Audit Report

OIG-23-012

FINANCIAL MANAGEMENT

Audit of the Office of D.C. Pensions' Financial Statements for Fiscal Years 2022 and 2021

December 14, 2022

Office of Inspector General
Department of the Treasury

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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

December 14, 2022

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 2022 and 2021

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 Office of D.C. Pensions' (ODCP) consolidated balance sheets as of September 30, 2022 and 2021, and the consolidated statements of net cost, and changes in net position, and combined statement of budgetary resources 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. 22-01, *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.

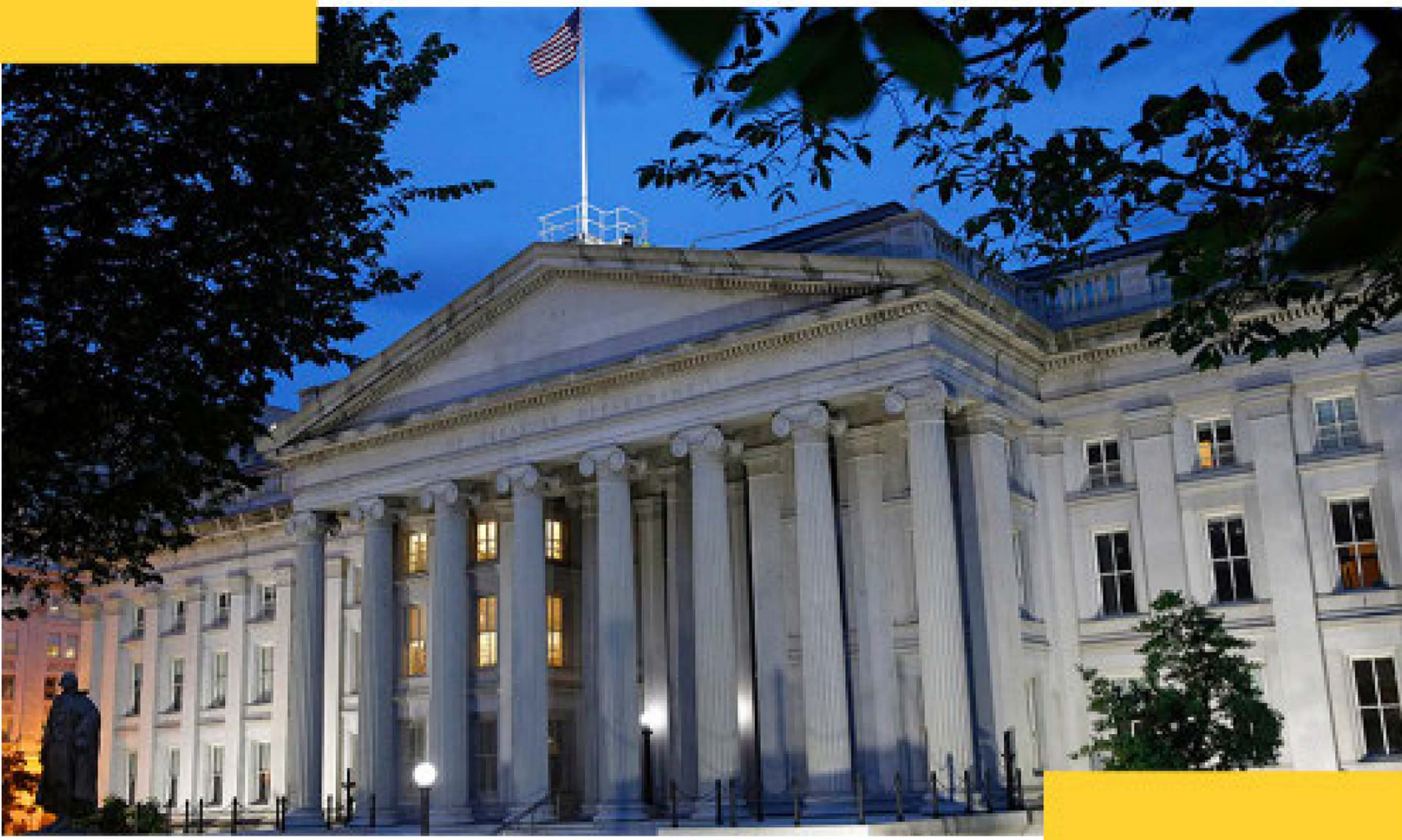
In connection with the contract, we reviewed KPMG's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit performed in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do 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 13, 2022, and the conclusions expressed in the report. However, our 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) 927-5591.

Attachment

DEPARTMENT OF THE TREASURY
OFFICE OF D.C. PENSIONS

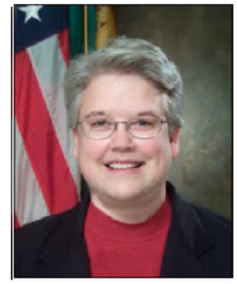
ANNUAL REPORT Fiscal Year 2022



DISTRICT OF COLUMBIA PENSIONS PROGRAM

MESSAGE FROM THE DIRECTOR

December 2022



On behalf of the Office of D.C. Pensions, I am pleased to present the Fiscal Year (FY) 2022 Annual Report, which provides highlights of the program's significant accomplishments, as well as plans for upcoming years.

Pursuant to the Balanced Budget Act of 1997, as amended (the Act), the Office of D.C. Pensions is responsible for carrying out the Secretary of the Treasury's responsibility to fund and administer the District of Columbia Judges' Retirement Plan and the federal portion of the District of Columbia Police Officers and Firefighters', and Teachers' Retirement Plans. As of September 30, 2022, 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 $4.2 billion. During FY 2022, $826.2 million in benefit payments were processed for annuitants, beneficiaries, and Qualified Domestic Relations Orders (QDROs). 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. An independent public accounting firm rendered an unmodified opinion on the FY 2022 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 Office of D.C. Pensions and our service providers and business partners continued to enhance the System to Administer Retirement (STAR), our pension/payroll system, with expanded access to self-service for all annuitants. An additional STAR enhancement included the development of a tracking tool for debt and due process cases, which will be implemented in FY 2023. During FY 2022, the implementation of a new quality management strategy streamlined processes and introduced new quality review activities.

The entire staff from the D.C. Pensions Program continued to demonstrate great resilience during the COVID-19 global pandemic where the interruption changed the work environment. In FY 2022, the Office of D.C. Pensions staff transitioned to a hybrid work environment, which continued to require flexibility and communication. With support from our service providers and business partners, the Office of D.C. Pensions continued to perform all program activities without interruption. The Office of D.C. Pensions continues to evaluate internal and external business processes to ensure the well-being of staff while exploring opportunities to enhance efficiency and effectiveness.

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

Nancy A. Ostrowski

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

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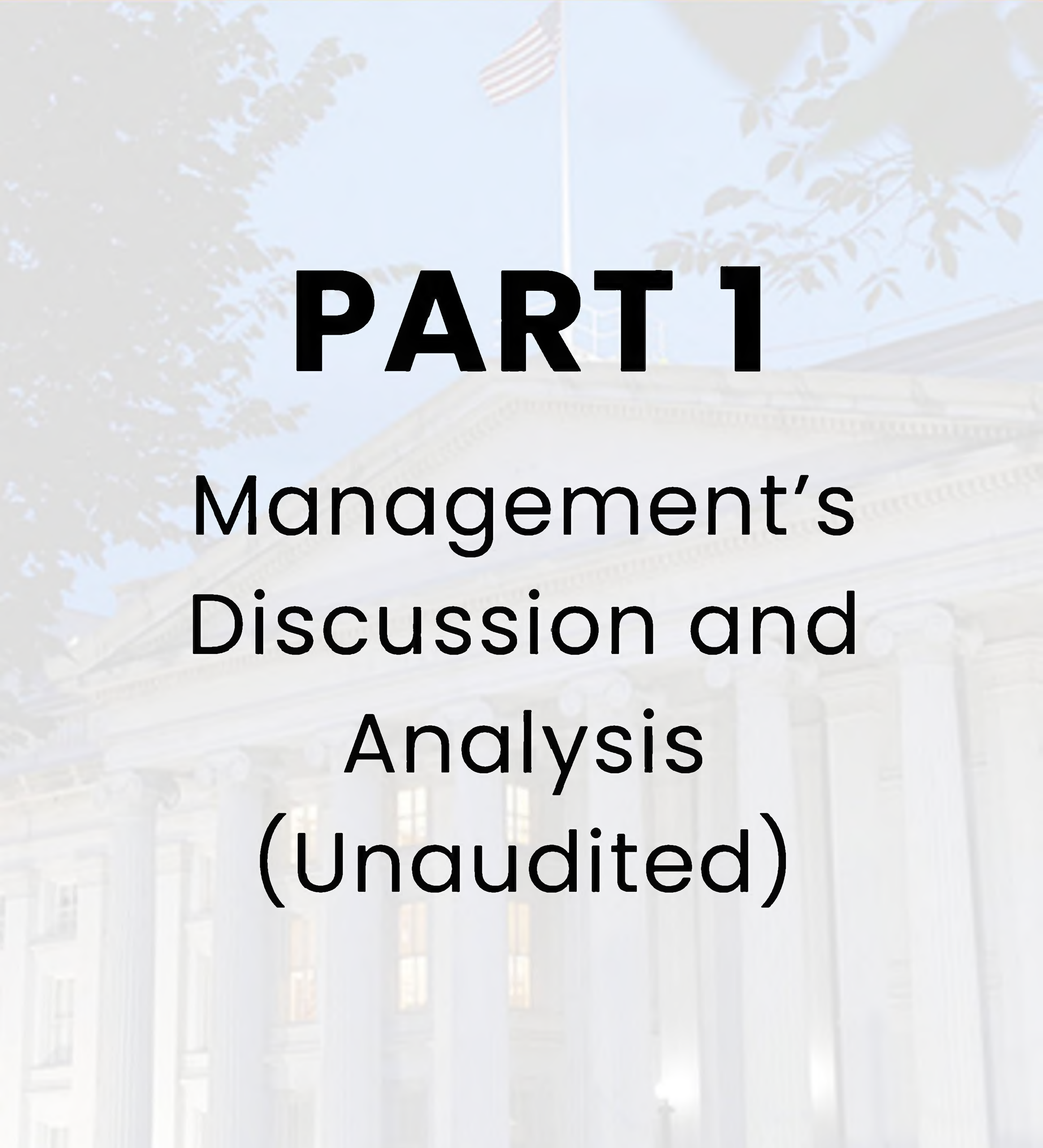


PART 1

Management's Discussion and Analysis (Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2022 (Unaudited)

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

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

I. Introduction

A. Statutory Basis and Responsibilities

Under provisions in Title XI of the Balanced Budget Act of 1997, as amended (the Act[1]), the Secretary of the Treasury (the Secretary) assumed certain responsibilities for a specific population of annuitants under the following District of Columbia (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

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

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.

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 administrating the Federal benefit payments. Also, as of that date, the Office assumed benefit administration responsibility for the Judges' Retirement Plan.

B. Organizational Structure and Staffing

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

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

- <u>Benefits Administration</u>: The Office provides oversight of the benefit administration functions for certain District of Columbia retirement plans. The Office made approximately $826.2 million in Federal and District benefit payments to annuitants and beneficiaries for the year ended September 30, 2022.

- <u>Finance and Resource Administration</u>: The Office is responsible for ensuring compliance with various financial laws and regulations. The Office provides oversight for investments in Government Account Series (GAS) securities in the federal pension funds totaling approximately $4.2 billion as of September 30, 2022. The Office contracts with a third-party enrolled actuary to perform an annual actuarial valuation to determine the pension liability of the retirement plans and the annual contributions from the Treasury General Fund to the District of Columbia Teachers, Police Officers and Firefighters Federal Pension Fund (D.C. Federal Pension Fund) and the District of Columbia Judicial Retirement and Survivors Annuity Fund (Judicial Retirement Fund).

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

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

- Office Administration: The Office provides management and administrative support to ensure operations are effective and efficient.

As of September 30, 2022, the D.C. Federal Pension Fund and the Judicial Retirement Fund paid for 19 Treasury positions. In addition, the Office funds three positions in other Treasury offices performing critical functions to accomplish the Office's mission.

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

II. Executive Summary

During Fiscal Year (FY) 2022, the Office of D.C. Pensions (the Office) successfully worked with the District of Columbia Retirement Board (DCRB), the Treasury's Bureau of the Fiscal Service (Fiscal Service), Administrative Resource Center (ARC), and other Department of the Treasury (Treasury) and District of Columbia entities to execute responsibilities under the provisions in Title XI of the Balanced Budget Act of 1997, as amended (the Act). With the support of these organizations, the largest dollar amount of benefit payments was processed during FY 2022. In addition, almost 99 percent of these payments were made via Electronic Funds Transfer ensuring safe and secure benefit payments to our annuitants.

The COVID-19 global pandemic interrupted and changed the way the Office operated. During the pandemic, the Office transitioned to a maximum telework posture. In FY 2022, the Office transitioned to a hybrid work environment. During this time, the Office continued to execute its missions in a manner where staff, our service providers, and business partners worked closely together which continued to require extensive coordination. The Office adapted and continued to perform all program activities without interruption.

The Office did not require or receive additional budgetary resources to accommodate these challenges and there was no financial impact to annuitants who continued to be paid on-time. The Office received exceptional support from our service providers and business partners to continue to deliver results under these difficult circumstances. The Office continues to evaluate internal and external business processes to minimize program risks, ensure the well-being of staff, and explore opportunities to enhance efficiency and effectiveness.

The Office Leadership Team focused on program oversight, quality management, risk management, and performance management. A team, comprised of the Director, two Senior Program Managers, Assistant Director for Benefits Administration, Assistant Director for Finance and Resource Administration, and the Assistant Director for Information Technology Systems Administration, developed a new FY 2023 - 2025 Multi-Year Plan which directs the Office in its strategic approach. The Office Leadership Team tracked performance indicators to direct decision making.

The Office continues to focus on promoting a program-wide perspective, maintaining an effective oversight and advisory role, optimizing benefits administration, enhancing System to Administer Retirement (STAR) operations and maintenance, and pursuing financial management and operational efficiencies. The Office collaborated with DCRB to implement certain Annuitant Self-Service functionality in the STAR system for all annuitants. The Office closely coordinated with the District Courts to timely process benefit payments and resolve questions from members related to the Judges' Retirement Plan.

The following sections of the Management's Discussion and Analysis provide further details about the FY 2022 program results and plans for future years.

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

The Office of D.C. Pensions (the Office) has three Strategic Goals that contribute to the achievement of one of the five Department of the Treasury (Treasury) Fiscal Year (FY) 2022 - 2026 Strategic Goals and Objectives. The Treasury Strategic Goal that the Office contributes to is Modernize Treasury Operations, as shown below.

<u>Treasury Strategic Goal: Modernize Treasury Operations</u>

Treasury Strategic Objectives:

- Better Use of Data
- Customer Experience Practices

<u>Office Strategic Goals that contribute to the Treasury Strategic Goal:</u>

Office Strategic Goals:

- **Effectively Managed Finances**
  - Benefit payments are accurate and timely
  - Pension funds are effectively invested
  - Pension funds are effectively managed
  - Pension funds meet future needs

- **Management and Organizational Excellence**
  - Program is effectively managed

- **Effective Quality Assurance Program**
  - Program creates continuous improvement

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

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

Fiscal Year 2022 - 2026					Fiscal Year 2022
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 2022 projected monetary error rate for benefit calculations Target: 5% or less Actual: 5.66% (See footnote 1)
					STAR is available to users Target: 99% or more Actual: 99.97%
			Skilled staff and funds are available to manage financial activities	Pension funds are effectively invested	FY 2022 investment strategy executed timely Target: 100% Actual: 100%
					FY 2023 investment strategy developed timely Target: September 23, 2022 Actual: September 22, 2022
				Pension funds are effectively managed	FY 2022 minimum daily cash balance exceeds the minimum balance as defined in the FY 2022 investment strategy Target: 100% Actual: 96% (See footnote 2)
					FY 2022 annual contribution from General Fund received timely into pension funds Target: September 28, 2022 Actual: September 28, 2022

<table>
<tr><th colspan="5">Fiscal Year 2022 - 2026</th><th>Fiscal Year 2022</th></tr>
<tr><th colspan="2">Treasury Goals and Objectives</th><th colspan="3">Office Strategic Goals, Objectives, and Outcomes</th><th rowspan="2">Office Performance Measures and Results</th></tr>
<tr><th>Treasury Strategic Goal</th><th>Treasury Strategic Objective</th><th>Office Strategic Goals</th><th>Office Strategic Objectives</th><th>Office Outcomes</th></tr>
<tr><td rowspan="5">Modernize Treasury Operations (continued)</td><td rowspan="3">Better Use of Data (continued)</td><td rowspan="3">Effectively Managed Finances (continued)</td><td rowspan="3">Skilled staff and funds are available to manage financial activities (continued)</td><td rowspan="2">Pension funds are effectively managed (continued)</td><td>Monthly benefit payments made to annuitants by the first business day of the month
Target: 100%
Actual: 100%</td></tr>
<tr><td>Electronic benefit payments made to annuitants as of September 2022
Target: 98.8%
Actual: 98.9%</td></tr>
<tr><td>Pension funds meet future needs</td><td>FY 2022 request for annual contribution from General Fund prepared timely
Target: September 23, 2022
Actual: September 23, 2022</td></tr>
<tr><td rowspan="2">Customer Experience Practices</td><td rowspan="2">Management and Organizational Excellence</td><td rowspan="2">Skilled staff and management tools are available</td><td rowspan="2">Program is effectively managed</td><td>Risks are reviewed in accordance with the schedule outlined in the Risk Management Plan
Target: Quarterly Meetings
Actual: Quarterly Meetings</td></tr>
<tr><td>FY 2022 financial statement audit opinion received from an independent external auditor
Target: Unmodified opinion
Actual: Unmodified opinion</td></tr>
</table>

Fiscal Year 2022 - 2026					Fiscal Year 2022
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 2022 Annual Report and Financial Statements finalized Target: December 16, 2022 Anticipated: December 16, 2022
					FY 2022 Actuarial Valuation Report delivered timely Target: September 21, 2022 Actual: September 21, 2022
		Effective Quality Assurance Program	Quality plans are operational in each area	Program creates continuous improvement	FY 2022 Quality Assurance Plans approved by September 30, 2022 Target: 100% Actual: 100%

Footnotes:

1) The monetary error rate for FY 2022 showed a decrease from the 6.67% monetary error rate in FY 2021. The decrease in the error rate may be attributed to training led by the Office targeted to address common causes of monetary errors.
2) The Office fell short of the FY 2022 investment strategy recommended minimum daily cash balance for 15 days as a result of an unplanned disbursement.

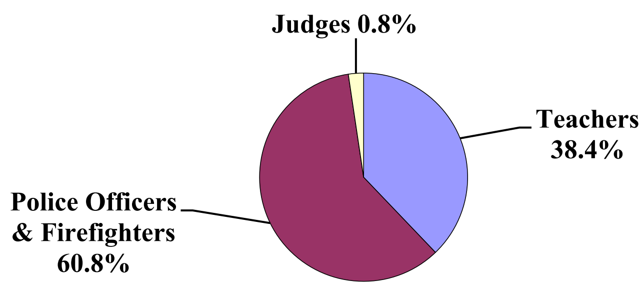
A. Benefit payments are accurate and timely

1. Program Results

a. Benefits Administration

General Operations

Benefits administration services were provided to annuitants and beneficiaries in three District of Columbia retirement plans: the Police Officers and Firefighters’ Retirement Plan, the Teachers’ Retirement Plan, and the Judges’ Retirement Plan. The total annuitant and beneficiary population as of September 30, 2022 is 14,213 and the breakdown is as follows: teachers 5,461; police officers and firefighters 8,639; and judges 113.



The average monthly Federal and District benefit payments in FY 2022 was $68.9 million. All annuitant payroll files were submitted on time, ensuring timely payment of annuitant benefits on the first business day of the month. With oversight and support by the Office, the District of Columbia Retirement Board (DCRB) performed benefits administration services for the Police Officers and Firefighters’ Retirement Plan and the Teachers’ Retirement Plan. The Office performed benefits administration for the Judges’ Retirement Plan.

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

The Office encourages annuitants to receive their benefit payments through direct deposit, as it is a more convenient, secure, and timely method of delivering benefits. At the end of the fiscal year, the Electronic Funds Transfer (EFT) participation rate for annuitants in all retirement plans was 98.9 percent.

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

District of Columbia Retirement Plans	Electronic Funds Transfer (EFT) Participation Rate	
	FY 2022	FY 2021
Police Officers & Firefighters	98.8%	98.7%
Teachers	99.1%	99.1%
Judges	100.0%	100.0%

In FY 2022, a variety of outreach efforts continued to ensure that accurate and timely information was provided to annuitants, including:

- Letters notifying annuitants when their benefits changed;
- DCRB newsletters providing retirement plan information to active and retired police officers, firefighters, and teachers;
- Earning statement messages alerting annuitants to changes in benefits such as a cost-of-living adjustments (COLA), informing annuitants of the opportunity to make changes to the annuitant data (e.g., signing up for direct deposit, changing tax withholdings or updating mailing addresses), and providing information regarding customer service improvements; and
- Letters to annuitants announcing open seasons for health benefits and other applicable programs.

Annuitant Payroll Operations

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

In FY 2022, ARC Pension Payroll staff processed 170,753 Federal and District benefit payments totaling approximately $826.2 million for a monthly average of $68.9 million. These monthly benefits represent payments for annuitants, beneficiaries, and Qualified Domestic Relations Orders (QDROs). In addition, off-cycle payments totaling approximately $1.2 million were paid to annuitants when benefits were not processed in time for the regular on-cycle schedule.

During FY 2022, ARC Pension Payroll reported the share of Federal and District benefit payments. This information is calculated by STAR and is included in the Split Reimbursement Summary Report (SRSR). The SRSR supports the 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.

In FY 2022, the Office continued to focus on making accurate and timely payments. ARC Pension Payroll generates the Preliminary Statistics Report to conduct a preliminary review of the monthly payroll statistics before the close of pension processing. Meetings will continue to be held with the Office, DCRB, and ARC Pension Payroll to review the statistical data for consistency from month-to-month, percentage differences, large payment amounts to annuitants, and variations in the gross and/or net pay to individual annuitants. All identified anomalies will be explained, validated and/or corrected before the close of pension processing.

Benefit Administration Activities and Projects

During FY 2022, the Office continued to collaborate with DCRB to focus on key benefit activities and data integrity.

Quality

In FY 2022, the Office continued to conduct quarterly Quality Assurance Forums (QA Forums) for DCRB staff. The QA Forums cover a broad spectrum of topics and include DCRB staff participation in developing and delivering materials addressing the quality review process and filling in knowledge gaps.

During FY 2022, the Office began implementation of a new quality management strategy for monitoring benefit administration activities. The strategy streamlined certain quality review processes and introduced new quality review activities. The Office will continue to implement and update the quality review strategy in FY 2023.

Judges Life Insurance Premiums

In FY 2022, the Office discovered that some Judges who elected federal life insurance coverage were not paying premiums after turning age 65. The Office communicated with the affected Judges about their prospective options and covered the cost of the missed premiums.

Purchase of Service Installment Payments

During FY 2022, the Office coordinated with DCRB to review the analysis of purchase of service installment payments that began prior to June 30, 1997, and were completed after that date. The Office transferred the installment payments made before June 30, 1997, to DCRB in FY 2022.

Summary Plan Description (SPD)

The SPDs are designed to provide retirement plan members accurate and easy to understand information about the retirement plans. The SPDs are updated in five-year increments. The SPDs for the District of Columbia Teachers' Retirement Plan and the District of Columbia Police Officers and Firefighters' Retirement Plan are scheduled to be updated in calendar year 2022. The Office is working with DCRB to coordinate review of the updated SPDs in early FY 2023. The District of Columbia 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 2022, the Office continued to 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 2023, the Office and DCRB will collaborate to determine the necessary next steps.

STAR Annuitant Self-Service

In FY 2021, the Office collaborated with DCRB to identify the requirements to implement Annuitant Self-Service functionality in the STAR system. In the past, annuitants were required to submit a request in writing for information about their benefit or to make changes to their retirement records. To make the process more efficient for annuitants and staff, the Annuitant Self-Service functionality allows annuitants of the retirement plans to have access to the certain retirement information maintained 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.

As part of implementing the Annuitant Self-Service functionality, the Office utilizes Treasury's Office of the Chief Information Officer (OCIO) contract with ID.me. ID.me is a private company which provides multi-factor authentication services and a complete online identity verification process. Annuitants must first create an ID.me account to verify their identity. After the ID.me account is created, annuitants can safely and securely access STAR to view and make certain changes to their information.

The self-service functionality was implemented with a pilot group covering a broad spectrum of annuitants in FY 2021. In FY 2022, DCRB and the Office evaluated the success of the pilot and agreed to open the self-service option to the full annuitant population. DCRB and the Office coordinated on the communication effort, which was completed in the third quarter of FY 2022.

For FY 2023, the Office and DCRB will begin planning enhancements to add capabilities to the Annuitant Self-Service functionality.

Training and Resources

In FY 2022, the Office began evaluating replacements for the User Productivity Kit (UPK), which is the repository for help documentation in STAR. Included in the evaluation for a replacement will be plans for assessing the current content and the ongoing management of STAR help documentation. The Office expects to select and begin implementation of a replacement in FY 2023. The Office will continue assessing training requirements to ensure skills and knowledge exists to effectively manage and execute benefits administration activities.

Data Tool

In FY 2022, the Office developed 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 data tool will be implemented with the FY 2023 actuarial valuation.

Debt and Due Process Tracking Tool

In FY 2022, the Office began gathering requirements and initiated development of a Debt and Due Process Tracking Tool (DDPTT). The tool will reside in STAR to track and report debt and benefit due process cases. The DDPTT will provide a single platform for managing and tracking debt and benefit due process case information from initiation through resolution. Currently, all tracking of debt and due process cases is done outside of STAR and requires manual reporting, tracking, and communication between organizations. The ability for each organization to instantly access the status of a debt or due process case will benefit all organizations. Implementation is expected in early FY 2023.

b. System to Administer Retirement (STAR)

<u>Background and History</u>

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

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

- Release 1 was implemented in December 2002 to serve all annuitants of the Judges' Retirement Plan.
- Release 2 was implemented in September 2003 to serve teachers, police officers, and firefighters who retired on or before June 30, 1997, and their survivors.
- Release 3 was deployed in August of 2005 for teachers, police officers, and firefighters whose initial retirement was processed in STAR after August 1, 2005 (and their survivors). This release also converted teachers, police officers, and firefighters who retired after July 1, 1997, and before August 1, 2005, and whose initial retirement processing took place in the District's legacy system, the Pension Administration and Payroll System (PAPS).
- Release 4 started the implementation of the split benefit calculation to enable STAR to calculate the Federal and District share (split) for benefit payments. Release 4 was implemented in June 2007 to calculate the split for future payments to those annuitants who were brought into pay status on or after June 4, 2007. This release also included an upgrade of Oracle/PeopleSoft from version 8.0 to 8.9.
- Release 5 was implemented in November 2007 and completed the implementation of the split benefit calculation. The split was calculated for future benefit payments to annuitants whose initial retirement processing took place in STAR between August 2005 and June 2007. In addition, STAR calculated the split for the future benefit payments to annuitants who retired after June 30, 1997, and whose initial retirement processing took place in PAPS.
- Release 6 was deployed in May 2012, which upgraded the Oracle/PeopleSoft version 8.9 to version 9.1, and included the implementation of the "person model." The upgrade leveraged existing and newly delivered functionality to reduce the overall number of Oracle/PeopleSoft application customizations.
- Release 7 was deployed in April 2017, which upgraded the Oracle/PeopleSoft version from 9.1 to version 9.2. The 9.2 upgrade introduced a new model for future upgrades.

<u>STAR Highlights</u>

After the implementation of STAR Release 7, the Office has continued an ongoing effort to maintain the system's operational integrity and look for opportunities to make positive system enhancements.

In FY 2022, the Office made the following enhancements to STAR:

- Annuitant Self-Service for all populations completed in May 2022; and
- Update from PeopleTools 8.57 to 8.59 completed in July 2022.

The Office continues to expand the use of STAR and enhance the customer experience. Annuitant Self-Service is an enhancement to STAR allowing annuitants to view and edit certain information. PeopleTools is the underlying software used by the developers to maintain and enhance STAR capabilities. In July 2022, the PeopleTools software was upgraded from 8.57 to 8.59. This upgrade provided cosmetic changes to the STAR application along with the enhancements to the tools used by the developers.

In FY 2023, the Office will be working on the following changes to STAR:

- Begin the implementation of a new STAR user training/help platform;
- Begin enhancements to add additional capabilities to the Annuitant Self-Service functionality;
- Complete the implementation of the Debt and Due Process Tracking Tool which was developed during FY 2022; and
- Enhance the performance reporting information currently collected from STAR by implementing additional data analytics capabilities provided as part of PeopleSoft.

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 production support activities, including routine system operations, application and database administration, help desk operations, and problem resolution. A supplemental support contract is also in place to provide assistance to ISS in both operations and maintenance activities. In FY 2022, STAR was available 99.97 percent of the time.

STAR System Security

In FY 2022, as a part of the Security Assessment and Accreditation (SA&A) process, the Office conducted an annual security assessment of the STAR system. The SA&A is a process that ensures that federal systems are well-documented, authorized to operate, and adhered to formal and established security requirements. An annual security assessment is required every year in-between the full assessment which occurs every three years following a system's Authorization to Operate (ATO) or when security-relevant changes occur which constitute a 'significant change' necessitating a new ATO. The annual assessment is a part of the Office's continuous monitoring effort to test STAR's security-relevant changes that occur outside of the SA&A cycle but do not necessarily constitute a 'significant change' necessitating a new SA&A. This effort was conducted to ensure the STAR system remains in compliance with all relevant security requirements and to renew the system's ATO.

There were twenty-four vulnerabilities identified during the assessment. Of the twenty-four vulnerabilities: seven have been identified as false positive; six and a half have been risk accepted due to their operational and user impact; ten and a half have been mitigated – two of which were closed due to a difference in policy between Departmental Offices (DO) and Fiscal Service and the remaining eight and a half were fixed. The next assessment for STAR will be an annual assessment since it will be the second of the three years following the latest ATO. It is scheduled for FY 2023.

STAR security management adheres to the Federal Information Security Management Act (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 conducted the second scheduled FISMA required backup data test from FISMA year 2021, a contingency test, and the first of two backup data tests for FISMA year 2022.

The second backup test consisted of testing the data mirroring process between the STAR Production and STAR Contingency sites. Data mirroring refers to the real-time operation of copying data, as an exact copy, from one location to another location. This test successfully validated the mirroring process between STAR Production and STAR Contingency.

This year's combined contingency and backup data test consisted of testing accessibility and connectivity to the STAR Contingency site. The test was done to validate that STAR users could still access STAR Contingency through ID.me or SSO/PIV log in. The ability to log into STAR Contingency confirmed that the authentication data gathered for STAR Production is used to authenticate users to STAR Contingency, as well.

The second information system backup exercise is scheduled for March 2023.

Lessons learned from all the tests/exercises are used to update STAR security documentation. In addition to updating STAR security documentation after the above-mentioned tests/exercises, STAR security documentation is reviewed and updated prior to each security assessment and following each assessment.

STAR Change Control Board

The Office's STAR Change Control Board (CCB) acts as the approving authority for all STAR requirement changes. The Board is comprised of representatives from the Office, Treasury's Office of General Counsel (OGC), DCRB, Fiscal Service ISS, and ARC Pension Payroll. The CCB evaluates the benefits and risks associated with any proposed change, makes a determination as to whether the proposed change should be implemented, and establishes the priority for each approved change.

In FY 2020, the Office updated the STAR Change Control Plan, which establishes the STAR Change Control Board and defines its mission, roles, responsibilities, and processes. The updated STAR Change Control Plan incorporated the STAR Change Control Charter into one consolidated document. Updates to the STAR Change Control Plan including a revised Change Request format were coordinated with DCRB and accepted by a CCB vote in FY 2022.

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

1. Program Results

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, 2022 are $4.0 billion.

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

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

Total assets for the Judicial Retirement Fund as of September 30, 2022 are $197.0 million.

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

b. Fund Deposits

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

The table below reflects FY 2022 and FY 2021 annual payments from the Treasury General Fund as of September 30:

Office of D.C. Pensions' Funds	Annual Payments from the Treasury General Fund (in Millions)		
	FY 2022	**FY 2021**	**$ Change**
District of Columbia Federal Pension Fund	$539.5	$576.5	$(37.0)
District of Columbia Judicial Retirement and Survivors Annuity Fund	$19.4	$18.7	$0.7
Totals	**$558.9**	**$595.2**	**$(36.3)**

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

The year-to-year differences in the annual payments from the Treasury General Fund are driven primarily by the amortization of actuarial gains or losses in the current year, the continued impact of amortizations scheduled from previous years, and the completion of some prior year amortizations reaching the end of their applicable amortization period.

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 while the Rate of Return is calculated by dividing interest earned from GAS securities by the average par value of investments in GAS securities.

The FY 2022 and FY 2021 annual interest as of September 30 from the pension funds are summarized in the following tables:

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

Office of D.C. Pensions' Funds	FY 2021 Annual Interest (in Millions)		
	Interest Payments (deposits)	Interest Earned (recognized)	Rate of Return
District of Columbia Federal Pension Fund	$71.5	$56.0	1.58%
District of Columbia Judicial Retirement and Survivors Annuity Fund	$3.6	$3.4	1.94%
Totals	**$75.1**	**$59.4**	

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

Judges' Employee Contributions

Active judges are required to contribute 3.5 percent of salary to the Judicial Retirement Fund to pay for part of the cost of their retirement benefits. Active judges who elect a survivor annuity contribute an additional 3.5 percent of salary.

The table below summarizes the contributions of active judges' contributions for the most recent fiscal years as of September 30:

Office of D.C. Pensions' Fund	Employee Contributions from Active Judges (in Thousands)		
	FY 2022	FY 2021	$ Change
District of Columbia Judicial Retirement and Survivors Annuity Fund	$678.9	$625.5	$53.4

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 2022**	**FY 2021**
District of Columbia Federal Pension Fund	Warrant	$539.5	$576.5
	Interest	$73.6	$71.5
	District Benefit Payments	$275.3	$245.9
	Post-1987 D.C. Health & Life Employer Payments	$26.3	$23.0
	STAR Administrative Expense Reimbursements*	$2.6	$3.0
District of Columbia Judicial Retirement and Survivors Annuity Fund	Warrant	$19.4	$18.7
	Interest	$3.6	$3.6
	Employee Contributions	$0.7	$0.6
Totals	**Warrant**	**$558.9**	**$595.2**
	Interest	**$77.2**	**$75.1**
	Employee Contributions	**$0.7**	**$0.6**
	Reimbursements and Payments	**$304.2**	**$271.9**

*FY 2022 includes four quarters of reimbursement payments collected, while FY 2021 includes five quarters.

c. Collections

District Benefit Payments

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

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

Office of D.C. Pensions' Fund	District Benefit Payments (in Millions)		
	FY 2022	FY 2021	$ Change
District of Columbia Federal Pension Fund	$275.3	$245.9	$29.4

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

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

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

Office of D.C. Pensions' Fund	D.C. Health and Life Insurance Payments (in Millions)		
	FY 2022	FY 2021	$ Change
District of Columbia Federal Pension Fund	$26.3	$23.0	$3.3

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. Applying this methodology, the Office and DCRB entered into a cost sharing agreement for reimbursement of FY 2022 actual expenses.

The table below summarizes STAR administrative expense reimbursements for the most recent fiscal years as of September 30:

Office of D.C. Pensions' Fund	STAR Administrative Expense Reimbursements (in Millions)		
	FY 2022	FY 2021	$ Change
District of Columbia Federal Pension Fund	$2.6	$2.5	$0.1

Amounts include a receivable for fourth quarter.

The year-to-year increase in the reimbursements for STAR administrative expenses are driven primarily by increases of DCRB's share of the Office's STAR administrative costs provided by contractors and service providers. The combined effect of DCRB's increased share along with slightly increased STAR administrative expenses incurred by the Office accounts for the year-to-year increase.

Debt Management

The ARC Pension Payroll manages the debt collection and prevention activities for the Office. During FY 2022, the Office collaborated with ARC Pension Payroll, OGC, and DCRB to pursue debt prevention and collection efforts. The Office recovered approximately $1.5 million after notification of annuitant deaths. In addition, $134.6 thousand was collected through offsets, lump sum payments, or installment payments.

The Office has an agreement with the Fiscal Service Debt Management Services Cross-Servicing Program. The FY 2022 agreement allows collection processes for delinquent debt through several tools including issuing demand letters, conducting telephone follow-up calls, referring debts for administrative offset, performing administrative wage garnishment, and referring debts to private collection agencies.

d. Federal Investments

As required by the Act, amounts received in the D.C. Federal Pension Fund and the Judicial

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

In FY 2022, the cash balances in the D.C. Federal Pension Fund and Judicial Retirement Fund, available for contingencies, were targeted to remain above $94.0 million and $2.7 million, respectively, which represent approximately two months of federal obligations. Typically, the Office invests the cash balance in one-day certificates, except for an un-invested balance of $500 thousand at month-end to cover unanticipated withdrawals on the last day of the calendar month.

By the end of FY 2022, the Office held securities with maturity dates in the D.C. Federal Pension Fund which extended to August 2029, and held securities in the Judicial Retirement Fund with maturity dates which extended to August 2032. Similar to the prior year, the Office also invested a portion of the FY 2022 warrant for the Judicial Retirement Fund in a bond with a February 2036 maturity date. The Office normally invests in 10-year notes with maturities selected to immunize the funds' projected future benefit payments, but available funds from the FY 2022 warrant exceeded the securities available with this profile. The Office will return to investing in 10-year notes for the Judicial Retirement Fund as they become available.

Federal 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 federal investments breakdown as of September 30 for the two most recent years:

Office of D.C. Pensions' Funds	**Federal Investments (in Millions)**		
	FY 2022	**FY 2021**	**$ Change**
District of Columbia Federal Pension Fund	$3,998.5	$3,957.4	$41.1
District of Columbia Judicial Retirement and Survivors Annuity Fund	$196.4	$189.7	$6.7
Totals	**$4,194.9**	**$4,147.1**	**$47.8**

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

e. Payments

Federal Benefit Payments

Treasury pays all federal benefit payments under the Police Officers and Firefighters' 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 2022	FY 2021	$ Change
District of Columbia Federal Pension Fund	$538.8	$533.2	$5.6
District of Columbia Judicial Retirement and Survivors Annuity Fund	$15.8	$15.0	$0.8
Totals	**$554.6**	**$548.2**	**$6.4**

Refunds of Employee Contributions

DCRB processes refunds of contributions for active police officers, firefighters, and teachers, and later, requests reimbursement from the Office for the Federal portion of those refund payments. The Office also processes refunds of contributions for active judges when requested.

The table below summarizes the refunds of employee contributions processed as of September 30:

Office of D.C. Pensions' Fund	Refunds of Federal Portion of Employee Contributions (in Whole Dollars)		
	FY 2022	FY 2021	$ Change
District of Columbia Federal Pension Fund	$53,567	$26,523	$27,044

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

Benefit Administration Expense Reimbursements

The Office reimburses DCRB for administrative expenses incurred in administering Federal benefit payments. The Office and DCRB have developed a methodology for allocating between the 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 2022 actual expenses. The methodology takes into consideration: (1) the number of active employees, 100 percent Federal annuitants, 100 percent District annuitants, and split annuitants; (2) the estimated DCRB resources needed to support these populations; (3) the number of employees throughout DCRB who are dedicated to supporting the benefits administration function; and (4) the level of effort associated with processing Federal benefit payments.

The table below is an estimate of the amounts the Office expects to reimburse DCRB as of September 30 for administrative expenses incurred while administering Federal benefit payments:

Office of D.C. Pensions' Fund	Reimbursements to DCRB for Administrative Expenses (in Millions)		
	FY 2022	FY 2021	$ Change
District of Columbia Federal Pension Fund	$3.2	$3.6	$(0.4)

Amounts include estimated fourth quarter 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.

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

Office of D.C. Pensions' Funds	**Administrative Expenses (in Millions)**		
	FY 2022	**FY 2021**	**$ Change**
District of Columbia Federal Pension Fund	$21.5	$19.9	$1.6
District of Columbia Judicial Retirement and Survivors Annuity Fund	$0.6	$0.5	$0.1
Totals	**$22.1**	**$20.4**	**$1.7**

In FY 2022, the Office was again subject to the Sequestration under the Bipartisan Budget Act of 2015 (Public Law 114-74) which modified the caps on defense and nondefense funding for Fiscal Year 2018 that were established by the Budget Control Act of 2011. The Office of Management and Budget (OMB) issued a report to the Congress on the Joint Committee Reductions for Fiscal Year 2018. OMB prepared the report consistent with the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA), as amended. The report provided calculations of the amounts by which FY 2018 direct spending is required by section 251A of BBEDCA to be reduced and listed the required reductions for each non-exempt budget account with direct spending.

Based on this report, the Office identified the D.C. Federal Pension Fund and the Judicial Retirement Fund as budget authority subject to sequestration. Although reductions due to sequestration had no impact on payments to annuitants, the Office absorbed these reductions in FY 2022 in the area of administrative expenses by managing the timing of approved hiring actions, monitoring the funding of contract actions, and planned projects.

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

Funds	Payment Types	Sequestration Impact (in Millions)		
		FY 2022	FY 2021	$ Change
District of Columbia Federal Pension Fund	Annuitant Benefit Payments	$0.0	$0.0	$0.0
	Administrative Expenses	$1.4	$1.4	$0.0
District of Columbia Judicial Retirement and Survivors Annuity Fund	Annuitant Benefit Payments	$0.0	$0.0	$0.0
	Administrative Expenses	$0.1	$0.1	$0.0
Total Reduction due to Sequestration		**$1.5**	**$1.5**	**$0.0**

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.

Payment Integrity Information Act of 2019 (PIIA)

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

In FY 2022, the Office worked with ARC to analyze the various types of payments disbursed by the Office and reported these results using a standardized, risk-based model. The Office exceeded the 85% annual recapture payment target for Treasury at 98.2%. The Office will continue to work with Treasury's Office of the Deputy Chief Financial Officer (ODCFO) to comply with OMB Circular A-123 Appendix C reporting requirements.

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

f. Financial Operations

Accounting Support

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

In FY 2021, ARC implemented a cloud-based solution named OneStream. OneStream is designed to streamline the financial reporting process and provide data analytics functionality while improving management's visibility and controls. Earlier in FY 2022, the Office participated in a walk-through and testing of the OneStream solution. The Office noted that reconciliations and tie-points relied on by ARC were streamlined and automated. The Office is currently provided access to read-only Excel output from OneStream delivered to an OMB MAX collaboration site. In FY 2022, the Office worked with ARC to ensure that the August 2021 updates to OMB Circular A-136, *Financial Reporting Requirements*, and the Treasury Financial Manual are incorporated in OneStream. During FY 2023, the Office will work with ARC to develop ad-hoc reporting such as the Monthly Financial Plans using OneStream in FY 2024.

g. Actuarial Valuation

In FY 2022, 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 2023 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 2022. The actuarial accrued liability was determined using the demographic rates from the FY 2019 Actuarial Experience Study and economic assumptions in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 33, *Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates*.

The Federal Government's total liability for Federal benefit payments for the Police Officers and Firefighters' Retirement Plan, Teachers' Retirement Plan, and Judges' Retirement Plan is summarized in the table below for the two most recent years.

Office of D.C. Pensions' Funds	**Actuarial Accrued Liability (in Millions)**		
	FY 2022	**FY 2021**	**$ Change**
District of Columbia Federal Pension Fund	$8,212.2	$7,778.8	$433.4
District of Columbia Judicial Retirement and Survivors Annuity Fund	$295.8	$276.4	$19.4
Total Actuarial Accrued Liability	**$8,508.0**	**$8,055.2**	**$452.8**

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

Other key results from the Actuarial Valuation Report can be found on page 73 of this Annual Report.

C. *Program is effectively managed and creates continuous improvement*

1. Program Results

a. Leadership Team

In FY 2022, 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 IT Systems Administration, and the two Senior Program Managers focused on major deliverables in addition to execution and impact of cross-functional/organizational activities. Meetings between the Office Leadership Team and their DCRB counterparts will continue to take place to ensure alignment of major operational activities and timely creation of and adherence to Memoranda of Understanding, Service Level Agreements, and Quality Plans.

b. Multi-Year Planning

In FY 2022, 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 and its business partners made progress toward achieving the results contemplated in the Office's FY 2021-2022 Multi-Year Plan. In addition, in FY 2022 the Office Leadership Team reviewed the Multi-Year Plan to determine if the contemplated results were achieved and developed a new FY 2023-2025 Multi-Year Plan to ensure the appropriate emphasis is reflected in order to achieve optimal results.

c. Long-Term Business Planning

The Long-Term Business Planning (LTBP) project began in FY 2018 to consider potential future program impacts and proactively assess those impacts. During FY 2022, the Office completed the assessment of potential future program impacts. The Office Leadership Team will use the assessment to make critical benefits administration decisions to guide with determining the appropriate timing and circumstances for future decision making.

d. Program Management

A key component of program management involves setting the Office's annual project activities and major priorities.

In FY 2022, the Office began developing a SharePoint tool to monitor both internal and external deliverables. This tool referred to as the Work Items List (WIL) provides various views allowing users to track high-level items through different lenses. These views help to ensure proper resources are assigned to upcoming deliverables while improving the timeliness for completion of deliverables. In FY 2023, the WIL will be fully implemented and shared for use across the Office.

e. Service Level Agreements

The Office has annual Service Level Agreements (SLAs) in place with Fiscal Service, ARC for the STAR administration and hosting, and annuitant payroll operations. In FY 2022, 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 2021, the Office collaborated with DCRB to develop a robust SLA to ensure a comprehensive view of service requirements for benefit administration. During the collaboration, the Office and DCRB agreed to convert the SLA from an annual agreement to a biennial agreement. The current SLA covers FY 2022 and FY 2023. The SLA between the Office and DCRB will be reviewed and updated in FY 2023 for FY 2024 and FY 2025.

f. Quality Program

Benefits Administration

As part of the Office's Quality Program, a quality plan guided the review of benefit administration activities. The Office's staff focus 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 engaged DCRB in discussions to improve the quality of work performed by DCRB.

In FY 2022, the Office modified existing quality review activities and introduced new quality review activities. The Office will continue exploring expansion and refinement of quality review activities in FY 2023 in alignment with the new quality management strategy.

Annuitant Payroll Administration

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

Information Technology Systems Administration

During FY 2022, the Office continued to include system administration activities and the review of user accounts in its Quality Program. The quality plan tracks system availability, number and type of open production trouble tickets, and completion time of trouble tickets. As part of the quality review, user accounts 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 2022, the Office continued the monthly active account verification reviews to ensure departing employee accounts were locked/terminated in a timely manner.

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

In FY 2022, 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 2023, the Office will commence a new project, the STAR Enhanced Electronic Reporting (SEER.) SEER will take advantage of 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 automatically collect the data within STAR and present the performance metrics, eliminating the manual collection and quality review of the current collection process.

h. Capstone Email

Treasury's Office of the Chief Information Officer (OCIO) integrated technologies, part of which includes an update of MS Office suite to MS Office 365. Capstone email retention was added to MS Outlook which includes automatic records retention/disposition dates. In FY 2023, the Office will continue discussions with OCIO and Treasury's Office of Privacy, Transparency and Records (PTR) to find the best approach to continue managing email records.

i. Records Management Project

The Office initiated a Records Management Project. The scope of the work is to assess, design, initiate, and execute a records management strategy for the Office that achieves compliance with OMB, National Archives and Records Administration (NARA), and PTR guidance. This effort will assess paper and electronic files and electronic systems (network hard drives, email, SharePoint, etc.) across the Office to determine their inclusion in creating the Office's records schedule.

In FY 2022, 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 FY 2023, both a physical and electronic records inventory is planned.

j. SharePoint Project

The Office continued to capitalize on the benefits of the FY 2019 SharePoint upgrade and re-design while working remotely during the COVID-19 global pandemic. The Office was able to operate with minimal disruption due to the conversion to a SharePoint-centric operational model.

In FY 2023, the Office will continue to enhance and evaluate opportunities to expand the use of SharePoint. The Office plans to use SharePoint as the baseline for the office-wide records management project and platform for electronic document management.

k. Risk Management Program

The Office emphasizes risk management through its Risk Management Program. The Office has taken a proactive approach of developing and nurturing a risk-aware culture by integrating program and fraud control activities into its daily operations. The Office developed the Fraud Risk Management Framework to expand upon the Summarized Fraud Management Overview; however, in anticipation of receiving the Treasury Enterprise Risk Management (ERM) Program Playbook, the Office held off on making changes to its program. The Office will incorporate guiding principles from the Treasury ERM Program Playbook into its Risk Management Program to align with Treasury's management of risks.

l. Emergency Preparedness

The Office annually updates its Continuity of Operations Plan (COOP) to ensure the ability to continue to perform essential functions under a broad range of circumstances. The Memorandum of Understanding (MOU) with Fiscal Service establishes protocols for making annuitant payments during an emergency situation when STAR is not operational. The documentation supporting the MOU, such as Standard Operating Procedures and form templates, continue to be updated as needed. In FY 2023, the approach for making emergency payments will be re-evaluated to ensure the most effective processes are in place in the event annuitant payments are required outside of STAR.

m. Internal Control Program

In accordance with requirements as outlined in the OMB Circular A-123 Appendix A, *Management of Reporting and Data Integrity Risk,* the Office's Senior Assessment Team (SAT) together with the help of a contractor, tested, documented, and reported on the Office's internal control over financial reporting as required by the Federal Manager's Financial Integrity Act of 1982 (FMFIA). The Office used the *FY 2022 Treasury Guide for Assessing Internal Control in Accordance with OMB Circular A-123 Appendix A: Management of Reporting and Data Integrity Risk* issued by Treasury's Office of the Deputy Chief Financial Officer (ODCFO), Risk and Control Group to conduct the review.

The scope for FY 2022 OMB Circular A-123, Appendix A testing covered July 1, 2021 through June 30, 2022, and management reviewed test results for changes in controls or other subsequent events through October 21, 2022, to support the Office's FY 2022 Annual Assurance Statement. The following activities were performed:

- Quantitative and qualitative materiality assessments were conducted to determine the scope of testing;
- Internal Control Framework Assessment was performed to document and evaluate the design of internal controls;
- Eleven test plans were prepared and executed to confirm the design and evaluate the operating effectiveness of internal controls; and
- Results of test plans were evaluated and no material weaknesses were identified.

The results supported management's assessment that Office's internal controls activities are operating effectively and as intended. The Office submitted an unmodified statement of assurance for FY 2022.

The FY 2021 financial statement audit resulted in a repeat finding related to deficiencies in the Office's general IT controls over the evidence of STAR audit log reviews. The finding remained open. The planned FY 2023 implementation of Fiscal Service's Enterprise Log Initiative should provide sufficient evidence that the Office is reviewing audit logs.

n. Financial Statement Audit Opinion

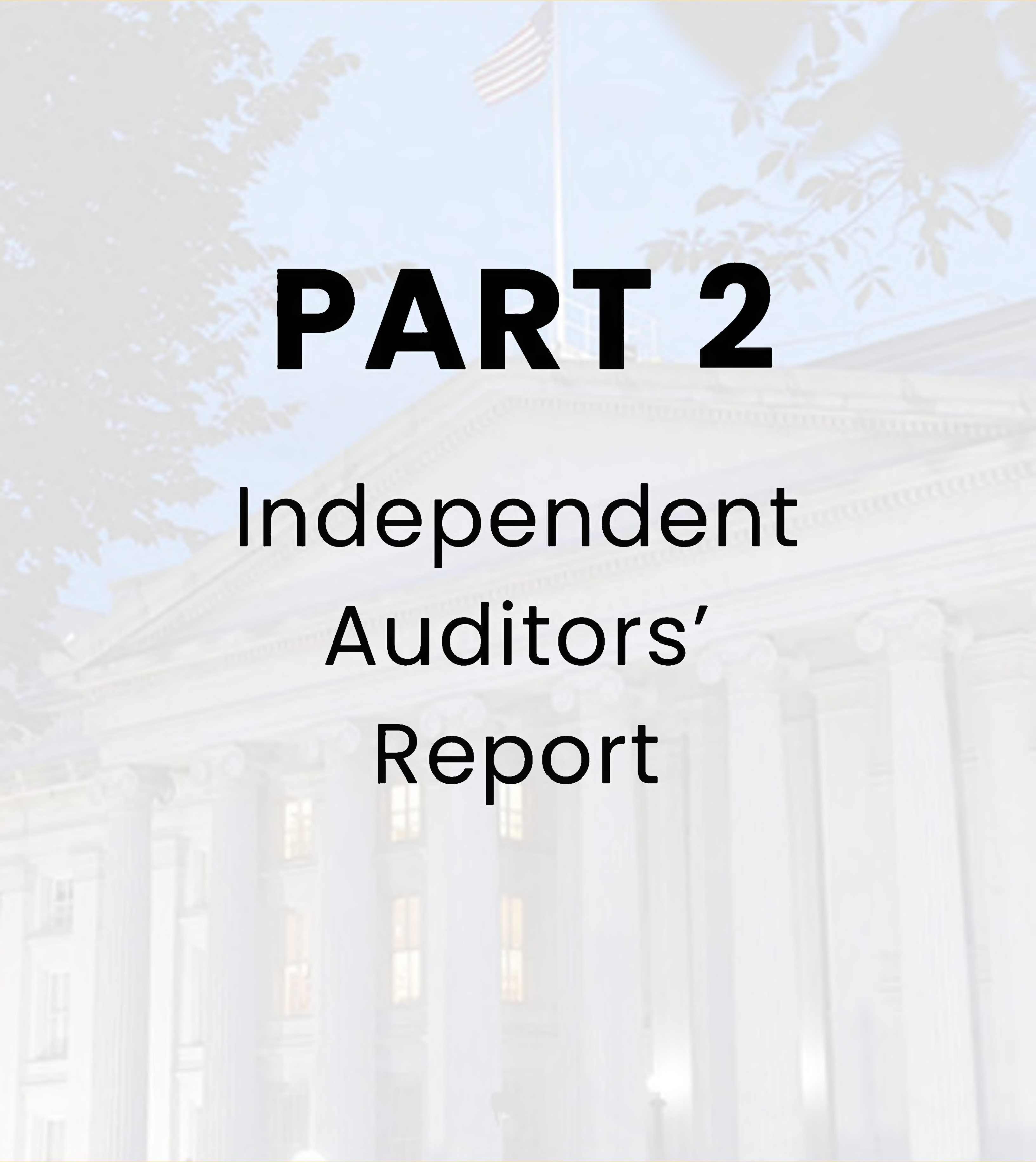
KPMG LLP (KPMG), an independent public accounting firm, rendered an unmodified opinion on the Office's FY 2022 Consolidated Financial Statements. KPMG noted no material weakness in the Office internal controls over financial reporting. Also, results of KPMG's tests of compliance with laws and regulations disclosed no instances of noncompliance or other matters that require reporting under *Government Auditing Standards* or OMB Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements.*

IV. Limitation of the Financial Statements

The consolidated financial statements have been prepared to report the financial position and results of operations of the Office of D.C. Pensions (the Office), pursuant to the requirements of the 31 U.S.C. 3515 (b). The consolidated financial statements have been prepared from the books and records of the Office in accordance with U.S. generally accepted accounting principles for federal entities and the formats prescribed by the Office of Management and Budget. 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 ended September 30, 2022, compared to September 30, 2021, is presented in the table below.

Summary Financial Information (in Millions)				
	FY 2022	**FY 2021**	**$ Change**	**% Change**
Total Assets	$4,219.2	$4,169.2	$50.0	1.20%
Total Liabilities	$8,537.3	$8,081.6	$455.7	5.64%
Total Net Position	$(4,318.1)	$(3,912.4)	$(405.7)	10.37%
Total Net Cost of Operations	$964.8	$240.3	$724.5	301.50%
Total Budgetary Resources	$1,462.0	$1,455.4	$6.6	0.45%
Agency Outlays, Net	$500.3	$546.8	$(46.5)	-8.50%



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, and
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, 2022 and 2021, and the related consolidated statements of net cost 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 Department of the Treasury's Office of D.C. Pensions as of September 30, 2022 and 2021, 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. 22-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 22-01 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.

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. 22-01 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. 22-01, 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, 2022, 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*, 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, 2022 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. 22-01.

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, DC
December 13, 2022

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

During fiscal year 2022, 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 the 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 in August of 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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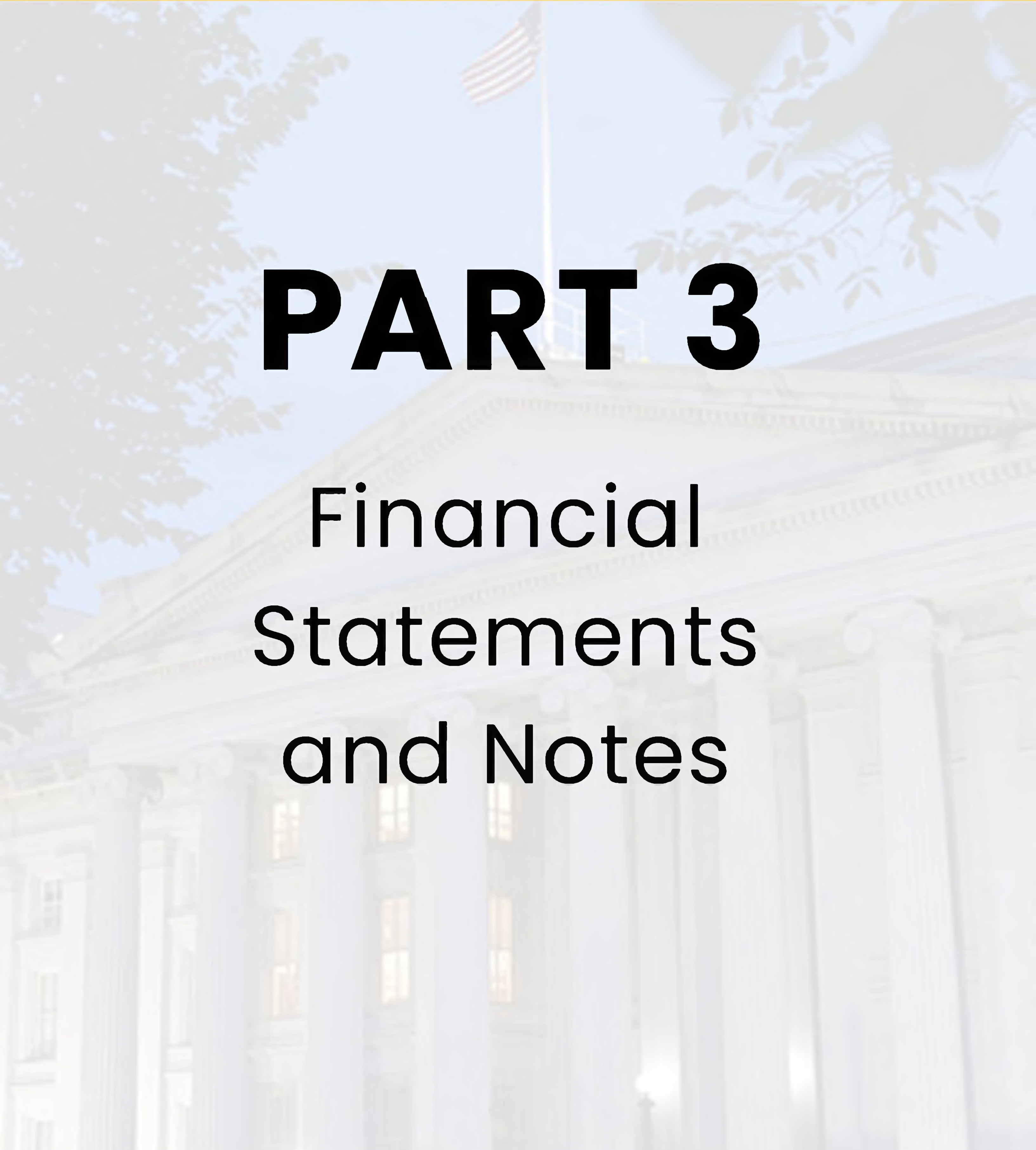


PART 3

Financial Statements and Notes

Department of the Treasury
Departmental Offices
Office of D.C. Pensions
Consolidated Balance Sheets
As of September 30, 2022 and September 30, 2021
(in thousands)

		2022		2021
Assets:				
Intragovernmental				
Fund Balance with Treasury (Note 2)	$	527	$	501
Investments, Net				
Federal Investments (Note 3)		4,194,954		4,147,124
Interest Receivable		21,688		20,308
Total Intragovernmental		4,217,169		4,167,933
Other than Intragovernmental				
Accounts Receivable, Net (Note 4)		2,028		1,294
Total Other than Intragovernmental		2,028		1,294
Total Assets	$	4,219,197	$	4,169,227
Liabilities:				
Intragovernmental				
Accounts Payable	$	115	$	8
Other Liabilities		57		40
Total Intragovernmental		172		48
Other than Intragovernmental				
Accounts Payable		1,837		2,983
Advances from Others		26,770		22,933
Other Liabilities				
Accrued Pension Benefits Payable		46,978		45,099
Actuarial Pension Liability (Note 6)		8,461,013		8,010,108
Accrued Payroll and Benefits		561		488
Total Other than Intragovernmental		8,537,159		8,081,611
Total Liabilities	$	8,537,331	$	8,081,659
Net Position:				
Cumulative Results of Operations – Funds from Other than Dedicated Collections	$	(4,318,134)	$	(3,912,432)
Total Net Position	$	(4,318,134)	$	(3,912,432)
Total Liabilities and Net Position	$	4,219,197	$	4,169,227

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

Department of the Treasury
Departmental Offices
Office of D.C. Pensions
Consolidated Statements of Net Cost
For the Years Ended September 30, 2022 and September 30, 2021
(in thousands)

	2022	2021
Program Costs		
Administrative Expenses (Note 5)	*$ 22,138*	*$ 20,348*
District Benefit Payments and Employer Share of DC Health and Life Plans	*297,820*	*267,375*
Pension Expense before Actuarial Assumption Changes (Note 6)	*458,143*	*36,059*
Total Program Costs	*778,101*	*323,782*
Less: Earned Revenues		
Reimbursable Income	*300,401*	*270,387*
Interest Earned	*60,152*	*59,395*
Employee Contributions	*679*	*626*
Total Earned Revenues	*361,232*	*330,408*
Net Program Costs Before Loss from Actuarial Assumption Changes	*416,869*	*(6,626)*
Loss on Actuarial Assumption Changes, Net (Note 6)	*547,978*	*246,929*
Net Cost of Operations	*$ 964,847*	*$ 240,303*

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

Department of the Treasury
Departmental Offices
Office of D.C. Pensions
Consolidated Statements of Changes in Net Position
For the Years Ended September 30, 2022 and September 30, 2021
(in thousands)

	2022	2021
Unexpended Appropriations:		
Beginning Balance	*$ -*	*$ -*
Appropriations Received	*558,934*	*595,242*
Appropriations Used	*(558,934)*	*(595,242)*
Net Change in Unexpended Appropriations	*-*	*-*
Total Unexpended Appropriations – Ending Balance	*-*	*-*
Cumulative Results of Operations:		
Beginning Balance	*$ (3,912,432)*	*$ (4,267,559)*
Appropriations Used	*558,934*	*595,242*
Imputed Financing	*211*	*188*
Net Cost of Operations	*(964,847)*	*(240,303)*
Net Change in Cumulative Results of Operations	*(405,702)*	*355,127*
Total Cumulative Results of Operations – Ending Balance	*$ (4,318,134)*	*$ (3,912,432)*
Net Position	*$ (4,318,134)*	*$ (3,912,432)*

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

Department of the Treasury
Departmental Offices
Office of D.C. Pensions
Combined Statements of Budgetary Resources
For the Years Ended September 30, 2022 and September 30, 2021
(in thousands)

		2022		2021
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory) (Note 8)	$	24,043	$	25,980
Appropriations (Discretionary and Mandatory)		1,133,757		1,157,617
Spending Authority from Offsetting Collections		304,238		271,842
Total Budgetary Resources	$	1,462,038	$	1,455,439
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	$	1,435,268	$	1,432,506
Unobligated Balance Exempt from Apportionment, End of Year		26,770		22,933
Total Status of Budgetary Resources	$	1,462,038	$	1,455,439
Outlays, Net:				
Outlays, Net (Discretionary and Mandatory)	$	1,129,464	$	1,160,535
Distributed Offsetting Receipts		(629,149)		(613,765)
Agency Outlays, Net (Discretionary and Mandatory)	$	500,315	$	546,770

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

1) Summary of Significant Accounting Policies

a. Reporting Entity

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

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 2022 and FY 2021 were $539.5 million and $576.5 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 2022 and FY 2021 were $19.4 million and $18.7 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 Financial Statement Notes consist of a summary of significant accounting policies and other relevant explanatory information. The Consolidated Financial Statements have been prepared from the accounting records of the Office in accordance with 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. Federal 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 2022 and FY 2021, 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.

For FY 2022, the assumptions used to calculate the pension liabilities 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 assumptions used to calculate the pension liabilities for FY 2021 were spot rates gradually increasing from 0.80 percent to discount FY 2022 payments, to a maximum of 3.33 percent to discount longer term payments; annual inflation and cost-of-living adjustments of 1.65 percent for judges, 1.68 percent for teachers, and 1.75 percent for police officers and firefighters; and salary increases at an annual rate of 1.04 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 2022 and FY 2021, Office staff salaries and benefits were split 95 percent and five percent between the D.C. Federal Pension Fund and the Judicial Retirement Fund. 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 2024, which includes actuals for FY 2022, 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 2023. The FY 2021 Combined Statement of Budgetary Resources (SBR) was reconciled to the Program and Financing (P&F) Schedules within the President's Budget for 2023, published in March 2022, and there were no differences for obligations incurred, budgetary resources, status of budgetary resources, or net outlays.

The President's Budget for 2023, 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, 2022, and 2021, 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. Intra-Governmental Costs

The Office reports intra-governmental 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 intra-governmental 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 $18.5 thousand and $7.2 thousand for the years ended September 30, 2022 and 2021, 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 $56.7 thousand and $40.0 thousand for the years ended September 30, 2022 and 2021, 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, 2022 and 2021, consisted of the following (in thousands):

	2022	2021
Status of Fund Balance with Treasury:		
Unobligated Balance - Available	$ 527	$ 501
Total	$ 527	$ 501

3) Federal Investments

Federal Investments as of September 30, 2022 and 2021, consisted of the following (in thousands):

	2022			
	Cost / Acquisition Value	Amortized (Premium)	Federal Investments	Market Value
Intragovernmental Securities				
Non-Marketable Par Value	$ 229,628	-	229,628	229,628
Non-Marketable Market-based	3,992,219	(26,893)	3,965,326	3,695,883
Total	$ 4,221,847	(26,893)	4,194,954	3,925,511

	2021			
	Cost / Acquisition Value	Amortized (Premium)	Federal Investments	Market Value
Intragovernmental Securities				
Non-Marketable Par Value	$ 220,142	-	220,142	220,142
Non-Marketable Market-based	3,950,967	(23,985)	3,926,982	3,996,416
Total	$ 4,171,109	(23,985)	4,147,124	4,216,558

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, 2022 and 2021, as published in the Treasury Quote Sheets prepared by Treasury's Office of Market Finance. Included in these figures are a net unrealized loss of $269.4 million and a net unrealized gain of $69.4 million for the years ended September 30, 2022 and 2021, respectively.

The amortized cost of Federal Investments (*including par value securities invested overnight)* as of September 30, 2022 and 2021, by maturity date is as follows (in thousands):

	2022	2021
Less than or Equal to 1 Year	*$ 804,091*	*$ 800,558*
More than 1 Year and Less than or Equal to 5 Years	*2,260,116*	*2,264,251*
More than 5 Years and Less than or Equal to 10 Years	*1,120,821*	*1,073,382*
More than 10 Years	*9,926*	*8,933*
Total	*$ 4,194,954*	*$ 4,147,124*

4) Accounts Receivable, Net

The components of Accounts Receivable, Net as of September 30, 2022 and 2021, are as follows (in thousands):

	2022	2021
Accounts Receivable, Gross	*$ 3,793*	*$ 4,100*
Allowance for Loss on Accounts Receivable	*(1,779)*	*(2,815)*
Taxes Receivable	*14*	*9*
Accounts Receivable, Net	*$ 2,028*	*$ 1,294*

The Allowance for Loss on Accounts Receivable are attributed to debts resulting from benefit overpayments. Accounts Receivable, Net also includes criminal restitution. For FY 2022 and FY 2021, the Office reported criminal debt in the gross amount of $654.7 thousand, and $655.8 thousand, respectively. The net realizable value of the criminal debt reported in FY 2022 and FY 2021 was $55.9 thousand and $57.8 thousand, respectively.

5) Administrative Expenses

Administrative expenses for the years ended September 30, 2022 and 2021, are as follows (in thousands):

	2022	2021
Intragovernmental Expenses		
Salaries and Related Benefits	$ 1,064	$ 980
Contractual Services	5,507	5,166
Rent	655	647
Other	-	3
Total Intragovernmental Expenses	7,226	6,796
Public Expenses		
Salaries and Related Benefits	3,064	2,998
Contractual Services	11,795	11,145
Other	53	(591)
Total Public Expenses	14,912	13,552
Total Administrative Expenses	$ 22,138	$ 20,348

6) Pension Expense and Actuarial Pension Liability

Pension Expense and Actuarial Pension Liability for the years ended September 30, 2022 and 2021, includes the following components (in thousands):

	2022	2021
Beginning Liability Balance	$ 8,010,108	$ 8,272,445
Pension Expense:		
Normal Cost	6,800	6,400
Interest on Pension Liability During the Period	67,189	71,418
Actuarial (Gains) Losses During the Period:		
From Experience	384,154	(41,759)
From Discount Rate Assumption Change	193,721	337,019
From Other Economic Assumption Changes	326,315	(7,079)
From Non-Economic Assumption Changes	27,942	(83,011)
Pension Expense before Other / Non-Actuarial Adjustments	1,006,121	282,988
Less Amounts Paid and Accrued:	(555,216)	(545,325)
Ending Liability Balance	$ 8,461,013	$ 8,010,108

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

		2022		2021
Pension Expense before Actuarial Assumption Changes:				
Normal Cost	$	6,800	$	6,400
Interest on Pension Liability During the Period		67,189		71,418
Actuarial (Gain) Loss During the Period from Experience		384,154		(41,759)
Total Pension Expense before Actuarial Assumption Changes		458,143		36,059
Loss on Actuarial Assumption Changes, Net				
Actuarial (Gains) Losses During the Period:				
From Discount Rate Assumption Change		193,721		337,019
From Other Economic Assumption Changes		326,315		(7,079)
From Non-Economic Assumption Changes		27,942		(83,011)
Total Loss on Actuarial Assumption Changes, Net		547,978		246,929
Total Pension Expense	$	1,006,121	$	282,988

Federal Benefit Payments

Federal pension benefits paid and accrued were $538.8 million and $16.4 million from the D.C. Federal Pension Fund and Judicial Retirement Fund, respectively, for 2022, and $530.5 million and $14.8 million, respectively, for 2021. In FY 2022, the Judicial Retirement Fund included a payment of $676.9 thousand for missed federal life insurance premiums. For FY 2022 and FY 2021, approximately $53.6 thousand and $26.5 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 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.

In FY 2021, the Office reported a net liability actuarial loss in the D.C. Federal Pension Fund and Judicial Retirement Fund. The liability actuarial losses were $337.0 million due to the new discount rate assumptions, which were offset by liability actuarial gains of $41.8 million resulting from experience, $7.1 million due to changes in pay and cost-of-living assumptions, and $83.0 million due to other assumption changes which include the change in the mortality projection scale from MP-2019 to MP-2020. The net result was a total liability actuarial loss of $205.1 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, 2022 and 2021, the Reconciliation of Net Cost of Operations to Agency Outlays, Net consisted of the following (in thousands):

	2022	***2021***
Net Cost of Operations	$ 964,847	$ 240,303
Components of Net Cost of Operations Not Part of Outlays:		
Increase/(Decrease) in Assets Not Affecting Outlays:		
Accounts Receivable	734	(774)
Total Increase/(Decrease) in Assets Not Affecting Outlays:	734	(774)
(Increase)/Decrease in Liabilities Not Affecting Outlays:		
Accounts Payable and Advances from Others	(3,033)	2,027
Other Liabilities	144	686
Other Liabilities - Actuarial Pension Liability	(450,905)	262,337
Other Liabilities - Accrued Pension Benefits Payable	(1,879)	880
Total (Increase)/Decrease in Liabilities Not Affecting Outlays:	(455,673)	265,930
Other Financing Sources:		
Imputed Financing Sources	(211)	(188)
Other	679	626
Total Other Financing Sources:	468	438
Other	3,491	3,387
Total Components of Net Cost of Operations Not Part of Outlays	(450,980)	268,981
Components of the Outlays That Are Not Part of Net Cost of Operations:		
Changes in Premiums and Amortization of Premiums/Discounts	(14,900)	37,427
Changes in Interest Receivable	1,348	59
Total Components of Outlays That Are Not Part of Net Cost of Operations	(13,552)	37,486
Agency Outlays, Net	$ 500,315	$ 546,770

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, 2022 and 2021, adjustments were made to the balance of unobligated budgetary resources available as of October 1, 2021 and 2020. These adjustments primarily include Recoveries of Prior Year Unpaid Obligations that were obligated in prior years. Also, included in Other Changes in Unobligated Balances in FY 2022 is a prior year reimbursement paid to a non-federal entity.

The adjustments during the years ended September 30, 2022 and 2021, are as follows (in thousands):

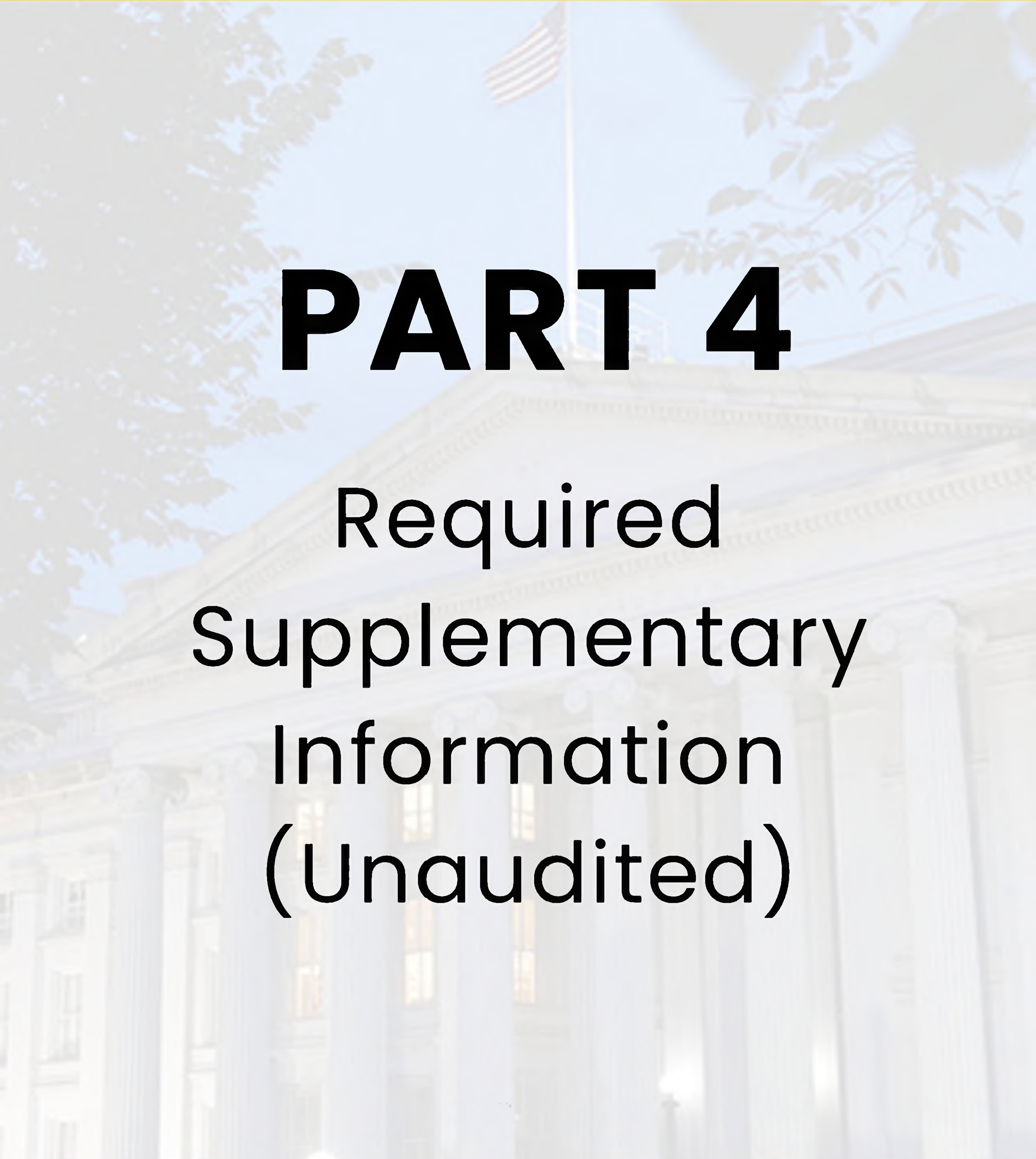
	2022	2021
Unobligated Balance Brought Forward, October 1	$ 22,933	$ 21,479
Recoveries of Prior Year Unpaid Obligations	330	4,441
Other Changes in Unobligated Balances	780	60
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)	$ 24,043	$ 25,980

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, 2022 and 2021, consisted of the following (in thousands):

	2022		
	Federal	Non-Federal	Total
Unpaid undelivered orders at the end of the year	$ 210	$ 5,435	$ 5,645

	2021		
	Federal	Non-Federal	Total
Unpaid undelivered orders at the end of the year	$ 283	$ 5,836	$ 6,119



PART 4

Required Supplementary Information (Unaudited)

Department of the Treasury
Departmental Offices
Office of D.C. Pensions
Combining Statements of Budgetary Resources
By Fund (Unaudited)
For the Years Ended September 30, 2022 and September 30, 2021
(In Thousands)

	2022			2021		
	D.C. Judicial Retirement and Survivors Annuity Fund	D.C. Federal Pension Fund	Combined D.C. Pension Funds Total	D.C. Judicial Retirement and Survivors Annuity Fund	D.C. Federal Pension Fund	Combined D.C. Pension Funds Total
Budgetary Resources:						
Unobligated Balance from Prior Year Budget Authority, Net	$ 14	$ 24,029	$ 24,043	$ 1	$ 25,979	$ 25,980
Appropriations (Discretionary and Mandatory)	36,374	1,097,383	1,133,757	34,059	1,123,558	1,157,617
Spending Authority from Offsetting Collections	-	304,238	304,238	-	271,842	271,842
Total Budgetary Resources:	$ 36,388	$ 1,425,650	$ 1,462,038	$ 34,060	$ 1,421,379	$ 1,455,439
Status of Budgetary Resources:						
New Obligations and Upward Adjustments	$ 36,388	$ 1,398,880	$ 1,435,268	$ 34,060	$ 1,398,446	$ 1,432,506
Unobligated Balance Exempt from Apportionment, end of year	-	26,770	26,770	-	22,933	22,933
Total Status of Budgetary Resources:	$ 36,388	$ 1,425,650	$ 1,462,038	$ 34,060	$ 1,421,379	$ 1,455,439
Outlays, Net:						
Outlays, Net (Discretionary and Mandatory)	$ 36,249	$ 1,093,215	$ 1,129,464	$ 34,022	$ 1,126,513	$ 1,160,535
Distributed Offsetting Receipts	(19,422)	(609,727)	(629,149)	(18,738)	(595,027)	(613,765)
Agency Outlays, Net (Discretionary and Mandatory)	$ 16,827	$ 483,488	$ 500,315	$ 15,284	$ 531,486	$ 546,770

See accompanying independent auditors' report.

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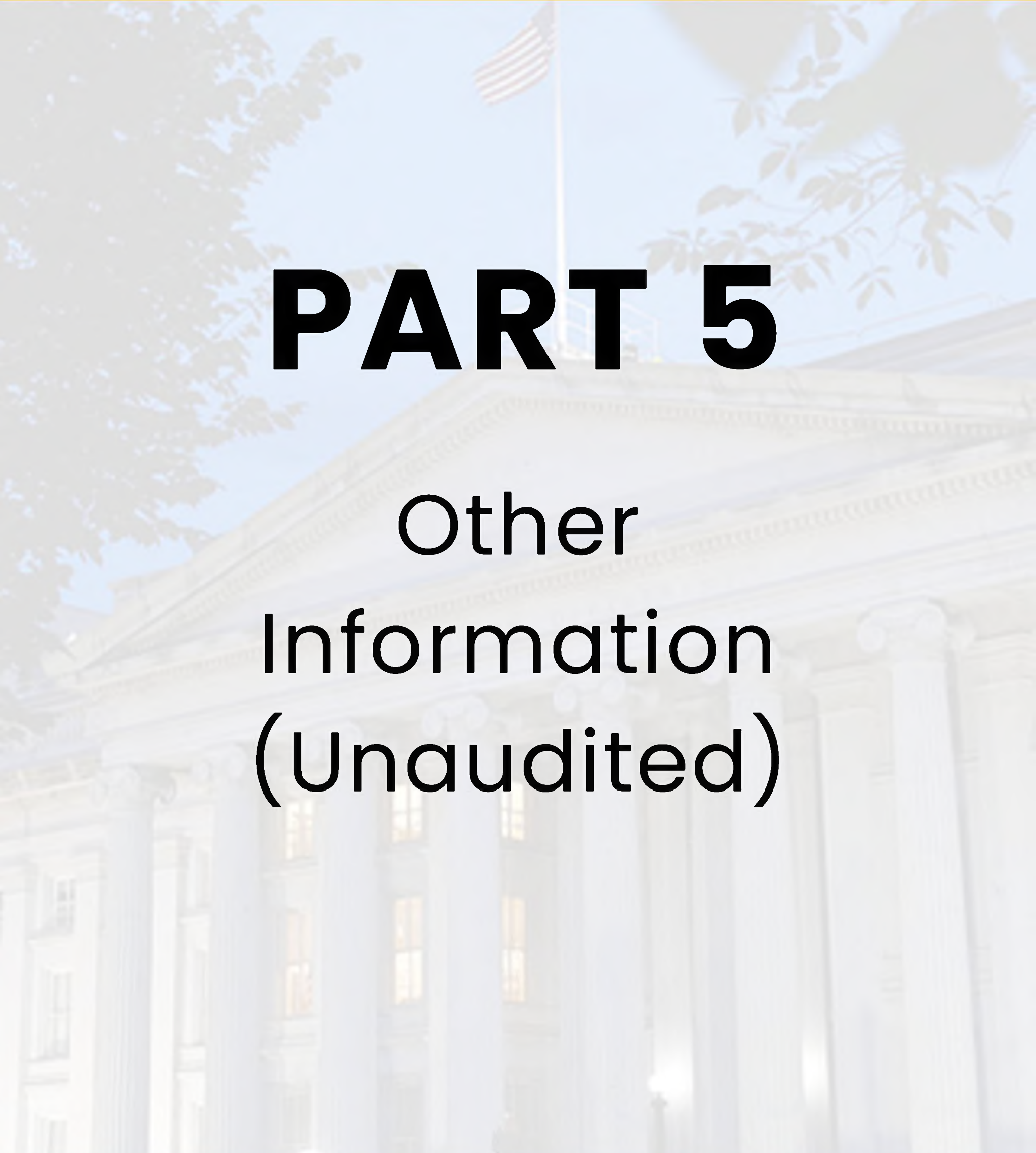

PART 5

Other Information (Unaudited)

Department of the Treasury
Departmental Offices
Office of D.C. Pensions
Consolidating Balance Sheets
By Fund (Unaudited)
As of September 30, 2022 and September 30, 2021
(In Thousands)

	2022			2021		
	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	$ 128	$ 399	$ 527	$ 104	$ 397	$ 501
Investments, Net						
Federal Investments	196,413	3,998,541	4,194,954	189,704	3,957,420	4,147,124
Interest Receivable	488	21,200	21,688	456	19,852	20,308
Total Intragovernmental	197,029	4,020,140	4,217,169	190,264	3,977,669	4,167,933
Other than Intragovernmental						
Accounts Receivable, Net	3	2,025	2,028	3	1,291	1,294
Total Other than Intragovernmental	3	2,025	2,028	3	1,291	1,294
Total Assets	$ 197,032	$ 4,022,165	$ 4,219,197	$ 190,267	$ 3,978,960	$ 4,169,227
Liabilities:						
Intragovernmental						
Accounts Payable	$ 39	$ 76	$ 115	$ -	$ 8	$ 8
Other Liabilities	3	54	57	2	38	40
Total Intragovernmental	42	130	172	2	46	48
Other than Intragovernmental						
Accounts Payable	6	1,831	1,837	8	2,975	2,983
Advances from Others	-	26,770	26,770	-	22,933	22,933
Other Liabilities						
Accrued Pension Benefits Payable	1,327	45,651	46,978	1,213	43,886	45,099
Actuarial Pension Liability	294,513	8,166,500	8,461,013	275,210	7,734,898	8,010,108
Accrued Payroll and Benefits	28	533	561	24	464	488
Total Other than Intragovernmental	295,874	8,241,285	8,537,159	276,455	7,805,156	8,081,611
Total Liabilities	$ 295,916	$ 8,241,415	$ 8,537,331	$ 276,457	$ 7,805,202	$ 8,081,659
Net Position:						
Cumulative Results of Operations - Funds from Other than Dedicated Collections	$ (98,884)	$ (4,219,250)	$ (4,318,134)	$ (86,190)	$ (3,826,242)	$ (3,912,432)
Total Net Position	$ (98,884)	$ (4,219,250)	$ (4,318,134)	$ (86,190)	$ (3,826,242)	$ (3,912,432)
Total Liabilities and Net Position	$ 197,032	$ 4,022,165	$ 4,219,197	$ 190,267	$ 3,978,960	$ 4,169,227

See accompanying independent auditors' report.

Department of the Treasury
Departmental Offices
Office of D.C. Pensions
Consolidating Statements of Net Cost
By Fund (Unaudited)
For the Years Ended September 30, 2022 and September 30, 2021
(In Thousands)

	2022			2021		
	D.C. Judicial Retirement and Survivors Annuity Fund	D.C. Federal Pension Fund	Consolidated D.C. Pension Funds Total	D.C. Judicial Retirement and Survivors Annuity Fund	D.C. Federal Pension Fund	Consolidated D.C. Pension Funds Total
Program Costs						
Administrative Expenses	$ 573	$ 21,565	$ 22,138	$ 459	$ 19,889	$ 20,348
District Benefit Payments and Employer Share of DC Health and Life Plans	-	297,820	297,820	-	267,375	267,375
Pension Expense Before Actuarial Assumption Changes	25,997	432,146	458,143	15,477	20,582	36,059
Total Program Costs	26,570	751,531	778,101	15,936	307,846	323,782
Less: Earned Revenues						
Reimbursable Income	-	300,401	300,401	-	270,387	270,387
Interest Earned	3,491	56,661	60,152	3,387	56,008	59,395
Employee Contributions	679	-	679	626	-	626
Total Earned Revenues	4,170	357,062	361,232	4,013	326,395	330,408
Net Program Costs Before Loss from Actuarial Assumption Changes	22,400	394,469	416,869	11,923	(18,549)	(6,626)
Loss on Actuarial Assumption Changes, Net	9,727	538,251	547,978	7,890	239,039	246,929
Net Cost of Operations	$ 32,127	$ 932,720	$ 964,847	$ 19,813	$ 220,490	$ 240,303

See accompanying independent auditors' report.

Department of the Treasury
Departmental Offices
Office of D.C. Pensions
Consolidating Statements of Changes in Net Position
By Fund (Unaudited)
For the Years Ended September 30, 2022 and September 30, 2021
(In Thousands)

	2022			2021		
	D.C. Judicial Retirement and Survivors Annuity Fund	D.C. Federal Pension Fund	Consolidated D.C. Pension Funds Total	D.C. Judicial Retirement and Survivors Annuity Fund	D.C. Federal Pension Fund	Consolidated D.C. Pension Funds Total
Unexpended Appropriations:						
Beginning Balance	$ -	$ -	$ -	$ -	$ -	$ -
Appropriations Received	19,422	539,512	558,934	18,738	576,504	595,242
Appropriations Used	(19,422)	(539,512)	(558,934)	(18,738)	(576,504)	(595,242)
Net Change in Unexpended Appropriations	-	-	-	-	-	-
Total Unexpended Appropriations - Ending Balance	-	-	-	-	-	-
Cumulative Results of Operations:						
Beginning Balance	$ (86,189)	$ (3,826,243)	$ (3,912,432)	$ (85,124)	$ (4,182,435)	$ (4,267,559)
Appropriations Used	19,422	539,512	558,934	18,738	576,504	595,242
Imputed Financing	10	201	211	10	178	188
Net Cost of Operations	(32,127)	(932,720)	(964,847)	(19,813)	(220,490)	(240,303)
Net Change in Cumulative Results of Operations	(12,695)	(393,007)	(405,702)	(1,065)	356,192	355,127
Total Cumulative Results of Operations - Ending Balance	$ (98,884)	$ (4,219,250)	$ (4,318,134)	$ (86,189)	$ (3,826,243)	$ (3,912,432)
Net Position	$ (98,884)	$ (4,219,250)	$ (4,318,134)	$ (86,189)	$ (3,826,243)	$ (3,912,432)

See accompanying independent auditors' report.

Department of the Treasury
Departmental Offices
Office of D.C. Pensions
Schedule of Pension Expense - by Fund (Unaudited)
For the Years Ended September 30, 2022 and September 30, 2021
(In Thousands)

	2022			2021		
	D.C. Judicial Retirement and Survivors Annuity Fund	D.C. Federal Pension Fund	Consolidated D.C. Pension Funds Total	D.C. Judicial Retirement and Survivors Annuity Fund	D.C. Federal Pension Fund	Consolidated D.C. Pension Funds Total
Beginning Liability Balance	$ 275,210	$ 7,734,898	$ 8,010,108	$ 266,677	$ 8,005,768	$ 8,272,445
Pension Expense:						
Normal Cost	6,800	-	6,800	6,400	-	6,400
Interest on Pension Liability During the Period	7,115	60,074	67,189	7,586	63,832	71,418
Actuarial (Gains) Losses During the Period:						
From Experience	12,082	372,072	384,154	1,491	(43,250)	(41,759)
From Discount Rate Assumption Change	1,278	192,443	193,721	7,560	329,459	337,019
From Other Economic Assumption Changes	7,413	318,902	326,315	3,741	(10,820)	(7,079)
From Non-Economic Assumption Changes	1,036	26,906	27,942	(3,412)	(79,599)	(83,011)
Pension Expense before Other / Non-Actuarial Adjustments	35,724	970,397	1,006,121	23,366	259,622	282,988
Less Amounts Paid and Accrued:	(16,421)	(538,795)	(555,216)	(14,833)	(530,492)	(545,325)
Ending Liability Balance	$ 294,513	$ 8,166,500	$ 8,461,013	$ 275,210	$ 7,734,898	$ 8,010,108

See accompanying independent auditors' report.

Actuarial Valuation Report FY 2022 (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) 2022 (October 1, 2021 through September 30, 2022);
- 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 2023 (October 1, 2022 through September 30, 2023); and
- To identify and discuss any emerging trends in Program costs.

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

Summary of Results

As of October 1, 2022	Police Officers and Firefighters', and Teachers' Plans		Judges' Plan	
Actuarial Accrued Liability	$	8,212,151,289	$	295,839,904
Plan Assets		(3,991,603,721)		(196,811,485)
Unfunded Actuarial Accrued Liability	$	4,220,547,568	$	99,028,419
Normal Cost with Interest (including expected employee contributions)		N/A	$	7,400,000

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	$ (2,749,548)	$ 1,800,456
Inactive Mortality	(28,365,549)	580,655
Salary Increase	(2,008,987)	839,866
New Entrants	N/A	-
Cost-of-Living Adjustment (COLA) Different than Expected	378,335,821	8,166,957
(Gains)/Losses due to Census Changes:	28,863,753	846,268
(Gains)/Losses due to New Terminated Vested Plan Members:	-	N/A
(Gains) / Losses due to New Actives Due to Ongoing Data Management:	-	-
Total	**$ 374,075,490**	**$ 12,234,202**

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 more Police Officers and Firefighters retiring than expected. For the Judges' Plan, there was one new disability retirement granted and one judge retiring earlier than anticipated, resulting in a loss.

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 there was a mortality loss despite the number of deaths being as expected. The total liability of those that died was less than expected resulting in a loss. Smaller populations are expected to experience larger deviations from expected year-over-year than a larger population, as individual deaths or survivorship have a more significant relative impact on the liability than in a larger population. Long-term gains and losses are expected to offset each other with experience aligning to the assumed mortality probabilities.

- **Salary Increase**: The actuarial valuation assumes that salaries for active plan members will increase by a certain amount. An individual (gain) or loss is generated for each plan member based on their actual salary amount reported in the current valuation. A gain is reported when a plan member's actual salary is lower than the expected amount, and a loss is reported when a plan member's actual salary is higher than the expected amount. The gain for the Police Officers and Firefighters' and Teachers' Plans is due in part to the fact that there was no collectively bargained pay increase. The loss for Judges' Plan is due to the actual salary increases exceeding the assumed rate.

- **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 2021 was significantly above recent history creating higher actual COLA percentages than expected and driving losses in both the Police Officers and Firefighters' and Teachers' Plans and the Judges’ Plan. The actual COLA for Police Officers and Firefighters was 7.00% compared to the 1.75% assumption. The actual COLA for Teachers was 7.80% compared to the 1.68% assumption. The actual COLA for Judges was 5.90% compared to the 1.65% assumption.

• **(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 $28.9 million and includes the following:

- A $24.9 million loss resulting from new beneficiaries following the death of plan members for whom the chosen form of payment was unknown.
- A $1.6 million gain 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 $5.6 million net loss resulting from ongoing data management, including unexpected changes to data fields such as hire date, salary, service, etc.

For the **Judges' Plan**, the total loss amount of $846,000 includes the following:

- A $250,000 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 $338,000 net loss resulting from ongoing data management, including unexpected changes to data fields such as hire date, salary, service, etc.
- A $240,000 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 $18,000 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	$ 3,952,499,961	$ 190,105,319
Expected Return on Assets	29,388,331	4,821,393
Actual Return on Assets	57,529,332	3,621,848
Asset (Gain)/Loss	**$ (28,141,001)**	**$ 1,199,545**

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

	D.C. Federal Pension Fund	Judicial Retirement Fund
Assets	1.46%	1.89%

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 2.65% 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, 0.80%. The Judicial Retirement Fund experienced a lower-than-anticipated return of 1.89% on fund assets and the D.C. Federal Pension Fund experienced a higher-than-anticipated return of 1.46% 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.

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	$ 192,442,985	$ 1,277,578
Other Economic Assumptions	318,901,321	7,413,303
Non-Economic Assumptions	26,906,626	1,035,828
Total	**$ 538,250,932**	**$ 9,726,709**

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

For the Police Officers and Firefighters' and Teachers' Plans and Judges' Plan, the cost-of-living adjustment (COLA) for annuitants increased causing a loss. For the Police Officers and Firefighters' and Teachers' Plans, the review of the wage inflation assumption resulted in no change to the assumption for these plans. For the Judges' Plan, the other economic assumption change was an increase to the salary increase 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.

For the Police Officers and Firefighters', and Teachers' Plans, and the Judges' Plan, the updated mortality projection scale to MP-2021 was the only impact for non-economic assumptions. 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 2023 (excluding the reimbursement for expenses). The table below contains Government Contribution (excluding expenses) for FY 2022 and FY 2023.

Contribution Year	Government Contribution (excluding expenses)			
	D.C. Federal Pension Fund		Judiciary Retirement Fund	
September 30, 2022	$	520,900,000	$	18,900,000
September 30, 2023	$	589,600,000	$	22,000,000

The increase/(decrease) in the Government Contribution amounts from FY2022 to FY2023 is explained in the table below.

	Police Officers and Firefighters', and Teachers' Plans		Judges' Plan	
Full amortization of the 10/1/2012 Experience gain/loss	$	(500,000)	$	400,000
New amortization base for the 10/1/2022 Experience gain/loss		38,000,000		1,500,000
New amortization base for the 10/1/2022 Assumption change gain/loss		31,200,000		600,000
Normal Cost change		-		600,000
Employee Contribution change		-		-
Total	**$**	**68,700,000**	**$**	**3,100,000**

Executive Summary

Actuarial Valuation Opinion

This report presents the results of the actuarial valuation of the Program as of October 1, 2022. 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, 2022 (plan data was projected to September 30, 2022 by adjusting for expected mortality for inactive plan members) and the estimated asset information projected by the Department of the Treasury to September 30, 2022 (provided on September 7, 2022).

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

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

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

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

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

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

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

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

DELOITTE CONSULTING LLP

[redacted]

Jeffrey Rees, FSA, MAAA, FCA
Enrolled Actuary No. 20-05941
November 17, 2022

[redacted]

Michael de Leon, ASA, MAAA, FCA
Enrolled Actuary No. 20-06450
November 17, 2022

Executive Summary

Summary of Results

Police Officers and Firefighters', and Teachers' Plans

	Valuation Date	
	October 1, 2022	October 1, 2021
Plan Member Counts		
Actives	567	803
Terminated Vested	260	269
Annuitants	13,042	13,187
Total	13,869	14,259
Contributions		
Federal Required Contribution	$ 589,600,000	$ 520,900,000
Present Value of Benefits (PVB)		
Active Plan Members		
Retirement Decrement	$ 188,015,325	$ 261,499,178
Termination Decrement	-	-
Disability Decrement	608,695	838,561
Death Decrement	226,941	341,683
Total	$ 188,850,961	$ 262,679,422
Inactive Plan Members		
Normal Retirees[1]	$ 6,478,696,504	$ 6,053,132,279
Terminated Vested	39,511,106	37,234,971
Disabled Retirees[1]	649,529,509	646,661,754
Beneficiaries	855,563,209	779,076,374
Total	$ 8,023,300,328	$ 7,516,105,378
Total PVB (inactive and active)	$ 8,212,151,289	$ 7,778,784,800
Unfunded Actuarial Accrued Liability (AAL)		
Active AAL	$ 188,850,961	$ 262,679,422
Inactive AAL	8,023,300,328	7,516,105,378
Total AAL	$ 8,212,151,289	$ 7,778,784,800
Asset Value as of Valuation Date	$ (3,991,603,721)	$ (3,952,499,961)
Unfunded AAL	**$ 4,220,547,568**	**$ 3,826,284,839**

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

Executive Summary

Summary of Results

Judges' Plan

	Valuation Date	
	October 1, 2022	October 1, 2021
Plan Member Counts		
Actives	57	57
Terminated Vested	-	-
Annuitants	106	103
Total	163	160
Contributions		
Government Contribution (excluding expenses)	$ 22,000,000	$ 18,900,000
Present Value of Benefits (PVB)		
Active Plan Members		
Retirement Decrement	$ 150,387,774	$ 137,957,809
Termination Decrement	-	-
Disability Decrement	-	-
Death Decrement	863,254	727,995
Total	$ 151,251,028	$ 138,685,804
Inactive Plan Members		
Normal Retirees[1]	$ 201,038,833	$ 181,812,743
Terminated Vested	-	-
Disabled Retirees[1]	4,252,423	2,099,448
Beneficiaries	10,168,034	9,866,579
Total	$ 215,459,290	$ 193,778,770
Total PVB (inactive and active)	$ 366,710,318	$ 332,464,574
Unfunded Actuarial Accrued Liability (AAL)		
Active AAL	$ 80,380,614	$ 82,643,594
Inactive AAL	215,459,290	193,778,770
Total AAL	$ 295,839,904	$ 276,422,364
Asset Value as of Valuation Date	$ (196,811,485)	$ (190,105,319)
Unfunded AAL	**$ 99,028,419**	**$ 86,317,045**
Total Normal Cost	$ 7,400,000	$ 6,800,000 [2]
Employee Contributions	(600,000)	(600,000)
Net Employer Normal Cost	**$ 6,800,000**	**$ 6,200,000**

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

[2]This was inadvertently net of employee contributions in the October 1, 2021 valuation report.

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