Department of the Treasury
Office of D.C. Pensions

Fiscal Year
2019
ANNUAL REPORT

District of Columbia Pensions Program

MESSAGE FROM THE DIRECTOR

January 2020

On behalf of the Office of D.C. Pensions, I am pleased to present the Fiscal Year (FY) 2019 Annual Report, which provides highlights of the significant accomplishments achieved by the program for this fiscal year as well as plans for upcoming years.

Pursuant to the Balanced Budget Act of 1997, as amended (the Act), the Office of D.C. Pensions is responsible for carrying out the Secretary of the Treasury's responsibility to fund and administer the District of Columbia Judges' Retirement Plan and the federal portion of the District of Columbia Police Officers and Firefighters', and Teachers' Retirement Plans. As of September 30, 2019, the District of Columbia Judicial Retirement and Survivors Annuity Fund, and the District of Columbia Federal Pension Fund held assets totaling $4.0 billion. During FY 2019, $758.4 million in benefit payments were processed to 14,391 annuitants and refunds of employee contributions were made to former active employees or their beneficiaries.

During the fiscal year, the Office of D.C. Pensions efficiently managed finances: the number of benefit payments made via Electronic Fund Transfer reached 98.7% while continuing to make all benefit payments on time. Significant program management initiatives were executed: the Multi-Year Plan for FY 2019 – FY 2020 was revised, the Long-Term Business Planning project continued, and SharePoint was upgraded and is now the document repository for the office. The enrolled actuary for the Office of D.C. Pensions completed an experience study to validate the assumptions used in the calculations for the annual actuarial valuation. In addition, the quality of the census data used by actuaries to project future liabilities continued to improve.

The Office of D.C. Pensions and our partners continued to enhance the System to Administer Retirement (STAR), its pension/payroll system. The STAR Payment Review Tracking Tool (PRTT) was improved to increase data transparency in the quality review process and to facilitate collaboration between business partners.

An independent public accounting firm rendered an unmodified opinion on the FY 2019 financial statements of the Office of D.C. Pensions. The audit opinion was issued with no findings or recommendations. This was accomplished through partnership with the District of Columbia Retirement Board, the Bureau of the Fiscal Service, and other Department of the Treasury and District entities.

The Office of D.C. Pensions continued to work collaboratively with all entities associated with the District of Columbia Pensions Program to provide high quality service to the annuitants and to carry out the Department of the Treasury's responsibilities under the Act.

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TABLE OF CONTENTS

PART 1 MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) **PAGE**

I. Introduction 1
II. Executive Summary 3
III. Strategic Goals, Objectives, Outcomes, and Performance Measures 4
IV. Limitation of the Financial Statements 32

PART 2 INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report 35

PART 3 FINANCIAL STATEMENTS AND NOTES

Consolidated Balance Sheets 41
Consolidated Statements of Net Cost 42
Consolidated Statements of Changes in Net Position 43
Combined Statements of Budgetary Resources 44
Notes to Consolidated Financial Statements 45

PART 4 REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

Combining Statements of Budgetary Resources 61

PART 5 OTHER INFORMATION (Unaudited)

Consolidating Balance Sheets – By Fund 65
Consolidating Statements of Net Cost – By Fund 66
Consolidating Statements of Changes in Net Position – By Fund 67
Schedule of Pension Expense – By Fund 68
Actuarial Valuation Report, FY 2019 (Executive Summary) 69

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PART 1

Management's Discussion and Analysis (Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR 2019 (Unaudited)

Vision:
The vision of the Office of D.C. Pensions is successful stewardship of the pension funds; high quality benefits administration services; and effective use of program resources, while fostering mutually beneficial relationships with our business partners at the District of Columbia, the Treasury's Bureau of the Fiscal Service, and other Treasury entities.

Mission:
The mission of the Office of D.C. Pensions is to implement the Secretary's responsibilities under Title XI of the Balanced Budget Act of 1997, Public Law 105-33 (111 Stat. 251, 712), as amended. The responsibilities are to make timely and accurate benefit payments associated with the District of Columbia retirement programs for police officers and firefighters, teachers, and judges by managing investments, providing oversight and program management, and ensuring funding is available for future payments.

I. Introduction

A. Statutory Basis and Responsibilities

Under provisions in Title XI of the Balanced Budget Act of 1997, as amended (the Act[1]), the Secretary of the Treasury (the Secretary) assumed certain responsibilities for a specific population of annuitants under the following District of Columbia (the District) retirement plans: the Police Officers and Firefighters' Retirement Plan, the Teachers' Retirement Plan, and the Judges' Retirement Plan. Specifically, the Secretary is responsible for administering the retirement benefits earned by District teachers, police officers, and firefighters based upon service accrued on or before June 30, 1997, and administering the retirement benefits earned by District judges, regardless of when

[1]There have been six amendments to the Balanced Budget Act of 1997. These include the District of Columbia Courts and Justice Technical Corrections Act of 1998, Pub. L. 105-274, 112 Stat. 2419 (Oct. 21, 1998); the Technical and Clarifying Amendments Relating to District of Columbia Retirement Funds, Title VIII of Pub. L. 105-277, 112 Stat. 2681-530 (Oct. 21, 1998); the Law Enforcement Pay Equity Act of 2000, Title IX of Pub. L. 106-554, 114 Stat. 2763A-303 (Dec. 21, 2000); an Act to Amend the District of Columbia Retirement Protection Act of 1997, Pub. L. 107-290, 116 Stat. 2051 (Nov. 7, 2002); the District of Columbia Military Retirement Equity Act of 2003, Pub. L. 108-133, 117 Stat. 1386 (Nov. 22, 2003); and the District of Columbia Retirement Protection Improvement Act of 2004, Pub. L. 108-489, 118 Stat. 3966 (Dec. 23, 2004).

service accrued. These benefits are referred to as Federal benefit payments. Benefit payments to which an individual is entitled under the District of Columbia Replacement Plan (pertaining to police officers, firefighters, and teachers based upon service accrued after June 30, 1997) are referred to as District benefit payments. Police officers, firefighters, and teachers' benefit payments based upon service accrued before and after June 30, 1997, are the financial responsibility of both the Department of the Treasury (Treasury) and the District. Payments resulting from such service are referred to as split benefit payments.

The Secretary's responsibilities include: (1) making accurate and timely benefit payments; (2) investing fund assets; and (3) funding pension benefits. To carry out these responsibilities, Treasury's Office of D.C. Pensions (the Office) engages in a wide range of legal, policy, and operational activities in the areas of benefits administration, information technology, financial management, and program management. The Office coordinates with many District entities and stakeholders to administer its responsibilities.

Since September 26, 2005, the District of Columbia Retirement Board (DCRB) has served as the interim benefits administrator for the Police Officers and Firefighters', and Teachers' Retirement Plans. The Office reimburses DCRB for expenses associated with administrating the Federal benefit payments. Also, as of that date, the Office assumed benefit administration responsibility for the Judges' Retirement Plan.

B. Organizational Structure and Staffing

The Office reports to the Deputy Assistant Secretary for Human Resources and Chief Human Capital Officer (DASHR/CHCO). The DASHR/CHCO reports to the Assistant Secretary for Management (ASM). The ASM reports through the Deputy Secretary to the Secretary.

The Office fulfills its responsibility through key functional areas: Benefits Administration, Information Technology Systems Administration, Finance and Resource Administration, and Program Management.

- Benefits Administration: The Office provides oversight of the benefit administration functions for certain District of Columbia retirement plans. Approximately $758.4 million in Federal and District benefit payments were made to 14,391 annuitants for the year ended September 30, 2019.

- Finance and Resource Administration: The Office is responsible for ensuring compliance with various financial laws and regulations. The Office provides oversight for investments in Government Account Series (GAS) securities in the federal pension funds totaling approximately $4.0 billion as of September 30, 2019. The Office contracts with a third-party enrolled actuary to perform an annual actuarial valuation to determine the pension liability of the retirement plans and the annual contributions from the Treasury General Fund to the District of Columbia Teachers, Police Officers and Firefighters Federal Pension Fund (D.C. Federal Pensions Fund) and the District of Columbia Judicial Retirement and Survivors Annuity Fund (Judicial Retirement Fund).

- Information Technology Systems Administration: The Office operates and maintains the System to Administer Retirement (STAR), an automated pension/payroll system, in support of benefits administration and annuitant payroll. The Office conducts annual assessments of STAR security requirements to ensure compliance with the Federal Information Security Management Act. The Office continues to utilize the STAR Change Control Board (CCB) first established in 2002 which acts as the approving authority for all STAR requirement changes.

- Program Management: The Office executes its responsibilities through program management activities, which include planning and project management, quality management, and risk management. The Office also produces, analyzes, and acts upon performance management information to continually improve operations.

As of September 30, 2019, the D.C. Federal Pensions Fund and the Judicial Retirement Fund paid for 19 Treasury positions. In addition, the Office funds four positions in other Treasury offices performing critical functions to accomplish the Office's mission.

Pursuant to Interagency Agreements (IAA) with the Treasury's Bureau of the Fiscal Service (Fiscal Service), the Administrative Resource Center (ARC) provides financial management, annuitant payroll, and information technology support services. The financial management services include: financial management system platforms, budget processing, financial reporting and investment accounting. Annuitant payroll services include: STAR payroll processing, debt management, split benefit reconciliation and reporting, third party payroll reporting, and mailings. Information technology support services include: systems administration and hosting for STAR and security support services which include Federal Information Security Management Act compliance.

II. Executive Summary

During Fiscal Year (FY) 2019, the Office of D.C. Pensions (the Office) successfully worked with the District of Columbia Retirement Board (DCRB), the Treasury's Bureau of the Fiscal Service (Fiscal Service), Administrative Resource Center (ARC), and other Department of the Treasury (Treasury) entities to execute responsibilities under the provisions in Title XI of the Balanced Budget Act of 1997, as amended (the Act).

The Office completed an actuarial experience study covering the period FY 2014 through FY 2018. This study analyzes the actual demographic experience of the Plans, such as deaths and rates of retirement, against the expected experience. As a result of the study, the demographic assumptions used for determining the actuarial liability were updated to better reflect experience. The most significant impact was driven by the change in the mortality assumptions to the public retirement plans mortality tables published by the Society of Actuaries in October 2018.

The Office continued to oversee DCRB's benefit administration activities, conducted reviews, and provided training to ensure benefit payments were accurate. The Office improved the Payment Review Tracking Tool (PRTT) which tracks the results of the monthly quality reviews. Improvements to the PRTT made during FY 2019 include expanded reporting capabilities, additional functionality for users, and updated manager dashboards. The Office held monthly Quality Assurance Forums with DCRB staff to provide targeted training and feedback based on quality review findings.

STAR continues to utilize Oracle's PeopleSoft new delivery model and updates to the "commercial off-the-shelf" (COTS) software are applied quarterly. These new features are analyzed to determine if any are beneficial to the STAR users. In FY 2019, STAR updated the underlying tools used to develop STAR and the user display.

The Office's Leadership Team supports long-term strategic planning with a focus on program oversight, quality management, risk management, and performance management. A team comprised of the Director, Senior Program Manager, Risk Manager, Assistant Director for Benefits Administration, Assistant Director for Finance and Resource Administration, and the Assistant Director for Information Technology Systems Administration, continued with a Long-Term Business Planning (LTBP) project focusing on the review of the Act. Additionally, the Office's Multi-Year Plan was revised to include key focus areas across the program.

The following sections of the Management's Discussion and Analysis provide more details about the FY 2019 program results and plans for future years.

III. Strategic Goals, Objectives, Outcomes, and Performance Measures

The Office of D.C. Pensions (the Office) has three Strategic Goals that contribute to the achievement of one of the five Treasury Fiscal Year (FY) 2018 – 2022 Strategic Goals and Objectives. The Treasury goal that the Office contributes to is *Achieve Operational Excellence,* as shown below.

Treasury Strategic Goal: Achieve Operational Excellence

Strategic Objectives:

- Workforce Management
- Customer Value and Experience

The Office goals that contribute to the Treasury goal are as follows:

1. **Office Strategic Goal: Effectively Managed Finances**

   Office Outcomes:
   - Benefit payments are accurate and timely
   - Pension funds are effectively invested
   - Pension funds meet future needs

2. **Office Strategic Goal: Management and Organizational Excellence**

   Office Outcomes:
   - Program is effectively managed

3. **Office Strategic Goal: Effective Quality Assurance Program**

   Office Outcomes:
   - Program pursues continuous improvement

The table on the following pages displays the Office's Strategic Goals, Objectives and Outcomes linked to Treasury's 2018 – 2022 *Strategic Goal.* It also identifies the Office's Performance Measures and Results.

Office of D.C. Pensions Strategic Goals, Objectives, Outcomes, and Performance Measures

Fiscal Years 2018 – 2022					**Fiscal Year 2019**
Treasury Goals and Objectives		**ODCP Strategic Goals, Objectives, and Outcomes**			**ODCP Performance Measures**
Treasury Strategic Goal	**Treasury Strategic Objective**	**ODCP Strategic Goal**	**ODCP Strategic Objective**	**ODCP Outcomes**	**ODCP Performance Measure**
Achieve Operational Excellence	Workforce Management	Effectively Managed Finances	Skilled staff and technology are available to administer benefits	Benefit payments are accurate and timely	FY 2019 projected monetary error rate for benefit calculations Target: 5% or less Actual: 8.2% (See footnote #1)
					STAR is available to users Target: 99% or more Actual: 99.4%
			Skilled staff and funds are available to manage financial activities	Pension funds are effectively invested	FY 2019 investment strategy executed timely Target: 100% Actual: 100%
					FY 2020 investment strategy developed timely Target: September 26, 2019 Actual: September 24, 2019
				Pension funds are effectively managed	FY 2019 minimum daily cash balance exceeds the minimum balance as defined in the FY 2019 investment strategy Target: 100% Actual: 100%
					FY 2019 annual required contribution from General Fund received timely into pension program funds Target: September 26, 2019 Actual: September 25, 2019

Fiscal Years 2018 – 2022					Fiscal Year 2019
Treasury Goals and Objectives		**ODCP Strategic Goals, Objectives, and Outcomes**			**ODCP Performance Measures**
Treasury Strategic Goal	**Treasury Strategic Objective**	**ODCP Strategic Goal**	**ODCP Strategic Objective**	**ODCP Outcomes**	**ODCP Performance Measure**
Achieve Operational Excellence (continued)	Workforce Management (continued)	Effectively Managed Finances (continued)	Skilled staff and funds are available to manage financial activities (continued)	Pension funds are effectively managed (continued)	Monthly benefit payments made to annuitants by the first business day of the month Target: 100% Actual: 100%
					Electronic benefit payments made to annuitants Target: 98.7% Actual: 98.7%
				Pension funds meet future needs	FY 2019 request for annual contribution from General Fund prepared timely Target: September 24, 2019 Actual: September 23, 2019
	Customer Value and Experience	Management and Organizational Excellence	Skilled staff and management tools are available	Program is effectively managed	Risks are reviewed in accordance with the schedule outlined in the Risk Management Plan Target: Quarterly Meetings Actual: Quarterly Meetings
					FY 2019 financial statement audit opinion received from an independent external auditor Target: Unmodified opinion Actual: Unmodified opinion

Fiscal Years 2018 – 2022					**Fiscal Year 2019**
Treasury Goals and Objectives		**ODCP Strategic Goals, Objectives, and Outcomes**			**ODCP Performance Measures**
Treasury Strategic Goal	**Treasury Strategic Objective**	**ODCP Strategic Goal**	**ODCP Strategic Objective**	**ODCP Outcomes**	**ODCP Performance Measure**
Achieve Operational Excellence (continued)	Customer Value and Experience (continued)	Management and Organizational Excellence (continued)	Skilled staff and management tools are available (continued)	Program is effectively managed (continued)	FY 2019 Annual Report and Financial Statements printed Target: December 19, 2019 Actual: January 31, 2020 (ETA) (See footnote #2)
					FY 2018 open material weakness on September 30, 2019 Target: 0 Actual: 0
					FY 2019 Actuarial Valuation Report delivered timely Target: September 24, 2019 Actual: September 24, 2019
		Effective Quality Assurance Program	Quality plans are operational in each area	Program creates continuous improvement	FY 2019 Quality Assurance Plans approved by September 30, 2019 Target: 100% Actual: 100%

Footnotes:

1) The monetary error rate for FY 2019 showed an improvement over FY 2018 (14.5%). The decrease in the error rate may be attributed to the Office conducting targeted training to address the cause of monetary errors.
2) The Independent Auditors’ Report was issued on January 15, 2020.

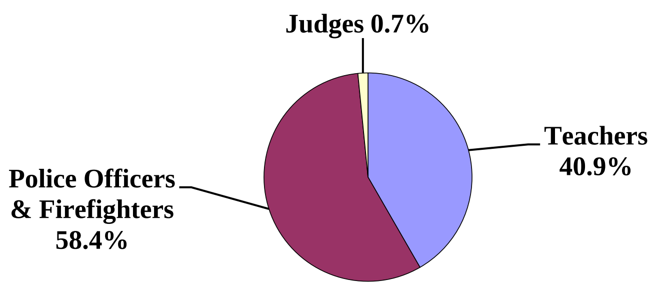
A. Benefit payments are accurate and timely

1. Program Results

a. Benefits Administration

<u>General Operations</u>

Benefits administration services were provided to 14,391 annuitants, as of September 30, 2019, in three District of Columbia retirement plans: the Police Officers and Firefighters' Retirement Plan, the Teachers' Retirement Plan, and the Judges' Retirement Plan. The annuitant population within each plan is as follows: teachers 5,883; police officers and firefighters 8,409; and judges 99.



The average monthly Federal and District benefit payments in Fiscal Year (FY) 2019 was $63.2 million. All annuitant payroll files were submitted on time, ensuring timely payment of annuitant benefits on the first business day of the month. With oversight and support by the Office, the District of Columbia Retirement Board (DCRB) performed benefits administration services for the Police Officers and Firefighters' Retirement Plan and the Teachers' Retirement Plan. The Office performed benefits administration for the Judges' Retirement Plan.

General benefit administration operations focused largely on transaction processing and customer service activities. On a monthly basis, benefit administration activities included the processing of new retirements and/or survivor benefits, identifying individuals no longer eligible for benefits, and updating annuitants' personal and benefits information. In addition to focusing on the accuracy and timeliness of transaction processing, the Office and its business partners strive to deliver high quality customer service.

The Office encourages annuitants to receive their benefit payments through direct deposit, as it is a more convenient, secure, and timely method of delivering benefits. At the end of the fiscal year, the Electronic Funds Transfer (EFT) participation rate for annuitants in all retirement plans was 98.7 percent.

The table below illustrates the EFT participation rates for annuitants by retirement plan as of September 30:

District of Columbia Retirement Plans	Electronic Funds Transfer (EFT) Participation Rate	
	FY 2019	**FY 2018**
Police Officers & Firefighters	98.5%	98.5%
Teachers	99.0%	98.8%
Judges	100.0%	100.0%

In FY 2019, a variety of outreach efforts continued to ensure that accurate and timely information was provided to annuitants, including:

- Letters notifying annuitants when their benefits changed;
- DCRB newsletters which provides retirement plan information for active and retired police officers, firefighters, and teachers;
- Earning statement messages alerting annuitants to changes in benefits such as a cost-of-living adjustments (COLA), informing annuitants of the opportunity to make changes to the annuitant data (e.g., signing up for direct deposit, changing tax withholdings or updating mailing addresses), and providing information regarding customer service improvements;
- Letters to retired judges providing information regarding the COLA effective December 2018;
- Letters to retired judges announcing Federal Employees Dental and Vision Insurance Programs (FEDVIP) and Federal Employees Health Benefits (FEHB) Program open seasons; and
- Judges Summary Plan Description updated booklets were distributed to annuitants and active plan members.

Annuitant Payroll Operations

Pursuant to an Interagency Agreement (IAA) with the Treasury's Bureau of the Fiscal Service (Fiscal Service), Administrative Resource Center (ARC) Pension Payroll utilizes the System to Administer Retirement (STAR), the automated pension/payroll system that supports benefit administration and annuitant payroll operations, to process monthly benefit payments. ARC Pension Payroll works closely with DCRB to process monthly benefit payments, and is responsible for reconciling the payroll reports generated from STAR to ensure the annuitant payroll is processed correctly.

In FY 2019, ARC Pension Payroll staff made 173,175 benefit payments totaling approximately $758.4 million for a monthly average of $63.2 million. These monthly benefits represent payments for annuitants, beneficiaries, and Qualified Domestic Relations Orders (QDROs). In addition, off-cycle payments totaling approximately $814.8 thousand were paid to annuitants when benefits were not processed in time for the regular on-cycle schedule.

During FY 2019, ARC Pension Payroll reported the share of Federal and District benefit payments. This information is calculated by STAR and is included in the Split Reimbursement Summary Report (SRSR). The SRSR supports the reimbursement to the Office from DCRB for District benefit payments. ARC Pension Payroll also provided mail management support to ensure that monthly earnings statements and other annuitant communications are distributed in an efficient and timely manner.

In FY 2019, the Office will continue to focus on making accurate and timely payments. ARC Pension Payroll generates the Preliminary Statistics Report to conduct a preliminary review of the monthly payroll statistics before the close of pension processing. Meetings will continue to be held with the Office, DCRB, and ARC Pension Payroll to review the statistical data for consistency from month-to-month, percentage differences, large payment amounts to annuitants, and variations in the gross and/or net pay to individual annuitants. All identified anomalies will be explained, validated and/or corrected before the close of pension processing.

In FY 2020, the Office will collaborate with DCRB and ARC Pension Payroll to process Off-Cycle payments in STAR. This is currently a manual process done outside of STAR and recorded by ARC Pension Payroll at the end of the processing month. Processing Off-Cycle payments in STAR will allow users to have access to "real-time" payment information. Additionally, processing Off-Cycle payments in STAR will minimize the creation of overpayments that are caused by the manual process. The expected implementation date for processing Off-Cycle payments in STAR is August 2020.

<u>Benefit Administration Activities and Projects</u>

During FY 2019, the Office continued to collaborate with DCRB to focus on key benefit activities and data integrity. In support of these efforts, the Office contracted with a consulting firm with experience in benefits administration to assist with benefit administration support activities and projects. This allows the Office to have maximum flexibility to simultaneously execute various benefit activities and projects.

In an effort to make benefits administration process improvements, the Office continued to make incremental improvements, which included enhancements to the Payment Review Tracking Tool, incorporating DCRB staff input for topics to cover during the monthly Quality Assurance Forums, and assessing the training needs to address quality review findings and to fill in knowledge gaps.

In FY 2020, the Office will continue to utilize contractors to assist with benefit administration support activities. The Office will continue assessing training requirements to ensure skills and knowledge exists to effectively manage and execute benefits administration activities. In addition, the Office will review business processes, procedures, and reporting to ensure benefit payments are processed accurately and timely.

Summary Plan Description (SPD)

The SPDs are designed to provide Plan members accurate and easy to understand information about the retirement plans. In FY 2019, the Office published and distributed the District of Columbia Judges' Retirement Plan SPD.

Former District Employees Retirement Contributions

Former District employees who have not requested a refund or retirement benefits and have retirement contributions remaining in the retirement funds, are entitled to a deferred retirement benefit or a refund of the contributions. Former employees with service totaling less than five years are entitled to a refund. Former employees with service totaling five years or greater are entitled to a deferred retirement benefit. The Office is working with DCRB to analyze the data to identify the former District employees who may be entitled to a deferred benefit or refund of retirement contributions. Once the population has been identified, the Office and DCRB will collaborate to determine the necessary next steps.

b. System to Administer Retirement (STAR)

<u>Background and History</u>

STAR is an automated pension/payroll system developed by the Office in cooperation with the District. STAR supports the end-to-end business processes for retirement, streamlines the administration and payment of pension benefits to annuitants, and enhances customer service. STAR enables retirement analysts to quickly access information and provide annuitants with real-time customer service. In addition to processing retirements, STAR calculates the share of Federal and District benefit payments.

STAR is based on Oracle/PeopleSoft's "commercial off-the-shelf" (COTS) software for human resources, pensions, and payroll administration. The STAR implementation was phased and deployed in bundles known as releases.

- Release 1 was implemented in December 2002 to serve all annuitants of the Judges' Retirement Plan.
- Release 2 was implemented in September 2003 to serve teachers, police officers, and firefighters who retired on or before June 30, 1997, and their survivors.
- Release 3 was deployed in August of 2005 for teachers, police officers, and firefighters whose initial retirement was processed in STAR after August 1, 2005 (and their survivors). This release also converted teachers, police officers, and firefighters who retired after July 1, 1997, and before August 1, 2005, and whose initial retirement processing took place in the District's legacy system, the Pension Administration and Payroll System (PAPS).
- Release 4 started the implementation of the split benefit calculation to enable STAR to calculate the Federal and District share (split) for benefit payments. Release 4 was implemented in June 2007 to calculate the split for future payments to those annuitants

who were brought into pay status on or after June 4, 2007. This release also included an upgrade of Oracle/PeopleSoft from version 8.0 to 8.9.

- Release 5 was implemented in November 2007 and completed the implementation of the split benefit calculation. The split was calculated for future benefit payments to annuitants whose initial retirement processing took place in STAR between August 2005 and June 2007. In addition, STAR calculated the split for the future benefit payments to annuitants who retired after June 30, 1997, and whose initial retirement processing took place in PAPS.
- Release 6 was deployed in May 2012, which upgraded the Oracle/PeopleSoft version 8.9 to version 9.1, and included the implementation of the "person model." The upgrade leveraged existing and newly delivered functionality to reduce the overall number of Oracle/PeopleSoft application customizations.
- Release 7 was deployed in April 2017, which upgraded the Oracle/PeopleSoft version from 9.1 to version 9.2. The 9.2 upgrade introduced a new model for future upgrades.

<u>STAR Update Model</u>

The Office adopted Oracle/PeopleSoft update methodology introduced with the implementation of PeopleSoft 9.2. The Office is now implementing smaller Oracle/PeopleSoft updates annually, rather than the previous model where typically one large update was implemented every three or four years.

In May 2019, the Office implemented its second annual update using the new strategy. This update keeps the STAR system up-to-date with Oracle's latest version, but did not introduce any new features. In July 2019, STAR was updated with the most recent PeopleTools version (8.57). The PeopleTools update allowed the use of PeopleSoft's "Classic Plus" pages. In FY 2020, the Office will continue to execute this update strategy.

<u>STAR Technical Production Support and Hosting</u>

System hosting and technical production support for STAR is performed by Fiscal Service, Information Security Services (ISS). Since September 2003, ISS staff members have provided production support activities, including routine system operations, application and database administration, help desk operations, and problem resolution. A supplemental support contract is also in place to provide assistance to ISS in both operations and maintenance activities. In FY 2019, STAR was available 99.4 percent of the time.

<u>STAR System Security</u>

In FY 2019, as a part of the Security Assessment and Accreditation (SA&A) process, the Office conducted an annual security assessment of the STAR system. The SA&A is a process that ensures that federal systems and major applications are well-documented, authorized, and adhered to formal and established security requirements. The annual assessment is a part of ODCP's continuous monitoring effort to test STAR's security-relevant changes that occur out of the SA&A cycle but do not necessarily constitute a 'significant change' necessitating a new SA&A. This effort was conducted to ensure the

STAR system remains in compliance with all relevant security requirements and to renew the system's Authorization to Operate. There were fourteen vulnerabilities identified in the assessment and documented as Plan of Action and Milestone (POA&M) items. The POA&Ms have since been mitigated and closed. The next full assessment is scheduled for FY 2020.

As required by NIST 800-53, the Office conducted a contingency test and the first of two information system backup tests in FY 2019. The contingency exercise consisted of testing connectivity to the STAR contingency site. The first information system backup exercise consisted of testing the reliability and integrity of backup data from one of STAR's schedule system backups. The second information system backup exercise is scheduled to be conducted in March of 2020. In FY 2019, the Office also conducted its annual incident response exercise that consisted of investigating a failed migration and then refreshing STAR Production from a backup file. Lessons learned from all the exercises are used to update STAR security documentation. STAR security management adheres to the Federal Information Security Management Act (FISMA) calendar year which starts July 1 and ends June 30.

Change Control Board

The Office's Change Control Board (CCB) acts as the approving authority for all STAR requirement changes. The Board is comprised of representatives from the Office, the Office of General Counsel (OGC), DCRB, Fiscal Service, ISS, and ARC Pension Payroll. The CCB evaluates the benefits and risks associated with any proposed change; makes a determination as to whether or not the proposed change should be implemented; and establishes the priority for each approved change. The CCB process enhances internal controls and accountability for new proposed changes.

In FY 2019, the Office has undertaken a major refinement to STAR's Payment Review Tracking Tool (PRTT) which is used for tracking and reporting of quality reviews. In FY 2020, the Office plans to continue to enhance reporting and functionality. Also, in FY 2020 the CCB has a robust schedule of STAR Change Requests.

B. Pension Funds are effectively invested, financed and meet future needs

1. Program Results

a. Pension Funds

Pursuant to the District of Columbia Retirement Protection Improvement Act of 2004, Public Law 108-489, the Office administers Federal benefit payments through two funds:

- **The District of Columbia Teachers, Police Officers and Firefighters Federal Pension Fund (D.C. Federal Pension Fund)** makes Federal benefit payments and pays necessary administrative expenses for the Police Officers and Firefighters', and Teachers' Retirement Plans. The D.C. Federal Pension Fund is not a typical pension fund in that it does not receive employee and employer contributions. The sources of funding for the D.C. Federal Pension Fund are:

- An annual federal payment from the Treasury General Fund which amortizes the original unfunded liability and any additional liabilities identified in annual actuarial valuations; and
- Interest earned on investments.

Total assets for the D.C. Federal Pension Fund as of September 30, 2019 are $3.8 billion.

- **The District of Columbia Judicial Retirement and Survivors Annuity Fund (Judicial Retirement Fund**) accumulates funds to finance Federal benefit payments and necessary administrative expenses of the Judicial Retirement Plan. There are three funding sources for the Judicial Retirement Fund:

  - An annual federal payment from the Treasury General Fund which amortizes the original unfunded liability and any additional liabilities identified in annual actuarial valuations;
  - Interest earned on investments; and
  - Judges' employee contributions.

Total assets for the Judicial Retirement Fund as of September 30, 2019 are $177.2 million.

To ensure the Office achieves its strategic goal #1 (Effectively Managed Finances), our Risk Management Program tracks risks directly related to the stated objective, "*pension funds meet future needs*" for both the D.C. Federal Pension Fund and the Judicial Retirement Fund. These risks have been evaluated and categorized as low.

b. Fund Deposits

<u>Warrants</u>

As authorized by the Act, the D.C. Federal Pension Fund and the Judicial Retirement Fund receive annual payments from the Treasury General Fund to cover administrative expenses for the year and amortize the unfunded liabilities of the retirement programs assumed by the Federal Government over 30 years, the annual net experience gains or losses over 10 years, and any annual changes in actuarial liabilities over 20 years. The annual payment to the Judicial Retirement Fund also includes amounts necessary to fund the normal cost of the retirement program.

In accordance with the Act, the annual payments to the D.C. Federal Pension Fund and the Judicial Retirement Fund are calculated by an enrolled actuary. These funds are requested in September each year, and invested upon receipt in Government Account Series (GAS) non-marketable Treasury securities, with maturities and par amounts consistent with the expected payment dates and payout amounts of the pension liabilities.

The table reflects FY 2019 and FY 2018 annual payments from the Treasury General Fund as of September 30:

Office of D.C. Pensions' Funds	Annual Payments from the Treasury General Fund (in Millions)		
	FY 2019	FY 2018	Difference
District of Columbia Federal Pension Fund	$498.3	$467.3	$31.0
District of Columbia Judicial Retirement and Survivors Annuity Fund	$16.6	$16.0	$0.6
Totals	**$514.9**	**$483.3**	**$31.6**

A major component of each of the above annual payments is the 30-year payment established in 1997 to amortize the unfunded liabilities of the retirement programs assumed by the Federal Government. There are eight years remaining of these 30-year payments of $348.6 million for the D.C. Federal Pension Fund and $2.1 million for the Judicial Retirement Fund after which the original unfunded liabilities will be fully amortized.

The year-to-year differences in the annual payments from the Treasury General Fund resulted from the amortization of actuarial gains or losses in the current year, the re-amortization of remaining payments from previous amortizations, and completion of previous amortizations.

Interest

The amount of Interest Payments (deposits) in the table below reflects three sources of interest: interest earned on GAS long-term securities, interest earned on overnight securities, and interest earned through the amortization of discounts. There are two methods of calculating interest: the Interest Earned (recognized) reflects the amortization of premiums and discounts from GAS securities in the portfolio; while the Rate of Return is calculated by dividing interest earned from GAS securities by the average par value of investments in GAS securities. The FY 2019 and FY 2018 annual interest as of September 30 from the pension funds are summarized in the following tables:

Office of D.C. Pensions' Funds	FY 2019 Annual Interest (in Millions)		
	Interest Payments (deposits)	Interest Earned (recognized)	Rate of Return
District of Columbia Federal Pension Fund	$91.8	$68.2	1.95%
District of Columbia Judicial Retirement and Survivors Annuity Fund	$4.0	$3.8	2.33%
Totals	**$95.8**	**$72.0**	

Office of D.C. Pensions’ Funds	FY 2018 Annual Interest (in Millions)		
	Interest Payments (deposits)	Interest Earned (recognized)	Rate of Return
District of Columbia Federal Pension Fund	$97.1	$57.6	1.65%
District of Columbia Judicial Retirement and Survivors Annuity Fund	$3.8	$3.5	2.28%
Totals	**$100.9**	**$61.1**	

Year-to-year differences in the Interest Earned (recognized) and Rates of Return are driven primarily by the interest rates for available GAS non-marketable Treasury securities available at the time investments are placed.

Judges’ Employee Contributions

Active judges are required to contribute 3.5 percent of salary to the Judicial Retirement Fund to pay for part of the cost of their retirement benefits. Active judges who elect a survivor annuity contribute an additional 3.5 percent of salary. The table below summarizes the contributions of active judges’ contributions for the most recent fiscal years as of September 30:

Office of D.C. Pensions’ Fund	Employee Contributions from Active Judges (in Thousands)		
	FY 2019	FY 2018	Difference
District of Columbia Judicial Retirement and Survivors Annuity Fund	$620.7	$640.6	$(19.9)

Summary of Fund Deposits

The following table reflects the fund deposits to the D.C. Federal Pension Fund and the Judicial Retirement Fund as of September 30:

Office of D.C. Pensions' Funds (in Millions)			
Fund	**Type of Deposit**	**FY 2019**	**FY 2018**
District of Columbia Federal Pension Fund	Warrant	$498.3	$467.3
	Interest	$91.8	$97.1
	District Benefit Payments	$202.8	$185.2
	Post-1987 D.C. Health & Life Employer Payments	$17.6	$14.6
	STAR Administrative Expense Reimbursements	$1.9	$2.5
District of Columbia Judicial Retirement and Survivors Annuity Fund	Warrant	$16.6	$16.0
	Interest	$4.0	$3.8
	Employee Contributions	$0.6	$0.6
Totals	**Warrant**	**$514.9**	**$483.3**
	Interest	**$95.8**	**$100.9**
	Contributions	**$0.6**	**$0.6**
	Reimbursements and Payments	**$222.3**	**$202.3**

c. Collections

District Benefit Payments

Treasury pays all benefit payments under the Police Officers and Firefighters' and Teachers' Retirement Plans from the D.C. Federal Pension Fund. DCRB makes an advance payment to the D.C. Federal Pension Fund prior to the last business day of the month for benefit payments made by Treasury on behalf of the District. The STAR Split Reimbursement Summary Report supports DCRB reimbursements made to Treasury each month.

The table below summarizes activity for the most recent fiscal years as of September 30:

Office of D.C. Pensions' Fund	**District Benefit Payments (in Millions)**		
	FY 2019	**FY 2018**	**Difference**
District of Columbia Federal Pension Fund	$202.8	$185.2	$17.6

Post-1987 D.C. Health & Life Insurance

Treasury pays the employer share of Post-1987 D.C. health and life insurance premiums on behalf of the District from the D.C. Federal Pension Fund. The District makes an advanced payment to the D.C. Federal Pension Fund prior to the last business day of the month for the premiums that are paid by Treasury.

The table below summarizes reimbursement activity for the most recent fiscal years as of September 30:

Office of D.C. Pensions' Fund	**D.C. Health and Life Insurance Payments (in Millions)**		
	FY 2019	**FY 2018**	**Difference**
District of Columbia Federal Pension Fund	$17.6	$14.6	$3.0

The District's advances of the employer share of Post-1987 D.C. health and life insurance premiums continues to increase year over year as the number of retirees who were hired after October 1, 1987 increases.

STAR Administrative Expenses

The Office and DCRB have developed a methodology for allocating STAR administrative costs incurred by the Office when administering Federal and District benefit payments. The methodology takes into consideration the number of 100 percent Federal annuitants, 100 percent District annuitants, and split annuitants. Applying this methodology, the Office and DCRB entered into a cost sharing agreement for reimbursement of FY 2019 actual expenses. The following table summarizes STAR administrative expense reimbursements for the most recent fiscal years as of September 30:

Office of D.C. Pensions' Fund	**STAR Administrative Expenses (in Millions)**		
	FY 2019*	**FY 2018**	**Difference**
District of Columbia Federal Pension Fund	$2.1	$1.8	$0.3

*Amount includes a receivable of $601 thousand for the fourth quarter of FY 2019.

The year-to-year differences in the reimbursements for STAR administrative expenses are driven primarily by cost of living increases and STAR enhancement during FY 2019.

Debt Management

The ARC Pension Payroll manages the debt collection and prevention activities for the Office. During FY 2019, the Office collaborated with ARC Pension Payroll, the Office of the General Counsel (OGC), and DCRB to pursue debt prevention and collection efforts. Approximately $1.2 million was recovered after the notification of an annuitant's death. In addition, $237 thousand was collected through offsets, lump sum payments, or installment payments.

In FY 2019, the Benefit Overpayment & Collection Re-engineering (BOCR) Project was implemented. This project provided annuitants and non-annuitants (those no longer eligible to receive a payment) who owe debt with a clear explanation of their due process rights, minimize the burden when making a request, and shorten the time from a request to a final agency decision.

During FY 2020, the Office will continue to collaborate with ARC Pension Payroll and DCRB to streamline the due process for benefit changes and collection of debt. To accomplish the above, the Office, ARC Pension Payroll, and DCRB will review Standard Operating Procedures, roles and responsibilities, and letters to debtors to ensure processes are being followed as intended.

Additionally, the Office has an agreement with the Treasury's Bureau of the Fiscal Service (Fiscal Service), Debt Management Services' (DMS) Cross-Servicing Program. The FY 2019 agreement allows collection processes for delinquent debt through a number of tools including: issuing demand letters, conducting telephone follow-up calls, initiating skip tracing, referring debts for administrative offset, performing administrative wage garnishment, and referring debts to private collection agencies.

In FY 2019, the Office continued discussions with the Fiscal Service, Debt Management Services' (DMS) Treasury Offset Program. In FY 2020, meetings will continue between the Office, Fiscal Service, and DCRB to evaluate impacts to the D.C. Pensions Program, STAR, and the relationship with the District and Treasury.

d. Investments

As required by the Act, amounts received in the D.C. Federal Pension Fund and the Judicial Retirement Fund are invested in non-marketable securities issued to mirror the characteristics of marketable securities. The Fiscal Service invests the assets of the D.C. Federal Pension Fund and the Judicial Retirement Fund based on investment guidance from the Office. The Office follows a "ladder" approach, scheduling maturities in amounts sufficient to meet the obligations to pay benefits and administrative expenses projected by annual actuarial valuations. Investment policy in the D.C. Federal Pension Fund and the Judicial Retirement Fund strikes a balance between ensuring the Office can meet short-term obligations and extending the ladder.

In FY 2019, the cash balances in the D.C. Federal Pension Fund and Judicial Retirement Fund, available for contingencies, were targeted to remain above $95.0 million and

$2.6 million, respectively, which represent approximately two months of federal obligations. Typically, the Office invests the cash balance in one-day certificates, except for an un-invested balance of $500 thousand at month-end to cover unanticipated withdrawals on the last day of the calendar month. At the end of FY 2018, the Office did not invest excess funds in the amount $86.3 million in one-day certificates resulting in $88.1 million in FY 2018 Fund Balance with Treasury reported on the Office's Consolidated Balance Sheet. Available funds were fully invested per the Office's Investment Guidance as of September 26, 2019. In FY 2019, the Office extended the maturity dates of securities in the D.C. Federal Pension Fund to February 2026 and for securities in the Judicial Retirement Fund to August 2029. The Office invested a portion of the FY 2019 warrant in a February 2036 bond for the Judicial Retirement Fund. The Office normally invests in 10-year notes with maturities selected to immunize the funds projected future costs, but available funds from the FY 2019 warrant exceeded the securities available with this profile. The Office will return to investing in 10-year notes for the Judicial Retirement Fund as they become available.

Investments are valued at cost, and, if applicable, adjusted for unamortized premiums and discounts. The premiums and discounts are recognized as adjustments to interest income, utilizing the effective interest method.

The following table reflects the net investments breakdown as of September 30 for the two most recent years:

Office of D.C. Pensions' Funds	**Net Investments (in Millions)**		
	FY 2019	**FY 2018**	**Difference**
District of Columbia Federal Pension Fund	$3,822.0	$3,731.3	$90.7
District of Columbia Judicial Retirement and Survivors Annuity Fund	$176.6	$164.4	$12.2
Totals	**$3,998.6**	**$3,895.7**	**$102.9**

To ensure the Office achieves its strategic goal #1 (Effectively Managed Finances), our Risk Management Program tracks risks directly related to the stated objective, "*pension funds are effectively invested*" for both the D.C. Federal Pension Fund and the Judicial Retirement Fund and Survivors Annuity Fund. These risks have been evaluated and categorized as low.

e. Payments

Federal Benefit Payments

Treasury pays all federal benefit payments under the Police Officers and Firefighters', Teachers', and Judges' Retirement Plans.

The following table summarizes the Federal benefit payments as of September 30:

Office of D.C. Pensions' Funds	Federal Benefit Payments (in Millions)		
	FY 2019	**FY 2018**	**Difference**
District of Columbia Federal Pension Fund	$543.3	$542.0	$1.3
District of Columbia Judicial Retirement and Survivors Annuity Fund	$13.5	$12.8	$0.7
Totals	**$556.8**	**$554.8**	**$2.0**

Refunds of Employee Contributions

DCRB processes refunds of contributions for active police officers, firefighters, and teachers, and later, requests reimbursement from the Office for the Federal portion of those refund payments. The Office also processes refunds of contributions for active judges when requested. The table below summarizes the refunds of employee contributions processed as of September 30:

Office of D.C. Pensions' Funds	Refunds of Federal Portion of Employee Contributions (in Whole Dollars)		
	FY 2019	**FY 2018**	**Difference**
District of Columbia Federal Pension Fund	$75,532	$69,794	$5,738

The year-to-year difference in the District of Columbia Federal Pension Fund refunds is driven by year-to-year differences in employee terminations.

Benefit Administration Expense Reimbursements

The Office reimburses DCRB for administrative expenses incurred in administering Federal benefit payments. The Office and DCRB have developed a methodology for estimating costs incurred by DCRB while administering Federal and District benefit payments and entered into a cost sharing agreement for reimbursement of FY 2019 actual expenses. The methodology takes into consideration: (1) the number of active employees, 100 percent Federal annuitants, 100 percent District annuitants, and split annuitants; (2) the estimated DCRB resources needed to support these populations; (3) the number of employees throughout DCRB who are dedicated to supporting the benefits administration function; and (4) the level of effort associated with processing Federal benefit payments.

The table below is an estimate of the amounts the Office expects to reimburse DCRB as of September 30 for FY 2019 administrative expenses incurred while administering Federal benefit payments; and the actual reimbursement for FY 2018:

Office of D.C. Pensions' Fund	Reimbursements to DCRB for Administrative Expenses (in Millions)		
	FY 2019*	FY 2018	Difference
District of Columbia Federal Pension Fund	$3.2	$3.4	$(0.2)

*Amount includes third and fourth quarters estimates for FY 2019.

Administrative Expenses

The Office funds administrative expenses from the D.C. Federal Pension Fund and the Judicial Retirement Fund. When administrative expenses related to activities that benefit all of the retirement programs occur, expenses are usually allocated 99 percent to the D.C. Federal Pension Fund and one percent to the Judicial Retirement Fund for majority of contracts and interagency agreements. The remaining administrative expenses such as Office staff salaries and benefits, are allotted at 95 percent to the D.C. Federal Pension Fund and five percent to the Judicial Retirement Fund. The allocation percentages are based on the number of annuitants covered by each Fund. When expenses benefit only one group, or when a different allocation is clearly appropriate, expenses are charged accordingly.

The Office's major administrative expenses consisted of DCRB benefit administration (discussed above), the Office's staff salaries, and contractors engaged to provide benefit administration and IT system support.

The following table reflects administrative expenses by fund for two most recent fiscal years ending September 30:

Office of D.C. Pensions' Funds	Administrative Expenses (in Millions)		
	FY 2019	FY 2018	Difference
District of Columbia Federal Pension Fund	$22.0	$18.7	$3.3
District of Columbia Judicial Retirement and Survivors Annuity Fund	$0.5	$0.4	$0.1
Totals	**$22.5**	**$19.1**	**$2.4**

In FY 2019, the Office was again subject to the Sequestration under the Bipartisan Budget Act of 2015 (Public Law 114-74) which modified the caps on defense and nondefense funding for Fiscal Year 2018 that were established by the Budget Control Act of 2011. The

Office of Management and Budget (OMB) issued a report to the Congress on the Joint Committee Reductions for Fiscal Year 2018. OMB prepared the report consistent with the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA), as amended. The report provided calculations of the amounts by which FY 2018 direct spending is required by section 251A of BBEDCA to be reduced and listed the required reductions for each non-exempt budget account with direct spending.

Based on this report, the Office identified the District of Columbia Federal Pension Fund and the District of Columbia Judicial Retirement and Survivors Annuity Fund as budget authority subject to sequestration. Although reductions due to sequestration had no impact on payments to annuitants, the Office absorbed these reductions in FY 2019 in the area of administrative expenses by delaying approved hiring actions and delaying the award of several contract actions (postponing planned projects).

The table below summarizes these reductions for the two most recent fiscal years as of September 30:

<table>
<tr><th rowspan="2">Fund</th><th rowspan="2">Payment Type</th><th colspan="3">Sequestration Impact (in Millions)</th></tr>
<tr><th>FY 2019</th><th>FY 2018</th><th>Difference</th></tr>
<tr><td rowspan="2">District of Columbia Federal Pension Fund</td><td>Annuitant Benefit Payments</td><td>$0.0</td><td>$0.0</td><td>$0.0</td></tr>
<tr><td>Administrative Expenses</td><td>$1.4</td><td>$1.3</td><td>$0.1</td></tr>
<tr><td rowspan="2">District of Columbia Judicial Retirement and Survivors Annuity Fund</td><td>Annuitant Benefit Payments</td><td>$0.0</td><td>$0.0</td><td>$0.0</td></tr>
<tr><td>Administrative Expenses</td><td>$0.1</td><td>$0.1</td><td>$0.0</td></tr>
<tr><td colspan="2">Total Reduction due to Sequestration</td><td>$1.5</td><td>$1.4</td><td>$0.1</td></tr>
</table>

Unless language within the Sequestration Transparency Act of 2012 is changed by Congress, the Office will continue to be subject to sequestration reductions until 2027 per the Bipartisan Budget Act of 2018 (Public Law 115-123 Division C, Title I, Sec. 30101), and will comply with implementation guidance issued by OMB and the Department of the Treasury.

Improper Payments Elimination and Recovery Improvement Act (IPERIA)

The Office of Management and Budget (OMB) Circular A-123 Appendix C, *Requirements for Payment Integrity Improvement*, requires agencies to periodically review all programs and activities and identify those that may be susceptible to significant improper payments. An *improper payment* is defined as any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. *Incorrect amounts* are overpayments, underpayments, or duplicate payments that are made to eligible recipients. An improper payment also includes any payment that was made to an ineligible recipient or for an ineligible good or service, or payments for goods or services not received (except for such payments authorized by law). Agencies are required to annually report amounts and causes of improper payments to the President and Congress, and their plans for monitoring and reducing improper payments.

In FY 2019, the Office worked with ARC's IPERIA Team to analyze the various types of payments disbursed by the Office and reported these results using a standardized, risk-based model. Additionally, the Office reported and reviewed results from ongoing internal benefit payment quality reviews. The Office will continue to work with Treasury's Office of the Deputy Chief Financial Officer (ODCFO) to comply with IPERIA reporting requirements.

The results of the FY 2019 Payment Recapture Audit found the Office with a 69.23% Benefit Recovery Rate, which is below the target rate of 85%. However, the missed target is driven primarily by a single late-year August 2019 receivable. The $593 thousand individual debt case represented 38% of the total. An installment payment plan has been established and payments have been made against the debt.

In FY 2019, the Office was selected by the Treasury's Office of the Inspector General (OIG) as part of its IPERIA Compliance Audit for the Office's submission of the FY 2018 Payment Recapture Audit Spreadsheet reporting requirement. The OIG auditor reviewed supporting documentation provided by the Office and did not note any matters involving FY 2018 IPERIA activities that it considered to be significant, or any instances of noncompliance with laws and regulations.

The Office and ARC's IPERIA team participated in a pilot program conducted by Treasury's ODCFO for a new IPERIA qualitative risk assessment. The draft questionnaire was streamlined and made to be more efficient and effective in identifying susceptibility of improper payments. The questions on the form better aligned with the risk factors outlined in OMB Circular A-123 Appendix C. After the success of the pilot, the new questionnaire was adopted and implemented for use by components for FY 2019 qualitative risk assessment reporting.

Prompt Payment Act and Electronic Invoice Payments

The Prompt Payment Act was enacted to ensure that suppliers doing business with the Federal Government are paid by the government in a timely manner. The Office paid 100% of the 95 payments by electronic funds transfer.

f. Financial Operations

Accounting Support

Pursuant to an Interagency Agreement (IAA) with ARC, ARC Fiscal Accounting provides accounting support services that include processing accounting transactions such as commercial invoices, purchase cards, obligations, accruals, and revenue transactions. Transaction processing consists of a full range of accounting transactions necessary to maintain a complete general ledger, including budgetary transactions, accounts payable, accounts receivable, and fixed assets. ARC Fiscal Accounting uses Oracle Federal Financial (Oracle) as the core financial management system to record and process financial transactions. The Office's transactions are entered into Oracle, both manually and via custom interfaces, from ancillary systems such as PRISM and Concur Government Edition (CGE). Accounting entries that are recorded in the Oracle accounting system are supported by Treasury Financial Manual (TFM) to ensure compliance with standard general ledger reporting requirements. ARC Fiscal Accounting also prepares the Office's financial statements and other useful data for managerial reporting. ARC Fiscal Accounting provides a report writer package called Oracle Business Intelligence (OBI), which allows the Office to generate various accounting reports to monitor obligations and expenditures.

In FY 2020, ARC will offer a cloud-based solution named OneStream. OneStream will streamline the financial reporting process and will improve data analytics while improving management's visibility and controls. The Office anticipates implementing the first phase of the OneStream solution after the June 2020 close. The first phase will produce financial statements and notes and the second phase, which is expected in FY 2021, will produce publishable annual financial reports.

g. Actuarial Valuation

In FY 2019, the Office's actuarial contractor performed the annual actuarial valuation for the Office, as required by the Act. The actuarial valuation is used to determine the pension liability of the retirement programs administered by the Office. The actuarial accrued liability, as of October 1, 2019, was determined using the demographic rates from the FY 2019 Actuarial Experience Study and economic assumptions in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 33, *Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates*. The Federal Government's total liability for Federal benefit payments for the Police Officers and Firefighters' Retirement Plan, Teachers' Retirement Plan, and Judges' Retirement Plan is summarized in the table below for the two most recent years.

Office of D.C. Pensions' Funds	Actuarial Accrued Liability (in Millions)		
	FY 2019	FY 2018	Difference
District of Columbia Federal Pension Fund	$8,188.7	$8,163.0	$25.7
District of Columbia Judicial Retirement and Survivors Annuity Fund	$255.4	$255.6	$(0.2)

The year-to-year differences in the actuarial accrued liability are driven primarily by actuarial gains and losses associated with demographic experience and changes in demographic and economic assumptions.

During FY 2019, the Office completed the quinquennial actuarial experience study. The experience study analyzed the demographic experience (e.g., deaths and retirements) over FY 2014 through FY 2018 and compares the actual results to the expected results. The experience study determines the demographic assumptions to be used for the actuarial valuation beginning with FY 2020 until the next experience study is performed.

Other key results from the October 1, 2019, actuarial valuation report can be found on page 69 of this Annual Report.

C. Program is effectively managed and pursues continuous improvement

1. Program Results

a. Leadership Team

In FY 2019, the Director created a Leadership Team composed of the Office Director, the Assistant Director for Benefits Administration, Assistant Director for Finance and Resource Administration, Assistant Director for IT Systems Administration, and the Senior Program Manager. The Team focused on major external deliverables in addition to execution and impact of cross-functional/organizational activities. Regular meetings between the Office's Leadership Team and their DCRB counterparts take place quarterly to ensure alignment of major operational activities and timely creation of and adherence to Memoranda of Understanding, Service Level Agreements, and Quality Plans.

b. Multi-Year Planning

For several years, the Program Management Group (PMG) has created and monitored a Multi-Year Plan. In FY 2019, the ODCP Leadership Team continued to focus attention on major functional areas and activities assessed as having longer term and multi-entity impact. In FY 2019, the Leadership Team tracked the performance indicators developed along with the FY 2017 through FY 2019 Multi-Year Plan to ensure that the Office and its business partners make progress toward achieving the results contemplated in the Plan. The Leadership Team updated the Multi-Year Plan for FY 2019 – FY 2020. Until the Long-Term Business Planning (LTBP) project is completed and its results can be assessed, one year will be added to the Multi-Year Plan each year.

c. Long-Term Business Planning

The Long-Term Business Planning (LTBP) project began in FY 2018 to consider potential future program impacts and proactively assess those impacts. During FY 2019, the team continued to address area's outlined on the "roadmap" which was developed in FY 2018.

The “roadmap” will guide leadership with determining the appropriate timing and circumstances for future decision making and for the creation of actionable activities. In FY 2020, the Office will continue to determine an approach to address items outlined in the “roadmap.”

d. Program Management

A key component of program management involves setting the Office’s annual project activities and major priorities. In FY 2019, the Office’s major priorities included the annual financial statements audit, the actuarial valuation, the experience study, and the records management and enterprise content management projects. In addition, the Office reviewed various processes to ensure benefit payments were made accurately and timely.

e. Capstone Project

In FY 2019, the Office strengthened email records management practices as a means of complying with the National Archives and Records Administration (NARA) and Office of Privacy, Transparency, and Records (PTR) regulations. This required government employees to treat email messages created or received in the course of official business as federal records and manage them accordingly. The Office adopted the Capstone approach and during FY 2019 continued to identify email records that are to be preserved and managed in a manner that provides accountability, transparency and complies with the Federal Records Act (FRA).

As the Office awaits further Capstone implementation direction, the focus during FY 2020 will be an assessment of the email records management approach while examining potential methods best suited to manage email records.

f. SharePoint Project

As a result of requirements set forth by the Office of the Chief Information Officer (OCIO) to upgrade Departmental Offices’ Enterprise Content Management (ECM)/SharePoint to the 2013 version, the Office embarked on a comprehensive SharePoint upgrade and migration project in FY 2018 and FY 2019. This OCIO mandate provided an opportunity to design a SharePoint solution that integrated daily business operations. The project focused on improving document management, organization, and storage across the Office and with its service organizations. Some of the top priorities included coordinating content for improved document sharing, archival, retrieval, and retention. The Office unveiled its recently redesigned and upgraded 2013 Microsoft SharePoint site in the latter half of FY 2019.

In an effort to maintain the structural and organizational improvements made, the Office developed, and is implementing a robust governance model. It defines and outlines administrative roles and responsibilities that supports business functions and processes. Strong governance has also contributed to an improved user experience, enhanced knowledge management and improved program efficiency. A much savvier user group has emerged, in turn improving office-wide collaboration and information transparency. The risks of document loss and retrieval associated with emailing and tracking large and/or important content were seriously minimized by using SharePoint. In FY 2020, the Office plans to capitalize on these efforts and the features offered by this platform to facilitate records digitization and other electronic document management requirements.

g. Service Level Agreements

The Office has annual Service Level Agreements (SLAs) in place with Fiscal Service, ARC for the STAR administration and hosting, and annuitant payroll operations. In FY 2019, the SLAs were reviewed and revised to more accurately define responsibilities, required services, and reporting requirements for service providers and to ensure the Office is providing high quality service to annuitants.

In FY 2020, the Office will collaborate with DCRB to develop a robust SLA to ensure a comprehensive view of service requirements for benefit administration.

h. Quality Program

Benefits Administration

As part of the Office's Quality Program, a quality plan guided the review of benefit administration activities. In FY 2019, the Office's staff and benefits administration contractor focused reviews on complex benefit cases. The Office provided feedback to DCRB and assessed staff training needs.

In FY 2020, the Office's Quality Program for benefits administration activities will focus on payment types and data points that can impact the actuarial liability, in addition to calculations that have had historically higher error rates. The Quality Assurance Forums at DCRB will continue to provide feedback on discrepancies as well as deliver training targeted to address quality review findings. Improvements to the Payment Review Tracking Tool will enable the Office to monitor the impact of the Quality Assurance Forums. The Office will work with the benefits administration contractor to develop and begin implementing a plan to transition quality review activities from the benefits administration contractor to the Office's staff by December 2020.

Annuitant Payroll Administration

The Office's Quality Program includes reviews of annuitant payroll processing functions. The Office reviews preliminary and final payroll statistics, large annuitant payments, and third-party payroll reporting. In addition to the aforementioned reports, each month the Office monitors death audit verification, that includes reviewing obituaries provided by the vendor, Do Not Pay (DNP) notifications, pending issues escalated for resolution, checks which have not been cashed for an extended period of time, payment reclamations, and returned mail.

In FY 2019, the Office developed a Change Request to add functionality in STAR to replace manually intensive processes used by the Office to track returned mail. This new functionality will improve the process for tracking and providing details on returned earnings statements, annuitant letters, 1099R forms, and rejected/returned payments. The returned 1099R's and returned earnings statements portion was implemented in FY 2019. The returned payments portion will be implemented in FY 2020.

In FY 2019, ARC Pension Payroll initiated a project with the Federal Do Not Pay system to test the feasibility of weekly prepayment obituary matching. Prior to this project, Do Not Pay provided obituary matches one time per month and after payments were issued. ARC Pension Payroll requested to receive weekly prepayment obituary reporting from Do Not Pay to align with other service providers and to strengthen the overall prepayment death audit process. The project involved submitting the STAR population to Do Not Pay and receiving possible obituary matches for research. ARC Pension Payroll then provided Do Not Pay with details regarding the validity of matches. After three months, Do Not Pay decided to offer prepayment obituary matching to all agencies through its Continuous Monitoring service. ARC Pension Payroll incorporated Do Not Pay obituary matches into the weekly death audit process in May 2019.

Information Technology Systems Administration

During FY 2019, the Office continued to include system administration activities and the review of user accounts in its Quality Program. The quality plan tracks system availability, number and type of open production trouble tickets and completion time of trouble tickets. As part of the quality review, user accounts are reviewed semi-annually to ensure that users have the least amount of access privileges necessary to perform their duties. The semi-annual reviews are used by the Office to manage resources, maintain system security, and track the quality of STAR production support and hosting services. Additionally, in FY 2019, the Office continued the monthly active account verification reviews to ensure departing employee accounts were locked/terminated in a timely manner.

i. Office of D.C. Pensions Program Performance Reporting

In FY 2019, the Office tracked, collected, and reported performance data in an effort to continue to promote transparency, and improve decision making using the performance measurement reporting tool. The performance measures are reported and reviewed during the Office's monthly status meeting. The performance data is utilized to make improvements in program management areas, such as operational planning and resource needs assessments.

j. Risk Management Program

In FY 2019, the Office worked with staff to incorporate the revised Risk Management process into their work. In addition to the Risk Management Plan, staff were given a Risk Management Process Aid to walk them through the steps of assessing risks in the activities they are responsible for or take part in.

In FY 2019, the Office developed a Summarized Fraud Management Overview that highlighted the different tools utilized to identify, prevent, and report fraud. The overview was used in support of the Treasury Office of Risk Management (ORM) and Risk and Control Group's (RCG) response to OMB's initiative to create an interagency library of fraud-related data. In FY 2020, the Office will develop a Fraud Risk Management Framework to be included in the Risk Management Plan. This framework will be developed in accordance with guidance from the Government Accountability Office (GAO) Framework for Managing Fraud Risks in Federal Programs, which outlines fraud risk management strategies to manage fraud risk and ensures the integrity of federal programs.

k. Internal Control Program

In accordance with requirements as outlined in the OMB Circular A-123 Appendix A, the Office's Senior Assessment Team (SAT) together with the help of a contractor, tested, documented, and reported on the Office's internal control over financial reporting as required by the Federal Manager's Financial Integrity Act of 1982 (FMFIA). The Office used the FY 2019 Treasury Implementation Guide for OMB Circular A-123 Appendix A: Management of Reporting and Data Integrity Risk issued by Treasury's Office of the Chief Financial Officer, Risk and Control Group as its guide to conduct the review. The scope for FY 2019 OMB Circular A-123 testing covered July 1, 2018 through June 30, 2019, which is in support of the Office's Interim Assurance Statement. The following activities were performed:

- Quantitative and qualitative materiality assessments were conducted to determine the scope of OMB Circular A-123;
- An Internal Control Framework Assessment was performed to document and evaluate controls design;
- Twelve test plans were prepared and executed to confirm the design and evaluate the operating effectiveness of internal controls; and
- After execution of test plans, results were evaluated and no material weaknesses were identified.

The result concluded that the Office's internal controls activities are operating effectively as management intended.

In FY 2019, to further demonstrate proper oversight to all areas of operations covered under the OMB Circular A-123, Appendix A, the Office included the testing of the controls over the IPERIA Payment Recapture Audit. This test plan replaced the testing of the Net Plan Assets which was a part of the FY 2018 OMB Circular A-123 Appendix A: Internal Control Over Reporting assessment. In FY 2020, the Office will continue to rotate test plans allowing other areas within the organization to be evaluated as part of the OMB Circular A-123, Appendix A assessment.

In connection with the audit of the Office's FY 2018 Financial Statements, the external auditors issued a Management Letter that identified two Internal Controls weaknesses that were not required to be included in the audit report. The first finding cited a control weakness within the review of reinvestment activities was cited as a result of insufficient Internal Controls. Not all amounts from the annual appropriation warrants were properly invested into government securities, in accordance with the annual investment guidance. To rectify this problem, the Office implemented an enhanced review process for long-term and overnight investments. There was also a second finding regarding a control gap within financial reporting. The Office failed to include a note disclosure on Apportionment Categories of New Obligations and Upward Adjustments, in the preparation of its financial statements and note disclosures. The Office has since expanded its review of the entire OMB Circular A-136 as part of its financial statement preparation process to ensure the necessary information is communicated to its stakeholders.

l. Financial Statement Audit Opinion

KPMG LLP (KPMG), an independent public accounting firm, rendered an unmodified opinion on the Office's FY 2019 Consolidated Financial Statements.

KPMG noted no material weakness in the Office internal controls over financial reporting. Also, results of KPMG's tests of compliance with laws and regulations disclosed no instances of noncompliance or other matters that require reporting under Government Auditing Standards or OMB Bulletin No. 19-03, Audit Requirements for Federal Financial Statements.

IV. Limitation of the Financial Statements

The consolidated financial statements have been prepared to report the financial position and results of operations of the Office of D.C. Pensions (the Office), pursuant to the requirements of the 31 U.S.C. 3515 (b).

The consolidated financial statements have been prepared from the books and records of the Office in accordance with U.S. generally accepted accounting principles for federal entities and the formats prescribed by the Office of Management and Budget Circular A-136, Financial Reporting Requirements. The financial reports used to monitor and control budgetary resources are prepared from the same books and records.

The consolidated financial statements should be read with the realization that it is for a component of the U.S. Government, a sovereign entity.

PART 2

Independent Auditors' Report

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Deputy Inspector General, Department of the Treasury, and
Director, Office of D.C. Pensions:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Department of the Treasury's Office of D.C. Pensions (ODCP), which comprise the consolidated balance sheets as of September 30, 2019 and 2018, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-03 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the ODCP's preparation and fair presentation of the consolidated financial statements 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 ODCP's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Department of the Treasury's Office of D.C. Pensions as of September 30, 2019 and 2018, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the Annual Report to provide additional information for the users of its financial statements. Such information is not a required part of the basic consolidated financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic consolidated 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 consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated 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 Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The information in the Message from the Director and the Other Information section is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2019, we considered the ODCP's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ODCP's internal control. Accordingly, we do not express an opinion on the effectiveness of the ODCP's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the ODCP's consolidated financial statements as of and for the year ended September 30, 2019 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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* or OMB Bulletin No. 19-03.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section 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 ODCP's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
January 15, 2020

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PART 3

Financial Statements and Notes

Department of the Treasury
Departmental Offices
Office of D.C. Pensions
Consolidated Balance Sheets
As of September 30, 2019 and September 30, 2018
(in thousands)

		2019		2018
Assets:				
Entity Assets				
Intragovernmental				
Fund Balance with Treasury (Note 2)	$	491	$	88,057
Investments, Net (Note 3)		3,998,634		3,895,738
Interest Receivable		22,577		24,482
Total Intragovernmental		4,021,702		4,008,277
Accounts Receivable, Net (Note 4)		3,069		2,905
Taxes Receivable		6		6
Total Assets	$	4,024,777	$	4,011,188
Liabilities:				
Intragovernmental				
Accounts Payable	$	116	$	115
Accrued Payroll and Benefits		33		28
Total Intragovernmental		149		143
Accounts Payable		5,136		4,402
Advances from Others		19,359		17,339
Accrued Pension Benefits Payable		46,084		46,142
Actuarial Pension Liability (Note 6)		8,397,990		8,372,470
Accrued Payroll and Benefits		354		337
Total Liabilities		8,469,072		8,440,833
Net Position:				
Cumulative Results of Operations		(4,444,295)		(4,429,645)
Total Net Position		(4,444,295)		(4,429,645)
Total Liabilities and Net Position	$	4,024,777	$	4,011,188

The accompanying notes are an integral part of these financial statements.

Department of the Treasury
Departmental Offices
Office of D.C. Pensions
Consolidated Statements of Net Cost
For the Years Ended September 30, 2019 and September 30, 2018
(in thousands)

	2019	2018
Program Costs		
Administrative Expenses (Note 5)	*$ 22,482*	*$ 19,148*
District Benefit Payments and Employer Share of DC Health and Life Plans	*218,350*	*198,128*
Pension Expense before Actuarial Assumption Changes (Note 6)	*94,450*	*127,786*
Total Program Costs	*335,282*	*345,062*
Less: Earned Revenues		
Reimbursable Income	*220,232*	*200,601*
Interest Earned	*71,924*	*61,113*
Employee Contributions	*621*	*641*
Total Earned Revenues	*292,777*	*262,355*
Net Expense Before Loss from Actuarial Assumption Changes	*42,505*	*82,707*
Loss on Actuarial Assumption Changes, Net (Note 6)	*487,272*	*115,767*
Net Cost of Operations	*$ 529,777*	*$ 198,474*

The accompanying notes are an integral part of these financial statements.

Department of the Treasury

Departmental Offices

Office of D.C. Pensions

Consolidated Statements of Changes in Net Position

For the Years Ended September 30, 2019 and September 30, 2018

(in thousands)

	2019	2018
Unexpended Appropriations:		
Beginning Balance	*$ -*	*$ -*
Budgetary Financing Sources:		
Appropriations Received	*514,898*	*483,325*
Appropriations Used	*(514,898)*	*(483,325)*
Total Budgetary Financing Sources	*-*	*-*
Total Unexpended Appropriations	*-*	*-*
Cumulative Results of Operations:		
Net Position - Beginning of Year	*$ (4,429,645)*	*$ (4,714,709)*
Budgetary Financing Sources:		
Appropriations Used	*514,898*	*483,325*
Other Financing Sources (Nonexchange):		
Imputed Financing	*229*	*213*
Total Financing Sources	*515,127*	*483,538*
Net Cost of Operations	*(529,777)*	*(198,474)*
Net Change	*(14,650)*	*285,064*
Cumulative Results of Operations	*$ (4,444,295)*	*$ (4,429,645)*
Net Position	*$ (4,444,295)*	*$ (4,429,645)*

The accompanying notes are an integral part of these financial statements.

Department of the Treasury
Departmental Offices
Office of D.C. Pensions
Combined Statements of Budgetary Resources
For the Years Ended September 30, 2019 and September 30, 2018
(in thousands)

		2019		2018
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$	18,391	$	16,368
Appropriations (Discretionary and Mandatory)		1,092,452		1,054,465
Spending Authority from Offsetting Collections		222,252		202,288
Total Budgetary Resources	$	1,333,095	$	1,273,121
Status of Budgetary Resources:				
New Obligations and Upward Adjustments (Note 8)	$	1,313,736	$	1,255,782
Unobligated Balance Exempt from Apportionment, End of Year		19,359		17,339
Total Status of Budgetary Resources	$	1,333,095	$	1,273,121
Outlays, Net (Discretionary and Mandatory)	$	1,088,915	$	1,050,196
Distributed Offsetting Receipts		(593,347)		(579,417)
Agency Outlays, Net (Discretionary and Mandatory)	$	495,568	$	470,779

The accompanying notes are an integral part of these financial statements.

1) Summary of Significant Accounting Policies

a. Reporting Entity

Under provisions in Title XI of the Balanced Budget Act of 1997, Public Law 105-33 (111 Stat. 251, 712), as amended (the Act), the Secretary of the Treasury (the Secretary) assumed certain responsibilities for a specific population of annuitants under the following District of Columbia (District) retirement plans: the Police Officers and Firefighters' Retirement Plan, the Teachers' Retirement Plan and the Judges' Retirement Plan. Specifically, the Secretary is responsible for administering the retirement benefits earned by District teachers, police officers and firefighters based upon service accrued prior to July 1, 1997, and retirement benefits earned by District judges, regardless of when service accrued.

District of Columbia Teachers, Police Officers, and Firefighters Federal Pension Fund

Pursuant to the District of Columbia Retirement Protection Improvement Act of 2004, Public Law 108-489, Treasury established the District of Columbia Teachers, Police Officers, and Firefighters Federal Pension Fund (the D.C. Federal Pension Fund – 20X5511). Effective October 1, 2004, the assets and liabilities of the District of Columbia Federal Pension Liability Trust Fund (the Trust Fund - 20X8230) and the Federal Supplemental District of Columbia Pension Fund (the Supplemental Fund – 20X5500) were transferred to the D.C. Federal Pension Fund. The D.C. Federal Pension Fund is used for the accumulation of funds to finance obligations of the Federal Government for benefits and necessary administrative expenses for the Police Officers and Firefighters', and Teachers' Retirement Plans under the provisions of the Act.

The D.C. Federal Pension Fund consists of the following:

- Amounts deposited from the proceeds of assets transferred from the Trust Fund and the Supplemental Fund, which included the proceeds of assets transferred to Treasury from the District of Columbia Retirement Board (DCRB) pursuant to the Act;
- Amounts deposited from the General Fund of the Treasury;
- Income earned on the investments held in the D.C. Federal Pension Fund;
- Reimbursement from DCRB for the District's share of annuitant benefits paid from the D.C. Federal Pension Fund;
- Reimbursement from the District for the District's employer contribution for Post-1987 D.C. Health and Life benefits; and

- Reimbursement of the Office's actual expenses incurred in support of administering District benefit payments.

The portion of the D.C. Federal Pension Fund that is not needed to meet the level of current Federal benefit payments, refunds, and net administrative expenses is invested in non-marketable Government Account Series (GAS) securities issued by the Bureau of the Fiscal Service. Investments are made in securities with maturities suitable to the needs of the D.C. Federal Pension Fund.

By the end of each fiscal year, the Act requires the Secretary to pay into the D.C. Federal Pension Fund (from the General Fund of the Treasury) an annual amortization amount and, beginning in FY 2009, the covered administrative expenses for the year. The annual amortization amount, as determined by an enrolled actuary, is the amount necessary to amortize the original unfunded liabilities of the retirement programs assumed by the Federal Government over 30 years, the net experience gains or losses over 10 years, and any other changes in actuarial liability over 20 years. The amounts paid into the D.C. Federal Pension Fund during FY 2019 and FY 2018 were $498.3 million and $467.3 million, respectively.

District of Columbia Judicial Retirement and Survivors Annuity Fund

Pursuant to the Act, Treasury established the District of Columbia Judicial Retirement and Survivors Annuity Fund (the Judicial Retirement Fund – 20X8212).

The Judicial Retirement Fund is used for the accumulation of funds to finance obligations of the Federal Government for benefits and necessary administrative expenses of the Judges' Retirement Plan under the provisions of the Act.

The Judicial Retirement Fund consists of the following:

- Amounts deposited from the proceeds of assets transferred to Treasury from DCRB pursuant to the Act;
- Amounts deposited from the General Fund of the Treasury;
- Income earned on the investments held in the Judicial Retirement Fund; and
- Employee contributions to the Judicial Retirement Fund.

The portion of the Fund that is not needed to meet the level of current benefit payments, refunds and net administrative expenses is invested in GAS securities. Investments are made in securities with maturities suitable to the needs of the Judicial Retirement Fund.

By the end of each fiscal year, the Act requires the Secretary to pay into the Judicial Retirement Fund (from the General Fund of the Treasury) an amount equal to the normal cost for the year, an annual amortization amount, and the covered administrative expenses for the year. The annual amortization amount, as determined by an enrolled actuary, is the amount necessary to amortize the original unfunded liability of the retirement program assumed by the Federal Government over 30 years, the net experience gains or losses over 10 years, and any other changes in actuarial liability over 20 years. The annual payment to the Judicial Retirement Fund also includes an amount necessary to fund the normal cost of the retirement program not covered by employee contributions.

The amounts paid into the Judicial Retirement Fund during FY 2019 and FY 2018 were $16.6 million and $16.0 million, respectively.

b. Basis of Accounting and Presentation

The Office is presenting Consolidated Financial Statements that consist of the Consolidated Balance Sheet, the Consolidated Statement of Net Cost, the Consolidated Statement of Changes in Net Position, the Combined Statement of Budgetary Resources, and the related notes. The Consolidated Financial Statement Notes consist of a summary of significant accounting policies and other relevant explanatory information. The Consolidated Financial Statements have been prepared from the accounting records of the Office in accordance with accounting principles generally accepted in the United States of America for federal entities. Accounting principles generally accepted for federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB). FASAB is designated by the American Institute of Certified Public Accountants as the official accounting standards-setting body for the Federal Government.

The Consolidated Financial Statements present balances and activities of the D.C. Federal Pension Fund and the Judicial Retirement Fund. There were no transactions between the Funds that require elimination during consolidation.

c. Fund Balance with Treasury

Fund Balance with Treasury represents appropriated funds from which the Office is authorized to make expenditures and pay liabilities resulting from operational activity, except as restricted by law.

d. Investments, Net

Pursuant to the Act and Section 130 of Division A of Public Law 105-277 (1998), the Secretary invests the assets of the D.C. Federal Pension Fund and the Judicial Retirement Fund in GAS, market-based (“MK”) securities — special non-marketable Treasury securities that mirror the prices of marketable securities with similar terms, issued and redeemed by Fiscal Service. The Office follows Treasury's investment policy guidelines and determines whether the investments should be made in MK bills, MK notes, or MK bonds. The maturities on investments typically range from less than one year to approximately 10 years, with the exception of one investment in the Judicial Retirement Fund with a maturity of February 15, 2036.

Amounts that are not necessary to meet current obligations are invested in MK securities. Amounts needed to meet current obligations are invested overnight in one-day MK securities, which are redeemed at face value plus accrued interest. If amounts held in cash, overnight securities and maturing securities are inadequate to meet required outlays, investments would be selected for redemption based on a review of the advantages of each of the alternatives and an assessment of the appropriateness of the securities in the portfolio under current investment policy.

Investments are valued at cost, adjusted for unamortized premiums and discounts, if applicable. The premiums and discounts are recognized as adjustments to interest income, utilizing the effective interest method. Investments held in one-day securities are shown in the footnotes as Non-Marketable Par Value Securities.

e. Accounts Receivable, Net

Accounts receivable consist primarily of:

- The amount due from the D.C. government for the District's share of benefits paid by the Office to which the recipients became entitled during the reporting period, but which, by law, are paid on the first business day of the subsequent period;
- Pending amounts due from annuitants as a result of benefit overpayments that have not completed collection due process; and
- Amounts due from annuitants as the result of benefit overpayments.

f. Advances from Others

The Office is authorized to disburse funds for the District's share of monthly benefits, and the employer contribution for Post-1987 Health and Life benefits. Under a memorandum of understanding with the District, the Office is to receive an advance of these monies prior to the actual disbursements.

g. Accrued Pension Benefits Payable

Accrued pension benefits payable relate primarily to retirement benefits to which the recipients became entitled during the reporting period, but which, by law, are paid on the first business day of the subsequent period. This accrual may also include amounts for refund claims for which processing was not completed during the reporting period, but will be paid in the subsequent period.

h. Actuarial Pension Liability

The actuarial cost method used to determine costs for the Police Officers and Firefighters' Retirement Plan and Teachers' Retirement Plan is the Projected Unit Credit Cost Method. Under this funding method, the accrued liability is determined based on service earned to the valuation date. Because the benefits under the Police Officers and Firefighters' Retirement Plan and the Teachers' Retirement Plan were fully accrued at June 30, 1997, the accrued liability is calculated as the present value of future benefits expected to be paid and there is no normal cost.

The actuarial cost method used to determine costs for the Judges' Retirement Plan is the Individual Entry Age Normal Cost Method. Under this funding method, the normal cost is a level percent of covered salary, which, along with the member contributions, will pay for projected benefits at retirement for the active plan participants. The level percent developed is called the normal cost rate and the product of that rate and payroll is the normal cost. The actuarial accrued liability is that portion of the present value of projected benefits that will not be paid by future normal costs or member contributions. The difference between this liability and the funds accumulated at the same date is referred to as the unfunded actuarial pension liability.

The economic assumptions (rate of return, inflation, and salary increases) are based upon the requirements of SFFAS No. 33, *Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates*.

To calculate the actuarial pension liabilities as of October 1, 2019 and October 1, 2018, the Office used a 100-year yield curve of spot rates developed by Treasury's Office of Economic Policy. The yield curve is based on a 10-year average of quarterly rates, consistent with the requirements of SFFAS No. 33. The assumptions for inflation and salary increases were also the average of 10-year historical values. The assumptions used to calculate the pension liabilities as of October 1, 2019, were spot rates gradually increasing from 0.74 percent to discount FY 2020 payments, to a maximum of 3.84 percent to discount longer term payments; annual inflation and cost-of-living adjustments of 1.36 percent for judges, 1.82 percent for teachers, and 1.80 percent for police officers and firefighters; and salary increases at an annual rate of 0.83 percent for judges, 2.30 percent for teachers, 1.95 percent for police officers, and 2.00 percent for firefighters.

The assumptions used to calculate the pension liabilities as of October 1, 2018, were spot rates gradually increasing from 0.59 percent to discount FY 2019 payments, to a maximum of 3.89 percent to discount longer term payments; annual inflation and cost-of-living adjustments of 1.66 percent for judges, 1.64 percent for teachers, and 1.62 percent for police officers and firefighters; and salary increases at an annual rate of 0.97 percent for judges, 2.36 percent for teachers, 1.80 percent for police officers, and 2.20 percent for firefighters.

The economic assumptions used by the Office for the Police Officers and Firefighters', Teachers', and Judges' Retirement Plans differ from those used by OPM for the following reasons: (1) the annual rate of salary increase assumptions are based on different plan member experience; (2) the annual rate of inflation and cost-of-living adjustment assumptions are based on different statutory requirements (applicable Consumer Price Index and period of calculation); and (3) for the discount rate assumption, OPM and the Office use Treasury spot rate yield curves, but the averaging periods differ and OPM converts the yield curve to a single equivalent rate while for teachers, police officers, and firefighters, the Office uses the individual yield curve rates.

i. Appropriations Received and Used

Treasury is required to make annual payments from the General Fund of the Treasury to the D.C. Federal Pension Fund and Judicial Retirement Fund and to amortize the original unfunded liabilities assumed by the Federal Government and any subsequent changes in liabilities over a period of time and to fund the normal cost and necessary administrative expenses of the D.C. Federal Pension Fund and the Judicial Retirement Fund. The appropriations are received into the Office's appropriation funds and are transferred out to the D.C. Federal Pension Fund and the Judicial Retirement Fund to be invested in non-marketable GAS securities. In accordance with SFFAS No. 7, Accounting for Revenue and Other Financing Sources, the payment from the Office's appropriation funds results in an appropriation used, as reported in the accompanying Consolidated Statements of Changes in

Net Position. Appropriations received and used for the years ended September 30, 2019 and 2018 were $514.9 million and $483.3 million, respectively.

j. Treasury Employee Retirement Plans

The D.C. Federal Pension Fund and Judicial Retirement Fund pay the salaries and benefits of Treasury employees who support the Office as reasonable and necessary expenses incurred in carrying out the Secretary's responsibilities under the Act. In FY 2019 and FY 2018, Office staff salaries and benefits are split 95 percent and 5 percent between the D.C. Federal Pension Fund and the Judicial Retirement Fund.

The Office's employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). FERS was established by Public Law 99-335. Pursuant to this law, FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired before January 1, 1984, elected to either transfer to FERS or remain in CSRS.

All employees are eligible to contribute to the Thrift Savings Plan (TSP). For employees participating in FERS, TSP accounts are automatically established and the D.C. Federal Pension Fund and the Judicial Retirement Fund make mandatory contributions of one percent of the Treasury employees' base pay to the accounts. In addition, the D.C. Federal Pension Fund and the Judicial Retirement Fund make matching contributions, ranging from one percent to four percent of base pay, for FERS eligible employees who contribute to their TSP accounts. Pursuant to law, mandatory and matching contributions are not made to the TSP accounts established for CSRS employees.

FERS employees and certain CSRS reinstatement employees participate in the Social Security program. The D.C. Federal Pension Fund and Judicial Retirement Fund remit the employer's share of the required contributions for eligible employees.

The D.C. Federal Pension Fund and Judicial Retirement Fund do not report information pertaining to the CSRS and FERS retirement plans covering Treasury employees. The U.S. Office of Personnel Management is responsible for reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any.

k. President's Budget

The President's Budget for 2021, which includes actuals for FY 2019, has not yet been published as of the date of these financial statements. The President's Budget is currently expected to be published and delivered to Congress in early February 2020. The FY 2018 Combined Statement of Budgetary Resources (SBR) was reconciled to the Program and Financing (P&F) Schedules within the President's Budget for 2020, published in February 2019, and there were no differences for budgetary resources, status of budgetary resources, or net outlays.

The President's Budget for 2020, which includes the Office's budget within the Other Independent Agencies' budget appendix, is available at the Office of Management and Budget website.

l. Revenue and Financing Sources

All proceeds received and deposited by the Office are used for the purpose of providing annuity payments for retired District of Columbia teachers, police officers and firefighters for services earned prior to July 1, 1997, and for retirement benefits earned by District of Columbia judges, regardless of when services were earned.

Funding for the Judicial Retirement Fund is authorized by 111 Stat. 757, Sec. 11251, Public Law 105-33 as amended by 112 Stat. 2681-534, Sec. 804(a)(4), Public Law 105-277. Funding for the D.C. Federal Pension Fund is authorized by 118 Stat. 3967, Sec. 11084, Public Law 108-489. Sources of revenue or other financing sources for the years ended September 30, 2019, and 2018, respectively, were annual federal payments, employee contributions, and interest earnings from investments.

m. Income Taxes

The Office, a component of an agency of the Federal Government, is not subject to Federal, state, or local income taxes and accordingly, no provisions for income taxes have been recorded in the accompanying consolidated financial statements.

n. Classified Activities

Accounting standards require all reporting entities to disclose that the accounting standards allow certain statements and disclosures to be modified if needed to prevent the disclosure of classified information.

o. Overall Estimates Disclosures

The use of estimates in the preparation of financial statements requires management to make certain estimates and assumptions that effect the recorded amounts of assets and liabilities and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2) Fund Balance with Treasury

The Status of Fund balance with Treasury as of September 30, 2019 and 2018 consisted of the following (in thousands):

	2019	2018
Status of Fund Balance with Treasury:		
Obligated Balance Not Yet Disbursed	$ -	$ 55,947
Unobligated Balance - Available	491	17,339
Budget Authority Unavailable for Obligation	-	14,771
Total	$ 491	$ 88,057

Fund Balance with Treasury decreased by $87.6 million from FY 2018. This difference is due to the Office having fully invested available balances in one day securities at the close of FY 2019 leaving an unobligated, available Fund Balance with Treasury of $491 thousand.

In contrast, $86.3 million in un-invested balances were not invested in one day securities at the close of FY 2018. These funds remained available within Fund Balance with Treasury at FY 2018 year end as presented above.

3) Investment, Net

Investments, Net as of September 30, 2019 and 2018 consisted of the following (in thousands):

		2019			
		Investments, Gross	*Unamortized Premium, Net*	*Investments, Net*	*Market Value*
Intragovernmental Securities					
Non-Marketable Par Value	*$*	*217,515*	*-*	*217,515*	*217,515*
Non-Marketable Market-based		*3,755,810*	*25,309*	*3,781,119*	*3,828,776*
Total	*$*	*3,973,325*	*25,309*	*3,998,634*	*4,046,291*

		2018			
		Investments, Gross	*Unamortized Premium, Net*	*Investments, Net*	*Market Value*
Intragovernmental Securities					
Non-Marketable Par Value	*$*	*128,129*	*-*	*128,129*	*128,129*
Non-Marketable Market-based		*3,732,549*	*35,060*	*3,767,609*	*3,674,196*
Total	*$*	*3,860,678*	*35,060*	*3,895,738*	*3,802,325*

The amortization method utilized by the Office is the effective interest method. The market value for notes and bonds is calculated using rates for September 30, 2019 and 2018, as published in the Treasury Quote Sheets prepared by Treasury's Office of Market Finance. Included in these figures is a net unrealized gain of $47.7 million as of September 30, 2019 and a net unrealized loss of $93.4 million as of September 30, 2018.

The amortized cost of Investments, Net (*including par value securities invested overnight)* as of September 30, 2019 and 2018, by maturity date is as follows (in thousands):

		2019		2018
Less than or Equal to 1 Year	$	*830,786*	$	*728,183*
More than 1 Year and Less than or Equal to 5 Years		*2,323,699*		*2,402,935*
More than 5 Years and Less than or Equal to 10 Years		*840,613*		*764,620*
More than 10 Years		*3,536*		*-*
Total	$	*3,998,634*	$	*3,895,738*

4) Accounts Receivable, Net

The components of Accounts Receivable, Net as of September 30, 2019 and 2018, are as follows (in thousands):

		2019		2018
Accounts Receivable, Gross	$	*3,701*	$	*3,582*
Allowance for Loss on Accounts Receivable		*(632)*		*(677)*
Accounts Receivable, Net	$	*3,069*	$	*2,905*

The allowance for loss on Accounts Receivable was based on a historical average rate that is reviewed on a quarterly basis by the Office. During FY 2019 and FY 2018, the allowance rates were 63 percent and 69 percent, respectively. The allowance were applied to debts that meet the revenue recognition standards. However, the rates were not used for debts with internal offset status.

Accounts Receivable, Net also includes criminal restitution. For FY 2019 and FY 2018, the Office had three instances of criminal debt in the gross amount of $789.3 thousand and $807.4 thousand, respectively. The net realizable value of the criminal debt reported in FY 2019 and FY 2018 was $286.4 thousand and $250.3 thousand, respectively.

5) Administrative Expenses

Administrative expenses for the years ended September 30, 2019 and 2018 are as follows (in thousands):

	2019	2018
Intragovernmental Expenses		
Salaries and Related Benefits	*$ 957*	*$ 944*
Contractual Services	*5,909*	*5,362*
Rent	*690*	*557*
Total Intragovernmental Expenses	*7,556*	*6,863*
Public Expenses		
Salaries and Related Benefits	*3,045*	*3,032*
Contractual Services	*11,612*	*8,137*
Other	*269*	*1,116*
Total Public Expenses	*14,926*	*12,285*
Total Administrative Expenses	*$ 22,482*	*$ 19,148*

6) Pension Expense

Pension expense for the plan years ended September 30, 2019, and 2018, includes the following components (in thousands):

	2019	2018
Beginning Liability Balance	*$ 8,372,470*	*$ 8,681,608*
Pension Expense:		
Normal Cost	*5,600*	*5,900*
Interest on Pension Liability During the Period	*54,607*	*66,564*
Actuarial (Gains) Losses During the Period:		
From Experience	*34,243*	*55,322*
From Discount Rate Assumption Change	*290,082*	*377,362*
From Other Assumption Changes	*133,487*	*(176,943)*
From Non-Economic Changes	*63,703*	*(84,652)*
Pension Expense before Other / Non-Actuarial Adjustments	*581,722*	*243,553*
Less Amounts Paid and Accrued:	*(556,202)*	*(552,691)*
Ending Liability Balance	*$ 8,397,990*	*$ 8,372,470*

Reconciliation to amounts reported in the Consolidated Statements of Net Cost (in thousands):

		2019		2018
Pension Expense before Actuarial Assumption Changes:				
Normal Cost	$	*5,600*	$	*5,900*
Interest on Pension Liability During the Period		*54,607*		*66,564*
Actuarial (Gain) Loss During the Period from Experience		*34,243*		*55,322*
Total Pension Expense before Actuarial Assumption Changes		*94,450*		*127,786*
Loss on Actuarial Assumption Changes, Net				
Actuarial (Gains) Losses During the Period:				
From Discount Rate Assumption Change		*290,082*		*377,362*
From Other Assumption Changes		*133,487*		*(176,943)*
From Non-Economic Changes		*63,703*		*(84,652)*
Total Loss on Actuarial Assumption Changes, Net		*487,272*		*115,767*
Total Pension Expense	$	*581,722*	$	*243,553*

Federal Benefit Payments

Federal pension benefits paid and accrued during the plan years were $542.9 million and $13.3 million from the D.C. Federal Pension Fund and Judicial Retirement Fund, respectively, for 2019, and $540.0 million and $12.7 million, respectively, for 2018. For FY 2019 and FY 2018, approximately $76 thousand and $70 thousand, respectively, represent contribution refunds to plan participants of the D.C. Federal Pension Fund and the Judicial Retirement Fund.

Actuarial Gains and Losses

In FY 2019, the Office reported a net liability actuarial loss in the D.C. Federal Pension Fund and the Judicial Retirement Fund. The liability actuarial losses were $290.1 million due to the new discount rate assumptions; $133.5 million due to new pay and cost-of-living assumptions; $63.7 million due to other assumption changes; and a $34.2 million resulting from experience. The net result was a total liability actuarial loss of $521.5 million for the D.C. Federal Pension Fund and Judicial Retirement Fund.

In FY 2018, the Office reported a net liability actuarial loss in the D.C. Federal Pension Fund and Judicial Retirement Fund. The liability actuarial losses of $377.4 million were due to the new discount rate assumptions; $55.3 million resulting from experience were offset by the liability actuarial gains of $176.9 million due to new pay and cost-of-living assumptions; and $84.6 million due to other assumption changes. The net result was a total liability actuarial loss of $171.1 million for the D.C. Federal Pension Fund and Judicial Retirement Fund.

7) Reconciliation of Net Cost of Operations to Agency Outlays, Net

This reconciliation is required by Statement of Federal Financial Accounting Standard (SFFAS) 53, which amends requirements for a reconciliation between budgetary and financial accounting information established by SFFAS 7. The requirements of SFFAS 53 are effective for reporting periods beginning after September 30, 2018. In the initial year of implementation, the disclosure requirements that were applicable in prior reporting periods are not required for comparative presentations.

The Reconciliation of Net Cost of Operations to Agency Outlays, Net explains the difference between the financial accounting information and budgetary accounting information.

Financial accounting is intended to provide a picture of the government's financial operations and financial position and is presented on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash. The reconciliation of net cost, presented on an accrual basis, and the net outlays, presented on a budgetary basis, provides an explanation of the relationship between financial accounting and budgetary information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between financial and budgetary financial accounting. Key differences noted between proprietary net cost and budgetary net outlays include the impact of loss on Assumption changes and Experience on Other Liabilities and Resources the Fund Expenses Recognized in Prior Periods.

For the fiscal year ended September 30, 2019, the Reconciliation of Net Cost of Operations to Agency Outlays, Net consisted of the following (in thousands):

		Total
Net Cost of Operations	$	529,777
Components of Net Operating Cost Not Part of the Budgetary Outlays:		
Increase/(Decrease) in Assets:		
Accounts Receivable		164
Interest Receivable		(1,907)
Premiums and Amortization of Premiums/Discounts		(8,383)
Total Increase/(Decrease) in Assets:		(10,126)
(Increase)/Decrease in Liabilities Not Affecting Budget Outlays:		
Accounts Payable and Advances from Others		(2,755)
Salaries and Benefits		(23)
Other Liabilities		(25,461)
Total (Increase)/Decrease in Liabilities Not Affecting Budget Outlays:		(28,239)
Other Financing Sources:		
Imputed Financing Sources		(230)
Other		616
Total Other Financing Sources:		386
Total Components of Net Operating Cost Not Part of the Budget Outlays		(37,979)
Components of the Budget Outlays That Are Not Part of Net Operating Cost:		
Other		3,770
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost		3,770
Agency Outlays, Net	$	495,568

8) Additional Information Related to the Combined Statements of Budgetary Resources

Undelivered Orders

Undelivered orders for the Office represent goods and services ordered and obligated which have not been received or paid. Undelivered orders as of September 30, 2019 and 2018 consisted of the following (in thousands):

	2019		
	Federal	*Non-Federal*	*Total*
Unpaid	*$ 487*	*$ 5,254*	*$ 5,741*
Undelivered Orders at the End of the Year	*$ 487*	*$ 5,254*	*$ 5,741*

	2018		
	Federal	*Non-Federal*	*Total*
Unpaid	*$ 1,541*	*$ 3,383*	*$ 4,924*
Undelivered Orders at the End of the Year	*$ 1,541*	*$ 3,383*	*$ 4,924*

PART 4

Required Supplementary Information (Unaudited)

Department of the Treasury
Departmental Offices
Office of D.C. Pensions
Combining Statements of Budgetary Resources
By Fund (Unaudited)
For the Years Ended September 30, 2019 and September 30, 2018
(in thousands)

	2019			2018		
	DC Judicial Retirement and Survivors Annuity Fund	DC Federal Pension Fund	Consolidated D.C. Pension Funds Total	DC Judicial Retirement and Survivors Annuity Fund	DC Federal Pension Fund	Consolidated D.C. Pension Funds Total
Budgetary Resources						
Unobligated Balance from Prior Year Budget Authority, Net	$ 74	$ 18,317	18,391	45	16,323	16,368
Appropriations (Discretionary and Mandatory)	30,408	1,062,044	1,092,452	29,092	1,025,373	1,054,465
Spending Authority from Offsetting Collections	-	222,252	222,252	-	202,288	202,288
Total Budgetary Resources	$ 30,482	1,302,613	1,333,095	$ 29,137	1,243,984	1,273,121
Status of Budgetary Resources						
New Obligations and Upward Adjustments	$ 30,482	1,283,254	1,313,736	$ 29,137	1,226,645	1,255,782
Unobligated Balance Exempt from Apportionment, End of Year	-	19,359	19,359	-	17,339	17,339
Total Budgetary Resources	$ 30,482	1,302,613	1,333,095	$ 29,137	1,243,984	1,273,121
Outlays, Net (Discretionary and Mandatory)	$ 30,416	1,058,499	1,088,915	$ 29,083	1,021,113	1,050,196
Distributed Offsetting Receipts	(16,617)	(576,730)	(593,347)	(16,025)	(563,392)	(579,417)
Agency Outlays, Net (Discretionary and Mandatory)	$ 13,799	481,769	495,568	$ 13,058	457,721	470,779

See accompanying independent auditors' report.

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PART 5

Other Information (Unaudited)

Department of the Treasury
Departmental Offices
Office of D.C. Pensions
Consolidating Balance Sheets
By Fund (Unaudited)
As of September 30, 2019 and September 30, 2018
(in thousands)

	2019			2018		
	D.C. Judicial Retirement and Survivors Annuity Fund	D.C. Federal Pension Fund	Consolidated D.C. Pension Funds Total	D.C. Judicial Retirement and Survivors Annuity Fund	D.C. Federal Pension Fund	Consolidated D.C. Pension Funds Total
Assets:						
Entity Assets						
Intragovernmental						
Fund Balance With Treasury	$ 102	389	491	$ 5,090	82,967	88,057
Investments, Net	176,636	3,821,998	3,998,634	164,440	3,731,298	3,895,738
Interest Receivable	491	22,086	22,577	490	23,992	24,482
Total Intragovernmental	177,229	3,844,473	4,021,702	170,020	3,838,257	4,008,277
Accounts Receivable	-	3,069	3,069	-	2,905	2,905
Taxes Receivable	3	3	6	3	3	6
Total Assets	$ 177,232	3,847,545	4,024,777	$ 170,023	3,841,165	4,011,188
Liabilities:						
Intragovernmental						
Accounts Payable	$ 36	80	116	$ 24	91	115
Accrued Payroll and Benefits	2	31	33	1	27	28
Total Intragovernmental	38	111	149	25	118	143
Accounts Payable	4	5,132	5,136	6	4,396	4,402
Advances from Others	-	19,359	19,359	-	17,339	17,339
Accrued Pension Benefits Payable	1,132	44,952	46,084	1,082	45,060	46,142
Actuarial Pension Liability	254,283	8,143,707	8,397,990	254,485	8,117,985	8,372,470
Accrued Payroll and Benefits	18	336	354	16	321	337
Total Liabilities	255,475	8,213,597	8,469,072	255,614	8,185,219	8,440,833
Net Position:						
Cumulative Results of Operations	(78,243)	(4,366,052)	(4,444,295)	(85,591)	(4,344,054)	(4,429,645)
Total Net Position	(78,243)	(4,366,052)	(4,444,295)	(85,591)	(4,344,054)	(4,429,645)
Total Liabilities and Net Position	$ 177,232	3,847,545	4,024,777	$ 170,023	3,841,165	4,011,188

See accompanying independent auditors' report.

Department of the Treasury
Departmental Offices
Office of D.C. Pensions
Consolidating Statements of Net Cost
By Fund (Unaudited)
For the Years Ended September 30, 2019 and September 30, 2018
(in thousands)

	2019			2018		
	D.C. Judicial Retirement and Survivors Annuity Fund	D.C. Federal Pension Fund	Consolidated D.C. Pension Funds Total	D.C. Judicial Retirement and Survivors Annuity Fund	D.C. Federal Pension Fund	Consolidated D.C. Pension Funds Total
Program Costs						
Administrative Expenses	$ 525	21,957	22,482	$ 437	18,711	19,148
District of Benefit Payments and Employer Share of DC Health and Life Plans	-	218,350	218,350	-	198,128	198,128
Pension Expense before Actuarial Assumption Changes	17,906	76,544	94,450	18,381	109,405	127,786
Total Program Costs	18,431	316,851	335,282	18,818	326,244	345,062
Less: Earned Revenues						
Reimbursable Income	-	220,232	220,232	-	200,601	200,601
Interest Earned	3,771	68,153	71,924	3,547	57,566	61,113
Employee Contributions	621	-	621	641	-	641
Total Earned Revenues	4,392	288,385	292,777	4,188	258,167	262,355
Net Expense Before Loss from Actuarial Assumption Changes	14,039	28,466	42,505	14,630	68,077	82,707
Loss on Actuarial Assumption Changes, Net	(4,759)	492,031	487,272	1,694	114,073	115,767
Net Cost of Operations	$ 9,280	520,497	529,777	$ 16,324	182,150	198,474

See accompanying independent auditors' report.

Department of the Treasury
Departmental Offices
Office of D.C. Pensions
Consolidating Statements of Changes in Net Position
By Fund (Unaudited)
For the Years Ended September 30, 2019 and September 30, 2018
(in thousands)

	2019			2018		
	D.C. Judicial Retirement and Survivors Annuity Fund	D.C. Federal Pension Fund	Consolidated D.C. Pension Funds Total	D.C. Judicial Retirement and Survivors Annuity Fund	D.C. Federal Pension Fund	Consolidated D.C. Pension Funds Total
Unexpended Appropriations:						
Beginning Balance	$ -	-	-	-	-	-
Budgetary Financing Sources:						
Appropriations Received	16,617	498,281	514,898	16,025	467,300	483,325
Appropriations Used	(16,617)	(498,281)	(514,898)	(16,025)	(467,300)	(483,325)
Total Budgetary Financing Sources	-	-	-	-	-	-
Total Unexpended Appropriations	-	-	-	-	-	-
Cumulative Results of Operations:						
Net Position - Beginning of Year	$ (85,591)	(4,344,054)	(4,429,645)	$ (85,303)	(4,629,406)	(4,714,709)
Budgetary Financing Sources:						
Appropriations Used	16,617	498,281	514,898	16,025	467,300	483,325
Other Financing Sources (Nonexchange): Imputed Financing	11	218	229	11	202	213
Total Financing Sources	16,628	498,499	515,127	16,036	467,502	483,538
Net Cost of Operations	(9,280)	(520,497)	(529,777)	(16,324)	(182,150)	(198,474)
Net Change	7,348	(21,998)	(14,650)	(288)	285,352	285,064
Cumulative Results of Operations	$ (78,243)	(4,366,052)	(4,444,295)	$ (85,591)	(4,344,054)	(4,429,645)
Net Position	$ (78,243)	(4,366,052)	(4,444,295)	$ (85,591)	(4,344,054)	(4,429,645)

See accompanying independent auditors' report.

Department of the Treasury
Departmental Offices
Office of D.C. Pensions
Schedule of Pension Expense - by Fund (Unaudited)
For the Years Ended September 30, 2019 and September 30, 2018
(in thousands)

	2019			2018		
	D.C. Judicial Retirement and Survivors Annuity Fund	D.C. Federal Pension Fund	Consolidated D.C. Pension Funds Total	D.C. Judicial Retirement and Survivors Annuity Fund	D.C. Federal Pension Fund	Consolidated D.C. Pension Funds Total
Beginning Liability Balance	$ 254,485	8,117,985	8,372,470	$ 247,063	8,434,545	8,681,608
Pension Expense:						
Normal Cost	5,600	-	5,600	5,900	-	5,900
Interest on Pension Liability During the Period	8,048	46,559	54,607	8,280	58,284	66,564
Actuarial (Gains) Losses During the Period:						
From Experience	4,258	29,985	34,243	4,201	51,121	55,322
From Discount Rate Assumption Change	2,982	287,100	290,082	5,074	372,288	377,362
From Other Assumption Changes	(8,319)	141,806	133,487	(1,057)	(175,886)	(176,943)
From Non-Economic Changes	577	63,126	63,703	(2,323)	(82,329)	(84,652)
Pension Expense before Other / Non-Actuarial Adjustments	13,146	568,576	581,722	20,075	223,478	243,553
Less Amounts Paid and Accrued:	(13,348)	(542,854)	(556,202)	(12,653)	(540,038)	(552,691)
Ending Liability Balance	$ 254,283	8,143,707	8,397,990	$ 254,485	8,117,985	8,372,470

See accompanying independent auditors' report.

Executive Summary

Highlights of the Actuarial Valuation

The actuarial valuation report has been completed for the following program for the most recent plan year:

United States Department of the Treasury District of Columbia Pensions Program (Program)

The Program refers to the federal responsibility for benefit payments under the following District of Columbia (D.C.) retirement plans: District of Columbia Police Officers and Firefighters' Retirement Plan, District of Columbia Teachers' Retirement Plan, and District of Columbia Judges' Retirement Plan. The designated assets for the federal administration of these plans are held in two separate funds. The District of Columbia Teachers, Police Officers and Firefighters Federal Pension Fund ("D.C. Federal Pension Fund") covers federal payments under the District of Columbia Police Officers and Firefighters' Retirement Plan and District of Columbia Teachers' Retirement Plan. The Judicial Retirement and Survivors Annuity Fund ("Judicial Retirement Fund") covers payments under the District of Columbia Judges' Retirement Plan.

The purpose of this report is to present the results of the actuarial valuation including:

- To illustrate the current assets and liabilities of each Plan as of the end of Fiscal Year (FY) 2019 (October 1, 2018 through September 30, 2019);
- To review the experience of the Program over the past year and to discuss reasons for changes in Program costs;
- To determine the appropriate contribution to be paid by the Department of the Treasury to the Funds in FY 2020 (October 1, 2019 through September 30, 2020); and
- To identify and discuss any emerging trends in Program costs.

This report also includes certain statement line items and footnote disclosures necessary to compute the annual pension expense in accordance with Statement of Federal Financial Accounting Standards No. 5, Accounting for Liabilities of the Federal Government, and No. 33, Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates (SFFAS 5 and SFFAS 33). Use of the valuation results for other purposes may not be appropriate.

Summary of Results

As of October 1, 2019	Police Officers and Firefighters', and Teachers' Plans		Judges' Plan	
Actuarial Accrued Liability	$	8,188,657,073	$	255,415,933
Plan Assets		(3,822,592,727)		(177,213,402)
Unfunded Actuarial Accrued Liability	$	4,366,064,346	$	78,202,531
Normal Cost with Interest (including expected employee contributions)		N/A	$	5,300,000

Executive Summary

Highlights of the Actuarial Valuation

Summary of Gains and Losses

As part of the review of the valuation, an actuarial gain/loss analysis was performed. Expected liabilities and plan assets were developed presuming all demographic and economic assumptions from the prior valuation were realized during the plan year. These expected values were then compared to the actual results. The factors causing the liabilities or assets to be greater than expected (a loss for liabilities and a gain for assets), or smaller than expected (a gain for liabilities and a loss for assets) were isolated. Differences in liability not directly attributable to experience different than assumed, such as changes in assumptions and methods, were separately measured from this process.

The different sources of gains and losses, as well as their individual impacts, are outlined below.

Source of Liability (Gain)/Loss due to Actuarial Experience

Source of Demographic (Gain)/Loss	Police Officers and Firefighters', and Teachers' Plans	Judges' Plan
(Gains)/Losses due to Plan Experience:		
Active Decrements	$ (10,568,514)	$ 547,378
Inactive Mortality	(10,340,088)	1,174,792
Salary Increase	9,472,025	299,588
New Entrants	N/A	102,503
Cost-of-Living Adjustment (COLA) Different than Expected	14,355,482	1,688,223
(Gains)/Losses due to Census Changes:	25,299,737	451,103
(Gains)/Losses due to New Terminated Vested Plan Members:	2,121,361	N/A
Total	**$ 30,340,003**	**$ 4,263,587**

We have provided clarification on these items below:

- **(Gains)/Losses due to Plan Experience:** The liability for each plan is expected to change based on certain demographic and economic assumptions; however, actual plan experience will differ to some degree. This creates (gains) or losses due to plan experience being different than expected with these assumptions. This includes the following primary factors:

  - **Active Decrements:** The actuarial valuation assumes that each active plan member has a particular probability of terminating, retiring, becoming disabled, or becoming deceased in each year. An individual (gain) or loss is generated based on the plan member's actual status in the current valuation year based on the difference from what was expected. The gain for the Police and Firefighters' and Teachers' Plans is primarily due to a group of new retirees who turned 50 since the prior valuation. The assumption in effect for the measurement of (gain)/loss assumed that an individual who leaves the population prior to attaining age 50 is a termination, causing a gain to be incurred in the active decrements category. The individuals' retirement loss is categorized as "other census changes" resulting in the correct calculation of the liability overall, despite the categorization of the individual pieces. For the Judges' Plan, three individuals retired far sooner than their final decrement age, therefore incurring a loss as the future normal cost under the Entry Age Normal method is now zero.

Executive Summary

Highlights of the Actuarial Valuation

- **Inactive Mortality:** The actuarial valuation assumes that each inactive plan member has a particular probability of becoming deceased in each year. An individual (gain) or loss is generated based on whether the plan member actually dies during the year. The gain shown for the Police and Firefighters' and Teachers' Plans is driven by plan members in pay status dying at an earlier age or in greater number than expected in the past year. For the Judges' Plan there were only three deaths since the prior year, in contrast with the remaining population of older retirees and survivors who survived despite higher probabilities of death. Smaller populations are expected to experience larger deviations from expected year-over-year than a larger population, as individual deaths or survivorship have a more significant relative impact on the liability than in a larger population. Long-term gains and losses are expected to offset each other with experience aligning to the assumed mortality probabilities.

- **Salary Increase:** The actuarial valuation assumes that salaries for active plan members will increase by a certain amount. An individual (gain) or loss is generated for each plan member based on their actual salary amount reported in the current valuation. A gain is reported when a plan member's actual salary is lower than the expected amount, and a loss is reported when a plan member's actual salary is higher than the expected amount. The retroactive salary increase negotiated for the Police and Firefighters' Plan is reflected as a loss for the Police and Firefighters' Plan. This is offset by a small gain in the Teachers' Plan.

- **New Entrants:** The actuarial valuation incurs a loss whenever new members enter the plan with past service. The Police and Firefighters' and Teachers' Plans are closed and will never incur a gain or loss due to this reason. The Judges' Plan reports a small loss due to the new plan member with one year of past service.

- **COLA Different Than Expected:** The actuarial valuation assumes that retirement benefits for inactive plan members that are receiving benefits will increase by a certain amount. An individual (gain) or loss is generated for each plan member based on their actual benefit amount reported in the current valuation. The Police and Firefighters' and Teachers' Plans had a loss primarily due to higher actual COLA percentages than expected. Note that the Police and Firefighters' Plan members who retired prior to February 15, 1980 received retroactive pay increases, however, only the difference between the expected COLA and the actual COLA for 2019 have been included here. The remaining loss due to the retroactive increase for those who retired prior to February 15, 1980 is included in the $9.7 million loss for continuing inactive plan members as discussed in the (Gains)/Losses due to Census Changes section below. The Judges' Plan had a loss due to higher COLA than expected.

Executive Summary

Highlights of the Actuarial Valuation

• **(Gains)/Losses due to Census Changes:** Each year, ODCP prepares the census data that will be used as the basis for the annual valuation. Inevitably, there will be updates to the census data beyond those that we would expect due to the passage of time. This category of (gain)/loss is described in more detail below.

For the **Police and Firefighters' and Teachers' Plans**, the net loss amount was $25.3 million and includes the following:

- An $18.1 million loss resulting from new beneficiaries following the death of plan members for whom the chosen form of payment was unknown.
- A $14.2 million net loss resulting from ongoing data management, including unexpected changes to data fields such as hire date, salary, service, etc.
- A $13.7 million loss resulting from active plan members who retired or terminated within the past year, primarily due to benefits calculated at retirement different than previously estimated or those who were not eligible to begin benefits in the prior valuation.
- A $9.7 million loss resulting from data updates for continuing inactive plan members, primarily due to correction of benefit amounts and retirement dates in the census data. In prior years, retirement date was used to determine COLA type. This year, a flag was provided by ODCP to indicate COLA type. Depending on the prior and current type, this caused a (gain) or loss to be incurred. Overall, a net loss was incurred due to this new data field. In addition, the loss due to the retroactive portion of the COLA increase for plan members in the Police and Firefighters' Plan who retired before February 15, 1980 is included in this loss.
- A $0.5 million loss resulting from beneficiaries found when previously reported as "no future benefits due" in the prior valuation year and from finding new plan members due to data clean-up.
- A $0.1 million loss resulting from rehires.
- A $31.0 million gain resulting from the update to reflect actual form of payment when known, primarily due to there being many more annuitants with Straight Life Annuities than assumed in the prior valuation. The prior assumption split the form of payment expectation into Single Life Annuity and Joint-and-Survivor Annuity. The possibility of a survivor benefit increases the individual's liability.

There will be an additional set of recalculations during the upcoming fiscal year for individuals who retired after February 15, 1980 and are due a benefit increase based on the retroactive pay increase. ODCP has estimated the impact to be $2.2 million. The revised benefits will be incorporated in the next valuation.

For the **Judges' Plan**, the total loss amount includes the following:

- A $0.2 million loss resulting from active plan members who retired or terminated within the past year, primarily due to benefits calculated at retirement different than previously estimated.
- A $0.01 million loss resulting from new beneficiaries following the death of plan members for whom the beneficiary's date of birth was unknown.
- A $0.2 million loss resulting from ongoing data management.

• **(Gains)/Losses due to New Terminated Vested Plan Members:** There were 25 new terminated vested plan members discovered as a result of a data clean-up initiative performed by the program. This caused a $2.1 million loss to the Police and Firefighters' and Teachers' Plans.

Executive Summary

Highlights of the Actuarial Valuation

Source of Asset (Gain)/Loss due to Actuarial Experience

Asset (Gain)/Loss	D.C. Federal Pension Fund	Judicial Retirement Fund
Beginning of Year Assets	$ 3,818,529,238	$ 170,055,020
Expected Return on Assets	20,863,698	5,279,013
Actual Return on Assets	69,781,818	3,741,019
Asset (Gain)/Loss	**$ (48,918,120)**	**$ 1,537,994**

The plan assets experienced the following rates of return during the prior plan year:

	D.C. Federal Pension Fund	Judicial Retirement Fund
Assets	1.84%	2.18%

As noted on page 55 of this report in the Interest Rates for (Gain)/Loss section, the expected return on assets for the Judicial Retirement Fund is based on the prior year effective interest rate of 3.12% while the D.C. Federal Pension Fund's expected return on assets is based on the first rate on the prior year's yield curve, 0.59%. The Judicial Retirement Fund experienced a lower-than-anticipated return of 2.18% on fund assets and the D.C. Federal Pension Fund experienced a higher-than-anticipated return of 1.84% on fund assets, thus resulting in an asset loss and an asset gain, respectively.

Changes in Plan Provisions from the Previous Valuation

The valuation for the current plan year was based on the same plan provisions as the valuation for the prior plan year. We are not aware of any other changes to the plans since the last valuation.

A full summary of the plan provisions and plan changes for each plan (if any) can be found later in this report in Appendix C: Plan Provisions Summary.

Executive Summary

Highlights of the Actuarial Valuation

Source of Liability (Gain)/Loss due to Changes in Actuarial Assumptions from the Previous Valuation

Assumption Change	Police Officers and Firefighters', and Teachers' Plans	Judges' Plan
Discount Rate Assumption	$ 287,100,110	$ 2,982,324
Other Economic Assumptions	141,805,509	(8,319,171)
Non-Economic Assumptions	63,125,408	577,458
Total	**$ 492,031,027**	**$ (4,759,389)**

The discount rate assumption was updated according to prescribed guidance. The Effective Interest Rate (EIR) for all plans decreased, causing a loss.

The other economic assumptions changed for this valuation were the cost-of-living adjustment (COLA) for annuitants, the salary increase assumption for active plan members, and the additional salary increase assumption as a result of the experience study. Due to the plans' composition of primarily inactive plan members, the COLA assumption is a primary driver in the calculation of liabilities. The increase in the future expectation of these adjustments caused a loss for the Police Officers and Firefighters' and Teachers' Plans. A decrease in the future expectation of these adjustments caused a gain for the Judges' Plan. A detailed description of the changes since prior year is available in Appendix A: Actuarial Assumptions and Methods.

For the Police Officers and Firefighters', and Teachers' Plans, and the Judges' Plan, the non-economic assumption change included form of payment assumption for the Teachers' Plan, spousal age assumption, expected rates of retirement, expected disability incidence rates, expected rates of termination, mortality base table, mortality improvement scale, and mortality scaling factors. The new base tables were the primary driver of the impact. A complete description of the actuarial assumptions and rationale can be found in Appendix A: Actuarial Assumptions and Methods and Appendix B: Rationale.

The impacts of the demographic assumption changes and assumption for additional salary increases are consistent with the findings of the experience study conducted earlier in 2019. For more information, please see the report dated March 2019.

Executive Summary

Highlights of the Actuarial Valuation

Government Contributions

This report includes a calculation of the Government Contribution required to be made before the end of FY 2020 (excluding the reimbursement for expenses). The table below contains Government Contribution (excluding expenses) for FY 2019 and FY 2020.

Contribution Year	Government Contribution (excluding expenses)			
	D.C. Federal Pension Fund		Judiciary Retirement Fund	
September 30, 2019	$	477,600,000	$	16,100,000
September 30, 2020	$	520,300,000	$	15,500,000

The increase in the Government Contribution amounts from FY2019 to FY2020 is explained in the table below.

	Police Officers and Firefighters', and Teachers' Plans		Judges' Plan	
Full amortization of the 10/1/2009 gain/(loss)	$	18,500,000	$	(600,000)
New amortization base for the 10/1/2019 experience (gain)/loss		(2,100,000)		700,000
New amortization base for the 10/1/2019 assumption (gain)/loss		26,300,000		(400,000)
Normal Cost change		-		(300,000)
Employee Contribution change		-		-
Total	**$**	**42,700,000**	**$**	**(600,000)**

Executive Summary

Actuarial Valuation Opinion

This report presents the results of the actuarial valuation of the Program as of October 1, 2019. In our opinion, this report is complete and accurate and represents fairly the actuarial position of the Program for the purposes stated herein.

This actuarial valuation has been prepared based upon plan member data and plan provisions provided by the Department of the Treasury as of May 1, 2019 (plan data was projected to September 30, 2019 by adjusting for expected mortality for inactive plan members) and the estimated asset information projected by the Department of the Treasury to September 30, 2019 (provided on July 29, 2019).

We have reviewed the data and other information provided for reasonableness, but have not independently audited the data or other information provided. We have no reason to believe the data and other information provided are not complete and accurate, and know of no further information that is essential to the preparation of the actuarial valuation.

In our opinion, all costs, liabilities, rates of interest, and other factors underlying these actuarial computations have been determined on the basis of actuarial assumptions and methods. Each are reasonable (or consistent with authoritative guidance) for the purposes described herein taking into account the experience of the plans and future expectations. Rates of interest used in this valuation are provided by ODCP and are consistent with authoritative guidance. All other assumptions are reasonable for the purposes described herein.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following:

- Plan experience differing from that anticipated by the economic or demographic assumptions;
- Changes in economic or demographic assumptions;
- Increases or decreases expected as part of the natural operations of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on each plan's funded status); and
- Changes in plan provisions or applicable law.

Our scope did not include analyzing the potential range of such future measurements; therefore, this analysis was not performed.

The undersigned with actuarial credentials collectively meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

This report was prepared solely for the benefit and internal use of the Department of the Treasury. This report is not intended for the benefit of any other party and may not be relied upon by any third party for any purpose, and Deloitte Consulting LLP accepts no responsibility or liability with respect to any party other than the Department of the Treasury.

To the best of our knowledge, no employee of the Deloitte U.S. Firms is an officer or director of the employer. In addition, we are not aware of any relationship between the Deloitte U.S. Firms and the employer that may impair or appear to impair the objectivity of the work detailed in this report.

DELOITTE CONSULTING LLP

[redacted]

Jeffrey Rees, FSA, MAAA, FCA
Enrolled Actuary No. 17-05941
October 22, 2019

[redacted]

Michael de Leon, ASA, MAAA, FCA
Enrolled Actuary No. 17-06450
October 22, 2019

Executive Summary

Summary of Results

Police Officers and Firefighters', and Teachers' Plans

	Valuation Date October 1, 2019	Valuation Date October 1, 2018
Plan Member Counts		
Actives	1,307	1,547
Terminated Vested	204	199
Annuitants	13,440	13,540
Total	14,951	15,286
Contributions		
Federal Required Contribution	$ 520,300,000	$ 477,600,000
Present Value of Benefits (PVB)		
Active Plan Members		
Retirement Decrement	$ 467,942,026	$ 508,019,251
Termination Decrement	-	1,388,098
Disability Decrement	1,666,607	5,216,339
Death Decrement	678,418	1,845,363
Total	$ 470,287,051	$ 516,469,051
Inactive Plan Members		
Normal Retirees[1]	$ 6,224,919,047	$ 6,202,100,994
Terminated Vested	34,993,537	35,855,745
Disabled Retirees[1]	717,875,525	704,423,997
Beneficiaries	740,581,913	704,195,406
Total	$ 7,718,370,022	$ 7,646,576,142
Total PVB (inactive and active)	$ 8,188,657,073	$ 8,163,045,193
Unfunded Actuarial Accrued Liability (AAL)		
Active AAL	$ 470,287,051	$ 516,469,051
Inactive AAL	7,718,370,022	7,646,576,142
Total AAL	$ 8,188,657,073	$ 8,163,045,193
Asset Value as of Valuation Date	$ (3,822,592,727)	$ (3,818,529,238)
Unfunded AAL	**$ 4,366,064,346**	**$ 4,344,515,955**

[1]Throughout this report, former spouses receiving benefits under a qualified domestic relations order are not included in counts. Their benefit amounts are included with their associated retired plan member.

Executive Summary

Summary of Results

Judges' Plan

	Valuation Date			
	October 1, 2019		October 1, 2018	
Plan Member Counts				
Actives		59		61
Terminated Vested		-		-
Annuitants		96		94
Total		155		155
Contributions				
Government Contribution (excluding expenses)	$	15,500,000	$	16,100,000
Present Value of Benefits (PVB)				
Active Plan Members				
Retirement Decrement	$	122,282,090	$	126,685,652
Termination Decrement		-		-
Disability Decrement		-		-
Death Decrement		561,503		906,069
Total	$	122,843,593	$	127,591,721
Inactive Plan Members				
Normal Retirees[1]	$	162,493,045	$	160,271,351
Terminated Vested		-		-
Disabled Retirees[1]		2,119,211		2,983,729
Beneficiaries		8,959,664		8,373,915
Total	$	173,571,920	$	171,628,995
Total PVB (inactive and active)	$	296,415,513	$	299,220,716
Unfunded Actuarial Accrued Liability (AAL)				
Active AAL	$	81,844,013	$	83,938,272
Inactive AAL		173,571,920		171,628,995
Total AAL	$	255,415,933	$	255,567,267
Asset Value as of Valuation Date	$	(177,213,402)	$	(170,055,020)
Unfunded AAL	**$**	**78,202,531**	**$**	**85,512,247**
Total Normal Cost	$	5,300,000	$	5,600,000
Employee Contributions		(500,000)		(500,000)
Net Employer Normal Cost	**$**	**4,800,000**	**$**	**5,100,000**

[1]Throughout this report, former spouses receiving benefits under a qualified domestic relations order are not included in counts. Their benefit amounts are included with their associated retired plan member.