

**Hearing On Bill 22-468**

**The Teachers’, Police, and Firefighters Retirement Benefits Technical Amendment Act of 2017**

Testimony

Of

Johnetta Brower Bond, Chief Benefits Officer

 District of Columbia Retirement Board

Before the

The Honorable Phil Mendelson, Chairman

Committee of the Whole

Council of the District of Columbia

John A. Wilson Building, Room 412

1350 Pennsylvania Avenue, NW

Washington, DC 20004

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**OPENING REMARKS**

Good afternoon, Chairman Mendelson and members of the Council of the District of Columbia Committee of the Whole. I am Johnetta Brower Bond, Chief Benefits Officer of the District of Columbia Retirement Board (“DCRB” or the “Board”). I am here to testify on behalf of DCRB regarding the “Teachers’, Police, and Firefighters Retirement Benefits Technical Amendments Act of 2017.” Other DCRB staff in attendance includes Joan Passerino, Director of Stakeholder Communication and Outreach.

DCRB was created by Congress in 1979 under the District of Columbia Retirement Reform Act as an independent agency of the District of Columbia government.

DCRB’s Board of Trustees (the “Board”) has 12 members, six (6) who are elected by members of the Plans, three (3) who are appointed by the Mayor, and three (3) who are appointed by this Council. In addition, the District’s Deputy Chief Financial Officer (CFO)/Treasurer, who represents the District’s CFO, serves on the Board as an ex-officio (non-voting) member. Board members are fiduciaries, who are required to discharge their responsibilities solely in the interest of members and beneficiaries.

The Agency has exclusive authority and discretion to manage the assets of the District of Columbia Teachers’ Retirement Fund and the District of Columbia Police Officers and Fire Fighters’ Retirement Fund (collectively referred to as the “Fund”). In addition, DCRB is responsible for the administration and payment of benefits of members of the District of Columbia Police Officers and Firefighters’ Retirement Plan (the Replacement Police/Fire Plan) and the District of Columbia Teachers’ Retirement Plan (the Replacement Teachers’ Plan), collectively known as the District Plans, that were established on July 1, 1997 under the “Police Officers, Fire Fighters, and Teachers Retirement Benefit Replacement Plan Act.” The District government, as the employer, is the Plan Sponsor and is responsible for the design of the District Plans and for paying the required employer contributions to the Fund. DCRB is Plan Administrator of the District Plans, and also serves as the third-party administrator for the federal plans for District police officers, firefighters, and teachers, which were frozen on June 30, 1997, and for which the U.S. Department of the Treasury (“Treasury”) is financially responsible.

As of October 1, 2017, there were 26,433 members in both the frozen federal and active District Plan. The market value of the Fund was $7.8 billion, an increase of approximately $975 million in total asset value over the previous 12 months. As of January 31, 2018, the assets in the Fund increased to $8.4 billion. Also, as of October 1, 2017, the District Plans’ aggregate funded ratio on an actuarial basis was 105.2 percent. The individual Plan ratios were: 92.5 percent for the Teachers’ Plan and 110.8 percent for the Police Officers (111.2 percent) and Firefighters’ (109.9 percent) Plan, as of the same date.

**The Teachers’, Police, and Firefighters Retirement Benefits Technical Amendments Act of 2017 (the “Act”)**

The Act includes technical amendments to both of the District Plans for the following purposes:

1. Reinstate Federal Tax Law Compensation Limit

To be qualified under federal tax law, the amount of compensation that may be used in calculating a retirement benefit is limited ($275,000 in 2018). The Police/Fire and Teachers’ Plans were first amended to include this limit on October 1, 2002 and expressly applied the limit to members hired on/after that date. An amendment on May 1, 2013, to add updated language inadvertently dropped the October 1, 2002, grandfather language. The purpose of this provision of the Act is to reinstate that grandfather language to both Plans.

1. Clarify Eligibility for a Survivor Benefit by Domestic Partners Under the

Police/Fire Replacement Plan

The District Government recognizes registered domestic partners. Accordingly, DCRB’s enabling statutes were amended to include domestic partners. The Teachers’ Plan was amended in 2008 to allow surviving domestic partners to receive survivor benefits. Although the Police/Fire Plan was also amended in 2008, because the Federal Government does not recognize domestic partners, and the 1957 Policemen and Firemen’s Retirement and Disability Act (the Retirement and Disability Act) includes federal Park Police and Secret Service officers, the District amendment was subject to congressional enactment. The purpose of this provision of the Act is to amend the Retirement and Disability Act to clarify that domestic partners are eligible for survivor benefits only under the District’s Police/Fire Replacement Plan.

1. Allow the Police/Fire Replacement Plan to Accept Funds From the District’s 401(a) Retirement Plan

Certain FEMS paramedics or emergency medical technicians may be transferred to the Police/Fire Plan as sworn uniformed firefighters and receive credit for their prior FEMS service for vesting and retirement eligibility. To receive credit for calculating their benefit, however, they must purchase their prior service. Since that purchase would be at the full actuarial cost, however, it can be very expensive. Currently, the District’s 401(a) Retirement Plan (the 401(a) Plan) expressly allows transferred members to move their 401(a) monies to the Police/Fire Plan to help pay for the purchase, but the Police/Fire Plan does not expressly allow for the acceptance of 401(a) Plan monies. The purpose of this provision of the Act is to allow the Police/Fire Plan to accept the transfer of 401(a) Plan monies.

In discussions with our actuaries about these amendments, we have been advised that none of these amendments would cause an increase in cost to either Plan members or to the District.

This concludes my testimony. I would be happy to answer any questions that you may have.