



Audit Report



OIG-24-010

FINANCIAL MANAGEMENT

**Audit of the Office of D.C. Pensions' Financial Statements
for Fiscal Years 2023 and 2022**

December 7, 2023

**Office of Inspector General
Department of the Treasury**

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OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

December 7, 2023

**MEMORANDUM FOR NANCY OSTROWSKI, DIRECTOR
OFFICE OF D.C. PENSIONS**

FROM: Ade Bankole /s/
Director, Financial Statement Audits

SUBJECT: Audit of the Office of D.C. Pensions' Financial Statements
for Fiscal Years 2023 and 2022

We hereby transmit the attached subject report. Under a contract monitored by our office, KPMG LLP (KPMG), a certified independent public accounting firm, audited the financial statements of the Office of D.C. Pensions (ODCP) as of September 30, 2023 and 2022, and for the years then ended. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*, and the Government Accountability Office/Council of the Inspectors General on Integrity and Efficiency, *Financial Audit Manual*.

In its audit of the ODCP, KPMG found

- the consolidated financial statements were fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles;
- a significant deficiency in ODCP's general information technology controls over the System to Administer Retirement; and
- no instances of reportable noncompliance with laws, regulations, contracts, and grant agreements tested.

In connection with the contract, we reviewed KPMG's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit performed in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on the ODCP's consolidated financial statements, conclusions about the effectiveness of internal control, and compliance with laws and regulations. KPMG is responsible for the attached auditors' report dated December 7, 2023, and the conclusions expressed in the report. However, our

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review disclosed no instances where KPMG did not comply, in all material respects, with U.S. generally accepted government auditing standards.

If you wish to discuss this report, please contact me at (202) 927-5329, or a member of your staff may contact Catherine Yi, Manager, Financial Statement Audits, at (202) 553-7412.

Attachment

DEPARTMENT OF THE TREASURY
OFFICE OF D.C. PENSIONS



ANNUAL
REPORT
FISCAL YEAR
2023



DISTRICT OF COLUMBIA
PENSIONS PROGRAM

MESSAGE FROM THE DIRECTOR

December 2023

As the Office of D.C. Pensions moved into its 26th year of operation, it 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 Balanced Budget Act of 1997, as amended (the Act). The Office of D.C. Pensions demonstrated successful stewardship of its pension funds, effective use of program resources, and the ability to adapt to changing requirements.



Pursuant to 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, 2023, the District of Columbia Judicial Retirement and Survivors Annuity Fund, and the District of Columbia Teachers, Police Officers and Firefighters Federal Pension Fund held assets totaling \$4.3 billion. During FY 2023, \$880.2 million in benefit payments were processed, the largest dollar amount in program history, for annuitants, beneficiaries, and Qualified Domestic Relations Orders (QDROs). Additionally, refunds of employee contributions were made upon request to former active employees or their beneficiaries.

The Office of D.C. Pensions continued to efficiently manage finances while making all benefit payments to annuitants on time. A certified independent public accounting firm rendered an unmodified opinion on the FY 2023 financial statements of the Office of D.C. Pensions. 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 of Columbia entities. The Office of D.C. Pensions continues to assess the systems and processes for capturing and consolidating the financial and performance data presented within this Annual Report as reliable and complete.

The Annual Report shows that with support from our service providers and business partners, the Office of D.C. Pensions made timely and accurate benefit payments, managed finances and the investment portfolio, provided oversight and program management, modernized operations, executed an effective quality assurance program, and ensured funding will be available for future payments. The Office of D.C. Pensions will continue to strive to obtain management and organizational excellence which will only be achieved by collaborating with Department of the Treasury and District of Columbia entities.

On behalf of the Office of D.C. Pensions, I am pleased to present the FY 2023 Annual Report, which provides highlights of the program's significant accomplishments, as well as plans for upcoming years.

A handwritten signature in black ink that reads "Nancy A. Ostrowski". The signature is written in a cursive style and is positioned above a horizontal line.

Nancy A. Ostrowski, Director
Office of D.C. Pensions
Department of the Treasury

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PART 1

MANAGEMENT'S DISCUSSION and ANALYSIS (Unaudited)



MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR 2023 (Unaudited)

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.

I. Introduction

A. *Statutory Basis and Responsibilities*

Under provisions in Title XI of the Balanced Budget Act of 1997, as amended (the Act¹), 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 on or before June 30, 1997, and administering the retirement benefits earned by District judges, regardless of when 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.

¹There 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).

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, program management, and office administration. The Office coordinates with many District entities and business partners 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 administering the Federal benefit payments and the Federal portion of the split benefit payments. Also, as of that date, the Office assumed benefit administration responsibility for the Judges' Retirement Plan.

B. Mission and Organizational Structure

The mission of the Office 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. This includes making timely and accurate benefit payments associated with the District of Columbia retirement plans for police officers and firefighters, teachers, and judges by managing investments, providing oversight and program management, and ensuring funding is available for future payments.

The Office reports to the Deputy Assistant Secretary for Human Resources and Chief Human Capital Officer (DASHR/CHCO), who reports to the Assistant Secretary for Management (ASM). The ASM reports through Treasury's Deputy Secretary to Treasury's Secretary. The Office is led by the Director and has 16 filled positions. The Office funds three positions in other Treasury offices performing critical functions to accomplish the Office's mission. All of the positions are funded by the District of Columbia Teachers, Police Officers and Firefighters Federal Pension Fund (D.C. Federal Pension Fund) and the District of Columbia Judicial Retirement and Survivors Annuity Fund (Judicial Retirement Fund).

The Office fulfills its mission through five key functional areas as described below:

- **Benefits Administration:** The Office provides oversight of the benefit administration functions performed by DCRB for the Police Officers and Firefighters', and Teachers' Retirement Plans. The Office is the benefits administrator for the Judges' Retirement Plan.
- **Finance and Resource Administration:** The Office provides oversight for financial statement reporting and investments in Government Account Series (GAS) securities in the federal pension funds. 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 D.C. Federal Pension Fund and the 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 utilizes the STAR Change Control Board (CCB) 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 produces, analyzes, and acts upon performance management information to continually improve operations.
- Office Administration: The Office provides management and administrative support to ensure operations are effective and efficient.

In addition to the above functional areas, the Office has a Leadership Team which is comprised of the Director, two Senior Program Managers, Assistant Director for Benefits Administration, Assistant Director for Finance and Resource Administration, Assistant Director for Information Technology Systems Administration, and Assistant Director for Office Administration. The Leadership Team focuses on managing program-wide initiatives and activities.

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. Other services include investment management and human resources support. 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, hosting for STAR, and security services, which includes FISMA compliance.

The Office closely coordinates with various District of Columbia entities, including DCRB and District of Columbia Courts to timely process benefits, make benefit payments, perform other benefits administration tasks, and resolve inquiries from members and others related to the retirement plans.

II. Strategic Goals, Objectives, Outcomes, Performance Measures, and Results

The Office of D.C. Pensions (the Office) has three Strategic Goals that contribute to one of the five Department of the Treasury (Treasury) Fiscal Year (FY) 2022-2026 Strategic Goals and Objectives.

The table on the following pages display the Office's Strategic Goals, Objectives, and Outcomes linked to one of Treasury's FY 2022-2026 Strategic Goals. It also outlines the Office's Performance Measures and Results.

Additional information about the Office's FY 2023 results and plans for future years can be found in the remaining sections of the Management's Discussion and Analysis.

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

Fiscal Years 2022 – 2026					Fiscal Year 2023
Treasury Goals and Objectives		Office Strategic Goals, Objectives, and Outcomes			Office Performance Measures and Results
Treasury Strategic Goal	Treasury Strategic Objective	Office Strategic Goals	Office Strategic Objectives	Office Outcomes	
Modernize Treasury Operations	Better Use of Data	Effectively Managed Finances	Skilled staff and technology are available to administer benefits	Benefit payments are accurate and timely	FY 2023 projected monetary error rate for benefit calculations Target: 5% or less Actual: 5.61% (See footnote 1)
					STAR is available to users Target: 99% or more Actual: 99.56%
					FY 2024 investment strategy developed timely Target: September 25, 2023 Actual: September 25, 2023
				Pension funds are effectively managed	FY 2023 minimum daily cash balance exceeds the minimum balance as defined in the FY 2023 investment strategy Target: 100% Actual: 100%
					FY 2023 annual contribution from General Fund received timely into pension funds Target: September 27, 2023 Actual: September 27, 2023

Fiscal Years 2022 – 2026					Fiscal Year 2023
Treasury Goals and Objectives		Office Strategic Goals, Objectives, and Outcomes			Office Performance Measures and Results
Treasury Strategic Goal	Treasury Strategic Objective	Office Strategic Goals	Office Strategic Objectives	Office Outcomes	
Modernize Treasury Operations (continued)	Better Use of Data (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 as of September 2023 Target: 98.8% Actual: 99.0%
				Pension funds meet future needs	FY 2023 request for annual contribution from General Fund prepared timely Target: September 21, 2023 Actual: September 21, 2023
	Customer Experience Practices	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 2023 financial statement audit opinion received from a certified independent public accounting firm Target: Unmodified opinion Actual: Unmodified opinion

Fiscal Years 2022 – 2026					Fiscal Year 2023
Treasury Goals and Objectives		Office Strategic Goals, Objectives, and Outcomes			Office Performance Measures and Results
Treasury Strategic Goal	Treasury Strategic Objective	Office Strategic Goals	Office Strategic Objectives	Office Outcomes	
Modernize Treasury Operations (continued)	Customer Experience Practices (continued)	Management and Organizational Excellence (continued)	Skilled staff and management tools are available (continued)	Program is effectively managed (continued)	FY 2023 Annual Report and Financial Statements finalized Target: December 15, 2023 Anticipated: December 15, 2023
					FY 2023 Actuarial Valuation Report delivered timely Target: September 22, 2023 Actual: September 22, 2023
		Effective Quality Assurance Program	Quality plans are operational in each area	Program creates continuous improvement	FY 2024 Quality Assurance Plans approved by September 29, 2023 Target: 100% Actual: 100%
Footnotes: 1) The monetary error rate for FY 2023 showed a slight improvement over the 5.66% monetary error rate from FY 2022 due to training provided by the Office and the District of Columbia Retirement Board (DCRB) to address findings.					

A. Benefit payments are accurate and timely

Program Results and Future Focus

a. Benefits Administration

Background and Operations

Benefits administration services are provided by the District of Columbia Retirement Board (DCRB), with oversight and support by the Office, to annuitants and beneficiaries in the Police Officers and Firefighters' Retirement Plan and the Teachers' Retirement Plan. The Office provides benefits administration services to annuitants in 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 total annuitant and beneficiary population as of September 30, 2023, is 14,123, which includes 5,353 teachers, 8,659 police officers and firefighters, and 111 judges.

All annuitant payroll files were submitted on time, ensuring timely payment of annuitant benefits on the first business day of the month. In FY 2023, a variety of outreach efforts continued to ensure that accurate and timely information was provided to annuitants, including important messages on earning statements, letters to annuitants about open season for health benefits, and other communications about benefit changes and retirement plan information.

Annuitant Payroll Operations

Monthly benefit payment processing and reconciliation of payroll reports are performed by the Bureau of the Fiscal Service (Fiscal Service), Administrative Resource Center (ARC) Pension Payroll. ARC Pension Payroll reports the share of Federal and District benefit payments as calculated by STAR, which supports the monthly reimbursement to the Office from DCRB for District benefit payments. Additionally, ARC Pension Payroll provided mail management support to ensure that monthly earnings statements and other annuitant communications are distributed in an efficient and timely manner.

Benefits Administration Quality Program

During FY 2023, the Office continued to review benefit administration and annuitant payroll activities. The Office's staff focused benefit payment reviews on payment types and data points that impacted the actuarial liability, in addition to calculations that have had historically

high error rates. The Office conducted targeted training and engaged DCRB in discussions to improve the quality of work performed by DCRB.

For annuitant payroll processing functions, the Office reviews preliminary and final payroll statistics, off-cycle payment requests, and third-party payroll reporting. In addition to other reports, each month the Office monitors death audit verification, checks which have not been cashed for an extended period of time, payment reclamations, and returned mail.

Benefit Administration Activities and Projects

During FY 2023, the Office continued to collaborate with DCRB to focus on key benefit activities and data integrity. For FY 2024, the Office and DCRB will collaborate on new training initiatives and updating benefits administration procedures.

Summary Plan Descriptions

The Summary Plan Descriptions (SPD) are designed to provide retirement plan members accurate and easy to understand information about the retirement plans. The SPDs are updated quinquennially. In FY 2023, the Office worked with DCRB to coordinate the review of the updated SPDs for the Teachers' Retirement Plan and the Police Officers and Firefighters' Retirement Plan. The Judges' Retirement Plan SPD is scheduled to be updated in calendar year 2024.

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. During FY 2023, the Office completed work with DCRB to analyze the data to identify the former District employees who may have been entitled to a deferred benefit or refund of retirement contributions. In FY 2024, the Office and DCRB will collaborate to determine the necessary next steps.

Collective Bargaining Agreements

In FY 2023, the District of Columbia approved collective bargaining agreements for police officers, firefighters, and teachers that included retroactive pay increases. The Office coordinated with DCRB on STAR enhancements to implement the retroactive pay increases. The benefit recalculations for eligible annuitants began in FY 2023 and are expected to conclude in FY 2024.

STAR Annuitant Self-Service

In FY 2021, the Office collaborated with DCRB to identify the requirements to implement Annuitant Self-Service functionality in STAR. The self-service functionality allows annuitants an opportunity to view and edit certain information. Allowing annuitants to view and, in some cases, make changes to their information makes it easier and more convenient and reduces the level of effort required for DCRB and the Office. Self-Service was introduced to a pilot population in FY 2021 and rolled out to the full annuitant population in FY 2022.

For FY 2023, the Office and DCRB began planning for enhancements to add capabilities to the Annuitant Self-Service functionality to allow annuitants to retrieve Form 1099-R beginning with the 2023 tax year. In FY 2024, the Office will identify requirements for future enhancements including the ability to access Self Service for Health Insurance Open Enrollment.

Training and Resources

During FY 2023, the Office delivered training to DCRB Benefits Administration staff on STAR functionality and Federal benefit calculations. In FY 2024, the Office will continue assessing training requirements to ensure skills and knowledge exists to effectively manage and execute benefits administration activities.

In FY 2022, the Office began evaluating replacements for the User Productivity Kit (UPK), which is the repository for help documentation in STAR. In FY 2023, the Office continued to evaluate replacements for the UPK and decided to defer a decision until FY 2025 due to pending security certifications for selected solution.

Data Tool

In FY 2022, the Office began development of a data tool to assist with the review and reconciliation of the participant data used to prepare the actuarial valuation. The data tool will provide a consistent, repeatable process for preparing the participant data and enable the Office to eliminate some manual processes. The Office began validation of the data tool in FY 2023 and will complete validation and implementation of the data tool in FY 2024.

Debt and Due Process Tracking Tool

In FY 2023, the Office implemented a Debt and Due Process Tracking Tool (DDPTT) in STAR to track and report debt and benefit due process cases. The DDPTT provides a single platform for managing and tracking debt and benefit due process case information from initiation through resolution. The Office will work with DCRB and ARC Pension Payroll to enhance the capabilities of the DDPTT in FY 2024.

b. System to Administer Retirement

Background

The System to Administer Retirement (STAR) is a 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 Federal and District share of benefit payments.

STAR is based on Oracle/PeopleSoft's "commercial off-the-shelf" (COTS) software for human resources, benefits administration, pensions, and payroll administration. STAR was initially deployed in December 2002 and fully functional in November 2007. Since that time, the COTS software has continually been updated with the latest versions and many new features have been added to support the benefits administration and ARC Pension Payroll teams.

STAR Technical Production Support and Hosting

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 PaaS (Platform-as-a-service) and production support services for STAR. A supplemental support contract is also in place to provide assistance to ISS in both operations and maintenance activities.

The Office plans to transition system hosting for STAR from Fiscal Service on-premise computing services to the Treasury's Cloud computing services (TCloud) provided by Treasury's Office of the Chief Information Officer (OCIO). During FY 2024, the Office will collaborate with OCIO to establish STAR infrastructure in TCloud and prepare for transition during early FY 2025. The transition to TCloud computing will provide services including servers, storage, databases, networking, software, analytics, and intelligence over the Internet ("the cloud") to offer faster innovation, flexible resources, and economies of scale versus on-premise dedicated computing services.

STAR System Security

The Security Assessment and Accreditation (SA&A) is a process that is made up of a full assessment and annual assessment that are conducted to ensure federal systems adhere to established security requirements. A full security assessment determines a systems' Authorization to Operate (ATO). It is required every three years or when a security-relevant change occurs which constitutes a 'significant change' necessitating a new ATO. An annual security assessment is required every year in-between the full assessment to ensure federal systems remain in compliance with established security requirements. In FY 2023, as a part of the SA&A process, the Office conducted an annual security assessment of the STAR

system to ensure it remains in compliance with all relevant security requirements and to renew its Authorization to Operate (ATO) granted in FY 2021.

There were 49 vulnerabilities identified during the annual assessment. Of the 49 vulnerabilities: one vulnerability was risk accepted due to its operational and user impact; six vulnerabilities have been mitigated - two of which were closed due to a difference in policy between Departmental Offices and Fiscal Service and the remaining four were fixed. The mitigation of the remaining 42 vulnerabilities are dependent on a department-wide operational vulnerability related to the interpretation of NIST Special Publication 800-53 Revision 5 controls. The next full security assessment will be conducted in FY 2024.

STAR security management adheres to the Federal Information Security Modernization Act of 2014 (FISMA) calendar year which starts July 1 and ends June 30. As required by National Institute of Standards and Technology (NIST), Security and Privacy Controls for Information Systems and Organizations (NIST 800-53 Rev. 4), the Office conducts an annual contingency test. The purpose of the FY 2023 test was to validate the ability to fully support benefit and payroll processing in the STAR Contingency environment. In August 2023, the Office attempted to conduct its annual contingency test. However, due to outdated configuration settings in STAR Contingency, the Office was unable to complete the test. Once the configuration settings were updated, the Office successfully executed the September off-cycle payroll process in the STAR Contingency environment. Additionally, reports and documentation from the payroll process were readily available in STAR Production following the test, further validating the integrity of STAR backup data.

Information Technology Systems Administration Quality Program

During FY 2023, the Office continued to review system administration activities and user accounts. 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 were reviewed semi-annually to ensure that users have the least amount of access privileges necessary to perform their duties. The semi-annual reviews were used by the Office to manage resources, maintain system security, and track the quality of STAR production support and hosting services. Additionally, in FY 2023 the Office continued the monthly active account verification reviews to ensure departing employee accounts were locked/terminated in a timely manner. All of these quality efforts will continue to be conducted in FY 2024.

STAR Highlights and Projects

The Office has continued to maintain the system's operational integrity and looked for opportunities to make positive system and customer experience enhancements.

In FY 2023, the Office made the following enhancements to STAR:

- Implemented the Debt and Due Process Tracking Tool;

- Began the planning for enhancements to add capabilities to the Annuitant Self-Service functionality, including Form 1099-R retrieval and Health Insurance Open Enrollment;
- Began the planning for a new STAR user training/help platform with implementation to begin in FY 2025; and
- Began enhancements to the performance reporting information currently collected from STAR by implementing additional data analytics capabilities provided as part of PeopleSoft.

In FY 2024, the Office will be working on the following changes to STAR:

- Full implementation of the Self-Service Form 1099-R retrieval enhancement and continue development of the Health Insurance Open Enrollment enhancement;
- Enhance the Debt and Due Process Tracking Tool; and
- Establish STAR infrastructure in TCloud and prepare for transition during early FY 2025.

STAR Enhanced Electronic Reporting

In FY 2023, the Office commenced a new project, the STAR Enhanced Electronic Reporting (SEER.) SEER will leverage the FY 2022 PeopleTools update, the STAR Payment Review Tracking Tool, and the STAR Debt and Due Process Tracking Tool enhancements to automate the collection and reporting of performance metrics available within STAR. SEER will present the performance metrics, eliminating the manual collection and quality review of the current collection process. This effort will resume in FY 2025 after the transition to TCloud is completed.

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

Program Results and Future Focus

a. Pension Funds

Pursuant to the Balanced Budget Act of 1997, as amended (the Act) (as amended by Public Law 105-277) and 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, 2023, are \$4.1 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 Judges' Retirement Plan. The sources of funding for the Judicial Retirement 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;
- Interest earned on investments; and
- Judges' employee contributions.

Total assets for the Judicial Retirement Fund as of September 30, 2023, are \$206.4 million.

b. Fund Deposits

Warrants

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 and bonds, with maturities and par amounts consistent with the expected payment dates and payout amounts of the pension liabilities.

A major component of the 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 four 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.

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. In the table below, the Interest Earned (recognized) reflects the Interest Payments collected less the amortization of premiums and discounts from GAS securities where 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 2023 and FY 2022 annual interest as of September 30 from the pension funds are summarized in the following tables:

Office of D.C. Pensions' Funds	FY 2023 Annual Interest (in Millions)		
	Interest Payments (deposits)	Interest Earned (recognized)	Rate of Return
<i>District of Columbia Federal Pension Fund</i>	\$88.3	\$77.5	2.04%
<i>District of Columbia Judicial Retirement and Survivors Annuity Fund</i>	\$4.1	\$4.1	2.18%
Totals	\$92.4	\$81.6	

Office of D.C. Pensions' Funds	FY 2022 Annual Interest (in Millions)		
	Interest Payments (deposits)	Interest Earned (recognized)	Rate of Return
<i>District of Columbia Federal Pension Fund</i>	\$73.6	\$56.6	1.56%
<i>District of Columbia Judicial Retirement and Survivors Annuity Fund</i>	\$3.6	\$3.5	1.92%
Totals	\$77.2	\$60.1	

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.

District Benefit Payments (Advances)

Treasury pays District 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 District's share of benefit payments continues to increase year over year as the number of annuitants with service after June 30, 1997, increases.

Post-1987 D.C. Health & Life Insurance Premium Payments (Advances)

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 on behalf of the District.

The District's 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 Expense Reimbursements

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. On a quarterly basis, the Office requests reimbursement for STAR administrative expenses from DCRB.

Summary of Fund Deposits

The table below 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 2023	FY 2022	\$ Change
<i>District of Columbia Federal Pension Fund</i>	Warrant	\$608.7	\$539.5	\$69.2
	Interest	\$88.3	\$73.6	\$14.7
	District Benefit Payments (Advances)	\$311.2	\$275.3	\$35.9
	Post-1987 D.C. Health & Life Insurance Employer Premium Payments (Advances)	\$30.1	\$26.3	\$3.8
	STAR Administrative Expense Reimbursements	\$2.9	\$2.6	\$0.3
<i>District of Columbia Judicial Retirement and Survivors Annuity Fund</i>	Warrant	\$22.5	\$19.4	\$3.1
	Interest	\$4.1	\$3.6	\$0.5
	Judges' Employee Contributions	\$0.8	\$0.7	\$0.1
Totals	Warrant	\$631.2	\$558.9	\$72.3
	Interest	\$92.4	\$77.2	\$15.2
	Judges' Employee Contributions	\$0.8	\$0.7	\$0.1
	Advances and Reimbursements	\$344.2	\$304.2	\$40.0

c. Debt Collection

The ARC Pension Payroll manages the debt collection and prevention activities for the Office. During FY 2023, the Office collaborated with ARC Pension Payroll, Office of General Counsel, and DCRB to pursue debt prevention and collection efforts. The Office recovered approximately \$1.5 million after notification of annuitant deaths. In addition, the Office also collected \$131.8 thousand through offsets, lump sum payments, or installment payments.

d. Intragovernmental Investments

The Office's investment policy establishes a balance of availability of funds between short-term and long-term obligations. As required by the Act, amounts received in the D.C. Federal Pension Fund and the Judicial Retirement Fund which are not needed for short-term obligations are invested in non-marketable securities. The Fiscal Service invests funds based on an investment guidance issued by the Office. The Office follows a "ladder approach" in investing securities sufficient to meet the long-term obligations for benefit payments and administrative expenses projected by annual actuarial valuations. By the end of FY 2023, the Office held securities with maturity dates extended 8 to 13 years. The Office's excess cash will be invested in one-day certificates.

Intragovernmental 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 table below reflects the intragovernmental investments breakdown as of September 30 for the two most recent years:

Office of D.C. Pensions' Funds	Intragovernmental Investments (in Millions)		
	FY 2023	FY 2022	\$ Change
<i>District of Columbia Federal Pension Fund</i>	\$4,115.9	\$3,998.5	\$117.4
<i>District of Columbia Judicial Retirement and Survivors Annuity Fund</i>	\$205.7	\$196.4	\$9.3
Totals	\$4,321.6	\$4,194.9	\$126.7

e. PaymentsFederal Benefit Payments

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

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

Office of D.C. Pensions' Funds	Federal Benefit Payments (in Millions)		
	FY 2023	FY 2022	\$ Change
<i>District of Columbia Federal Pension Fund</i>	\$554.8	\$538.8	\$16.0
<i>District of Columbia Judicial Retirement and Survivors Annuity Fund</i>	\$17.3	\$15.8	\$1.5
Totals	\$572.1	\$554.6	\$17.5

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 judges when requested. Refunds from the D.C. Federal Pension Fund were \$4.3, and \$53.6 thousand for the fiscal years ending September 30, 2023, and 2022, respectively. Refunds from the Judicial Retirement Fund were \$452.1 thousand for the fiscal year ending September 30, 2023. There were no refunds from the Judicial Retirement Fund for the fiscal year ending September 30, 2022.

Benefit Administration Expense Reimbursements to DCRB

The Office reimburses DCRB quarterly for administrative expenses incurred in administering Federal benefit payments. The Office and DCRB have developed a methodology for allocating between Office and DCRB the costs incurred by DCRB while administering Federal and District benefit payments and entered into a cost sharing agreement for reimbursement of FY 2023 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 support the benefits administration; and (4) the level of effort associated with processing Federal benefit payments. Treasury reimbursed DCRB approximately \$3.5 million for FY 2023 expenses associated with administering Federal benefit payments, which included amounts estimated for fourth quarter expenses. In FY 2022, Treasury reimbursed DCRB \$3.3 million for administrative expenses.

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 allocated 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 annuitants in the D.C. Federal Pension Fund or the Judicial Retirement Fund, 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 IT system support. Administrative expenses for the D.C. Federal Pension Fund were \$22.2, and \$21.5 million, for the fiscal years ending September 30, 2023, and 2022, respectively. Administrative expenses for the Judicial Retirement Fund were \$0.6, and \$0.6 million, for the fiscal years ending September 30, 2023, and 2022, respectively.

In FY 2023, 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 the reports, the Office identified the D.C. Federal Pension Fund and the Judicial Retirement Fund as budget authority subject to sequestration. Although sequestration reductions had no impact on annuitants' payments, the Office absorbed these reductions in FY 2023 in administrative expenses by managing the timing of approved hiring actions, monitoring the funding of contract actions, and planned projects.

Sequestration impact on administrative expenses for the D.C. Federal Pension Fund were \$1.4 million for fiscal years ending September 30, 2023, and 2022. Sequestration impact on administrative expenses for the Judicial Retirement Fund were \$0.1 million for fiscal years ending September 30, 2023, and 2022.

Unless language within the Sequestration Transparency Act of 2012 is changed by Congress, the Office will continue to be subject to sequestration reductions until 2031 per the Infrastructure Investment and Jobs Act 2022 (Public Law 117-58 Division I, Sec. 90001), and will comply with implementation guidance issued by OMB and the Department of the Treasury.

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 64 invoice payments by electronic funds transfer and incurred no Prompt Pay Act interest expense.

f. Financial Operations

Accounting and Financial Reporting Support

Accounting and financial reporting processes are performed by Fiscal Service ARC. ARC Accounting uses Oracle Federal Financial (Oracle) as a core financial management system to record and process financial transaction. Transaction processing consists of a full range of accounting transactions necessary to maintain a complete general ledger, including budgetary transactions. The Office's transactions are entered into Oracle, both manually and via custom interfaces, from ancillary systems. 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 Accounting uses OneStream to prepare the Office's financial statements and provide data analytics functionality improving management's visibility and controls. ARC Accounting provides a report writer package called Oracle Business Intelligence (OBI), which allows the Office to generate accounting reports.

During FY 2023, the Office collaborated with ARC to implement the oneARC portal used to process miscellaneous obligations, related payments, and other account payable commercial requests. These types of requests were previously accomplished by email using manual forms. The oneARC portal has streamlined processes, enabled workflow, and provided an electronic trail of requests. The Office also worked together with ARC and federal trading partners to process interagency agreements and transaction using G-Invoicing. In FY 2024, the Office will work with ARC to replace the OMB Max collaboration tool with a USDA workflow solution. The Office also plans to investigate options for developing automated analytical reports.

g. Actuarial Valuation

In FY 2023, the Office's actuarial contractor performed the annual actuarial valuation for the Office, as required by the Act. The annual actuarial valuation is used to determine the pension liability and FY 2024 funding requirement of the retirement plans administered by the Office. The actuarial valuation was based on assets and liabilities as of the end of FY 2023. The actuarial accrued liability was determined using the demographic assumptions 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 2023	FY 2022	\$ Change
<i>District of Columbia Federal Pension Fund</i>	\$8,500.7	\$8,212.2	\$288.5
<i>District of Columbia Judicial Retirement and Survivors Annuity Fund</i>	\$328.0	\$295.8	\$32.2
Total Actuarial Accrued Liability	\$8,828.7	\$8,508.0	\$320.7

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 economic assumptions.

Other key results from the Actuarial Valuation Report can be found on page 67 of this Annual Report.

C. Program is effectively managed and creates continuous improvement

Program Results and Future Focus

a. Program Planning

In FY 2023, the Office Leadership Team composed of the Office Director, the Assistant Director for Benefits Administration, Assistant Director for Finance and Resource Administration, Assistant Director for Information Technology Systems Administration, and the two Senior Program Managers focused on major deliverables in addition to execution and impact of cross-functional/organizational activities. The Office strives to achieve greater efficiency, effectiveness, and quality for continuous improvement of the D.C Pensions Program. Meetings between the Office and DCRB will continue to take place in FY 2024 to ensure alignment of major operational activities and timely creation of and adherence to memoranda of understanding, service level agreements (SLA), and quality plans.

b. Multi-Year Planning

In FY 2023, the Office Leadership Team continued to focus attention on major functional areas and activities assessed as having longer term and multi-entity impact. The Office Leadership Team tracked the performance indicators to ensure that the Office made progress toward achieving the results contemplated in the Office's FY 2023-2025 Multi-Year Plan. In FY 2024, the Office Leadership Team will review the Multi-Year Plan to determine if the

contemplated results were achieved and to update the Multi-Year Plan to ensure the appropriate emphasis is reflected to achieve optimal results.

c. Knowledge Management

In FY 2023, the Office began focusing on knowledge management which included knowledge transfer, training, and developing standard operating procedures. The Office transferred knowledge amongst staff through one-on-one meetings, recurring meetings, and sharing of information via written correspondence. Additionally, the Office developed and conducted various trainings for staff, participated in webinars presented by Fiscal Service, and participated in external training presented by private vendors. The Office also developed standard operating procedures to ensure effective and efficient standards in work products and activities.

In FY 2024, the Office will continue assessing knowledge management to ensure skills and knowledge exists to effectively manage and execute the goals and objectives of the Office.

d. Service Level Agreements

The Office has annual SLAs in place with Fiscal Service ARC for the STAR administration and hosting, and annuitant payroll operations. In FY 2023, the SLAs were reviewed and revised to more accurately define responsibilities, required services and reporting requirements for service providers, and to ensure high quality service to annuitants.

In FY 2023, the Office collaborated with DCRB to review and update the SLA to ensure a comprehensive view of service requirements for benefit administration. The updated SLA covers FY 2024 and FY 2025.

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

In FY 2023, the Office tracked, collected, and reported performance data to continue to promote transparency, and improve decision making using the performance measurement reporting tool. The performance measures were reported and reviewed during the Office's monthly status meeting. The performance data was utilized to make improvements in program management areas, such as operational planning and resource needs assessments. In FY 2024, the Office will continue to track, collect, and report performance data.

f. Records Management Project

In FY 2023, the Office conducted various assessments and prepared a records management strategy with supporting technology requirements. This included a "roadmap" that defines major milestones for implementing a records management solution and maintaining future federal records in the Office. In FY 2023, the Office conducted a physical and electronic records inventory. In FY 2024, the Office will complete the inventories and execute a records management strategy to build a comprehensive Records Management Program.

g. Risk Management Program

The Office emphasizes risk management through its Risk Management Program that was recently revised to align with the Treasury's Enterprise Risk Management (ERM) Playbook. The Office has taken a proactive approach of developing and nurturing a risk-aware culture as well as incorporating ERM into decision-making to support the responsibilities of making accurate and timely benefit payments, investing fund assets, and funding pension benefits. The Office also maintains a Fraud Mitigation Activities list that outlines internal control activities for identifying and mitigating fraud risks specifically. In FY 2024, the Office plans to develop and incorporate a Fraud Risk Management Framework as an appendix to its Risk Management Plan to expand upon the use of activities outlined in the Fraud Mitigation Activities list.

The Office meets its strategic goal of *Effectively Managed Finances* using the Risk Management Program to assist management with monitoring stated outcomes. These outcomes include "*Pension funds are effectively managed*" and "*Pension funds meet future needs*" for both the D.C. Federal Pension Fund and the Judicial Retirement Fund. Risks associated with these outcomes have been evaluated and categorized as low.

h. Internal Control Program

In FY 2023, in accordance with requirements outlined in OMB Circular's A-123, the Office's Senior Assessment Team (SAT), with the support of a contractor, tested, documented, and reported on the Office's internal controls. The Office used the various guidance documents published by Treasury's Office of the Deputy Chief Financial Officer (ODCFO) to execute the OMB Circular A-123 requirements. The results of the OMB Circular A-123 activities supported management's assessment that the Office's internal controls are operating effectively and as intended. The Office submitted an unmodified statement of assurance for FY 2023.

However, the FY 2023 consolidated financial statement audit reported a repeat finding from FY 2020 which was a significant deficiency related to review of the IT audit logs. The Fiscal Service continued to update its database logging capabilities as part of its overall enterprise logging initiative. In FY 2024, the Office will continue to work closely with the Fiscal Service and anticipates that the Fiscal Service's database branch will be able to produce the necessary database reports by the end of the first quarter in FY 2024.

With contractor assistance engaged in planning, scheduling, facilitating, and coordinating the activities, the Office is positioned to sustain an effective internal controls program that will comply with Treasury's ODCFO FY 2024 guidance.

i. Financial Statement Audit Opinion

KPMG LLP (KPMG), an independent public accounting firm, rendered an unmodified opinion on the Office's FY 2023 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. 24-01, *Audit Requirements for Federal Financial Statements*.

III. Analysis of Systems, Controls, and Legal Compliance

The Office of D.C. Pensions (the Office) is responsible for establishing and maintaining effective internal control over financial reporting and has made a conscious effort to meet the internal controls requirements of the Federal Managers' Financial Integrity Act (FMFIA), the Federal Financial Management Improvement Act (FFMIA), Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, and the Government Accountability Office's Standards for Internal Control in the Federal Government. The Office is operating in accordance with the procedures and standards prescribed by the Comptroller General and OMB guidelines.

The systems of management control for the Office are designed to ensure that:

- Programs achieve their intended results;
- Resources are used consistent with overall mission;
- Programs and resources are free from waste, fraud, and mismanagement;
- Laws and regulations are followed;
- Controls are sufficient to minimize any improper or erroneous payments;
- Performance information is reliable;
- System security is in compliance with all relevant requirements;
- Continuity of operations planning in critical areas is sufficient to reduce risk to reasonable levels;
- Financial management systems are in compliance with Federal financial systems requirements, (i.e., FMFIA Section 4 and FFMIA);
- Complete and accurate data is reported on USASpending.gov; and
- Controls and policies are in place to prevent fraud and inappropriate use of government charge cards.

For all the Office's responsibilities, unmodified assurance is provided herein that the above listed management control objectives, taken as a whole, were achieved by our organization during FY 2023. In addition, the Office provided reasonable assurance that, as of September 30, 2023, the Office is in substantial conformance with the federal financial management systems requirements of Section 4 of the FMFIA, except for the significant deficiency related to the IT controls over the review of the System to Administer Retirement (STAR) audit logs.

The Office's management is responsible for establishing and maintaining adequate internal control over financial reporting, which includes safeguarding of assets and compliance with laws and regulations. The Office conducted the required Treasury assessment of the

effectiveness of its internal controls over financial reporting in accordance with OMB Circular A-123. Based on the results of this assessment, the Office can provide unmodified assurance that its internal control over financial reporting as of September 30, 2023, was operating effectively. No material weaknesses were found in the design or operation of the internal control over financial reporting. In addition, the Office is committed to maintaining effective internal control, as demonstrated by the following actions:

- Although the Office is not a Chief Financial Officer Act agency, the Office's financial statements are pursuant to the Chief Financial Officers Act, as amended, including:
 - a) information revealed in preparing the financial statements, b) auditors reports on the financial statements, and c) internal controls and compliance with laws and regulations and other materials related to preparing financial statements.
- Annual performance plans, reviews, and reports pursuant to the Government Performance Results Act, which include analysis and evaluation of performance measures.
- The development, tracking, and closure of corrective actions identified in the Financial Statement Audit and OMB Circular A-123 Assessment.
- Internal management and program reviews conducted for the purpose of assessing management controls.
- Reviews of financial systems for requirements compliance in conjunction with OMB Circular A-123 and FFMIA.
- Reviews of systems, applications, and contingency plans conducted pursuant to the Computer Security Act of 1987 and OMB Circular A-130, Management of Federal Information Resources.
- Annual assessments, reviews, and reporting performed in compliance with the Payment Integrity Information Act (PIIA).
- Reviews and reporting in compliance with the Federal Information Security Management Act (FISMA).

The Office continues to make improvement in maintaining effective internal control over financial reporting and is committed to monitoring and improving its internal controls throughout the entire office.

IV. Financial Highlights – Financial Overview

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. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the consolidated financial statements are advised that the statements are for a component of the U.S. Government.

Our key financial performance as of and for the fiscal year ending September 30, 2023, compared to September 30, 2022, is presented in the table below.

Summary Financial Information (in Millions)				
	FY 2023	FY 2022	\$ Change	% Change
<i>Total Assets</i>	\$4,346.4	\$4,219.2	\$127.2	3.01%
<i>Total Liabilities</i>	\$8,861.1	\$8,537.3	\$323.8	3.79%
<i>Total Net Position</i>	\$(4,514.6)	\$(4,318.1)	\$(196.5)	4.55%
<i>Total Net Cost of Operations</i>	\$828.0	\$964.8	\$(136.8)	-14.18%
<i>Total Budgetary Resources</i>	\$1,595.1	\$1,462.0	\$133.1	9.10%
<i>Agency Outlays, Net</i>	\$495.3	\$500.3	\$(5.0)	-1.00%

The Offices' financial performance as of and for the fiscal year ending September 30, 2023, reflects the activities around the primary mission of the Office, implementing the Secretary's responsibilities under the Act to make timely and accurate benefit payments associated with the District of Columbia retirement plans for police officers and firefighters, teachers, and judges by managing investments, providing oversight and program management, and ensuring funding is available for future payments. The information below provides a summary of significant trends for each line item in the table above.

Total Assets of \$4,346.4 million as of September 30, 2023, principally consist of investments in Treasury securities. The increase in total assets at the end of FY 2023 over the prior year is primarily due to a net increase of \$126.7 million in investments in Treasury securities. The increase in total assets is primarily due to purchases of new investments offset by premiums, discounts, and amortization.

Total Liabilities of \$8,861.1 million as of September 30, 2023, principally consist of Actuarial Pension Liability, and the related Accrued Pension Benefits Payable. The increase in liabilities at the end of FY 2023 over the prior year is primarily due to pension expenses offset by pension benefits paid and accrued.

Total Net Position of \$(4,514.6) million as of September 30, 2023, represents the combined total of the Offices' cumulative results of operations. The decrease in Total Net Position over the prior year is primarily due to a \$126.7 increase in investments in Treasury securities offset by a \$320.6 million increase in Actuarial Pension Liability, and the related Accrued Pension Benefits Payable.

Total Net Cost of Operations represents the Total Program Costs less Total Earned Revenues for Net Program Costs Before Loss from Actuarial Assumption Changes plus Loss on Actuarial Assumption Changes. The decrease of \$136.8 million in Total Net Cost of Operations primarily stems from a decrease of \$14.9 million in Pension Expense before

Actuarial Assumption Changes, an increase of \$21.4 million in Interest Earned, and a \$100.6 million decrease in Loss on Actuarial Assumption Changes.

Total Budgetary Resources of \$1,595.1 million increased by \$133.1 million primarily due to a \$87.8 million increase in Appropriations, a \$40.0 million increase in Spending Authority from Offsetting Collections, and a \$5.2 million increase in Unobligated Balance from Prior Year Budget Authority.

Agency Outlays, Net of \$495.3 million were slightly lower primarily due to increase in Outlays by \$89.0 million offset by a \$94.0 million increase in Distributed Offsetting Receipts. The increase of \$89.0 million in outlays were primarily the result of an increase in Warrants paid for \$72.3 million and federal benefits paid and accrued for \$16.0 million. The increase of \$94.0 million in distributed offsetting receipts is primarily due to a \$72.3 million increase in Warrants received and a \$21.2 million increase in interest and other investment receipts.

PART 2

INDEPENDENT AUDITORS' REPORT



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

Independent Auditors' Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the 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, 2023 and 2022, and the related consolidated statements of net costs, and changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the ODCP as of September 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-01 are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the ODCP and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter - 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 consolidated financial statements. Such information is not a required part of the 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.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-01 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ODCP's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

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

Required Supplementary Information

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 is the responsibility of management and, 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 GAAS, 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

Management is responsible for the other information included in the Annual Report. The other information comprises the *Message from the Director* and the *Other Information* section but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.



In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on 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, 2023, we considered the ODCP's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying *Schedule of Findings* as an item that we consider to be a significant deficiency.

Report on 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, 2023 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-01.

ODCP's Response to Findings

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



Purpose of the Reporting Required by *Government Auditing Standards*

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections 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, D.C.
December 7, 2023

General Information Technology (IT) Controls over the System to Administer Retirement (STAR)

During fiscal year 2023, a prior year deficiency continued to exist because ODCP had not fully implemented a corrective action plan. ODCP's general IT controls over the review of STAR audit logs were not properly designed to maintain evidence that an independent individual reviewed and actioned, as necessary, activity on the audit logs for the database layer. In prior years, this resulted because management did not design the entity's STAR to respond to the entity's objectives and risks. The prior year deficiency continues to exist because ODCP and their service provider, the Department of Treasury's Bureau of Fiscal Service, have not fully implemented the corrective action plan, due to the timing of enterprise-wide audit logging remediation efforts and competing priorities.

The audit logging deficiency poses a risk that inappropriate activity within STAR is not investigated and resolved.

The relevant criteria are the Government Accountability Office's *Standards for Internal Control in the Federal Government*, dated September 2014, and National Institute of Standards and Technology Special Publication 800-53, Revision 4, *Security and Privacy Controls for Federal Information Systems and Organizations*.

Recommendation:

We recommend that ODCP management enhance existing policies and procedures to document a process for reviewing, investigating, and resolving unusual or suspicious activity identified during the audit log review, as well as maintaining evidence of such review, investigation, and resolution.

ODCP's Response:

The Office of D.C. Pensions' service provider at the Bureau of the Fiscal Service (Fiscal Service) is currently implementing an enterprise-wide logging solution, which is necessary for remediation of the database audit logging deficiency. Fiscal Service plans to complete their final phase of the logging solution by the end of calendar year 2023. ODCP will continue to work with Fiscal Service on the policies and procedures surrounding database audit log monitoring once the full capabilities of the enterprise-wide logging solution have been realized.

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PART 3

FINANCIAL STATEMENTS and NOTES

Department of the Treasury
Office of D.C. Pensions
Consolidated Balance Sheets
As of September 30, 2023 and September 30, 2022
(in thousands)

	<u>2023</u>	<u>2022</u>
Assets:		
Intragovernmental		
Fund Balance with Treasury (Note 2)	\$ 307	\$ 527
Investments, Net		
Intragovernmental Investments (Note 3)	4,321,641	4,194,954
Interest Receivable	21,481	21,688
Total Intragovernmental	<u>4,343,429</u>	<u>4,217,169</u>
Other than Intragovernmental		
Accounts Receivable, Net (Note 4)	2,995	2,028
Total Other than Intragovernmental	<u>2,995</u>	<u>2,028</u>
Total Assets	<u>\$ 4,346,424</u>	<u>\$ 4,219,197</u>
Liabilities:		
Intragovernmental		
Accounts Payable	\$ 179	\$ 115
Other Liabilities	58	57
Total Intragovernmental	<u>237</u>	<u>172</u>
Other than Intragovernmental		
Accounts Payable	1,719	1,837
Advances from Others	29,940	26,770
Other Liabilities		
Accrued Pension Benefits Payable	48,284	46,978
Actuarial Pension Liability (Note 6)	8,780,338	8,461,013
Accrued Payroll and Benefits	555	561
Total Other than Intragovernmental	<u>8,860,836</u>	<u>8,537,159</u>
Total Liabilities	<u>\$ 8,861,073</u>	<u>\$ 8,537,331</u>
Net Position:		
Cumulative Results of Operations – Funds		
from Other than Dedicated Collections	\$ (4,514,649)	\$ (4,318,134)
Total Net Position	<u>\$ (4,514,649)</u>	<u>\$ (4,318,134)</u>
Total Liabilities and Net Position	<u>\$ 4,346,424</u>	<u>\$ 4,219,197</u>

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

Department of the Treasury
Office of D.C. Pensions
Consolidated Statements of Net Cost
For the Years Ended September 30, 2023 and September 30, 2022
(in thousands)

	<u>2023</u>	<u>2022</u>
<i>Program Costs</i>		
<i>Administrative Expenses (Note 5)</i>	\$ 22,793	\$ 22,138
<i>District Benefit Payments and Employer Share of</i>		
<i>DC Health and Life Plans</i>	338,109	297,820
<i>Pension Expense before Actuarial Assumption</i>		
<i>Changes (Note 6)</i>	<u>443,213</u>	<u>458,143</u>
<i>Total Program Costs</i>	<u>804,115</u>	<u>778,101</u>
<i>Less: Earned Revenues</i>		
<i>Reimbursable Income</i>	341,056	300,401
<i>Interest Earned</i>	81,575	60,152
<i>Employee Contributions</i>	<u>784</u>	<u>679</u>
<i>Total Earned Revenues</i>	<u>423,415</u>	<u>361,232</u>
 <i>Net Program Costs Before Loss from Actuarial Assumption</i>		
<i>Changes</i>	380,700	416,869
 <i>Loss on Actuarial Assumption Changes, Net (Note 6)</i>	<u>447,333</u>	<u>547,978</u>
 <i>Net Cost of Operations</i>	<u><u>\$ 828,033</u></u>	<u><u>\$ 964,847</u></u>

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

Department of the Treasury
Office of D.C. Pensions
Consolidated Statements of Changes in Net Position
For the Years Ended September 30, 2023 and September 30, 2022
(in thousands)

	<u>2023</u>	<u>2022</u>
<i>Unexpended Appropriations:</i>		
Beginning Balance	\$ -	\$ -
Appropriations Received	631,175	558,934
Appropriations Used	<u>(631,175)</u>	<u>(558,934)</u>
Net Change in Unexpended Appropriations	<u>-</u>	<u>-</u>
Total Unexpended Appropriations – Ending Balance	<u>-</u>	<u>-</u>
<i>Cumulative Results of Operations:</i>		
Beginning Balance	\$ (4,318,134)	\$ (3,912,432)
Appropriations Used	631,175	558,934
Imputed Financing	343	211
Net Cost of Operations	<u>(828,033)</u>	<u>(964,847)</u>
Net Change in Cumulative Results of Operations	<u>(196,515)</u>	<u>(405,702)</u>
Total Cumulative Results of Operations – Ending Balance	\$ <u>(4,514,649)</u>	\$ <u>(4,318,134)</u>
Net Position	\$ <u><u>(4,514,649)</u></u>	\$ <u><u>(4,318,134)</u></u>

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

Department of the Treasury
Office of D.C. Pensions
Combined Statements of Budgetary Resources
For the Years Ended September 30, 2023 and September 30, 2022
(in thousands)

	<u>2023</u>	<u>2022</u>
<i>Budgetary Resources:</i>		
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory) (Note 8)	\$ 29,282	\$ 24,043
Appropriations (Discretionary and Mandatory)	1,221,579	1,133,757
Spending Authority from Offsetting Collections	<u>344,225</u>	<u>304,238</u>
Total Budgetary Resources	\$ <u>1,595,086</u>	\$ <u>1,462,038</u>
<i>Status of Budgetary Resources:</i>		
New Obligations and Upward Adjustments	\$ 1,565,146	\$ 1,435,268
Unobligated Balance Exempt from Apportionment, End of Year	<u>29,940</u>	<u>26,770</u>
Total Status of Budgetary Resources	\$ <u>1,595,086</u>	\$ <u>1,462,038</u>
<i>Outlays, Net:</i>		
Outlays, Net (Discretionary and Mandatory)	\$ 1,218,449	\$ 1,129,464
Distributed Offsetting Receipts	<u>(723,119)</u>	<u>(629,149)</u>
Agency Outlays, Net (Discretionary and Mandatory)	\$ <u>495,330</u>	\$ <u>500,315</u>

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

Department of the Treasury
Office of D.C. Pensions
Notes to Financial Statements
September 30, 2023 and September 30, 2022

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.

The Office of D.C. Pensions (the Office) is responsible for and maintains two pension funds, which are the District of Columbia Teachers, Police Officers and Firefighters Federal Pension Fund (the D.C. Federal Pension Fund – 20X5511) and the District of Columbia Judicial Retirement and Survivors Annuity Fund (the Judicial Retirement Fund – 20X8212). The Office has permanent and indefinite appropriations to cover the Accrued Pension Benefits Payable, the Actuarial Pension Liability, and costs to administer the retirement plans.

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 the Department

of the Treasury (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 share of Post-1987 D.C. health and life insurance premiums; and
- Reimbursement from DCRB for 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 (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 2023 and FY 2022 were \$608.7 million and \$539.5 million, respectively, which are included in Appropriations Received on the Consolidated Statements of Changes in Net Position and Appropriations in the Combined Statements of Budgetary Resources.

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 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 2023 and FY 2022 were \$22.5 million and \$19.4 million, respectively, which are included in Appropriations Received on the Consolidated Statements of Changes in Net Position and Appropriations in the Combined Statements of Budgetary Resources.

b. Basis of Accounting and Presentation

The Office is presenting 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 Notes to the Financial Statements 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 United States generally accepted accounting principles 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.

d. Intragovernmental 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, except for 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 Note 3 as Non-Marketable Par Value Securities.

e. Accounts Receivable, Net

Accounts receivable consist primarily of:

- The amount due from the DCRB 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 share of Post-1987 health and life insurance premiums. Under a memorandum of understanding with the DCRB, the Office is to receive an advance of these monies prior to the actual disbursements.

g. Accrued Pension Benefits Payable

Accrued pension benefits payable relates 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 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*.

To calculate the actuarial pension liabilities for FY 2023 and FY 2022, 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, with the exception of the FY 2023 salary increase assumption for firefighters. The FY 2023 salary increase assumption for firefighters was set to the negotiated salary increase of 3.5% for FY 2024 and an 11-year average that includes the 10-year historical values plus the negotiated pay increase for FY 2024 for subsequent years.

For FY 2023, the assumptions used to calculate the pension liabilities were spot rates gradually increasing from 1.30 percent to discount FY 2024 payments, to a maximum of 3.26 percent to discount longer term payments; annual inflation and cost-of-living adjustments of 2.58 percent for judges, 2.60 percent for teachers, and 2.63 percent for police officers and firefighters; and salary increases at an annual rate of 1.67 percent for judges, 2.10 percent for teachers, 2.75 percent for police officers, and 2.55 percent for firefighters.

The assumptions used to calculate the pension liabilities for FY 2022 were spot rates gradually increasing from 0.87 percent to discount FY 2023 payments, to a maximum of 3.21 percent to discount longer term payments; annual inflation and cost-of-living adjustments of 1.88 percent for judges, 2.14 percent for teachers, and 2.15 percent for police

officers and firefighters; and salary increases at an annual rate of 1.26 percent for judges, 2.30 percent for teachers, 2.15 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 Office of Personnel Management (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. The Office has permanent and indefinite appropriations to cover the Accrued Pension Benefits Payable, the Actuarial Pension Liability, and costs to administer the retirement plans. Congress has appropriated funds or funding is otherwise available to pay amounts due. 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.

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 2023 and FY 2022, Office staff salaries and benefits were split 95 percent and five percent between the D.C. Federal Pension Fund and the Judicial Retirement Fund, respectively. This split represents the level of effort required to manage the administrative activities for each 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. OPM 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 2025, which includes actuals for FY 2023, 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 2024. The FY 2022 Combined Statement of Budgetary Resources (SBR) was reconciled to the Program and Financing (P&F) Schedules within the President's Budget for 2024, published in March 2023, and there were no differences for obligations incurred, budgetary resources, status of budgetary resources, or net outlays.

The President's Budget for 2024, which includes the Office's budget within the Other Independent Agencies' budget appendix, is available at the OMB 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, 2023, and 2022, were annual federal payments into the funds, reimbursable income, 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. Intragovernmental Costs

The Office reports intragovernmental costs resulting from the receipt of services provided on a reimbursable basis from other federal entities.

In certain instances, other federal entities incur costs that are directly identifiable to the Office's operations. In accordance with SFFAS No. 4, *Managerial Cost Accounting Standards and Concepts*, as amended, the Office recognizes identified costs paid on behalf of the Office by other federal entities. The imputed intragovernmental financing sources the Office currently recognizes include the actual cost of future benefits for the CSRS and FERS retirement plans and the Federal Employees Health Benefits Program, and Federal Employees Group Life Insurance Program that other federal entities pay on the Office's behalf. Such costs appear on the Consolidated Statements of Net Cost and related funding appears as imputed financing sources on the Consolidated Statements of Changes in Net Position.

p. 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.

q. Entity Assets

Entity assets are assets which the Office has authority to use in its operations. The Office reports entity assets on the Consolidated Balance Sheets. The Office does not have non-entity assets.

r. Custodial Collections

Custodial collections were \$11.6 thousand and \$18.5 thousand for the years ended September 30, 2023 and 2022, respectively, and is related to interest and penalties on certain debts owed to the Office. Custodial collection activities are considered immaterial and incidental to the mission of the Office.

s. Intragovernmental Other Liabilities

Intragovernmental Other Liabilities were \$57.6 thousand and \$56.7 thousand for the years ended September 30, 2023 and 2022, respectively, and is related to employer contributions and payroll taxes payable. Intragovernmental Other Liabilities activities are considered immaterial to the mission of the Office.

2) Fund Balance with Treasury

The Status of Fund balance with Treasury as of September 30, 2023 and 2022, consisted of the following (in thousands):

	<u>2023</u>	<u>2022</u>
<i>Status of Fund Balance with Treasury:</i>		
<i>Unobligated Balance - Available</i>	\$ <u>307</u>	\$ <u>527</u>
<i>Total</i>	\$ <u><u>307</u></u>	\$ <u><u>527</u></u>

Fund Balance with Treasury represents uninvested funds to cover disbursements at the end of the period. This amount does not agree with Unobligated Balances on the Combined Statements of Budgetary Resources because those amounts are in one-day certificates, which are intragovernmental investments.

3) Intragovernmental Investments

Intragovernmental Investments as of September 30, 2023 and 2022, consisted of the following (in thousands):

		<u>2023</u>			
		<u>Cost / Acquisition Value</u>	<u>Amortized (Premium)</u>	<u>Investments</u>	<u>Market Value</u>
<i>Treasury Securities</i>					
<i>Non-Marketable Par Value</i>	\$	240,440	-	240,440	240,440
<i>Non-Marketable Market-based</i>		<u>4,117,285</u>	<u>(36,084)</u>	<u>4,081,201</u>	<u>3,818,814</u>
<i>Total</i>	\$	<u><u>4,357,725</u></u>	<u><u>(36,084)</u></u>	<u><u>4,321,641</u></u>	<u><u>4,059,254</u></u>
		<u>2022</u>			
		<u>Cost / Acquisition Value</u>	<u>Amortized (Premium)</u>	<u>Investments</u>	<u>Market Value</u>
<i>Treasury Securities</i>					
<i>Non-Marketable Par Value</i>	\$	229,628	-	229,628	229,628
<i>Non-Marketable Market-based</i>		<u>3,992,219</u>	<u>(26,893)</u>	<u>3,965,326</u>	<u>3,695,883</u>
<i>Total</i>	\$	<u><u>4,221,847</u></u>	<u><u>(26,893)</u></u>	<u><u>4,194,954</u></u>	<u><u>3,925,511</u></u>

The amortization method utilized by the Office is the effective interest method. The market value for notes and bonds is calculated using rates as of September 30, 2023 and 2022, as published in the Treasury Quote Sheets prepared by Treasury's Office of Market Finance. Included in these figures are net unrealized losses of \$262.4 million and \$269.4 million for the years ended September 30, 2023 and 2022, respectively.

The amortized cost of Intragovernmental Investments (*including par value securities invested overnight*) as of September 30, 2023 and 2022, by maturity date is as follows (in thousands):

	<u>2023</u>	<u>2022</u>
<i>Less than or Equal to 1 Year</i>	\$ 795,428	\$ 804,091
<i>More than 1 Year and Less than or Equal to 5 Years</i>	2,257,828	2,260,116
<i>More than 5 Years and Less than or Equal to 10 Years</i>	1,256,065	1,120,821
<i>More than 10 Years</i>	<u>12,320</u>	<u>9,926</u>
<i>Total</i>	<u>\$ 4,321,641</u>	<u>\$ 4,194,954</u>

4) **Accounts Receivable, Net**

The components of Accounts Receivable, Net as of September 30, 2023 and 2022, are as follows (in thousands):

	<u>2023</u>	<u>2022</u>
<i>Accounts Receivable, Gross</i>	\$ 4,302	\$ 3,793
<i>Allowance for Loss on Accounts Receivable</i>	(1,313)	(1,779)
<i>Taxes Receivable</i>	<u>6</u>	<u>14</u>
<i>Accounts Receivable, Net</i>	<u>\$ 2,995</u>	<u>\$ 2,028</u>

The Allowance for Loss on Accounts Receivable are attributed to debts resulting from benefit overpayments. Accounts Receivable, Net also includes criminal restitution. For FY 2023 and FY 2022, the Office reported criminal debt in the gross amount of \$61.3 thousand, and \$654.7 thousand, respectively. The net realizable value of the criminal debt reported in FY 2023 and FY 2022 was \$2.5 thousand and \$55.9 thousand, respectively.

5) Administrative Expenses

Administrative expenses for the years ended September 30, 2023 and 2022, are as follows (in thousands):

	<u>2023</u>	<u>2022</u>
<i>Intragovernmental Expenses</i>		
Employee Benefits	\$ 1,350	\$ 1,064
Contractual Services	6,187	5,507
Rent	631	655
<i>Total Intragovernmental Expenses</i>	<u>8,168</u>	<u>7,226</u>
<i>Public Expenses</i>		
Employee Salaries	3,533	3,064
Contractual Services	10,736	11,795
Other	356	53
<i>Total Public Expenses</i>	<u>14,625</u>	<u>14,912</u>
<i>Total Administrative Expenses</i>	<u>\$ 22,793</u>	<u>\$ 22,138</u>

6) Pension Expense and Actuarial Pension Liability

Pension Expense and Actuarial Pension Liability for the years ended September 30, 2023 and 2022, includes the following components (in thousands):

	<u>2023</u>	<u>2022</u>
<i>Beginning Liability Balance</i>	\$ 8,461,013	\$ 8,010,108
<i>Pension Expense:</i>		
Normal Cost	7,400	6,800
Interest on Pension Liability During the Period	76,537	67,189
Actuarial Losses During the Period:		
From Experience	359,276	384,154
From Discount Rate Assumption Change	26,794	193,721
From Other Economic Assumption Changes	420,539	326,315
From Non-Economic Assumption Changes	-	27,942
Pension Expense before Other / Non-Actuarial Adjustments	<u>890,546</u>	<u>1,006,121</u>
<i>Less Amounts Paid and Accrued:</i>	<u>(571,221)</u>	<u>(555,216)</u>
<i>Ending Liability Balance</i>	<u>\$ 8,780,338</u>	<u>\$ 8,461,013</u>

Reconciliation to amounts reported for the years ended September 30, 2023 and 2022, in the Consolidated Statements of Net Cost (in thousands):

	<u>2023</u>	<u>2022</u>
<i>Pension Expense before Actuarial Assumption Changes:</i>		
Normal Cost	\$ 7,400	\$ 6,800
Interest on Pension Liability During the Period	76,537	67,189
Actuarial Loss During the Period from Experience	<u>359,276</u>	<u>384,154</u>
<i>Total Pension Expense before Actuarial Assumption Changes</i>	443,213	458,143
<i>Loss on Actuarial Assumption Changes, Net</i>		
Actuarial Losses During the Period:		
From Discount Rate Assumption Change	26,794	193,721
From Other Economic Assumption Changes	420,539	326,315
From Non-Economic Assumption Changes	<u>-</u>	<u>27,942</u>
<i>Total Loss on Actuarial Assumption Changes, Net</i>	447,333	547,978
<i>Total Pension Expense</i>	<u>\$ 890,546</u>	<u>\$ 1,006,121</u>

Federal Benefit Payments

Federal pension benefits paid and accrued were \$553.6 million and \$17.6 million from the D.C. Federal Pension Fund and Judicial Retirement Fund, respectively, for 2023, and \$538.8 million and \$16.4 million, respectively, for 2022. For FY 2023 and FY 2022, approximately \$456.4 thousand and \$53.6 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 2023, 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 \$26.8 million due to the new discount rate assumptions, \$359.3 million from experience, and \$420.5 million due to changes in pay and cost-of-living assumptions. The net result was a total liability actuarial loss of \$806.6 million for the D.C. Federal Pension Fund and Judicial Retirement Fund.

In FY 2022, 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 \$193.7 million due to the new discount rate assumptions, \$384.2 million from experience, \$326.3 million due to changes in pay and cost-of-living assumptions, and \$27.9 million due to other assumption changes which include the change in the mortality projection scale from MP-2020 to MP-2021. The net result was a total liability actuarial loss of \$932.1 million for the D.C. Federal Pension Fund and Judicial Retirement Fund.

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

The Reconciliation of Net Cost of Operations to Agency Outlays, Net depicts the differences between proprietary financial accounting information and budgetary accounting information. Proprietary financial accounting information 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 information 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 to identify costs paid for in the past, those that will be paid in the future, and to assure integrity between financial and budgetary information.

For the fiscal years ended September 30, 2023 and 2022, the Reconciliation of Net Cost of Operations to Agency Outlays, Net consisted of the following (in thousands):

	2023	2022
Net Cost of Operations	\$ 828,033	\$ 964,847
Components of Net Cost of Operations Not Part of Outlays:		
Increase in Assets Not Affecting Outlays:		
Accounts Receivable	967	734
<i>Total Increase in Assets Not Affecting Outlays:</i>	967	734
(Increase)/Decrease in Liabilities Not Affecting Outlays:		
Accounts Payable and Advances from Others	(3,116)	(3,033)
Other Liabilities - Accrued Payroll and Benefits, and Other	5	144
Other Liabilities - Actuarial Pension Liability	(319,325)	(450,905)
Other Liabilities - Accrued Pension Benefits Payable	(1,306)	(1,879)
<i>Total (Increase)/Decrease in Liabilities Not Affecting Outlays:</i>	(323,742)	(455,673)
Other Financing Sources:		
Imputed Financing Sources	(343)	(211)
Employee Contributions	784	679
<i>Total Other Financing Sources:</i>	441	468
Other	4,124	3,491
Total Components of Net Cost of Operations Not Part of Outlays	(318,210)	(450,980)
Components of the Outlays That Are Not Part of Net Cost of Operations:		
Changes in Premiums and Amortization of Premiums	(14,207)	(14,900)
Changes in Interest Receivable	(286)	1,348
Total Components of Outlays That Are Not Part of Net Cost of Operations	(14,493)	(13,552)
Agency Outlays, Net	\$ 495,330	\$ 500,315

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

Net Adjustments to Unobligated Balance Brought Forward October 1

During the years ended September 30, 2023 and 2022, adjustments were made to the balance of unobligated budgetary resources available as of October 1, 2022 and 2021. These adjustments primarily include Recoveries of Prior Year Unpaid Obligations that were obligated in prior years.

The adjustments during the years ended September 30, 2023 and 2022, are as follows (in thousands):

	2023	2022
<i>Unobligated Balance Brought Forward, October 1</i>	\$ 26,770	\$ 22,933
<i>Recoveries of Prior Year Unpaid Obligations</i>	1,751	330
<i>Other Changes in Unobligated Balances</i>	761	780
<i>Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)</i>	\$ 29,282	\$ 24,043

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, 2023 and 2022, consisted of the following (in thousands):

2023			
	<u>Federal</u>	<u>Non-Federal</u>	<u>Total</u>
<i>Unpaid undelivered orders at the end of the year</i>	\$ 227	\$ 4,131	\$ 4,358

2022			
	<u>Federal</u>	<u>Non-Federal</u>	<u>Total</u>
<i>Unpaid undelivered orders at the end of the year</i>	\$ 210	\$ 5,435	\$ 5,645

PART 4

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

Department of the Treasury
Office of D.C. Pensions
Combining Statements of Budgetary Resources
By Fund (Unaudited)
For the Years Ended September 30, 2023 and September 30, 2022
(In Thousands)

	2023			2022		
	<i>D.C. Judicial Retirement and Survivors Annuity Fund</i>	<i>D.C. Federal Pension Fund</i>	<i>Combined D.C. Pension Funds Total</i>	<i>D.C. Judicial Retirement and Survivors Annuity Fund</i>	<i>D.C. Federal Pension Fund</i>	<i>Combined D.C. Pension Funds Total</i>
<i>Budgetary Resources:</i>						
<i>Unobligated Balance from Prior Year Budget Authority, Net</i>	\$ 3	\$ 29,279	\$ 29,282	\$ 14	\$ 24,029	\$ 24,043
<i>Appropriations (Discretionary and Mandatory)</i>	40,641	1,180,938	1,221,579	36,374	1,097,383	1,133,757
<i>Spending Authority from Offsetting Collections</i>	-	344,225	344,225	-	304,238	304,238
<i>Total Budgetary Resources:</i>	<u>\$ 40,644</u>	<u>\$ 1,554,442</u>	<u>\$ 1,595,086</u>	<u>\$ 36,388</u>	<u>\$ 1,425,650</u>	<u>\$ 1,462,038</u>
<i>Status of Budgetary Resources:</i>						
<i>New Obligations and Upward Adjustments</i>	\$ 40,644	\$ 1,524,502	\$ 1,565,146	\$ 36,388	\$ 1,398,880	\$ 1,435,268
<i>Unobligated Balance Exempt from Apportionment, end of year</i>	-	29,940	29,940	-	26,770	26,770
<i>Total Status of Budgetary Resources:</i>	<u>\$ 40,644</u>	<u>\$ 1,554,442</u>	<u>\$ 1,595,086</u>	<u>\$ 36,388</u>	<u>\$ 1,425,650</u>	<u>\$ 1,462,038</u>
<i>Outlays, Net:</i>						
<i>Outlays, Net (Discretionary and Mandatory)</i>	\$ 40,485	\$ 1,177,964	\$ 1,218,449	\$ 36,249	\$ 1,093,215	\$ 1,129,464
<i>Distributed Offsetting Receipts</i>	(22,475)	(700,644)	(723,119)	(19,422)	(609,727)	(629,149)
<i>Agency Outlays, Net (Discretionary and Mandatory)</i>	<u>\$ 18,010</u>	<u>\$ 477,320</u>	<u>\$ 495,330</u>	<u>\$ 16,827</u>	<u>\$ 483,488</u>	<u>\$ 500,315</u>

See accompanying independent auditors' report.

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PART 5

OTHER INFORMATION (Unaudited)

Department of the Treasury
 Office of D.C. Pensions
 Consolidating Balance Sheets
 By Fund (Unaudited)
 As of September 30, 2023 and September 30, 2022
 (In Thousands)

	2023			2022		
	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:						
Intragovernmental						
Fund Balance with Treasury Investments, Net	\$ 97	\$ 210	\$ 307	\$ 128	\$ 399	\$ 527
Intragovernmental Investments	205,740	4,115,901	4,321,641	196,413	3,998,541	4,194,954
Interest Receivable	566	20,915	21,481	488	21,200	21,688
Total Intragovernmental	206,403	4,137,026	4,343,429	197,029	4,020,140	4,217,169
Other than Intragovernmental						
Accounts Receivable, Net	3	2,992	2,995	3	2,025	2,028
Total Other than Intragovernmental	3	2,992	2,995	3	2,025	2,028
Total Assets	\$ 206,406	\$ 4,140,018	\$ 4,346,424	\$ 197,032	\$ 4,022,165	\$ 4,219,197
Liabilities:						
Intragovernmental						
Accounts Payable	\$ 62	\$ 117	\$ 179	\$ 39	\$ 76	\$ 115
Other Liabilities	4	54	58	3	54	57
Total Intragovernmental	66	171	237	42	130	172
Other than Intragovernmental						
Accounts Payable	8	1,711	1,719	6	1,831	1,837
Advances from Others	-	29,940	29,940	-	26,770	26,770
Other Liabilities						
Accrued Pension Benefits Payable	1,450	46,834	48,284	1,327	45,651	46,978
Actuarial Pension Liability	326,508	8,453,830	8,780,338	294,513	8,166,500	8,461,013
Accrued Payroll and Benefits	31	524	555	28	533	561
Total Other than Intragovernmental	327,997	8,532,839	8,860,836	295,874	8,241,285	8,537,159
Total Liabilities	\$ 328,063	\$ 8,533,010	\$ 8,861,073	\$ 295,916	\$ 8,241,415	\$ 8,537,331
Net Position:						
Cumulative Results of Operations - Funds from Other than Dedicated Collections	(121,657)	(4,392,992)	(4,514,649)	(98,884)	(4,219,250)	(4,318,134)
Total Net Position	\$ (121,657)	\$ (4,392,992)	\$ (4,514,649)	\$ (98,884)	\$ (4,219,250)	\$ (4,318,134)
Total Liabilities and Net Position	\$ 206,406	\$ 4,140,018	\$ 4,346,424	\$ 197,032	\$ 4,022,165	\$ 4,219,197

See accompanying independent auditors' report.

Department of the Treasury
 Office of D.C. Pensions
 Consolidating Statements of Net Cost
 By Fund (Unaudited)
 For the Years Ended September 30, 2023 and September 30, 2022
 (In Thousands)

	2023			2022		
	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
<i>Program Costs</i>						
Administrative Expenses	\$ 559	\$ 22,234	\$ 22,793	\$ 573	\$ 21,565	\$ 22,138
District Benefit Payments and Employer Share of DC Health and Life Plans	-	338,109	338,109	-	297,820	297,820
Pension Expense Before Actuarial Assumption Changes	29,828	413,385	443,213	25,997	432,146	458,143
Total Program Costs	30,387	773,728	804,115	26,570	751,531	778,101
<i>Less: Earned Revenues</i>						
Reimbursable Income	-	341,056	341,056	-	300,401	300,401
Interest Earned	4,124	77,451	81,575	3,491	56,661	60,152
Employee Contributions	784	-	784	679	-	679
Total Earned Revenues	4,908	418,507	423,415	4,170	357,062	361,232
Net Program Costs Before Loss from Actuarial Assumption Changes	25,479	355,221	380,700	22,400	394,469	416,869
Loss on Actuarial Assumption Changes, Net	19,786	427,547	447,333	9,727	538,251	547,978
Net Cost of Operations	\$ 45,265	\$ 782,768	\$ 828,033	\$ 32,127	\$ 932,720	\$ 964,847

See accompanying independent auditors' report.

Department of the Treasury
 Office of D.C. Pensions
 Consolidating Statements of Changes in Net Position
 By Fund (Unaudited)
 For the Years Ended September 30, 2023 and September 30, 2022
 (In Thousands)

	2023			2022		
	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
<i>Unexpended Appropriations:</i>						
Beginning Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Appropriations Received	22,475	608,700	631,175	19,422	539,512	558,934
Appropriations Used	(22,475)	(608,700)	(631,175)	(19,422)	(539,512)	(558,934)
Net Change in Unexpended Appropriations	-	-	-	-	-	-
Total Unexpended Appropriations - Ending Balance	-	-	-	-	-	-
<i>Cumulative Results of Operations:</i>						
Beginning Balance	\$ (98,884)	\$ (4,219,250)	\$ (4,318,134)	\$ (86,189)	\$ (3,826,243)	\$ (3,912,432)
Appropriations Used	22,475	608,700	631,175	19,422	539,512	558,934
Imputed Financing	18	325	343	10	201	211
Net Cost of Operations	(45,265)	(782,768)	(828,033)	(32,127)	(932,720)	(964,847)
Net Change in Cumulative Results of Operations	(22,772)	(173,743)	(196,515)	(12,695)	(393,007)	(405,702)
Total Cumulative Results of Operations - Ending Balance	\$ (121,656)	\$ (4,392,993)	\$ (4,514,649)	\$ (98,884)	\$ (4,219,250)	\$ (4,318,134)
Net Position	\$ (121,656)	\$ (4,392,993)	\$ (4,514,649)	\$ (98,884)	\$ (4,219,250)	\$ (4,318,134)

See accompanying independent auditors' report.

Department of the Treasury
Office of D.C. Pensions
Schedule of Pension Expense - by Fund (Unaudited)
For the Years Ended September 30, 2023 and September 30, 2022
(In Thousands)

	2023			2022		
	<i>D.C. Judicial Retirement and Survivors Annuity Fund</i>	<i>D.C. Federal Pension Fund</i>	<i>Consolidated D.C. Pension Funds Total</i>	<i>D.C. Judicial Retirement and Survivors Annuity Fund</i>	<i>D.C. Federal Pension Fund</i>	<i>Consolidated D.C. Pension Funds Total</i>
<i>Beginning Liability Balance</i>	\$ 294,513	\$ 8,166,500	\$ 8,461,013	\$ 275,210	\$ 7,734,898	\$ 8,010,108
<i>Pension Expense:</i>						
<i>Normal Cost</i>	7,400	-	7,400	6,800	-	6,800
<i>Interest on Pension Liability During the Period</i>	7,498	69,039	76,537	7,115	60,074	67,189
<i>Actuarial (Gains) Losses During the Period:</i>						
<i>From Experience</i>	14,930	344,346	359,276	12,082	372,072	384,154
<i>From Discount Rate Assumption Change</i>	(4,771)	31,565	26,794	1,278	192,443	193,721
<i>From Other Economic Assumption Changes</i>	24,557	395,982	420,539	7,413	318,902	326,315
<i>From Non-Economic Assumption Changes</i>	-	-	-	1,036	26,906	27,942
<i>Pension Expense before Other / Non-Actuarial Adjustments</i>	49,614	840,932	890,546	35,724	970,397	1,006,121
<i>Less Amounts Paid and Accrued:</i>	(17,619)	(553,602)	(571,221)	(16,421)	(538,795)	(555,216)
<i>Ending Liability Balance</i>	\$ 326,508	\$ 8,453,830	\$ 8,780,338	\$ 294,513	\$ 8,166,500	\$ 8,461,013

See accompanying independent auditors' report.

Actuarial Valuation Report FY 2023 (unaudited)

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) 2023 (October 1, 2022 through September 30, 2023);
- 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 2024 (October 1, 2023 through September 30, 2024); 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.

Per Actuarial Standards of Practice 4, Measuring Pension Obligations and Determining Pension Plan Costs or Contributions (ASOP 4), effective for measurement dates after February 15, 2023, when measuring pension obligations, the combined effect of assumptions is expected to have no significant bias (i.e., it is not significantly optimistic or pessimistic) for non-prescribed assumptions except when provisions for adverse deviation are included. The combined effect of non-prescribed assumptions used for measuring the pension obligations in this valuation does not have significant bias.

Summary of Results

As of October 1, 2023	Police Officers and Firefighters', and Teachers' Plans	Judges' Plan
Actuarial Accrued Liability	\$ 8,500,663,382	\$ 327,958,468
Plan Assets	(4,108,055,077)	(206,059,441)
Unfunded Actuarial Accrued Liability	\$ 4,392,608,305	\$ 121,899,027
Normal Cost with Interest (including expected employee contributions)	N/A	\$ 9,300,000

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	\$ (6,123,186)	\$ (2,110,011)
Inactive Mortality	(39,516,638)	(27,018)
Salary Increase	17,540,864	2,331,568
New Entrants	N/A	-
Cost-of-Living Adjustment (COLA) Different than Expected	345,651,919	14,285,212
(Gains)/Losses due to Census Changes:	27,718,263	661,744
(Gains)/Losses due to New Terminated Vested Plan Members:	-	-
(Gains) / Losses due to New Actives Due to Ongoing Data Management:	-	-
Total	\$ 345,271,222	\$ 15,141,495

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 Officers and Firefighters' and Teachers' Plans is primarily due to favorable retirement experience with fewer Police Officers and Firefighters retiring than expected. The gain for the Judges' is primarily due to favorable retirement experience.

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 Officers and Firefighters' and Teachers' Plans is driven by plan members in pay status dying at an earlier age and in greater number than expected in the past year. For the Judges' Plan, the mortality gains and losses ultimately resulted in a net gain. The losses incurred by beneficiaries and disableds surviving longer than expected were offset by the gains of retirees dying at an earlier age and in greater number than expected. 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 loss for Judges' Plan is due to the actual salary increases exceeding the assumed rate. In FY 2023, Police Officers and Firefighters received pay increases retroactive to October 11, 2020 and Teachers received pay increases retroactive to October 13, 2019. The loss for the Police Officers and Firefighters' and Teachers' Plans due to the retroactive pay increases was \$20.8 million. This was offset by a gain of \$3.3 million due to salary increases being less than expected.
 - **New Entrants:** The actuarial valuation incurs a loss whenever new members enter the plan with past service. The Police Officers and Firefighters' and Teachers' Plans are closed and will never incur a gain or loss due to this reason. The Judges' Plan did have seven new entrants but the individuals did not join with past service, therefore there is no (gain) or loss.
 - **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. Inflation for 2022 was significantly above recent history creating higher actual COLA percentages than expected and driving losses in the Police Officers and Firefighters' and Teachers' Plans and the Judges' Plan. The actual COLA for Police Officers and Firefighters was 6.50% compared to the 2.15% assumption. The actual COLA for Teachers was 6.30% compared to the 2.14% assumption. The actual COLA for Judges was 8.70% compared to the 1.88% assumption. Additionally, for Police Officers and Firefighters retired prior to February 15, 1980 that receive equalization, the collective bargaining agreement created a loss of \$24.4 million.
 - **(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 Officers and Firefighters' and Teachers' Plans**, the net loss amount was \$27.7 million and includes the following:
- A \$27.5 million loss resulting from new beneficiaries following the death of plan members for whom the chosen form of payment was unknown.
 - A \$0.8 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 \$0.6 million net gain resulting from other miscellaneous demographic changes including ongoing data management (unexpected changes to data fields such as hire date, salary, service, amounts etc.) offset by losses from rehires.

Executive Summary

Highlights of the Actuarial Valuation

For the **Judges' Plan**, the total loss amount of \$662,000 includes the following:

- A \$212,000 net 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 \$330,000 net loss resulting from ongoing data management, including unexpected changes to data fields such as hire date, salary, service, etc.
- A \$45,000 loss resulting from data updates for continuing inactive plan members, primarily due to additional spouse information provided with these spouses being younger than assumed.
- A \$75,000 loss resulting from new beneficiaries following the death of plan members.

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	\$ 3,991,603,721	\$ 196,811,485
Expected Return on Assets	32,235,783	4,908,493
Actual Return on Assets	80,638,894	4,211,915
Asset (Gain)/Loss	\$ (48,403,111)	\$ 696,578

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

	D.C. Federal Pension Fund	Judicial Retirement Fund
Assets	2.01%	2.11%

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 2.61% 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, 0.87%. The Judicial Retirement Fund experienced a lower-than-anticipated return of 2.11% on fund assets and the D.C. Federal Pension Fund experienced a higher-than-anticipated return of 2.01% 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	\$ 31,565,314	\$ (4,771,150)
Other Economic Assumptions	395,982,245	24,556,682
Non-Economic Assumptions	-	-
Total	\$ 427,547,559	\$ 19,785,532

The discount rate assumption was updated according to prescribed guidance. While the Effective Interest Rate (EIR) for the Police Officers and Firefighters' and Teachers' Plans increased, it did not increase as much as expected, thereby creating a small loss. The EIR for the Judges' Plan increased, causing a gain.

For the Police Officers and Firefighters' and Teachers' Plans and Judges' Plan, the cost-of-living adjustment (COLA) assumption for annuitants increased causing a loss. The wage inflation assumption increased for the Police Officers and Firefighters' Plan and decreased for the Teachers' Plan, which resulted in a net loss. For the Judges' Plan, the other economic assumption change was an increase to the wage inflation assumption for active plan members which caused a loss. A detailed description of the changes since prior year is available in Appendix A: Actuarial Assumptions and Methods.

While RPEC released an updated mortality report in October 2022, they did not produce a Scale MP-2022. Therefore, the Police Officers and Firefighters', and Teachers' Plans, and the Judges' Plan are using the most current projection scale available. A complete description of the actuarial assumptions and rationale can be found in Appendix A: Actuarial Assumptions and Methods and Appendix B: Rationale.

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 2024 (excluding the reimbursement for expenses). The table below contains Government Contribution (excluding expenses) for FY 2023 and FY 2024.

Contribution Year	Government Contribution (excluding expenses)	
	D.C. Federal Pension Fund	Judiciary Retirement Fund
September 30, 2023	\$ 589,600,000	\$ 22,000,000
September 30, 2024	\$ 659,400,000	\$ 26,200,000

The increase/(decrease) in the Government Contribution amounts from FY2023 to FY2024 is explained in the table below.

	Police Officers and Firefighters', and Teachers' Plans	Judges' Plan
Full amortization of the 10/1/2013 Experience gain/loss	\$ 9,900,000	\$ (800,000)
New amortization base for the 10/1/2023 Experience gain/loss	33,000,000	1,800,000
New amortization base for the 10/1/2023 Assumption change gain/loss	26,900,000	1,400,000
Normal Cost change	-	1,900,000
Employee Contribution change	-	(100,000)
Total	\$ 69,800,000	\$ 4,200,000

Executive Summary

Summary of Results

Police Officers and Firefighters', and Teachers' Plans

	Valuation Date	
	October 1, 2023	October 1, 2022
Plan Member Counts		
Actives	430	567
Terminated Vested	240	260
Annuitants	<u>12,780</u>	<u>13,042</u>
Total	13,450	13,869
Contributions		
Federal Required Contribution	\$ 659,400,000	\$ 589,600,000
Present Value of Benefits (PVB)		
Active Plan Members		
Retirement Decrement	\$ 164,412,417	\$ 188,015,325
Termination Decrement	-	-
Disability Decrement	473,029	608,695
Death Decrement	<u>177,645</u>	<u>226,941</u>
Total	\$ 165,063,091	\$ 188,850,961
Inactive Plan Members		
Normal Retirees ¹	\$ 6,720,542,939	\$ 6,478,696,504
Terminated Vested	37,560,508	39,511,106
Disabled Retirees ¹	651,436,268	649,529,509
Beneficiaries	<u>926,060,576</u>	<u>855,563,209</u>
Total	\$ 8,335,600,291	\$ 8,023,300,328
Total PVB (inactive and active)	\$ 8,500,663,382	\$ 8,212,151,289
Unfunded Actuarial Accrued Liability (AAL)		
Active AAL	\$ 165,063,091	\$ 188,850,961
Inactive AAL	<u>8,335,600,291</u>	<u>8,023,300,328</u>
Total AAL	\$ 8,500,663,382	\$ 8,212,151,289
Asset Value as of Valuation Date	\$ (4,108,055,077)	\$ (3,991,603,721)
Unfunded AAL	\$ 4,392,608,305	\$ 4,220,547,568

¹Throughout 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, 2023	October 1, 2022
Plan Member Counts		
Actives	61	57
Terminated Vested	-	-
Annuitants	<u>104</u>	<u>106</u>
Total	165	163
Contributions		
Government Contribution (excluding expenses)	\$ 26,200,000	\$ 22,000,000
Present Value of Benefits (PVB)		
Active Plan Members		
Retirement Decrement	\$ 185,192,830	\$ 150,387,774
Termination Decrement	-	-
Disability Decrement	-	-
Death Decrement	<u>1,135,412</u>	<u>863,254</u>
Total	\$ 186,328,242	\$ 151,251,028
Inactive Plan Members		
Normal Retirees ¹	\$ 220,896,705	\$ 201,038,833
Terminated Vested	-	-
Disabled Retirees ¹	4,793,614	4,252,423
Beneficiaries	<u>11,632,143</u>	<u>10,168,034</u>
Total	\$ 237,322,462	\$ 215,459,290
Total PVB (inactive and active)	\$ 423,650,704	\$ 366,710,318
Unfunded Actuarial Accrued Liability (AAL)		
Active AAL	\$ 90,636,006	\$ 80,380,614
Inactive AAL	<u>237,322,462</u>	<u>215,459,290</u>
Total AAL	\$ 327,958,468	\$ 295,839,904
Asset Value as of Valuation Date	\$ (206,059,441)	\$ (196,811,485)
Unfunded AAL	\$ 121,899,027	\$ 99,028,419
Total Normal Cost	\$ 9,300,000	\$ 7,400,000
Employee Contributions	<u>(700,000)</u>	<u>(600,000)</u>
Net Employer Normal Cost	\$ 8,600,000	\$ 6,800,000

¹Throughout 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

Actuarial Valuation Opinion

This report presents the results of the actuarial valuation of the Program as of October 1, 2023. 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, 2023 (plan data was projected to September 30, 2023 by adjusting for expected mortality for inactive plan members) and the estimated asset information projected by the Department of the Treasury to September 30, 2023 (provided on August 10, 2023).

In FY 2023, a collective bargaining agreement was ratified that increased the future and historical salaries for certain participants in the Police Officers and Firefighters' and Teachers' Plans. A factor was provided developed based on the number of years retired to reflect the retroactive pay adjustment for those who retired within the last four years. The historical salaries were also increased to reflect the retroactive pay increase.

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



Jeffrey Rees, FSA, MAAA, FCA
Enrolled Actuary No. 23-05941
October 23, 2023



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