure the fair value of an asset or liability fall into different levels in the fair value hierarchy, the overall level of the fair value hierarchy in its entirety is determined based on the lowest level input that is significant to the entire valuation. These levels are not necessarily an indication of risk but are based upon the pricing transparency of the investment.

Fair value of certain investments that do not have a readily determinable fair value is established using net asset value (or its equivalent) as a practical expedient. These investments are not categorized according to the fair value hierarchy.

Payment of Benefits

Benefit payments are recorded as deductions when due for payment.

District Contributions

Contributions are recognized as revenue to the Plan when payments become due from the District government on its specified payroll pay dates.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Status

The Plan is an eligible employer defined Contribution Plan under Section 401(a) of the Internal Revenue Code.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - INVESTMENTS

Investments of the Plan at September 30, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Stock and Bond Funds	\$ 1,149,172,911	\$ 1,395,790,912
Stable Value Fund	<u>92,046,208</u>	<u>86,199,217</u>
	<u>\$ 1,241,219,119</u>	<u>\$ 1,481,990,129</u>

The Plan's investments in Registered Investment Companies are stated at fair market value. The stable value fund is valued at contract value, which approximates fair value. The contract value is guaranteed through a related contract with a separate provider. The credited interest rates are reset periodically according to terms set forth in the contract and are actuarially determined.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 3 – INVESTMENTS (Continued)

The Plan's investments are subject to the following risks common to investments:

- *Custodial credit risk* is the risk that the Plan will not be able to recover the value of its investments in the event of a failure by the counterparty to a transaction.

Investments are exposed if they are uninsured, are not registered in the name of the Plan and are held by either (a) the counterparty or (b) the counterparty's trust department or agent, but not in the Plan's name. The Plan's investments for fiscal year 2022 and 2021 are partially insured and registered in the Plan's name and are generally segregated by the counterparty in a manner to protect them from certain claims by creditors. The Plan also invests in mutual and commingled trust funds, which are not generally exposed to custodial credit risks. The Plan Administrator performs periodic qualitative assessments of the investment managers and investment strategy to minimize custodial credit risk.

- *Interest rate risk* is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Plan manages its exposure to declines in fair market values by not offering investments that have excessive average maturities. The following discloses the weighted average maturity for certain mutual funds that include investments in bonds at September 30, 2022.

<u>Investment</u>	<u>Average Maturity</u>
MissionSquare PLUS Fund	3.75 years
DCPLUS Fixed Income Portfolio	8.90 years
PIMCO Real Return Collective Trust II	7.14 years

- *Foreign currency risk* is the risk that changes in exchange rates will adversely affect the fair market value of an investment in a foreign financial institution. The Plan mitigates this risk by limiting its investment in any one country to no more than the greater of either 25% of the equity portion of the investment account or by the country's weight in the Europe, Australia and Far East (EAFE) benchmark. In addition, a minimum of eight countries must be represented in each investment account. As a result, the Plan's currency denomination varies.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 3 - INVESTMENTS (Continued)

At September 30, 2022 and 2021, the investment with the largest foreign currency risk was the Harbor International Fund. The major currency denomination for the Harbor International Institution Fund is the Yen.

- *Credit risk* is the risk that an issuer to an investment will not fulfill its obligations. The Plan does not invest in securities that have an overall quality less than BBB as rated by Moody's or S&P Global Ratings. There were 15 out of 30 investments that had credit ratings in fiscal year 2022 and 15 out of 30 investments that had credit ratings in fiscal year 2021. At September 30, 2022 and 2021, those investments and their related credit ratings were as follows:

September 30, 2022	
Funds	Credit Ratings
DCPLUS Fixed Income Portfolio	AAA/A/BBB/AA
MissionSquare PLUS Fund	AAA/AA/A/BBB/BB
PIMCO Real Return Collective Trust II	AAA/AA/BBB
Vanguard Target Retirement Income	AAA/BBB/A/AA
Vanguard Target Retirement 2015	AAA/BBB/A/AA
Vanguard Target Retirement 2020	AAA/BBB/A/AA
Vanguard Target Retirement 2025	AAA/BBB/A/AA
Vanguard Target Retirement 2030	AAA/BBB/A/AA
Vanguard Target Retirement 2035	AAA/BBB/A/AA
Vanguard Target Retirement 2040	AAA/BBB/A/AA
Vanguard Target Retirement 2045	AAA/BBB/A/AA
Vanguard Target Retirement 2050	AAA/BBB/A/AA
Vanguard Target Retirement 2055	AAA/BBB/A/AA
Vanguard Target Retirement 2060	AAA/BBB/A/AA
Vanguard Target Retirement 2065	AAA/BBB/A/AA

GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 3 - INVESTMENTS (Continued)

September 30, 2021	
Funds	Credit Ratings
DCPLUS Fixed Income Portfolio	AAA/A/BBB/AA
MissionSquare PLUS Fund	AAA/AA/A/BBB/BBB-
PIMCO Real Return Collective Trust II	AAA/AA/A/BBB
Vanguard Target Retirement Income	AAA/BBB/A/AA
Vanguard Target Retirement 2015	AAA/BBB/A/AA
Vanguard Target Retirement 2020	AAA/BBB/A/AA
Vanguard Target Retirement 2025	AAA/BBB/A/AA
Vanguard Target Retirement 2030	AAA/BBB/A/AA
Vanguard Target Retirement 2035	AAA/BBB/A/AA
Vanguard Target Retirement 2040	AAA/BBB/A/AA
Vanguard Target Retirement 2045	AAA/BBB/A/AA
Vanguard Target Retirement 2050	AAA/BBB/A/AA
Vanguard Target Retirement 2055	AAA/BBB/A/AA
Vanguard Target Retirement 2060	AAA/BBB/A/AA
Vanguard Target Retirement 2065	AAA/BBB/A/AA

Investment concentrations - In accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans*, the Plan is required to disclose investments in any one organization that represent 5% or more of the Plan's fiduciary net position. Investments issued or explicitly guaranteed by the U.S. government are excluded from this requirement.

The funds that meet the 5% or more disclosure criteria at September 30, 2022, discussed above are: Vanguard Target Retirement 2035 Fund (14.2%), Vanguard Target Retirement 2030 Fund (13.6%), Vanguard Target Retirement 2025 Fund (11.0%), Vanguard Target Retirement 2040 Fund (10.6%), Vanguard Target Retirement 2045 Fund (8.9%), MissionSquare PLUS Fund (7.4%), Vanguard Target Retirement 2020 Fund (6.6%), and Vanguard Target Retirement 2050 Fund (5.8%).

The funds that meet the 5% or more disclosure criteria at September 30, 2021, discussed above are: Vanguard Target Retirement 2035 Fund (14.5%), Vanguard Target Retirement 2030 Fund (14.0%), Vanguard Target Retirement 2025 Fund (11.6%), Vanguard Target Retirement 2040 Fund (10.7%), Vanguard Target Retirement 2045 Fund (9.0%), Vanguard Target Retirement 2020 Fund (7.1%), MissionSquare PLUS Fund (5.8%) and Vanguard Target Retirement 2050 Fund (5.7%).

GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 4 - FAIR VALUE MEASUREMENTS

The Plan categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan had the following fair value measurement as of September 30, 2022:

		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)
	Total			
Investments measured at fair value:				
Equities				
Materials	\$ 49,968,825	\$ 49,968,825	\$ -	\$ -
Consumer, Cyclical and Defensive	199,178,095	199,178,095	-	-
Financial Services	169,255,161	169,255,161	-	-
Real Estate	46,108,205	46,108,205	-	-
Communication Services	100,894,760	100,894,760	-	-
Energy	40,240,037	40,240,037	-	-
Industrials	117,524,922	117,524,922	-	-
Technology	223,667,725	223,667,725	-	-
Healthcare	133,770,066	133,770,066	-	-
Utilities	29,088,208	29,088,208	-	-
Debt securities				-
Government	13,342,429	13,342,429	-	-
Corporate	5,302,163	5,302,163	-	-
Securitized	5,452,267	5,452,267	-	-
Municipal	1,008,229	1,008,229	-	-
Other	553,537	553,537	-	-
Other funds	<u>13,818,282</u>	<u>13,818,282</u>	<u>-</u>	<u>-</u>
Total investments measured at fair value	1,149,172,911	<u>\$ 1,149,172,911</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at contract value:				
Stable Value Fund	<u>92,046,208</u>			
Total Investments	<u>\$ 1,241,219,119</u>			

GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

The Plan has the following fair value measurement as of September 30, 2021:

		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)
Investments measured at fair value:	<u>Total</u>			
Equities				
Materials	\$ 60,974,575	\$ 60,974,575	\$ -	\$ -
Consumer, Cyclical and Defensive	243,969,981	243,969,981	-	-
Financial Services	207,147,366	207,147,366	-	-
Real Estate	54,850,767	54,850,767	-	-
Communication Services	124,710,067	124,710,067	-	-
Energy	48,798,037	48,798,037	-	-
Industrials	144,024,487	144,024,487	-	-
Technology	277,267,758	277,267,758	-	-
Healthcare	165,594,043	165,594,043	-	-
Utilities	35,069,693	35,069,693	-	-
Debt securities				
Government	11,276,098	11,276,098	-	-
Corporate	4,038,887	4,038,887	-	-
Securitized	4,153,099	4,153,099	-	-
Municipal	767,988	767,988	-	-
Other	503,886	503,886	-	-
Other funds	<u>12,644,179</u>	<u>12,644,179</u>	<u>-</u>	<u>-</u>
Total investments measured at fair value	1,395,790,912	<u>\$ 1,395,790,912</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at contract value:				
Stable Value Fund	<u>86,199,217</u>			
Total Investments	<u>\$ 1,481,990,129</u>			

NOTE 5 - FORFEITURE ACCOUNT

Participants' account balances are transferred to a forfeitures account within the Plan when a participant separates from service prior to being vested and is not re-employed by the District within one year of the date of separation. The District uses the forfeited funds to reduce its contributions and to pay administrative expenses. At September 30, 2022 and 2021, the Plan's forfeiture account balance was \$4,876,410 and \$2,524,342, respectively. The District used \$6,960,425 and \$3,134,991 of forfeiture funds to reduce its contributions during 2022 and 2021, respectively.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 5 - FORFEITURE ACCOUNT (Continued)

The transactions that occurred within the account during 2022 and 2021 were as follows:

	2022	2021
Beginning Balance	\$ 2,524,342	\$ 5,202,080
Net Non-vested Transfers	9,312,493	433,721
Investment Income	-	23,532
District Payroll Contributions	(6,960,425)	(3,134,991)
Ending Balance	<u>\$ 4,876,410</u>	<u>\$ 2,524,342</u>

NOTE 6 - PLAN FEES

Fees are charged to participants' accounts for investment management services and administrative expenses of the Plan. Investment management fees vary by investment fund and are calculated based on the fund's daily asset value. For the years ended September 30, 2022 and 2021, investment management fees totaled \$2,242,203 and \$2,110,506, respectively. The Program Manager receives a net administrative fee of 0.165% (16.5 basis points) of the Plan's daily asset value. For the years ended September 30, 2022 and 2021, Program Manager administrative fees totaled \$1,901,375 and \$1,991,595, respectively.

NOTE 7 - DUE TO DISTRICT GOVERNMENT

According to the contract with the District, the Program Manager has a revenue sharing requirement whereby 5.5 basis points (0.055%) of the Plan's daily asset value are paid to the Plan Administrator. The revenue sharing amount is deposited by the Program Manager into an administrative account maintained in the Plan. Additions to and deductions from the administrative account are not Plan transactions reflected in the Statements of Changes in Fiduciary Net Position.

The total amount of revenue sharing earned by the Plan Administrator for fiscal years 2022 and 2021 was \$869,912 and \$869,668, respectively. At September 30, 2022 and 2021, the amount Due from Program Manager was \$64,253 and \$76,294, respectively. For fiscal year 2021, the Program Manager deposited all amounts due into the administrative account. As of September 30, 2022 and 2021, the Plan's revenue sharing fund balance was \$2,083,876 and \$1,997,610, respectively, and is reported as Due to the District Government.

Additionally, certain District employees who were employed before September 30, 1987, were erroneously enrolled into the District's 401(a) Defined Contribution Plan in lieu of the Civil Service Retirement System for part of or the whole of their tenure with the District. As a result, the District erroneously contributed \$523,057 to the 401(a) Defined Contribution Retirement Plan on the employees' behalf. Those erroneous contributions are due back to the District (See Note 9).

GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 8 - ADMINISTRATIVE EXPENSES

The Plan Administrator incurs and pays administrative expenses that are not paid by the Plan or recorded as plan expenses in the Statements of Changes in Fiduciary Net Position. The administrative expenses incurred by the Plan Administrator are paid by the District through the administrative account (see Note 7). Payments from the administrative account were used for direct expenses, other administrative expenses and as contributions toward salaries incurred by the District. The expenses for the years ended September 30, 2022 and 2021 totaled \$457,200 and \$319,696, respectively and were as follows:

	<u>2022</u>	<u>2021</u>
Administrative Salaries	\$ 322,368	\$ 176,195
Financial Statement Compilation & Audit	115,176	100,269
Investment Consulting Services	<u>19,656</u>	<u>43,233</u>
	<u>\$ 457,200</u>	<u>\$ 319,696</u>

The Plan also incurs and pays certain administrative expenses through the forfeiture account (see Note 5). These plan-paid administrative expenses are reflected in the Statements of Changes in Fiduciary Net Position. For fiscal years 2022 and 2021, there were no administrative expenses paid by the Plan from the forfeiture account.

NOTE 9 - OTHER DEDUCTIONS

The Plan received contributions for some participants who were in the Plan in error. Contributions totaling \$600,390 and \$545,624 during fiscal years 2022 and 2021, respectively, were returned to the District to be transferred to the participants' correct pension plan. The Plan also determined contributions in the amount of \$302,608 and \$523,057 at September 30, 2022 and 2021, respectively, are due the District for certain employees who were employed before September 30, 1987 and erroneously enrolled in the Plan (See Note 7).

NOTE 10 - TERMINATED PARTICIPANTS

As of September 30, 2022 and 2021, the Plan had 9,860 and 9,268 terminated vested participants, respectively, who had account balances in the Plan. These participants are no longer receiving contributions to their accounts, but their account balances are adjusted for fees and investment earnings. The value of the account balances at fiscal year-end September 30, 2022 and 2021 were approximately \$239,612,701 and \$262,911,757, respectively.

NOTE 11 - PLAN TERMINATION

The District may amend or terminate this Plan provided that such amendment or termination shall not impair the rights of a vested participant or beneficiary to receive any contributions and income earned thereon, allocated to his or her active or inactive account, as the case may be, prior to the date of the termination or amendment of the Plan.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 12 - RISKS AND UNCERTAINTIES

The Plan invests in investment securities that are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of the investment securities will occur in the near term and that such changes could materially affect participant's account balances and the amounts reported in the statement of fiduciary net position.

NOTE 13 - SUBSEQUENT EVENTS

The Plan evaluated subsequent events through December 21, 2022, the date the financial statements were available to be issued. Events or transactions occurring after September 30, 2022, but prior to December 21, 2022, that provided additional evidence about conditions that existed September 30, 2022, have been recognized in the financial statements for the year ended September 30, 2022. Events or transactions that provided evidence about conditions that did not exist as of September 30, 2022, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended September 30, 2022.

F.S. TAYLOR & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

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INDEPENDENT AUDITOR'S 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

Office of Finance and Treasury
Office of the Chief Financial Officer
Government of the District of Columbia

We have audited, in accordance with the 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 401(a) Defined Contribution Plan (the "Plan") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements and have issued our report thereon dated December 21, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of finding and response as Finding 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan'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 the financial statements. 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Finding and Response as Finding 2022-001.

The Plan's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Plan's response to the finding identified in our audit and described in the accompanying Schedule of Finding and Response. The Plan's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

F. S. Taylor & Associates, P.C.

Washington, D.C.
December 21, 2022

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
SCHEDULE OF FINDING AND RESPONSE
SEPTEMBER 30, 2022**

Finding 2022-001 – Contributions for New Plan Participants

Type of Finding: Significant Deficiency in Internal Control and Significant Non-Compliance
(Repeat Finding from 2021-001)

Criteria

Article 2.1(d) of the 401(a) Plan document, as amended and restated effective September 1, 2015, states that “each eligible employee who is employed by the employer...shall become a participant on the first day of the first payroll period coincident with or next following the date on which the eligible employee completes one (1) year of creditable service.”

Condition

Contributions were made to new Plan participants (meaning those hired during the year ended September 30, 2022) prior to their being eligible to receive contributions according to the Plan document section cited above. This was noted for 3 of the 60 new participants selected for testing. The participants in question were hired in October 2021, January 2022 and July 2022.

Effect

The participants received contributions prior to being eligible under the Plan document requirements. As a result, these participants’ accounts are overstated and management will need to request a forfeiture for the contributions in question.

Cause

The monitoring processes in place were not consistently followed to ensure that contributions were not remitted to new participants until after their eligibility dates.

Recommendation

We recommend that management reinforce and more closely monitor their policies and procedures related to identifying when participants first become eligible under the Plan and when contributions are subsequently remitted to their accounts.

Management Response

The District of Columbia Human Resources Department (DCHR) is responsible for tracking personnel actions and determining each employee’s eligibility for contributions to the 401(a) plan for DC Government agencies under the administrative control of the Mayor. In FY22, DCHR implemented and refined several processes to better ensure correct 401(a) contributions. These efforts included:

- Auditing employee data in PeopleSoft for those employees who may have had prior conversion/rehire personnel actions and may have had early contributions before January 2020. The audit focused on coding and proper timely 401(a) contributions for employees hired before January 2020.
- Creating business intelligence dashboards that provide daily data on missing or early 401(a) contributions.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
SCHEDULE OF FINDING AND RESPONSE
SEPTEMBER 30, 2022

- Continuing bi-weekly audits of personnel actions that impact eligibility dates and contributions. In particular, reviewing actions that may erroneously trigger early contributions such as employees being rehired or converted from other positions. Actions for individuals with conversion/rehire personnel actions are audited to ensure that associated contribution start dates are correct. For any missing or early contributions identified, DCHR collaborates with our partners to credit or remove contributions with consideration for market earnings.
- Updated Standard Operating Procedures (SOP) for both Retirement Coding and Corrections that provide procedural guidance on determining eligibility and ensuring corrections are addressed appropriately for the various retirement systems, social security, and Medicare taxes.
- Training internal DCHR staff and independent agency partners on standard operating procedures and processes.

DCHR will continue with the above efforts in FY23 and will collaborate with independent agency partners to determine if they can use real-time data to ensure 401(a) accuracy by March 1, 2023.

In addition to the above remediation efforts, DCHR will forfeit the erroneous early contributions of the three identified employees according to standard practices described in the Retirement Coding and Corrections SOP.

Responsible parties:

Rodney Dickerson, Program Director OCFO
E. Lindsey Maxwell, Interim Director DCHR
Paul Shaw, Associate Director Benefits DCHR

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
STATUS OF PRIOR-YEAR FINDING AND RESPONSE
SEPTEMBER 30, 2022**

Finding 2021-001 – Contributions to New Plan Participants

Type of Finding: Significant Deficiency in Internal Control and Significant Non-Compliance

Condition

Contributions were made to new plan participants (meaning those hired during the year ended September 30, 2021) prior to their being eligible to receive contributions according to the Plan document section cited above. This was noted for five of the 25 new participants selected for testing.

Current Year Status: Not corrected. Based on the results of testing, we noted three similar exceptions (out of 60 tested) where contributions were made to ineligible participants. This is included as Finding 2022-001 in the Schedule of Finding and Response.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
457(b) DEFERRED COMPENSATION PLAN**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT**

YEARS ENDED SEPTEMBER 30, 2022 AND 2021

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
457(b) DEFERRED COMPENSATION PLAN**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR’S REPORT**

YEARS ENDED SEPTEMBER 30, 2022 AND 2021

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F.S. TAYLOR & ASSOCIATES, P.C.

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INDEPENDENT AUDITOR'S REPORT

Office of Finance and Treasury Office
of the Chief Financial Officer
Government of the District of Columbia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying statements of fiduciary net position of the Government of the District of Columbia 457(b) Deferred Compensation Plan (the "Plan") as of September 30, 2022 and 2021, and the related statements of changes in fiduciary net position for the years then ended and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of September 30, 2022 and 2021, and the changes in the financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 December 21, 2022, on our consideration of the Plan'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 the Plan's 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 Plan's internal control over financial reporting and compliance.

F. S. Taylor & Associates, P.C.

Washington, D.C.
December 21, 2022

GOVERNMENT OF THE DISTRICT OF COLUMBIA
457(b) DEFERRED COMPENSATION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

The following presents our discussion and analysis of the financial performance of the Government of the District of Columbia 457(b) Deferred Compensation Plan (the "Plan") for the fiscal years ended September 30, 2022 and 2021. This discussion and analysis should be read in conjunction with the financial statements and notes disclosures.

Under the District's Deferred Compensation Act of 1984, D.C. Law 5-118 and D.C. Code Section 47-3601, the Government of the District of Columbia (the "District") offers for eligible employees a qualified employee deferred compensation plan. The Plan enables eligible employees to make tax deferred contributions towards their retirement. The duties of the Plan's Administrator are performed jointly by the District's Office of the Chief Financial Officer, Office of Finance and Treasury and the D.C. Department of Human Resources.

Overview of Financial Statements

The Plan financial statements consist of two basic financial statements: (a) Statement of Fiduciary Net Position and (b) Statement of Changes in Fiduciary Net Position. In addition to the basic financial statements are the notes to the financial statements.

- Statement of Fiduciary Net Position presents the Plan's assets, liabilities and net position restricted for participant benefits.
- Statement of Changes in Fiduciary Net Position presents the additions to and deductions from the Plan's net position.
- The notes to the financial statements provide a detailed discussion of key accounting policies and activities that occurred during the year. The notes provide additional information that is essential to a full understanding of the information provided in the financial statements.

2022 Financial Highlights

- Investments decreased by \$128,161,086 or (10.60%)
- Receivables increased by \$1,104,781 or 2.92%
- Net investment loss was \$183,422,767, a decrease in net investment income of \$384,405,357 or (191.26%)
- Benefits paid to participants increased by \$6,803,052 or 10.71%

2021 Financial Highlights

- Investments increased by \$255,441,323 or 26.79%
- Receivables increased by \$484,514 or 1.30%
- Net investment income was \$200,982,590, an increase of \$153,488,394 or 323.17%
- Benefits paid to participants increased by \$401,083 or 0.64%

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
457(b) DEFERRED COMPENSATION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

Financial Analysis – Fiduciary Net Position

Table 1 – Condensed Statements of Fiduciary Net Position as of September 30, 2022, 2021 and 2020

				2022-2021		2021-2020	
	2022	2021	2020	Variance	% Variance	Variance	% Variance
ASSETS							
Investments	\$ 1,080,725,060	\$ 1,208,886,146	\$ 953,444,823	\$ (128,161,086)	(10.60%)	\$ 255,441,323	26.79%
Receivables	38,966,075	37,861,294	37,376,780	1,104,781	2.92%	484,514	1.30%
Total Assets	1,119,691,135	1,246,747,440	990,821,603	(127,056,306)	(10.25%)	255,925,837	25.83%
LIABILITIES							
Due to District Government	940,710	974,636	773,364	(33,926)	(3.48%)	201,272	26.03%
Total Liabilities	940,710	974,636	773,364	(33,926)	(3.48%)	201,272	26.03%
Fiduciary Net Position Available for Plan Benefits	\$ 1,118,750,425	\$ 1,245,772,804	\$ 990,048,239	\$ (127,022,379)	(10.20%)	\$ 255,724,565	25.83%

Fiscal Year 2022

The Plan's investments decreased by \$128,161,086 or (10.60%) from the prior fiscal year. The decrease is primarily due to market downturns during the fiscal year, partially offset by having a diversified investment portfolio and the excess of contributions over benefit payments. For fiscal year 2022, there was a net depreciation in the fair value of investments and an increase in dividends and interest income. Of the 29 managed investment funds 27 had a negative rate of return in fiscal year 2022. MissionSquare Broker accounts are funds held in "Self-Directed Brokerage Accounts."

As shown in **Table 2a - Investment by Fund with Rates of Returns as of September 30, 2022**, a significant portion of the Plan's investments remain in MissionSquare Plus Fund (24.7%), Vanguard Institutional Index Fund (11.6%), DCPLUS Large Cap Value Portfolio (8.5%) and the Ariel Institutional (6.2%). The MissionSquare Plus Fund invests primarily in a diversified portfolio of stable value insurance contracts and fixed income securities that back certain stable value investment contracts and seeks to provide preservation of principal and maximize current yield. The Vanguard Institutional Index Fund invests primarily in equity securities of U.S. companies in the Standard & Poor's 500 Index. The DCPLUS Large Cap Value Portfolio invests primarily in large capitalization common stocks and seeks growth in capital.

Receivables are mainly comprised of notes receivable from participants and contributions receivable. For the fiscal year 2022, receivables increased by \$1,104,781 or 2.92% due to an increase in participant loans and contributions receivable.

The amount "Due to District Government" represents funds owed to the District by the Plan Administrator, which is used towards paying the Plan's administrative expenses. The Program Manager provides revenue sharing funds to the Plan Administrator on a monthly basis. The funding is equal to 5.5 basis points (0.055%) of the Plan's daily asset value.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
457(b) DEFERRED COMPENSATION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

Table 2a - Investment by Fund with Rates of Returns as of September 30, 2022

	<u>Investment Value</u>	<u>Percent of Total Assets</u>	<u>Rate of Return %</u>
American Funds Fundamentals Investors	\$ 24,205,187	2.2	(18.01%)
American Funds New Perspective Fund	15,260,673	1.4	(26.83%)
Ariel Institutional	67,345,008	6.2	(24.82%)
Brown Capital Management Small	23,233,604	2.1	(35.51%)
DCPLUS Fixed Income Portfolio	34,687,343	3.2	(14.50%)
DCPLUS Large Cap Growth Portfolio	43,950,450	4.1	(27.04%)
DCPLUS Large Cap Value Portfolio	91,851,812	8.5	(7.70%)
DFA US Core Equity 1 Portfolio	10,155,409	0.9	(14.72%)
Harbor International Institutional	32,151,766	3.0	(27.34%)
MissionSquare Broker	13,161,466	1.3	NA**
MissionSquare Income Advantage	5,665,698	0.5	(17.28%)
MissionSquare Plus Fund	266,943,369	24.7	1.88%
Nuveen Real Estate Securities Fund	12,565,538	1.2	(15.75%)
PIMCO All Asset Fund Institutional Class	485,832	0.1	(14.90%)
PIMCO Real Return Collective Trust II	12,874,342	1.2	(11.49%)
Vanguard Federal Money Market	16,099,370	1.5	0.67%
Vanguard Institutional Index Fund	125,341,718	11.6	(15.49%)
Vanguard Small Cap Index Fund	26,565,009	2.5	(20.73%)
Vanguard Target Retirement 2020 Fund	11,729,785	1.1	(15.81%)
Vanguard Target Retirement 2025 Fund	26,603,193	2.5	(17.39%)
Vanguard Target Retirement 2030 Fund	32,648,054	3.0	(18.25%)
Vanguard Target Retirement 2035 Fund	35,473,685	3.3	(18.78%)
Vanguard Target Retirement 2040 Fund	31,168,479	2.9	(19.32%)
Vanguard Target Retirement 2045 Fund	34,896,414	3.2	(19.84%)
Vanguard Target Retirement 2050 Fund	34,975,792	3.2	(20.12%)
Vanguard Target Retirement 2055 Fund	23,580,521	2.2	(20.11%)
Vanguard Target Retirement 2060 Fund	9,975,455	0.9	(20.10%)
Vanguard Target Retirement 2065 Fund	3,209,249	0.3	(20.11%)
Vanguard Target Retirement Inc.	9,182,349	0.8	(14.20%)
Virtus Emerging Markets Fund Class 1	4,738,490	0.4	(26.00%)
	<u>\$ 1,080,725,060</u>	<u>100.0</u>	

**Mission Square Broker (formerly Vantage Broker) are funds held in the "Self-Directed Brokerage Accounts."

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
457(b) DEFERRED COMPENSATION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

Fiscal Year 2021

The Plan's investments increased by \$255,441,323 or 26.79% over the prior fiscal year. The increase is primarily due to having a diversified investment portfolio to offset the fluctuations in the market and the excess of contributions over benefit payments. For fiscal year 2021, there was a net appreciation in the fair value of investments and an increase in dividends and interest income. Of the 30 managed investment funds 29 had a positive rate of return in fiscal year 2021. MissionSquare Broker accounts are funds held in "Self-Directed Brokerage Accounts".

As shown in **Table 2b - Investment by Fund with Rates of Returns as of September 30, 2021**, a significant portion of the Plan's investments remain in MissionSquare Plus Fund (21.9%), Vanguard Institutional Index Fund (11.9%), DCPLUS Large Cap Value Portfolio (8.5%), Ariel Institutional (8.0%) and the DCPLUS Large Cap Growth Portfolio (5.0%). The MissionSquare Plus Fund invests primarily in a diversified portfolio of stable value insurance contracts and fixed income securities that back certain stable value investment contracts and seeks to provide preservation of principal and maximize current yield. The Vanguard Institutional Index Fund invests primarily in equity securities of U.S. companies in the Standard & Poor's 500 Index. The DCPLUS Large Cap Value Portfolio invests primarily in large capitalization common stocks and seeks growth in capital.

Receivables are comprised of notes receivable from participants and contributions receivable. For the fiscal year 2021, receivables increased by \$484,514 or 1.30% due to an increase in participant loans and contributions receivable.

The amount "Due to District Government" represents funds owed to the District by the Plan Administrator, which is used towards paying the Plan's administrative expenses. The Program Manager provides revenue sharing funds to the Plan Administrator on a monthly basis. The funding is equal to 5.5 basis points (0.055%) of the Plan's daily asset value.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
457(b) DEFERRED COMPENSATION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

Table 2b - Investment by Fund with Rates of Returns as of September 30, 2021

	<u>Investment Value</u>	<u>Percent of Total Assets</u>	<u>Rate of Return %</u>
American Funds Fundamentals Investors	\$ 43,092,373	3.6	28.84%
American Funds New Perspective Fund	19,404,711	1.6	29.71%
Ariel Institutional	97,205,164	8.0	66.12%
Brown Capital Management Small	38,266,565	3.2	13.98%
DCPLUS Fixed Income Portfolio	31,735,251	2.6	(0.64%)
DCPLUS Large Cap Growth Portfolio	60,631,409	5.0	29.69%
DCPLUS Large Cap Value Portfolio	102,353,564	8.5	40.63%
DFA US Core Equity 1 Portfolio	5,136,152	0.4	35.50%
Harbor International Institutional	35,239,513	2.9	28.87%
MissionSquare Broker	15,290,507	1.3	N/A**
MissionSquare Plus Fund	264,766,240	21.9	1.96%
MissionSquare Retirement Income Advantage	6,684,687	0.6	15.75%
Nuveen Real Estate Securities Fund	13,861,126	1.1	30.90%
PIMCO All Asset Fund Institutional Class	977,862	0.1	25.61%
PIMCO Real Return Collective Trust II	13,544,899	1.1	5.11%
Vanguard Federal Money Market	14,147,829	1.2	0.02%
Vanguard Institutional Index Fund	143,528,354	11.9	30.00%
Vanguard Small Cap Index Fund	30,514,368	2.5	44.07%
Vanguard Target Retirement 2015 Fund	6,542,660	0.5	9.61%
Vanguard Target Retirement 2020 Fund	14,698,493	1.2	13.41%
Vanguard Target Retirement 2025 Fund	31,342,087	2.6	16.05%
Vanguard Target Retirement 2030 Fund	34,970,994	2.9	18.35%
Vanguard Target Retirement 2035 Fund	38,820,839	3.2	20.73%
Vanguard Target Retirement 2040 Fund	32,260,306	2.7	23.08%
Vanguard Target Retirement 2045 Fund	36,544,958	3.0	25.48%
Vanguard Target Retirement 2050 Fund	35,022,235	2.9	25.74%
Vanguard Target Retirement 2055 Fund	21,136,155	1.7	25.72%
Vanguard Target Retirement 2060 Fund	8,346,681	0.7	25.71%
Vanguard Target Retirement 2065 Fund	2,210,547	0.2	25.73%
Vanguard Target Retirement Inc.	5,835,857	0.5	8.49%
Virtus Emerging Markets Fund Class 1	4,773,760	0.4	8.93%
	<u>\$ 1,208,886,146</u>	<u>100.0</u>	

**Mission Square Broker (formerly Vantage Broker) are funds held in the "Self-Directed Brokerage Accounts."

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
457(b) DEFERRED COMPENSATION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

Financial Analysis – Changes in Fiduciary Net Position

Table 3 – Condensed Statements of Changes in Fiduciary Net Position for the Years Ended September 30, 2022, 2021 and 2020

	2022	2021	2020	2022-2021		2021-2020	
				Variance	%Variance	Variance	%Variance
ADDITIONS							
Employee Contributions	\$ 126,565,807	\$ 117,933,196	\$ 100,008,009	\$ 8,632,611	7.32%	\$ 17,925,187	17.92%
Net Investment (Loss) Income	(183,422,767)	200,982,590	47,494,196	(384,405,357)	(191.26%)	153,488,394	323.17%
Interest Income on Notes Receivable from Participants	1,169,991	1,279,750	1,384,165	(109,759)	(8.58%)	(104,415)	(7.54%)
Total (Reductions) Additions	(55,686,969)	320,195,536	148,886,370	(375,882,505)	(117.63%)	171,309,166	115.06%
DEDUCTIONS							
Benefits Paid to Participants	70,327,074	63,524,022	63,122,939	6,803,052	10.71%	401,083	0.64%
Administrative Expenses	458,302	449,256	368,361	9,046	2.01%	80,895	21.96%
Loan Fees	550,034	497,693	413,891	52,342	10.52%	83,802	20.25%
Total Deductions	71,335,410	64,470,971	63,905,191	6,864,439	10.65%	565,780	0.89%
Change in Net Position	(127,022,379)	255,724,565	84,981,179	(382,746,944)	(149.67%)	170,743,386	200.92%
Fiduciary Net Position Available for Plan Benefit, Beginning of Year	1,245,772,804	990,048,239	905,067,060	255,724,565	25.83%	84,981,179	9.39%
Fiduciary Net Position Available for Plan Benefit, End of Year	\$1,118,750,425	\$1,245,772,804	\$ 990,048,239	\$ (127,022,379)	(10.20%)	\$ 255,724,565	25.83%

Fiscal Year 2022

Employee contributions increased by \$8,632,611 or 7.32% compared to prior fiscal year. There was an overall increase in the average number of Plan participants making contributions to the Plan. The number of active Plan participants who made contributions increased from 20,595 in fiscal year 2021 to 22,509 in fiscal year 2022. The average monthly contributions increased from \$475.01 in fiscal year 2021 to \$492.91 in fiscal year 2022.

In fiscal year 2022, the Plan had a net investment loss of \$183,422,767 compared to net investment income of \$200,982,590 in fiscal year 2021. The net investment loss was primarily due to unfavorable market conditions in fiscal year 2022 compared with 2021. Overall, 27 of the 29 managed funds in the Plan reflected negative rates of return. MissionSquare Broker accounts are funds held in the “Self-Directed Brokerage Accounts”. The Plan’s investments collectively had a weighted average negative rate of return of (18.01%) in fiscal year 2022 compared to a positive 24.69% in fiscal year 2021.

Benefits paid to participants increased by \$6,803,052 or 10.71%. The increase was due to more participants requesting payouts in fiscal year 2022 compared to fiscal year 2021.

The administrative expenses for fiscal year 2022 were expenses incurred by the Program Manager and Plan Administrator for operations of the Plan. The Program Manager receives an administrative fee of 0.22% (22.0 basis points) of the Plan’s daily asset value and reimburses the Plan Administrator at 0.055% (5.5 basis points) of the Plan’s daily asset value or \$458,302.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
457(b) DEFERRED COMPENSATION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

Fiscal Year 2021

Employee contributions increased by \$17,925,187 or 17.92% compared to prior fiscal year. There was an overall increase in the average number of Plan participants making contributions to the Plan. The number of active Plan participants who made contributions increased from 19,386 in fiscal year 2020 to 20,595 in fiscal year 2021. The average monthly contributions increased from \$398.99 in fiscal year 2020 to \$475.01 in fiscal year 2021.

In fiscal year 2021, the Plan's net investment income was \$200,982,590 compared to \$47,494,196 in fiscal year 2020. The increase in net investment income was primarily due to higher fund performance in fiscal year 2021 compared with 2020. Overall, 29 of the 30 managed funds in the Plan reflected positive rates of return. MissionSquare Broker accounts are funds held in the "Self-Directed Brokerage Accounts". The Plan's investments collectively had a weighted average rate of return of 24.69% in fiscal year 2021 compared to 6.84% in fiscal year 2020.

Benefits paid to participants increased by \$401,083 or 0.64%. The increase was due to more participants requesting payouts in fiscal year 2021 compared to fiscal year 2020.

The administrative expenses for fiscal year 2021 were expenses incurred by the Program Manager and Plan Administrator for operations of the Plan. The Program Manager receives an administrative fee of 0.22% (22.0 basis points) of the Plan's daily asset value and reimburses the Plan Administrator at 0.055% (5.5 basis points) of the Plan's daily asset value or \$449,256.

Contact Information

The above discussion and analysis are presented to provide additional information regarding the activities of the Plan and also to meet the disclosure requirements of the Government Accounting Standards Board. If you have any questions about the report or need additional financial information, contact Rodney Dickerson, Program Director Government of the District of Columbia, Office of Finance and Treasury, 1101 4th Street, SW, 8th floor, Washington, DC 20024, (email: Rodney.Dickerson@dc.gov; phone: (202)727-0107.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
457(b) DEFERRED COMPENSATION PLAN
STATEMENTS OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<i>ASSETS</i>		
Investments:		
Registered Investment Companies	\$ 800,620,225	\$ 928,829,402
Stable Value Fund	266,943,369	264,766,237
Self-Directed Brokerage Accounts	<u>13,161,466</u>	<u>15,290,507</u>
Total Investments	<u>1,080,725,060</u>	<u>1,208,886,146</u>
Receivables:		
Due from Program Manager	35,794	39,113
Notes Receivable from Participants	33,887,120	33,536,745
Participant Contributions	<u>5,043,161</u>	<u>4,285,436</u>
Total Receivables	<u>38,966,075</u>	<u>37,861,294</u>
Total Assets	<u>1,119,691,135</u>	<u>1,246,747,440</u>
<i>LIABILITIES</i>		
Due to District Government	<u>940,710</u>	<u>974,636</u>
Total Liabilities	<u>940,710</u>	<u>974,636</u>
Fiduciary Net Position Available for Plan Benefits	<u>\$ 1,118,750,425</u>	<u>\$ 1,245,772,804</u>

The notes to the financial statements are an integral part of this statement.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
457(b) DEFERRED COMPENSATION PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<i>ADDITIONS</i>		
Employee Contributions	\$ 126,565,807	\$ 117,933,196
Investment Income:		
(Depreciation) Appreciation in Fair Value of Investments	(203,654,024)	191,466,002
Dividends and Interest Income	26,150,862	15,222,414
Less: Investment Management Expenses	(4,254,182)	(4,196,726)
Program Manager Fees	(1,665,423)	(1,509,100)
Net Investment (Loss) Income	(183,422,767)	200,982,590
Interest Income on Notes Receivable from Participants	1,169,991	1,279,750
Total (Reductions) Additions	(55,686,969)	320,195,536
<i>DEDUCTIONS</i>		
Benefits Paid to Participants	70,327,074	63,524,022
Administrative Expenses	458,302	449,256
Loan Fees	550,034	497,693
Total Deductions	71,335,410	64,470,971
Change in Net Position	(127,022,379)	255,724,565
Fiduciary Net Position Available for Plan Benefits, Beginning of Year	1,245,772,804	990,048,239
Fiduciary Net Position Available for Plan Benefits, End of Year	\$ 1,118,750,425	\$ 1,245,772,804

The notes to the financial statements are an integral part of this statement.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
457(b) DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 1 - DESCRIPTION OF PLAN

The Government of the District of Columbia (the “District”) offers for eligible employees a qualified employee Deferred Compensation Plan (“Plan”) that was established under the District’s 457(b) Deferred Compensation Act of 1984, D.C. Law 5-118 and D.C. Code Section 47-3601. The Plan enables eligible employees to make tax deferred contributions towards their retirement. The Plan’s assets are held in trust by the District for the exclusive benefit of Plan members and their beneficiaries. All District employees of an agency under the personnel authority of the District’s Mayor, a subordinate agency as defined in the Comprehensive Merit Personnel Act of 1978 and an agency not under the personnel authority of the Mayor or an independent agency, but approved by the Mayor, are eligible to participate in the Plan. There are no age and length of service requirements.

Effective January 1, 2009, the blind licensees of the District’s Randolph Sheppard Vending Facility Program became eligible to participate in the Plan. The blind licensees under the Randolph Sheppard Vending Facility Program shall not become an eligible individual until the later of the date (i) such as licensee has been a participant in the program for 13 months or (ii) a year and one month after their licensure date.

Effective October 1, 2017, the District Comprehensive Merit Personnel Act of 1978, Section 2609(b), made by the Fiscal Year 2018 Budget Support Act of 2017 was amended for employees of the Council, the Office of the District Auditor and the Office of Advisory Neighborhood Commissions (collectively, “Agencies”). It provided for mandatory matching contributions for employees of those Agencies participating in the Deferred Compensation Plan (“Plan”) who make a pre-tax contribution or Roth contribution under the Plan for each pay period in an amount equal to one hundred percent (100%) of such employee’s Pre-Tax contributions and Roth contributions made during each such pay period, but not in excess of three percent (3%) of the employee’s base salary during such pay period. Matching contributions are made in the Government of the District of Columbia 401(a) Defined Contribution Plan.

Effective July 7, 2019, the District amended the Deferred Compensation Plan to provide automatic enrollment pursuant to the Deferred Compensation Program Enrollment Amendment Act of 2018. Automatic enrollment means any eligible employee hired on or after July 7, 2019 and any eligible employee rehired on or after July 7, 2019, after having a break in service of three (3) consecutive workdays or more shall automatically be enrolled in the Deferred Compensation Plan. Contributions shall be no less than 5% of their pre-tax annual base salary upon hire until such automatically enrolled participant makes an affirmative election to defer a different amount or percentage amount (including zero).

GOVERNMENT OF THE DISTRICT OF COLUMBIA
457(b) DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 1 - DESCRIPTION OF PLAN (Continued)

The District's Office the Chief Financial Officer, Office of Finance and Treasury ("OCFO-OFT") and the District of Columbia Department of Human Resources are joint Plan Administrators. They are jointly responsible for adopting the Plan's administration rules and regulations and investment policies and overseeing the duties of the Trustee of the Plan. The Program Manager is responsible for the Plan's record keeping, marketing and enrollment efforts. In 2015, the OCFO-OFT contracted with MissionSquare (formerly ICMA Retirement Corporation (ICMA-RC)) to be the Plan's Program Manager. The Program Manager maintains an account for each participant that is adjusted for contributions, distributions and investment earnings and losses. Participants can contribute to the Plan up to \$20,500 and \$19,500 for 2022 and 2021, respectively, or 100% of the participants' includible compensation. Participants who are at least age 50 can contribute up to \$27,000 and \$26,000 for 2022 and 2021, respectively, to the Plan. Participants who qualify for pre-retirement catch-up contributions can contribute up to \$39,000 for 2022 and 2021 to the Plan. Participants are vested immediately.

Generally, at the date beginning April 1 of the calendar year following the later of: (1) the calendar year in which the participant reaches age 72 (age 70 ½ for individuals attaining that age before 2020), or (2) the calendar year in which the participant retires, the participant must annually take a required minimum distribution (RMD).

Loans

Effective October 1, 2011, participants may borrow from their accounts a minimum of \$1,000 up to a maximum equal to the lesser of (1) \$50,000 reduced by the excess (if any) of the highest outstanding balances of loans from the Plan to the participant during the one year period ending on the day before the date on which such loan is made, over the outstanding balance of loans from the Plan to the participant on the date on which such loan was made, or (2) 50% of the present value of the non-refundable accrued benefit of the participant under the Plan.

The loans are secured by the balance in the participant's account and must be repaid over a maximum period of 60 months for general purposes and 180 months for a home purchase. Loans bear interest at a fixed rate equal to the U.S. prime rate for general purpose loans and FHA/VA rate on home purchase loans. The interest rates on general purpose loans were 5.50% and 3.25% at September 30, 2022 and 2021, respectively. The interest rates on home purchase loans were 5.625% and 2.750% at September 2022 and 2021, respectively.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
457(b) DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 1 - DESCRIPTION OF PLAN (Continued)

Plan Membership

At September 30, 2022 and 2021, the Plan's membership consisted of the following:

	<u>2022</u>	<u>2021</u>
Active Members	22,509	20,595
Inactive Members	9,338	7,958
	<u>31,847</u>	<u>28,553</u>

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Plan's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB), which requires two basic financial statements: statement of fiduciary net position and statement of changes in fiduciary net position. For financial reporting purposes, the Plan is considered a pension trust fund.

Basis of Accounting

The financial statements of the Plan are prepared under the accrual basis of accounting. Employee contributions are recognized by the Plan at the time compensation is earned by Plan members and the payments become due from the District government. Investment income is recognized when earned. Deductions are recognized when due and payable in accordance with the terms of the Plan.

Investment Valuation

At September 30, 2022 and 2021, the Plan's investments were in mutual funds, a stable value fund and brokerage accounts. Shares in mutual funds and the brokerage accounts are reported at fair value based on quoted market prices, which represent the net asset value of shares held by the Plan at fiscal year-end. Investments in the stable value fund are presented at contract value, which approximates fair value. Contributions of participants who elect this investment option are combined and held in trust. The Plan has an undivided interest in the trust and its ownership is represented by its proportionate dollar interest.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
457(b) DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Plan categorizes fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*.

The valuation technique uses a three-level hierarchy of inputs to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These classifications are summarized as follows:

Level 1 Inputs: Quoted prices (unadjusted) for identical assets or liabilities in active markets that a reporting entity can access at the measurement date.

Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 Inputs: Unobservable inputs for an asset or liability.

In the event that inputs used to measure the fair value of an asset or liability fall into different levels in the fair value hierarchy, the overall level of the fair value hierarchy in its entirety is determined based on the lowest level input that is significant to the entire valuation. These levels are not necessarily an indication of risk but are based upon the pricing transparency of the investment.

Fair value of certain investments that do not have a readily determinable fair value is established using net asset value (or its equivalent) as a practical expedient. These investments are not categorized according to the fair value hierarchy.

Notes Receivable from Participants

Loans to participants are recorded at principal less repayments and plus accrued interest. The loan balance reflected in the Statement of Fiduciary Net Position is also adjusted for defaulted loans. If a payment is missed for any reason, the loan is considered delinquent and in arrears. All missed payments should be made by the end of the next calendar quarter. A loan is considered in default and taxed as a “deemed distribution” if missed payments are not made during the applicable grace period. Even after a loan is deemed distributed, loan repayments will continue to be deducted from available compensation until the earlier of when the loan is paid in full, or the maturity date is reached. Employees who leave District employment may continue to repay the loan by making alternative payment arrangements. As of September 30, 2022 and 2021, the total of all defaulted loans was \$2,480,980 and \$2,049,573, respectively.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
457(b) DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee Contributions

Employee contributions are recognized as revenue at the time compensation is earned by Plan members on a specified payroll pay date or when received from other eligible plans.

Payment of Benefits

Benefit payments are recorded as deductions when due for payment.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax Status

The Plan is an eligible employee deferred compensation plan under Section 457(b) of the Internal Revenue Code.

NOTE 3 - INVESTMENTS

Investments of the Plan at September 30, 2022 and 2021 consist of the following:

	2022	2021
Stock and Bond Funds	\$ 800,620,225	\$ 928,829,402
Stable Value Fund	266,943,369	264,766,237
Self-Directed Brokerage Account	13,161,466	15,290,507
Total Investments	<u>\$ 1,080,725,060</u>	<u>\$ 1,208,886,146</u>

GOVERNMENT OF THE DISTRICT OF COLUMBIA
457(b) DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 3 – INVESTMENTS (Continued)

The Plan's investments in Registered Investment Companies are stated at fair market value. The stable value fund is valued at contract value, which approximates fair value. The contract value is guaranteed through a related contract with a separate provider. The credited interest rates are reset periodically according to terms set forth in the contract and are actuarially determined.

The Plan's investments are subject to the following risks common to investments:

- *Custodial credit risk* is the risk that the Plan will not be able to recover the value of its investments in the event of a failure by the counterparty to a transaction. Investments are exposed if they are uninsured, are not registered in the name of the Plan and are held by either (a) the counterparty or (b) the counterparty's trust department or agent, but not in the Plan's name. The Plan's investments for fiscal years 2022 and 2021 are partially insured and registered in the Plan's name and are generally segregated by the counterparty in a manner to protect them from certain claims by creditors. The Plan also invests in mutual and commingled trust funds which are not generally exposed to custodial credit risks. The Plan Sponsor performs periodic qualitative assessments of the investment managers and investment strategy to minimize custodial credit risk.
- *Interest rate risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. The Plan manages its exposure to declines in fair values by not offering investments that have excessive average maturities. The following discloses the weighted average maturity for certain mutual funds that include investments in bonds at September 30, 2022.

<u>Investment</u>	<u>Average Maturity</u>
MissionSquare PLUS Fund	3.75 years
DCPLUS Fixed Income Portfolio	8.70 years
PIMCO Real Return Collective Trust II	8.13 years

- *Foreign currency risk* is the risk that changes in exchange rates will adversely affect the fair value of an investment in a foreign financial institution. The Plan mitigates this risk by limiting its investments in any one country to no more than the greater of either 25% of the equity portion of the investment account or by the country's weight in the Europe, Australia and Far East (EAFE) benchmark. In addition, a minimum of eight countries must be represented in each investment account. As a result, the Plan's currency denomination varies.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
457(b) DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 3 - INVESTMENTS (Continued)

At September 30, 2022 and 2021, the investment with the largest foreign currency risk is the Harbor International Fund. The major currency denomination for the Harbor International Fund is the Yen.

- *Credit risk* is the risk that an issuer to an investment will not fulfill its obligations. The Plan does not invest in securities that have an overall quality less than BBB as rated by Moody's or S&P Global Ratings. There were 14 out of 30 investments that had credit ratings in fiscal year 2022 and 15 out of 30 that had a credit rating in fiscal year 2021. At September 30, 2022 and 2021 those investments and the related credit ratings were as follows:

September 30, 2022

Fund	Credit Ratings
DCPLUS Fixed Income Portfolio	AAA/A/BBB/AA
MissionSquare Plus Fund	AAA/AA/A/BBB/BB
PIMCO Real Return Collective Trust II	AAA/AA/BBB
Vanguard Target Retirement Income	AAA/BBB/A/AA
Vanguard Target Retirement 2020	AAA/BBB/A/AA
Vanguard Target Retirement 2025	AAA/BBB/A/AA
Vanguard Target Retirement 2030	AAA/BBB/A/AA
Vanguard Target Retirement 2035	AAA/BBB/A/AA
Vanguard Target Retirement 2040	AAA/BBB/A/AA
Vanguard Target Retirement 2045	AAA/BBB/A/AA
Vanguard Target Retirement 2050	AAA/BBB/A/AA
Vanguard Target Retirement 2055	AAA/BBB/A/AA
Vanguard Target Retirement 2060	AAA/BBB/A/AA
Vanguard Target Retirement 2065	AAA/BBB/A/AA

GOVERNMENT OF THE DISTRICT OF COLUMBIA
457(b) DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 3 - INVESTMENTS (Continued)

September 30, 2021

Fund	Credit Ratings
DCPLUS Fixed Income Portfolio	AAA/A/BBB/AA
MissionSquare Plus Fund	AAA/AA/A/BBB/BB
PIMCO Real Return Collective Trust II	AAA/AA/A/BBB
Vanguard Target Retirement Income	AAA/BBB/A/AA
Vanguard Target Retirement 2015	AAA/BBB/A/AA
Vanguard Target Retirement 2020	AAA/BBB/A/AA
Vanguard Target Retirement 2025	AAA/BBB/A/AA
Vanguard Target Retirement 2030	AAA/BBB/A/AA
Vanguard Target Retirement 2035	AAA/BBB/A/AA
Vanguard Target Retirement 2040	AAA/BBB/A/AA
Vanguard Target Retirement 2045	AAA/BBB/A/AA
Vanguard Target Retirement 2050	AAA/BBB/A/AA
Vanguard Target Retirement 2055	AAA/BBB/A/AA
Vanguard Target Retirement 2060	AAA/BBB/A/AA
Vanguard Target Retirement 2065	AAA/BBB/A/AA

Investment concentrations - In accordance with GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans as amended by Government Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures* – An amendment of GASB Statement No. 3, the Plan is required to disclose the identification, by amount and issuer, of investments in any one issuer that represent 5% or more of the Plan's net position. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from this requirement.

The funds that meet the 5% or more disclosure criteria at September 30, 2022, discussed above are: MissionSquare Plus Fund (24.7%), Vanguard Institutional Index Fund (11.6%), DCPLUS Large Cap Value Portfolio (8.5%) and the Ariel Institutional (6.2%).

The funds that meet the 5% or more disclosure criteria at September 30, 2021, discussed above are: MissionSquare Plus Fund (21.9%), Vanguard Institutional Index Fund (11.9%), DCPLUS Large Cap Value Portfolio (8.5%), Ariel Institutional (8.0%) and the DCPLUS Large Cap Growth Portfolio (5.0%).

GOVERNMENT OF THE DISTRICT OF COLUMBIA
457(b) DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 4 - FAIR VALUE MEASUREMENTS

The Plan categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan had the following fair value measurement as of September 30, 2022:

		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)
Investments measured at fair value:	Total			
Equities				
Materials	\$ 29,302,761	\$ 29,302,761	\$ -	\$ -
Consumer and Cyclical and Defensive	130,475,106	130,475,106	-	-
Financial Services	105,084,734	105,084,734	-	-
Real Estate	40,732,284	40,732,284	-	-
Communication Services	56,155,476	56,155,476	-	-
Energy	37,109,061	37,109,061	-	-
Industrials	77,003,153	77,003,153	-	-
Technology	127,143,258	127,143,258	-	-
Healthcare	101,263,738	101,263,738	-	-
Utilities	26,811,100	26,811,100	-	-
Debt securities				
Government	23,770,643	23,770,643	-	-
Corporate	9,278,864	9,278,864	-	-
Securitized	10,399,265	10,399,265	-	-
Municipal	1,977,179	1,977,179	-	-
Other	866,323	866,323	-	-
Other funds	36,408,745	36,408,745	-	-
Total investments measured at fair value	813,781,690	\$ 813,781,690	\$ -	\$ -
Investments measured at contract value:				
Stable Value Fund	266,943,370			
Total Investments	\$ 1,080,725,060			

GOVERNMENT OF THE DISTRICT OF COLUMBIA
457(b) DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

The Plan has the following fair value measurement as of September 30, 2021:

	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)
Investments measured at fair value:				
Equities				
Materials	\$ 32,444,839	\$ 32,444,839	\$ -	\$ -
Consumer and Cyclical and Defensive	140,477,456	140,477,456	-	-
Financial Services	130,684,438	130,684,438	-	-
Real Estate	46,831,151	46,831,151	-	-
Communication Services	88,686,434	88,686,434	-	-
Energy	32,263,643	32,263,643	-	-
Industrials	91,472,763	91,472,763	-	-
Technology	163,998,931	163,998,931	-	-
Healthcare	110,158,599	110,158,599	-	-
Utilities	24,720,620	24,720,620	-	-
Debt securities				
Government	24,430,202	24,430,202	-	-
Corporate	8,596,615	8,596,615	-	-
Securitized	8,838,267	8,838,267	-	-
Municipal	1,634,365	1,634,365	-	-
Other	1,089,910	1,089,910	-	-
Other funds	37,791,675	37,791,675	-	-
Total investments measured at fair value	944,119,908	<u>\$ 944,119,908</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at contract value:				
Stable Value Fund	<u>264,766,237</u>			
Total Investments	<u>\$ 1,208,886,146</u>			

GOVERNMENT OF THE DISTRICT OF COLUMBIA
457(b) DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 5 - LIFE INSURANCE POLICIES

Prior to fiscal year 2000, the Plan offered participants an investment option to purchase life insurance policies underwritten by life insurance companies. Although the life insurance policies are no longer available to participants as an investment option, participants with existing life insurance policies are permitted to continue their contribution to those policies. As of September 30, 2022 and 2021, the contract values of participants' life insurance policies have been excluded from Plan's assets because the life insurance companies assume the obligations to pay the benefits under the policies. TransAmerica Life and Shenandoah Life Insurance Companies underwrite existing policies. Participants' life insurance contract values for the years ended September 30, 2022 and 2021, totaled \$3,080,438 and \$3,384,970, respectively.

NOTE 6 - PLAN FEES

Fees are charged to participants' accounts for investment management services and administrative expenses of the Plan. The investment management fees vary by investment fund and are calculated based on the fund's daily asset value. For the years ended September 30, 2022 and 2021, investment management fees totaled \$4,254,182 and \$4,196,726, respectively. The Program Manager receives a net administrative fee of 0.165% (16.5 basis points) of the Plan's daily asset value. For the years ended September 30, 2022 and 2021, Program Manager administrative fees totaled \$1,665,423 and \$1,509,100, respectively.

NOTE 7 - DUE TO DISTRICT GOVERNMENT

Per the contract agreement, the Program Manager annually reimburses the Plan Administrator 5.5 basis points. The reimbursement is accumulated in an administrative reimbursement account held by the Program Manager and is used annually by the District to pay for direct administrative expenses incurred and for contributions toward salaries expenses incurred by the District and the Plan Administrator. Additions to and deductions from the administrative reimbursement account are not Plan transactions reflected in the Statements of Changes in Fiduciary Net Position.

After recognizing the basis point reimbursement, interest earnings and payments from the administrative reimbursement account, the balance in the administrative reimbursement account as of September 30, 2022 and 2021 was \$940,710 and \$974,636, respectively. This is recorded in the Statements of Fiduciary Net Position as "Due to District Government". The amount owed from the Program Manager as of September 30, 2022 and 2021 was \$35,794 and \$39,113, respectively.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
457(b) DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 8 - ADMINISTRATIVE EXPENSES

The Plan does not directly incur administrative expenses. Administrative expenses are incurred by the Plan Administrator and the Program Manager for the operation of the Plan.

The amount recorded as administrative expenses in the Statement of Changes in Fiduciary Net Position of \$458,302 and \$449,256 for fiscal years 2022 and 2021, respectively, represents the Program Manager's investment expenses allocation towards administrative expenses.

The administrative expenses incurred by the Plan Administrator and reimbursed from the administrative reimbursement account (see Note 7) for the years ended September 30, 2022 and 2021 totaled \$337,206 and \$220,381, respectively and were as follows:

	<u>2022</u>	<u>2021</u>
Audit and Compilation Services	\$ 108,680	\$ 126,890
Investment Consulting Services	19,906	31,044
Other Expenses	<u>208,620</u>	<u>62,447</u>
	<u><u>\$ 337,206</u></u>	<u><u>\$ 220,381</u></u>

For fiscal years 2022 and 2021, the Plan assessed \$75 for each new participant loan processed and \$50 per participant for existing loans. Loan fees totaled \$550,034 and \$497,693 in fiscal years 2022 and 2021, respectively.

NOTE 9 - TERMINATED PARTICIPANTS

As of September 30, 2022 and 2021, the Plan had 9,338 and 7,957 terminated participants, respectively, who have account balances in the Plan. The participants are no longer able to contribute to the Plan, but their account balances are adjusted for fees and investment earnings. The value of the account balances as of September 30, 2022 and 2021 totaled \$316,599,142 and \$235,964,183, respectively.

NOTE 10 - PLAN TERMINATION

The District may amend or terminate this Plan provided that such amendment or termination shall not impair the rights of a vested participant or beneficiary to receive any contributions and income earned thereon, allocated to his or her active or inactive account, as the case may be, prior to the date of the termination or amendment of the Plan.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
457(b) DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 11 - RISKS AND UNCERTAINTIES

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

NOTE 12 - SUBSEQUENT EVENTS

The Plan evaluated subsequent events through December 21, 2022 the date the financial statements were available to be issued. Events or transactions occurring after September 30, 2022, but prior to December 21, 2022, that provided additional evidence about conditions that existed September 30, 2022, have been recognized in the financial statements for the year ended September 30, 2022. Events or transactions that provided evidence about conditions that did not exist as of September 30, 2022 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended September 30, 2022.

F.S. TAYLOR & ASSOCIATES, P.C.

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INDEPENDENT AUDITOR'S 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

Office of Finance and Treasury Office of
the Chief Financial Officer
Government of the District of Columbia

We have audited, in accordance with the 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 457(b) Deferred Compensation Plan (the "Plan") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated December 21, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan'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 the financial statements. 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.

F. S. Taylor & Associates, P.C.

Washington, D.C.
December 21, 2022

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