# Audit Report

OIG-10-015

Audit of the Office of D.C. Pensions' Fiscal Years 2009 and 2008 Financial Statements

December 7, 2009

# Office of Inspector General

## Department of the Treasury

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

December 7, 2009

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

**FROM:** Michael Fitzgerald
Director, Financial Audits

**SUBJECT:** Audit of the Office of D.C. Pensions' Fiscal Years 2009 and 2008 Financial Statements

I am pleased to transmit the attached audited Office of D.C. Pensions (ODCP) financial statements for fiscal years 2009 and 2008. Under a contract monitored by the Office of Inspector General, KPMG LLP, an independent certified public accounting firm, performed an audit of the financial statements of ODCP as of September 30, 2009 and 2008 and for the years then ended. The contract required that the audit be performed in accordance with generally accepted government auditing standards; applicable provisions of Office of Management and Budget Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements,* as amended; and the *GAO/PCIE Financial Audit Manual*.

The following reports, prepared by KPMG LLP, are incorporated in the attachment:

- Independent Auditors' Report;
- Independent Auditors' Report on Internal Control Over Financial Reporting; and
- Independent Auditors' Report on Compliance and Other Matters.

In its audit, KPMG LLP found:

- the financial statements were presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles;
- no matters involving internal control over financial reporting that are considered material weaknesses; and
- no instances of reportable noncompliance with laws and regulations tested.

KPMG LLP also issued a management letter dated November 13, 2009 discussing certain matters involving internal control over financial reporting and its operation that were identified during the audit but were not required to be included in the auditors' reports.

In connection with the contract, we reviewed KPMG LLP's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit performed in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on the financial statements or conclusions about the effectiveness of internal control or compliance with laws and regulations. KPMG LLP is responsible for the attached auditors' reports dated November 13, 2009 and the conclusions expressed in the reports. However, our review disclosed no instances where KPMG LLP did not comply, in all material respects, with generally accepted government auditing standards.

Should you have any questions, please contact me at (202) 927-5789, or a member of your staff may contact Shiela Michel, Manager, Financial Audits at (202) 927-5407.

Attachment

# DEPARTMENT OF THE TREASURY
# OFFICE OF D.C. PENSIONS


## DISTRICT OF COLUMBIA PENSIONS PROGRAM
## FISCAL YEAR

# 2009

## ANNUAL REPORT

## MESSAGE FROM THE DIRECTOR

November 2009

On behalf of the Office of D.C. Pensions, I am pleased to present the Fiscal Year (FY) 2009 Annual Report, which provides highlights of the significant program milestones as well as a summary of our future focus areas.

Pursuant to the Balanced Budget Act of 1997, as amended, 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 Teachers', and Police Officers' and Firefighters' Retirement Plans. As of September 30, 2009, the District of Columbia Judicial Retirement and Survivors Annuity Fund, and the District of Columbia Federal Pension Fund held assets totaling approximately $3.9 billion. During FY 2009, the Office of D.C. Pensions paid $524 million in federal benefit payments to approximately 13,600 annuitants and refunds of employee contributions totaling approximately $0.6 million were made to 38 former active employees or their beneficiaries.

For the 11th consecutive year, an independent public accounting firm rendered an unqualified opinion on the FY 2009 financial statements of the Office of D.C. Pensions. In addition, the auditors did not note any matters involving internal controls that it considered significant or material, or any instances of noncompliance with laws and regulations.

During the fiscal year, the Office of D.C. Pensions expanded its quality program by increasing quality review activities over the System to Administer Retirement (STAR) production support and hosting services; created a forum for STAR end-users to exchange information and best practices; and developed a long-term architectural plan which outlined the STAR upgrade path for the future. These continuous improvements assist the Office in achieving its strategic goals and objectives.

The Office of D.C. Pensions will continue to work cooperatively with the District of Columbia Retirement Board, Bureau of the Public Debt, and other Department of the Treasury and District entities to provide quality service to the annuitants and to successfully 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

# MANAGEMENT'S DISCUSSION AND ANALYSIS
# FISCAL YEAR 2009

***Vision:***
The vision of the Office of D.C. Pensions is successful stewardship of the pensions 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 Bureau of the Public Debt 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), the Secretary of the Treasury (the Secretary) assumed certain responsibilities for a specific population of annuitants under the following District of Columbia (the District) retirement plans: the Police Officers' and Firefighters' Retirement Plan, the Teachers' Retirement Plan, and the Judges' Retirement Plan. Specifically, the Secretary is responsible for administering the retirement benefits earned by District teachers, police officers, and firefighters based upon service accrued prior to July 1, 1997, and retirement benefits earned by District judges, regardless of when service accrued.

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, the Department of the Treasury's (Treasury) Office of D.C. Pensions (the Office) engages in a wide range of legal, policy and operational activities in the areas of benefits administration, information technology, financial management and program management. The Office coordinates with many District entities and stakeholders to administer its responsibilities.

All benefit payments that are the responsibility of the Treasury under the District retirement programs are referred to herein as Federal Benefit Payments. All 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. Benefits partially paid by Treasury and partially paid by the District of Columbia are referred to as split benefits.

## B. *Organizational Structure and Staffing*

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

The Office structure consists of three key functional areas: benefits and systems administration, finance and resource administration, and program management.

- Benefits and Systems Administration: The Office provides oversight of the benefit administration functions for certain District of Columbia retirement plans. The Office also operates and maintains the System to Administer Retirement (STAR), an automated pension/payroll system, in support of benefits administration. Approximately $582 million in Federal and District Benefit Payments were made to 13,700 annuitants as of September 30, 2009.

- Finance and Resource Administration: The Office is responsible for financial and administrative activities related to the benefit administration functions it oversees. The Office manages and accounts for net investments in Government Account Series (GAS) securities in the federal pension funds totaling approximately $3.8 billion as of September 30, 2009. The Office also performs an annual actuarial valuation to determine the pension liability of the retirement programs and the annual contribution from the Treasury General Fund into the District of Columbia Teachers, Police Officers and Firefighters Federal Pension Fund (D.C. Federal Pensions Fund) and the District of Columbia Judicial Retirement and Survivors Annuity Fund (Judicial Retirement Fund).

- Program Management: The Office provides oversight of its responsibilities through special project management and a quality assurance program, which ensures internal program areas and Treasury/District stakeholders meet quality standards.

As of September 30, 2009, 20 Treasury positions were funded from the D.C. Federal Pensions Fund and the Judicial Retirement Fund. In addition, the Office funds and receives support from other Treasury offices, the Office of General Counsel, and the Procurement Services Division.

Pursuant to a reimbursable services agreement, Treasury's Bureau of the Public Debt (BPD), Administrative Resource Center (ARC), performs: systems administration and hosting for the automated pension/payroll system, accounting, and annuity payroll services.

Since September 26, 2005, the District of Columbia Retirement Board (DCRB) serves 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.

# II. Executive Summary

During Fiscal Year (FY) 2009, the Office of D.C. Pensions (the Office) successfully worked with the District of Columbia Retirement Board (DCRB), Treasury's Bureau of the Public Debt (BPD), and other Treasury entities to carry out its responsibilities under the provisions in Title XI of the Balanced Budget Act of 1997, as amended.

The Office achieved a significant milestone with the completion of the core functionality for the System to Administer Retirement (STAR) in FY 2008. With the completion of this milestone, the Office completed its reorganization in FY 2009 and was able to transition from an office whose focus was on supporting a major system development, to one that now focuses on operational oversight. As a result, the Office is now positioned to address future challenges and increase focus on its mission to make timely and accurate benefit payments associated with the District of Columbia retirement programs.

As part of its increased focus on oversight and program management, the Office is making improvements to benefit and system operations. During FY 2009, the Office enhanced its quality program, which included a revision of its metrics to better measure program performance. To improve benefit operations, the Office created a forum for STAR end-users to discuss and share pension and payroll-related matters and recommend process improvements. To improve system operations, the Office developed a long-term architectural plan that delineates the STAR upgrade path for the next three years.

In FY 2009, the Office provided successful stewardship of the pension funds and effective use of resources. For the 11th consecutive year, the Office received an unqualified audit opinion with the support from stakeholders at DCRB and BPD. Additionally, in FY 2009, the Office also completed a quintenial experience study to determine the actuarial demographic assumptions to be used in the FY 2009-2013 actuarial valuations to ensure the continued integrity of future actuarial pension liability estimates.

In FY 2010, the Office plans to continue the development of a long-term strategic plan, the expansion of its oversight and quality program related to benefits, payroll, and systems operations as well as implementing STAR architectural requirements and performing a STAR certification and accreditation.

The Management Discussion and Analysis provides more details about both the FY 2009 program results and the FY 2010 areas for future focus.

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

The Office of D.C. Pensions (the Office) has three Strategic Goals that contribute to the achievement of two of the Department of the Treasury's (Treasury) Strategic Goals.

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

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

Treasury Strategic Goal: Effectively Managed U.S. Government Finances

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

Office Outcomes:
- Program is effectively managed

Treasury Strategic Goal: Management and Organizational Excellence

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

Office Outcomes:
- Program creates continuous improvement

Treasury Strategic Goal: Management and Organizational Excellence

The following table displays the Office's Strategic Goals, Objectives and Outcomes with a link to the two Treasury Strategic Goals. It also identifies the Office's Performance Measures and Results.

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

| Fiscal Years 2009 - 2011 | | | | | Fiscal Year 2009 |
|---|---|---|---|---|---|
| **Treasury Goals and Objectives** | | **ODCP Strategic Goals, Objectives, and Outcomes** | | | **ODCP Performance Measures** |
| **Treasury Strategic Goal** | **Treasury Strategic Objective** | **ODCP Strategic Goal** | **ODCP Strategic Objective** | **ODCP Outcomes** | **ODCP Performance Measure** |
| Effectively Managed U.S. Government Finances | Cash resources are available to operate the government | Effectively Managed Finances | Skilled staff and technology are available to administer benefits | Benefit payments are accurate and timely | New annuitant benefit calculation error rate<br>Target: 5% or less<br>Actual: 1.09% |
| | | | | | STAR is available to users<br>Target: 98% or more<br>Actual: 99.88% |
| | | | Skilled staff and funds are available to manage financial activities | Pension funds are effectively invested | Investment strategy developed timely<br>Target: Third week of September<br>Actual: September 24, 2009 |
| | | | | | Investment strategy implemented timely<br>Target: 100%<br>Actual: 100% |
| | | | | Pension funds are effectively financed | Minimum daily cash balance equivalent to two months of benefit payments<br>Target: 100%<br>Actual: 98.5% |
| | | | | | Annual Contribution from General Fund received into the D.C. Federal Pension and Judicial Retirement Funds<br>Target: September 30, 2009<br>Actual: September 24, 2009 |

| Fiscal Years 2009 - 2011 | | | | | Fiscal Year 2009 |
|---|---|---|---|---|---|
| **Treasury Goals and Objectives** | | **ODCP Strategic Goals, Objectives, and Outcomes** | | | **ODCP Performance Measures** |
| **Treasury Strategic Goal** | **Treasury Strategic Objective** | **ODCP Strategic Goal** | **ODCP Strategic Objective** | **ODCP Outcomes** | **ODCP Performance Measure** |
| Effectively Managed U.S. Government Finances (continued) | Cash resources are available to operate the government (continued) | Effectively Managed Finances (continued) | Skilled staff and funds are available to manage financial activities (continued) | Pension funds are effectively financed (continued) | Monthly payments made to annuitants by the first business day of the month<br>Target: 100%<br>Actual: 100% |
| | | | | | Electronic payments made to annuitants<br>Target: 94%<br>Actual: 94.50% |
| | | | | | Vendor and travel payments made timely<br>Target: 100%<br>Actual: 100% |
| | | | | Pension funds meet future needs | Actuarial calculation of annual contribution from General Fund prepared timely<br>Target: November 15, 2008<br>Actual: November 7, 2008 |
| Management and Organizational Excellence | Enabled and effective Treasury Department | Management and Organizational Excellence | Skilled staff and management tools are available | Program is effectively managed | Office employees received timely annual performance plans and quarterly reviews<br>Target: 100%<br>Actual: 100% |
| | | | | | Financial Statement Audit Opinion received from an independent external auditor<br>Target: Unqualified opinion<br>Actual: Unqualified opinion |

| Fiscal Years 2009 - 2011 | | | | | Fiscal Year 2009 |
|---|---|---|---|---|---|
| **Treasury Goals and Objectives** | | **ODCP Strategic Goals, Objectives, and Outcomes** | | | **ODCP Performance Measures** |
| **Treasury Strategic Goal** | **Treasury Strategic Objective** | **ODCP Strategic Goal** | **ODCP Strategic Objective** | **ODCP Outcomes** | **ODCP Performance Measure** |
| Management and Organizational Excellence (continued) | Enabled and effective Treasury Department (continued) | Management and Organizational Excellence (continued) | Skilled staff and management tools are available (continued) | Program is effectively managed (continued) | Annual Report and Financial Statements prepared timely<br>Target: December 15, 2008<br>Actual: December 5, 2008 |
| | | | | | Open financial management material weaknesses or corrective actions as of September 30<br>Target: 0<br>Actual: 0 |
| | | | | | Actuarial valuation completed timely<br>Target: November 15, 2008<br>Actual: November 7, 2008 |
| | | Effective Quality Assurance Program | Quality plans are operational in each area | Program creates continuous improvement | Quality assurance plans developed by October 1<br>Target: 100%<br>Actual: 100% |

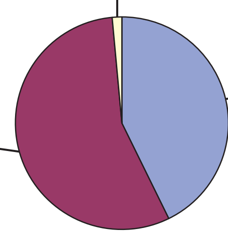
## *A. Benefit payments are accurate and timely*

### 1. Program Results

#### a. Benefits Administration

<u>General Operations</u>

Benefits administration services were provided to 13,700 annuitants, as of September 30, 2009, in three District of Columbia retirement plans: the Police Officers' and Firefighters' Retirement Plan, the Teachers' Retirement Plan, and the Judges' Retirement Plan. The annuitant population within each plan is as follows: teachers, 6,023; police officers and firefighters, 7,599; and judges, 78.




In FY 2009, the monthly Federal and District Benefit Payments averaged approximately $48.5 million. During the year, all payment files were submitted on time ensuring timely payment of annuitant benefits by the first business day of the month. With oversight and support by the Office of D.C. Pensions (the Office), the District of Columbia's Retirement Board (DCRB) performed benefits administration services for the Police Officers' and Firefighters' Retirement Plan and the Teachers' Retirement Plan, while the Office performed benefits administration for the Judges' Retirement Plan.

General operations focus largely on transaction processing and customer service activities. On a monthly basis, the transaction processing represents a variety of activities from processing new retirements and/or survivor benefits, to terminating those no longer eligible, and to updating annuitants' personal and benefits information.

| FY 2009 Average Monthly Processing in Key Areas | |
|---|---|
| **Customer Service Activity** | **Monthly Volume** |
| New Retirements | 32 |
| New Beneficiaries/Estates | 14 |
| Purchase of Service | 3 |
| Direct Deposit Changes | 62 |
| New Survivors | 11 |
| Qualified Domestic Relations Orders (QDRO) | <1 |
| Refunds | 38 |
| Tax Changes | 169 |

Equally important to transaction processing is customer service. The DCRB customer service team performed a wide range of activities, including resolving annuitant inquiries.

In FY 2009, the average monthly support from the customer service team included:

- Answering Calls – 1,322 per month
- Servicing Walk-ins – 75 per month

The Office encourages annuitants to receive benefits through direct deposit. Direct deposit is a more convenient, secure and timely method of delivering benefits. At fiscal year end, the Electronic Funds Transfer (EFT) participation rate for annuitants in all retirement plans was 94.5%, a 0.5% increase from the previous year. The table below illustrates the EFT participation rates for annuitants by retirement plan.

| Percentage of EFT Participation | | |
|---|---|---|
| **Annuitants** | **2009** | **2008** |
| Police/Fire | 93.6% | 93.3% |
| Teachers | 95.6% | 94.9% |
| Judges | 98.7% | 98.7% |

In FY 2009, a variety of outreach efforts provided accurate and timely information to annuitants, including:

- Letters notifying annuitants when their benefits changed
- Earning statement messages alerting annuitants to changes (*such as a cost-of-living adjustment*) or opportunities (*e.g., signing up for direct deposit*)
- DCRB newsletter (*which provides important plan information for active and retired police officers, firefighters, and teachers*)
- Special correspondence *(which provide annuitants with additional information about the plans such as EFT enrollments)*

Annuitant Satisfaction

In FY 2009, DCRB continued to reach out to annuitants for feedback regarding customer satisfaction. The annuitant survey form asked participants to rate the patience, professionalism, knowledge, responsiveness, and courteousness of the person with whom the annuitant spoke. In addition, the survey asked how satisfied the caller was with the process, their overall experience with the Member Services Center, their wait time, and their perception of the customer service representatives' ability to understand their issue and help them. Ratings range from 1 (excellent) to 5 (poor). Responses from the annuitants surveyed, indicated that the services provided were excellent.

Change Control Board (CCB)

The Office established the STAR Change Control Board (CCB) in FY 2002 as the approving authority for all system changes. The CCB evaluates the costs, benefits, and risks associated with any proposed change. The Board establishes the priority order of work relating to approved changes. The CCB process enhances internal controls and accountability for new proposed changes. Changes are categorized as either a Change Request (CR) or as a Configuration Item Change Request (CICR).

A CR generally addresses a major project such as a new release or an upgrade. CRs are reviewed by an Advisory Committee and must be approved by the CCB. There were five CRs submitted during FY 2009. Of the five CRs, one has been completed. Two CRs are in progress and are expected to be completed early in FY 2010. One CR was withdrawn, and one was approved, but was placed on hold due to its limited impact and competing priorities.

A CICR typically addresses a change with a lesser impact to the system. Two CICRs were carried over from FY 2008 and completed in early FY 2009. During FY 2009, 22 CICRs were approved, of which 18 were completed, three remained open pending completion, and one was placed on hold.

A variety of topics relating to modifications to the STAR system were addressed through the Change Control Process during the fiscal year. Topics included security enhancements, automation of processes to improve timeliness and reduce errors, and improvements in reporting. In FY 2009, the Office conducted a review of the Change Control Process. Both the CCB Charter and the CCB Plan were revised to update CCB membership, dollar threshold for CICRs, and voting procedures.

## 2. Future Focus

### a. Benefits Administration

Scanning Retirement Benefit Records

The scanning project will enable more reliable preservation of retirement records and provide immediate access of retirement records at the user's desktop. In FY 2009, DCRB completed scanning of benefit records received through December 31, 2007. Currently, DCRB is in the process of completing the scanning of documents received after December 31, 2007.

### b. System to Administer Retirement (STAR)

STAR Certification & Accreditation

The Federal Information Security Management Act (FISMA) and the standards defined by the National Institute of Standards and Technology (NIST) require that a full security certification and accreditation (C&A) be accomplished at least every three years. STAR's previous C&A was completed in August 2007. The next scheduled STAR recertification is scheduled to take place by August 2010.

Payroll Operations

Treasury's Bureau of the Public Debt, Administrative Resource Center (BPD/ARC) provides a variety of services to the Office including payroll operations, third party reporting, and mail management.

BPD/ARC utilizes the System to Administer Retirement (STAR), the automated pension/payroll system that supports benefits administration and payroll operations, to process monthly benefit payments. In FY 2009, BPD/ARC staff made 164,040 benefit payments totaling approximately $582 million for a monthly average of nearly $48.5 million. BPD/ARC works closely with DCRB to process monthly annuity payments and insurance carriers' payments. During FY 2009, BPD/ARC continued to provide a high level of customer service as well as accurate and timely processing.

In addition, BPD/ARC provides mail management support to ensure that monthly earnings statements and other annuitant communications are distributed in an efficient and timely manner.

Special Benefit Administration Projects

*Scanning Retirement Benefit Records*

DCRB is in the process of implementing a document imaging and workflow management system for retirement benefit records with support from the Office. The first phase of this project involved scanning 2.8 million images for retirement records dating over many decades. DCRB completed the back-file conversion relating to documents received through December 31, 2007. DCRB scanned approximately 62% of the images in FY 2008 and the remaining images were scanned in FY 2009.

*Judges' Summary Plan Description (SPD)*

The Office completed its revisions to the SPD for the District of Columbia Judges' Retirement Plan in FY 2008 and distributed the updated version of the SPD in early FY 2009. It is required that an updated SPD be published every five years. The SPD is designed to provide plan members with accurate and easy to understand information about the Retirement Plan. This includes information on eligibility, benefit calculations and receiving benefits.

**b. System to Administer Retirement (STAR)**

General Overview

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 pension analysts to quickly access information and provide annuitants with real-time customer service. In addition to processing retirements, STAR calculates the split for Federal and District Benefit Payments.

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

- Release 1 of STAR was implemented in December 2002 to serve all annuitants of the Judges' Retirement Plan.
- Release 2 of STAR 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 of STAR, which supported annuitants who retired on or after July 1, 1997, including newly retired teachers, police officers and firefighter retirees, and their subsequent survivors, was deployed in August 2005.
- Release 4 of STAR 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 of STAR was implemented in November 2007 and completed the implementation of the split benefit calculation.

The split benefit calculation involved three phases of work. These phases were implemented with STAR Releases 4 and 5 as follows:

- Phase 1 was deployed as an integral part of STAR Release 4. It enabled STAR to calculate the split benefits for annuitants brought into pay status beginning in June 2007.
- Phase 2 was completed as part of STAR Release 5. The split was calculated for future benefit payments to annuitants whose initial retirement processing took place in STAR between August 2005 and June 2007.
- Phase 3 was completed as part of Release 5 and calculated the split for the future benefit payments to annuitants who retired after June 30, 1997, and whose initial retirement processing took place in the District's legacy system, PAPS or Pension Administration and Payroll System. These annuitants were converted into STAR in August 2005 as part of Release 3.

STAR Technical Production Support and Hosting

System hosting and technical production support for STAR is performed by Treasury's Bureau of the Public Debt (BPD). Since September 2003, BPD staff members have provided production support activities, including routine system operations, application and database administration, help desk operations, and problem resolution. In FY 2009, STAR was available to the user population 99.88% of the time. A supplemental support contract is also in place to provide assistance to BPD in both operations and maintenance activities as well as potential larger-scale development work.

STAR System Security

In FY 2007, the STAR system renewed its security certification and accreditation (C&A) in compliance with the Federal requirement for completing updates at least every three years. The certification is the comprehensive and continual testing and evaluation of the management, operational, and technical controls of an IT system. The accreditation is the official management authorization to operate an IT system and to explicitly accept the risk to agency operations, agency assets, or individuals based on the implementation of security controls. As part of continuous monitoring, a Security Test and Evaluation (ST&E) has been conducted annually in FY 2008 and FY 2009. The Office reviews the results and addresses any potential security vulnerabilities identified in the ST&E reports.

STAR Long-Term Architectural Plan

The last STAR Oracle/PeopleSoft application upgrade occurred with the implementation of Release 4 in June 2007. In FY 2009, the Office developed a long-term architecture implementation plan that describes STAR architectural changes necessary over the next three years to meet security requirements and stay current with commercial off-the-shelf software versions. Implementation of the plan began in FY 2009 with a database upgrade and an impact analysis on upcoming application upgrades.

STAR Technical Support Program Review

Once the core functionality was developed in STAR in FY 2008, full responsibility for STAR operations/maintenance was transitioned to BPD. During FY 2009, the Office conducted a comprehensive review of these responsibilities to ensure established industry standards and service levels were met. Preliminary findings identified opportunities for process improvements and efficiencies in the areas of requirements management, configuration management, and testing. The results of this review are due in early FY 2010.

STAR Business Continuity Plan

The Office has established a STAR Contingency Plan to address potential disruptions in service. As part of the plan, the Office routinely conducts contingency site tests to verify the accuracy and integrity of the data and functionality of the contingency system.

In April 2009, the STAR system had an unexpected interruption during the preparation for an upgrade and successfully transitioned to the contingency site. The annual contingency test requirement was met with the successful transition to the contingency site during the April interruption.

STAR Long-Term Architectural Plan

During FY 2009, the Office developed a long-term architecture implementation plan. The implementation of the plan will begin during FY 2010 with a replacement of the hardware. After the hardware replacement is completed, the STAR database will be upgraded with the latest database version available. The new database version will be needed to support a future Oracle/PeopleTools software upgrade. Additional software upgrades will be needed in future years to maintain vendor support.

STAR Technical Support Program Review

During FY 2009, a program review was conducted to evaluate STAR operations and identified operational improvement areas and additional metrics to measure STAR's performance. As part of the program review, an independent verification and validation was conducted on the operations, software development, configuration management, and program management elements. The identified improvements will enhance overall operations and maintenance of the system. The Office will work with BPD to address improvements identified during the review and will begin implementation in FY 2010.

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

### 1. Program Results

#### a. Pension Funds

Pursuant to the District of Columbia Retirement Protection Improvement Act of 2004, Public Law 108-489, the Office of D.C. Pensions (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: payments from the District of Columbia Retirement Board (DCRB); an annual federal payment amortizing the unfunded liability assumed from the District and any additional liabilities; and interest earned on investments.

- **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: employee contributions; an annual federal payment amortizing the unfunded liability assumed from the District and any additional liabilities; and interest earned on investments.

## b. 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 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 and fund covered administrative expenses for the year. Beginning in FY 2009, the annual payment to the D.C. Federal Pension Fund also includes an amount to fund covered administrative expenses for the year.

In accordance with the Act, annual payments are made in September each year and are invested in Government Account Series (GAS), non-marketable Treasury securities, with maturities consistent with the expected payment dates of the pension liabilities. In FY 2009, $400.3 million was deposited into the D.C. Federal Pensions Fund and $7.04 million was deposited into the Judicial Retirement Fund. In FY 2008, $340.2 million was deposited into the D.C. Federal Pension Fund and $6.98 million into the Judicial Retirement Fund.

Interest

In FY 2009, the Office received $147.2 million of interest ($129.2 million earned) in the D.C. Federal Pension Fund and $5.2 million ($4.6 million earned) in the Judicial Retirement Fund. The rate of return in FY 2009 for the Office's pension funds was 3.8% for the D.C. Federal Pension Fund and 3.9% for the Judicial Retirement Fund. In FY 2008, the Office received $178.3 million of interest ($145.5 million earned) in the D.C. Federal Pension Fund and $6.7 million ($4.5 million earned) in the Judicial Retirement Fund. The rate of return in FY 2008 for the Office's pension funds was 4.2% for the D.C. Federal Pension Fund and 5.1% for the Judicial Retirement Fund. The rate of return is calculated by dividing interest earned from GAS securities by the average par value of investments in GAS securities. Interest earned from GAS securities includes the amortization of premiums and discounts.

Judges Employee Contributions

Active judges are required to contribute 3.5% 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% of salary. Active judges' contributions to the retirement fund in FY 2009 totaled approximately $613,000. In FY 2008, active judges' contributions to the retirement fund totaled $597,000.

Summary of Fund Deposits

The following table reflects the cash deposits to the D.C. Federal Pension Fund and the Judicial Retirement Fund for FY 2009 and FY 2008, respectively.

| Fund Deposits by Fiscal Year (in millions) | | | |
|---|---|---|---|
| **Fund** | **Type of Deposit** | **2009** | **2008** |
| D.C. Federal Pension Fund | Warrant | $400.3 | $340.2 |
| | Interest | $147.2 | $178.3 |
| | Contributions | $0.0 | $0.0 |
| Judicial Retirement Fund | Warrant | $7.1 | $7.0 |
| | Interest | $5.2 | $6.7 |
| | Contributions | $0.6 | $0.6 |
| **Total** | **Warrants** | **$407.4** | **$347.2** |
| | **Interest** | **$152.4** | **$185.0** |
| | **Contributions** | **$0.6** | **$0.6** |

**c. Collections**

District Benefit Payments

Treasury initially funds all benefit payments under the Police Officers' and Firefighters' and Teachers' Retirement Plans from the D.C. Federal Pension Fund. DCRB then reimburses the D.C. Federal Pension Fund for benefit payments made by Treasury on behalf of the District. Until July 1, 2007 DCRB only reimbursed the D.C. Federal Pension Fund annually for estimated District Benefit Payments made by Treasury for the prior year. On July 1, 2007, the DCRB began reimbursing Treasury approximately $3.0 million monthly for estimated District Benefit Payments made by Treasury on the District's behalf.

In November and December 2007, the DCRB reimbursed Treasury $3.5 million monthly for District Benefit Payments earned in the previous month. Each of the two monthly reimbursements was one-twelfth of the estimated District liability for FY 2008, as determined by the DCRB actuary. Beginning in January 2008, monthly DCRB reimbursements for District Benefit Payments have been based on the STAR calculation of the actual District liability. The STAR Split Reimbursement Summary Report supports DCRB reimbursements made to Treasury each month. The FY 2009 reimbursements for District Benefit Payments totaled $58.1 million. The FY 2008 reimbursements for District Benefit Payments totaled $47.1 million.

Refunds Reconciliation Project

The First Amended Memorandum of Understanding (MOU), dated September 28, 2000, required Treasury to pay the total amount of refunds of employee contributions during the interim benefits period. On February 1, 2005, Treasury entered into a MOU with the DCRB and the District of Columbia's Office of Pay and Retirement Services (OPRS) concerning refunds of employee contributions under the Police Officers' and Firefighters', and Teachers' Retirement Plans. Under this agreement, DCRB agreed to fund refunds of employee contributions paid on and after February 1, 2005, in accordance with the respective statutory responsibilities (i.e., refunds of contributions deducted from employee salary on or before June 30, 1997, are a federal liability and refunds of contributions deducted after June 30, 1997, are a District liability).

In addition to agreeing to fund amounts paid on and after February 1, 2005, the District agreed to reimburse Treasury for that portion of refunds paid by Treasury prior to February 1, 2005, that represents contributions deducted and withheld from an employee's salary or deposits after June 30, 1997. In FY 2009, the District was billed $614,068 for its share of the refunds paid in FY 1999. This amount does not include the refunds of contributions for 138 employees or beneficiaries paid in FY 1999, as additional information is needed before these cases can be reconciled. Therefore, the 138 cases excluded from the FY 1999 refunds reconciliation will be added to a future request for reimbursement. Nearly $17 million have been collected for refunds paid in FYs 2005 through 2000. A receivable of $985,000 has been established for FY 1999 and a receivable of $200,000 for FYs 1998 through 1997.

The table below summarizes the Treasury and District share of reconciled refunds.

**Refund Reconciliation Project by Fiscal Year (in millions)**

| | 2005[1] | 2004 | 2003 | 2002 | 2001 | 2000 | 1999[2] | 1998-97[3] |
|---|---|---|---|---|---|---|---|---|
| Treasury | $0.5 | $1.8 | $1.2 | $2.7 | $2.3 | $2.9 | $1.9 | $5.6 |
| District | 1.4 | 4.7 | 3.2 | 3.7 | 2.3 | 1.6 | 0.6 | 0.2 |
| **Total** | **$1.9** | **$6.5** | **$4.4** | **$6.4** | **$4.6** | **$4.5** | **$2.5** | **$5.8** |

[1] FY 2005 includes refunds paid from October 1, 2004, through February 15, 2005.
[2] An additional reimbursement in the amount of $0.4 million is expected for FY 1999 refunds.
[3] FYs 1997 through 1998 are estimates.

Debt Management

During FY 2009, the Office pursued debt prevention and collection efforts working with Treasury's Bureau of the Public Debt, Administrative Resource Center (BPD/ARC), which manages the debt collection process for the Office. In FY 2009, debt prevention efforts ensured that a total of $851,944 was immediately recovered upon timely notification of an annuitant's death or in cases of payment errors. During the fiscal year, $108,073 was collected through offsets, lump sum payments or installment payments as a result of debt collection efforts.

The FY 2008 agreement with the Financial Management Service's (FMS) Cross-Servicing Program, a tool to enhance the Office's means for collecting debt, was extended to include FY 2009. As of September 30, 2009, BPD/ARC referred nine cases to FMS for collection on behalf of the Office. In addition, the Office continued to review and streamline its debt management practices and met with stakeholders periodically to outline improvements in debt prevention and collection areas.

STAR Administration Expense Reimbursements

The Office and DCRB have developed a methodology for allocating STAR administration costs incurred by both entities in administering District and Federal Benefit Payments. The methodology takes into consideration the number of 100% federal annuitants, 100% District annuitants, and split annuitants. Applying this methodology, the Office and DCRB entered into a cost sharing agreement for reimbursement of FY 2009 actual expenses. Pursuant to the agreement, DCRB will reimburse the Office approximately $0.6 million for the Office's expenses in developing and operating STAR to administer District Benefit Payments. In FY 2008, DCRB reimbursed the Office $1.0 million for administrative expenses associated with the operation of STAR.

**d. Investments**

As required by the Act, amounts received in the D.C. Federal Pension Fund and the Judicial Retirement Fund are invested in non-marketable securities issued to mirror the characteristics of marketable securities. The Bureau of the Public Debt (BPD) invests the assets of the pension funds 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 pension funds strikes a balance between ensuring the Office can meet short-term obligations and extending the ladder.

In FY 2009, the cash balance available for contingencies was targeted not to fall below $90 million, which is approximately two months of federal obligations. The Office invested the cash balances in one-day certificates, except for an un-invested balance of $250,000 at month end, to cover unanticipated withdrawals on the last day of the month. In FY 2009, the Office extended the maturity dates of securities in the D.C. Federal Pension Fund to November 2015 and for securities in the Judicial Retirement Fund to February 2019.

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. Net investments totaled approximately $3.8 billion as of September 30, 2009 and September 30, 2008, respectively. The following table reflects the net investments breakdown by fund.

| Net Investments at September 30, 2009 and 2008 (in millions) | | |
|---|---|---|
| **Fund** | **2009** | **2008** |
| D.C. Federal Pension Fund | $3,710.5 | $3,702.5 |
| Judicial Retirement Fund | 128.8 | 124.8 |
| **Total** | **$3,839.3** | **$3,827.3** |

### e. Payments

Annuity Benefit Payments

Pension benefit payments issued by the Office totaled $574 million and $8 million from the D.C. Federal Pension Fund and Judicial Retirement Fund, respectively, for FY 2009. The Office issued $545.1 million and $7.2 million, respectively, for FY 2008. DCRB then reimbursed the D.C. Federal Pension Fund for benefit payments made by Treasury on the District's behalf. After the DCRB reimbursement, Federal Benefit Payments totaled $516 million from the D.C. Federal Pension Fund for FY 2009 and $498.6 million for FY 2008.

Refunds of Employee Contributions

DCRB processes refunds of contributions for active employees and requests payment from Treasury for the federal portion. During FY 2009, approximately $0.6 million represented contribution refunds to plan participants of the D.C. Federal Pension Fund. For FY 2008, approximately $0.6 million represented contribution refunds to plan participants of the D.C. Federal Pension Fund. No contribution refunds were made to plan participants in the Judicial Retirement Fund during FY 2009 or FY 2008.

Administrative Expenses

The Office funds administrative expenses to support federal responsibilities for the retirement programs under the Act 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% to the D.C. Federal Pension Fund and 1% to the Judicial Retirement Fund. The allocation percentages are based on the number of annuitants covered by each Fund. When expenses benefit only one group, or when a different allocation is clearly appropriate, expenses are charged accordingly.

In FY 2009, administrative expenses were approximately $14.5 million for the D.C. Federal Pension Fund and $0.8 million for the Judicial Retirement Fund, for a total of $15.3 million. In FY 2008, administrative expenses were approximately $17.5 million for the D.C. Federal Pension Fund and $0.9 million for the Judicial Retirement Fund, for a total of $18.4 million. Administrative expenses in FY 2009, as compared to FY 2008, decreased by $3.1 million primarily due to a decrease in amortization costs as a result of certain assets becoming fully amortized in FY 2008.

The major administrative expenses resulted from reimbursement of DCRB benefit administration and support function expenses, the Office's staff salaries and benefits, and contractors engaged by the Office to provide IT systems support. Certain costs of the STAR pension/payroll system for hardware, software, and system development were capitalized as equipment and internal use software. The Office has been amortizing STAR development costs monthly in the Judicial Retirement Fund and the D.C. Federal Pension Fund on a five-year schedule. The following table reflects administrative expenses by fund.

| **Administrative Expenses by Fiscal Year (in millions)** | | | |
|---|---|---|---|
| **Fund** | **2009** | **2008** | **Difference** |
| D.C. Federal Pension Fund | $14.5 | $17.5 | ($3.0) |
| Judicial Retirement Fund | 0.8 | 0.9 | (0.1) |
| **Total** | **$15.3** | **$18.4** | **($3.1)** |

Improper Payments Information Act

The Improper Payment Information Act (IPIA) requires agencies to report annually on the extent of improper payments, and the actions being taken to reduce them, for all potentially high-risk programs and activities meeting specific criteria. On behalf of the Office, BPD/ARC completed a risk assessment for each payment type (e.g., contract payments/ invoices, claims/vouchers, etc.) in accordance with guidance issued by the U.S. Office of Management and Budget (OMB). During FY 2009, there were no high risk payment types identified during the review.

Prompt Payment Act and Electronic 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 96 invoices received within the timeframes required by the Prompt Payment Act.

For reasons of reliability and security, Treasury's Fiscal Assistant Secretary and the Financial Management Service encourage Federal agencies to use electronic payments. In FY 2009, the Office paid 100% of the 160 payments, which include invoices and travel reimbursements, by electronic funds transfer. All 160 payments were processed electronically, including 85% by EFT and 15% by credit card. In FY 2008, of the 157 electronic payments made, 71% were EFT and 29% were made by credit card.

Benefit Administration Expense Reimbursements

The Office and DCRB have developed a methodology for allocating costs incurred by DCRB in administering District and Federal Benefit Payments. The methodology takes into consideration: (1) the number of active employees, 100% federal annuitants, 100% District annuitants, and split annuitants; (2) the estimated DCRB resources needed to support these populations; and (3) the number of employees throughout DCRB who are dedicated to supporting the benefits administration function. Applying this methodology, the Office and DCRB entered into a cost sharing agreement for reimbursement of FY 2009 actual expenses. Pursuant to the agreement, the Office will reimburse DCRB approximately $3.1 million for FY 2009 expenses incurred in administering Federal Benefit Payments. The Office reimbursed DCRB approximately $2.6 million in FY 2008 for expenses incurred in administering Federal Benefit Payments.

**f. Financial Operations**

Oracle Federal Financials (ORACLE)

Pursuant to a reimbursable services agreement, BPD/ARC performs accounting services using Oracle Federal Financial (ORACLE) for the Office. ORACLE is a core financial management product used to process all financial transactions. The Office's transactions are entered into ORACLE both manually and via custom interfaces from ancillary systems such as PRISM and GovTrip. BPD/ARC provides a report writer package called Discoverer which allows the Office to generate various accounting reports.

3-Day Close

Since April 2001, the Office has closed its books each month within three working days. The Office has been rated green (the highest rating) since February 2002 for all data quality checks on the monthly data quality scorecard maintained by Treasury's Office of Accounting and Internal Control.

**g. Actuarial Activities**

Actuarial Experience Study

During FY 2009, the Office contracted with Ed Friend, Inc. (EFI), an actuarial services provider, to perform a quintenial actuarial experience study. As part of the experience study, EFI reviewed actuarial demographic assumptions used in the FY 2009 - 2013 valuations. Demographic assumptions include the mortality, termination, retirement, and salary rates that are used to predict future payments of benefits. The more closely the assumptions reflect the actual experience, the more accurate the annual actuarial liability will be for each of the retirement plan funds. The Office is following actuarial best practices by reviewing the demographic assumptions used in the valuations every five years.

As a result of the study, new rates of normal retirement, disability retirement, termination, and non-disability mortality for police officers, firefighters, and teachers were proposed and accepted. New normal retirement rates were proposed and accepted for judges. New pay increase assumptions were proposed and accepted for police officers, firefighters, and teachers.

Actuarial Valuation

In FY 2009, EFI performed the annual actuarial valuation as required by the Act. The actuarial valuation is used to determine the pension liability of the retirement programs administered by the Office. The actuarial liability, as of October 1, 2009, was determined using the new demographic rates and new pay assumption rates recommended in the experience study. The reduction in the rates of non-disability mortality for police officers, firefighters, and teachers had the most impact, accounting for a significant portion of the $250.4 million increase in the Federal government's total liability for Federal Benefit Payments under the Police Officers' and Firefighters', and Teachers' Retirement Plans.

As estimated by the actuary, as of October 1, 2009, the Federal government's total liability for Federal Benefit Payments under the Police Officers' and Firefighters', and Teachers' Retirement Plans is approximately $8.9 billion. Of the $8.9 billion actuarial liability, approximately $3.7 billion is funded by assets in the D.C. Federal Pension Fund and $5.2 billion is unfunded.

EFI determined an actuarial total liability of $157.3 million for the Judges' Retirement Plan as of October 1, 2009. Of the $157.3 million actuarial liability, approximately $129.2 million is funded by assets in the Judicial Retirement Fund and $28.1 million is unfunded.

**h. Reconciliation Project**

Title XI of the Balanced Budget Act of 1997, as amended, states that the interim benefits period began on October 1, 1997, and ends on the date Treasury notifies the District that a trustee or Treasury will assume the duties of benefits administrator. With respect to the retirement plans for teachers, police officers, and firefighters, Treasury was not able to end the interim benefits period until STAR was enhanced to calculate the split between federal and District liability for post-June 30, 1997, retirees, their survivors, and certain reconciliation activities are complete.

With the completion of the core functionality in STAR and ability to calculate the federal and District share of benefits, the Office began work on the Reconciliation Project. The purpose of the Reconciliation Project is to, among other things, perform an accounting and reconciliation of the amounts related to federal and District liabilities for benefits paid during the interim benefits period to plan members who retired after June 30, 1997.

In FY 2009, the Office's began discussing the Reconciliation Project with the District and DCRB and started planning for reconciliation activities and identifying data that may be necessary to conduct the reconciliation. The long-term project will require Treasury, DCRB, and the District to gain consensus on how to conduct the reconciliation. Per the current Interim Benefits MOU between Treasury and the District, the primary goals for the reconciliation are to calculate split benefit payments for plan members who retired during the interim benefits period and to reconcile these payments with amounts actually paid by the District to Treasury during the interim benefits period. The reconciliation will identify amounts potentially owed to Treasury by the District and vice versa.

## 2. Future Focus

### a. Annual Cost Agreement with District of Columbia Retirement Board (DCRB)

Every fiscal year, the Office and DCRB establish a Memorandum of Understanding for Payment of Administrative Expenses related to the Administration of Federal and District Benefit Payments and other Payments between Treasury and District of Columbia Retirement Board ("Cost Sharing MOU"). The Cost Sharing MOU describes the methodology for reimbursement of costs associated with administering Federal benefits. The Cost Sharing MOU for FY 2010 was revised to include a new methodology that would more precisely capture the level of effort associated with processing Federal Benefit Payments. The Cost Sharing MOU also provides that DCRB will pay 100% of expenses related to administering District benefits, including STAR development costs associated with new District legislation.

### b. Debt Management

During FY 2010, the Office will continue to collaborate with stakeholders to further enhance the debt management program. The primary goal is to improve the program by further clarifying roles and responsibilities for debt collection. These improvements include methodical procedures and accelerated processing of debt.

### c. Reconciliation Project and Ending the Interim District Benefits Period

In FY 2010, the Office will work with DCRB and the District to reach an agreement regarding the methodologies, procedures, and timing for conducting reconciliation activities. Per the current Interim Benefits MOU between Treasury and the District, the primary goals for the reconciliation are to calculate split benefit payments for plan members who retired during the interim benefits period and to reconcile these payments with amounts actually paid by the District to Treasury during the interim benefits period. The reconciliation will identify amounts owed to Treasury by the District and vice-versa. Other financial transactions that occurred during the interim benefits period may also be included in the Reconciliation Project.

In addition to working on the Reconciliation Project, the Office is evaluating activities required for ending the interim benefits period for the Teachers', Police Officers', and Firefighters Retirement Plans. As stated in the Balanced Budget Act of 1997, as amended, the interim benefits period began on October 1, 1997, and ends on the date Treasury notifies the District that Treasury or a trustee will assume the duties of benefits administrator.

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

### 1. Program Results

#### a. Organizational Structure

With the completion of the development of the core System to Administer Retirement (STAR) functionality, the Office of D.C. Pensions (the Office) restructured its organization in early FY 2009 to effectively support operational oversight of its many service providers. The Office focused on monitoring the stability of operational areas and on implementing process and system improvements. During the year, the Office continued to communicate the organizational changes to staff and stakeholders while enhancing new organizational areas.

#### b. Long-Term Strategic Planning

During FY 2009, the Office engaged in multi-year planning intended to identify short-term priorities for FY 2010-2012 and to inform the long-term strategic planning process. This effort, which was the first step to the Office long-term strategic planning, involved multiple sessions with Office management and staff to develop key activities aimed at achieving specific priorities. The outcome of these planning sessions also supported the Office's budgeting process.

#### c. Service Level Agreements

The Office has Service Level Agreements (SLAs) in place with the District of Columbia Retirement Board (DCRB) for benefit administration, Treasury's Bureau of the Public Debt (BPD) for operations and maintenance of the STAR system, and Administrative Resource Center (ARC) for payroll operations. The SLAs define responsibilities, required services, and reporting requirements for service providers and the Office in providing high quality service to annuitants. In addition, the Office has established quality plans and conducts periodic reviews to ensure responsibilities are executed.

#### d. Quality Program

<u>Benefits Administration</u>

As part of the Quality Program, quality plans were established to review benefit administration processes such as new annuitant calculations, including new retirees, survivors, and beneficiaries as well as Qualified Domestic Relation Orders (QDROs). The benefits administration quality program can be credited for the continued reduction in benefits processing errors. The monetary error rate identified in the Office's review process in FY 2009 was 1.09%. The monetary error rate for FY 2008 was 2.00%. In addition, the Office continued to review data maintenance activities such as changes to annuitant's personal data, bank information, health benefits, and life insurance.

As part of the quality program, the Office provided appropriate feedback to the benefits administrator to ensure accuracy and assess training needs for the staff. Additional targeted training was provided to analysts and customer service staff as needed to improve benefit processing.

Payroll Processing

The Quality Program includes reviews of payroll processing functions. The program includes reviews of preliminary and final payroll statistics, timely transmission of payment files, and third party reporting. In FY 2009, no problems were noted during the review of these payroll processing functions.

In addition, the Office began to meet with stakeholders monthly to review payroll reports associated with split benefits. The reviews ensure that the split benefits are reported in a timely and accurate manner.

System Administration

During FY 2009, the Office expanded its Quality Program to include system administration activities. The new quality plans efficiently accounts for system availability and tracks the number and types of open production trouble tickets and the time it takes to complete them. This information is used by the Office to manage resources supporting the STAR system and to track hosting and support performance.

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

The results of the quality reviews are included in the Office's FY 2009 Performance Reports. The quarterly performance reports focus on each of the four primary performance areas: benefits administration, financial management, information services, and program management. The reports are a useful tool to monitor trends and ensure the primary performance areas are effectively managed.

**f. District of Columbia Retirement Board Performance Reporting**

DCRB placed additional emphasis on quarterly performance reporting during FY 2009. DCRB includes in their quarterly performance measures for pension and payroll processing. The performance measures track the volume, timeliness, and quality of the pension and payroll processing services as well as customer satisfaction. DCRB processed a higher volume of transactions than in prior years. At the same time, the timeliness of the processing has improved from previous years.

**g. STAR End-User Forum**

In FY 2009, the Office implemented a STAR end-user forum that is used as a platform for DCRB, BPD, and ARC to present and discuss benefit administration program enhancement ideas aimed at improving benefits processing and customer service. The forum has been successful at identifying process improvements, including system defaults, user-friendly data sorts, and more efficient process flows. When implemented, these new system features will streamline the process and reduce data entry, redundancy, and potential for errors.

### h. Federal Benefit Payments Regulations

<u>Split Benefit Regulations</u>

In FY 2009, the Office made significant progress toward amending Part 29, Subpart C of Title 31 of the Code of Federal Regulations, *Federal Benefit Payments Under Certain District of Columbia Retirement Plans - Split Benefits* ("Split Benefit Regulations"). Pursuant to the Balanced Budget Act of 1997, as amended (the Act), the Office has responsibility for payment of benefits based on service accrued as of June 30, 1997, under the retirement plans for District of Columbia teachers and police officers and firefighters.

Under the Act, some annuitants receive both Federal and District Benefit Payments as a portion of their total retirement benefit based on service before or after June 30, 1997. Benefits partially paid by Treasury and partially paid by the District of Columbia are referred to as split benefits. The Split Benefit Regulations establish general principles that are applied to determine the amount of service creditable for Federal Benefit Payments and include examples in which the general principles are applied to a variety of benefit calculation scenarios.

<u>Debt Regulations</u>

The Office has been updating Part 29, Subpart E of Title 31 of the Code of Federal Regulations, *Federal Benefit Payments Under Certain District of Columbia Retirement Plans – Debt Collection and Waivers of Collection* ("Debt Regulations"), which are specific to the retirement plans for District of Columbia judges, teachers, and police officers and firefighters. The amended regulations are expected to further clarify the debt management process.

### i. Internal Control over Financial Reporting

The Office used the FY 2009 Guidance and Implementation Plan provided by Treasury's Office of the Deputy Chief Financial Officer to conduct a review of internal controls over financial reporting as required by OMB Circular A-123, *Management's Responsibility for Internal Controls, Appendix A, Internal Control Over Financial Reporting*. BPD/ARC staff members and the Office conducted internal control tests or relied on the BPD/ARC SAS 70 review.

The Office conducted its assessment of the effectiveness of internal controls over financial reporting as of June 30, 2009, which included reviewing core financial processes and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, the Office provided unqualified assurance that its internal controls over financial reporting were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting. The scope of the assessment was limited to the Treasury-designated material consolidated financial statement lines identified in Treasury's guidance and internal financial reports produced for the Office. In addition, the Office had no material weaknesses in the design or operation of internal controls over financial reporting identified in FY 2008 that required corrective actions in FY 2009.

### j. Financial Statement Audit Opinion

KPMG LLP (KPMG), an independent public accounting firm, rendered an unqualified opinion on the Office's FY 2009 financial statements. This is the 11th consecutive year that the Office's financial statements have received an unqualified opinion.

KPMG noted no significant deficiencies or material weaknesses in the Office internal control over financial reporting. Also, the 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. 07-04, *Audit Requirements for Federal Financial Statements,* as amended.

## 2. Future Focus

### a. Long-Term Strategic Planning

The Office plans to develop a long-term Strategic Plan during FY 2010. The Plan will provide the Office with guidance in instituting a flexible, stable, operational environment that positions the Office to proactively address future challenges. During the development of the Plan, the Office will review its vision, goals, and objectives to ensure that they support the identified future state.

### b. Office of D.C. Pensions Program Performance Reporting

The Office plans to enhance its existing performance reporting by creating a performance measurement and accountability program in FY 2010. The purpose of the program will be to enhance performance reporting and analysis and improve decision-making. The performance measures will be periodically reported and reviewed to ensure that Office strategic outcomes are continuously achieved.

### c. STAR End-User Forum

The Office received positive feedback on the newly established STAR end-user forum and will continue to meet periodically to identify areas for improvement. The forum provides users with an opportunity to discuss pension and payroll topics and recommend process improvement. During FY 2009, users recommended several potential improvements to STAR. Many of these recommendations have been approved and incorporated into a STAR Change Request (CR). The CR will be implemented in phases throughout FY 2010.

## d. Federal Benefit Payments Regulations

Split Benefit Regulations

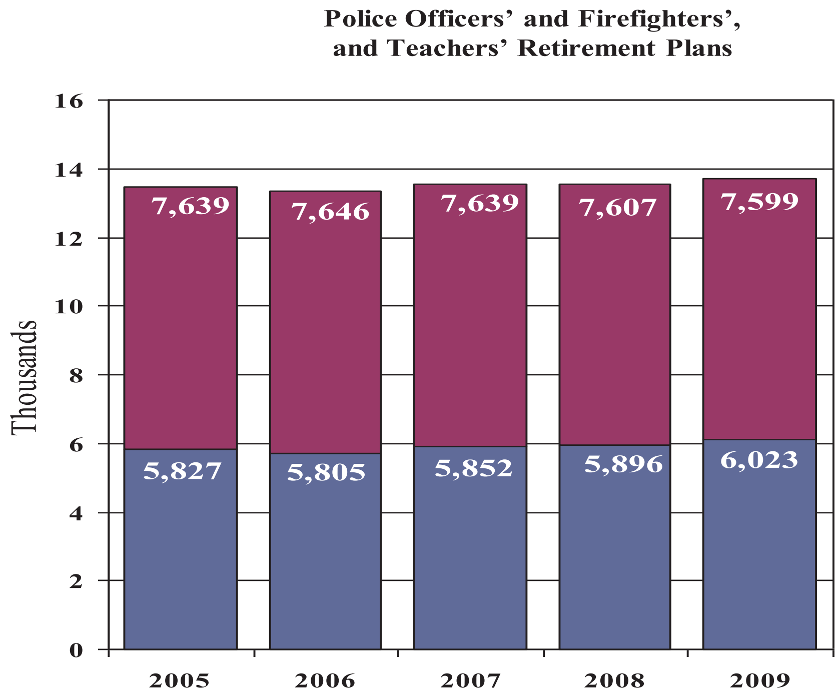
The Split Benefit Regulations were originally published in FY 2000, but the effective date was delayed until after STAR was fully implemented. With the major development of STAR completed, the Office is amending the Split Benefit Regulations to establish additional rules and provide additional examples of benefit calculation scenarios. These proposed amendments, which will be published in FY 2010, will be introduced to simplify calculations and maintain consistency with the general principles established in the original regulations.

Debt Regulations

The Debt Regulations were originally published in FY 2001. The Office is in the process of amending the Debt Regulations to streamline the debt management program to effectively manage and expeditiously collect debt. The amended regulations will be published during FY 2010 and are expected to further clarify the debt management process.

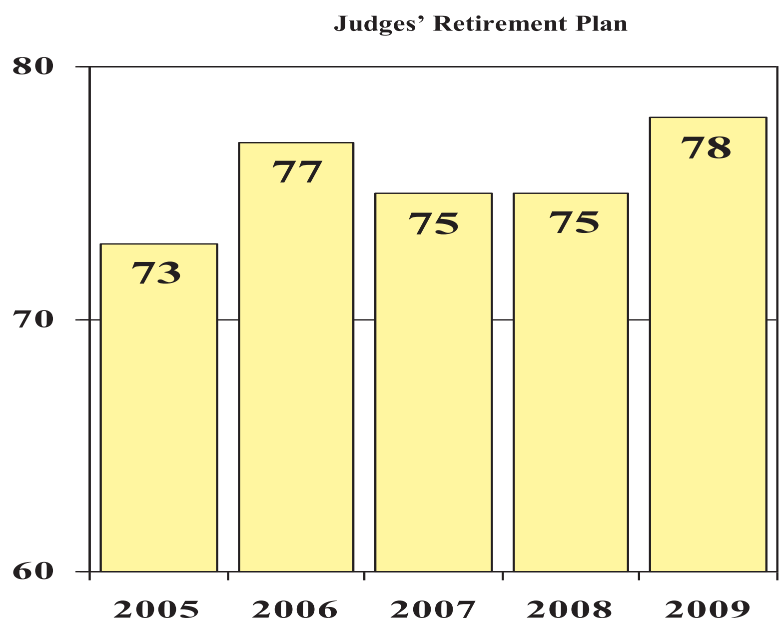
# IV. Five-Year History of the District of Columbia Pensions Program

## *A. Annuitants* *(as of September 30, 2009)*

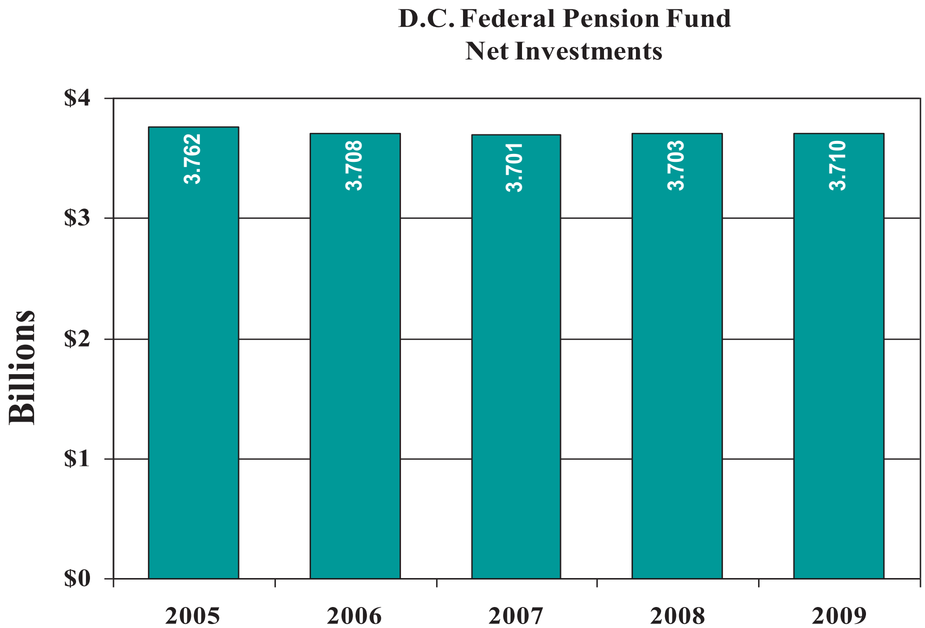



Pension Population

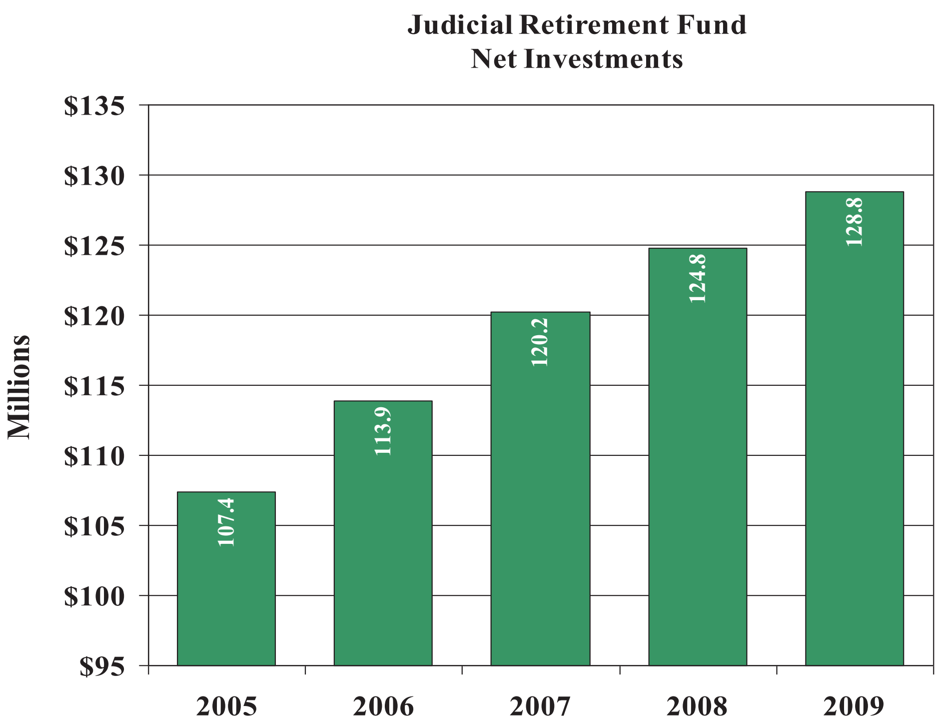
| Year | Annuitants |
|---|---|
| 2005 | 13,466 |
| 2006 | 13,451 |
| 2007 | 13,491 |
| 2008 | 13,503 |
| 2009 | 13,622 |



## B. Investments *(as of September 30, 2009)*

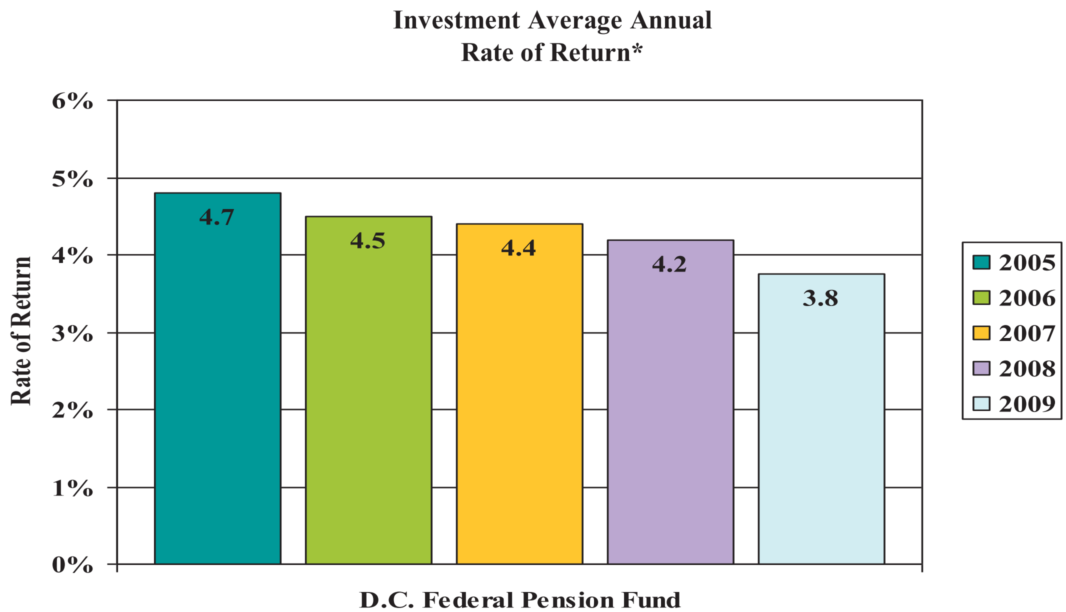



All funds are invested in non-marketable Government Account Series (GAS) securities.

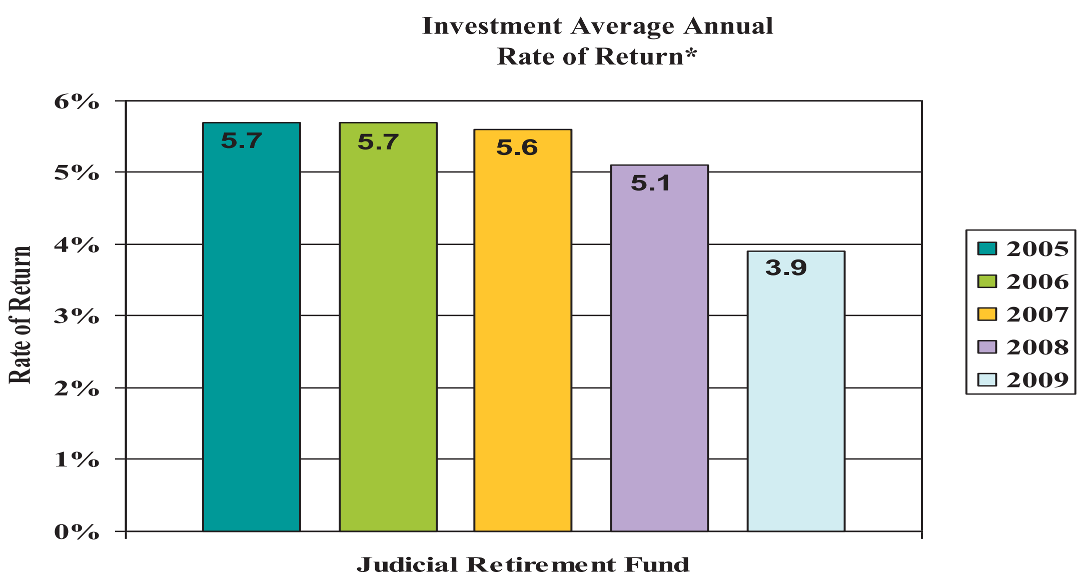



All funds are invested in non-marketable Government Account Series (GAS) securities.

## B. *Investments* *(as of September 30, 2009) continued*

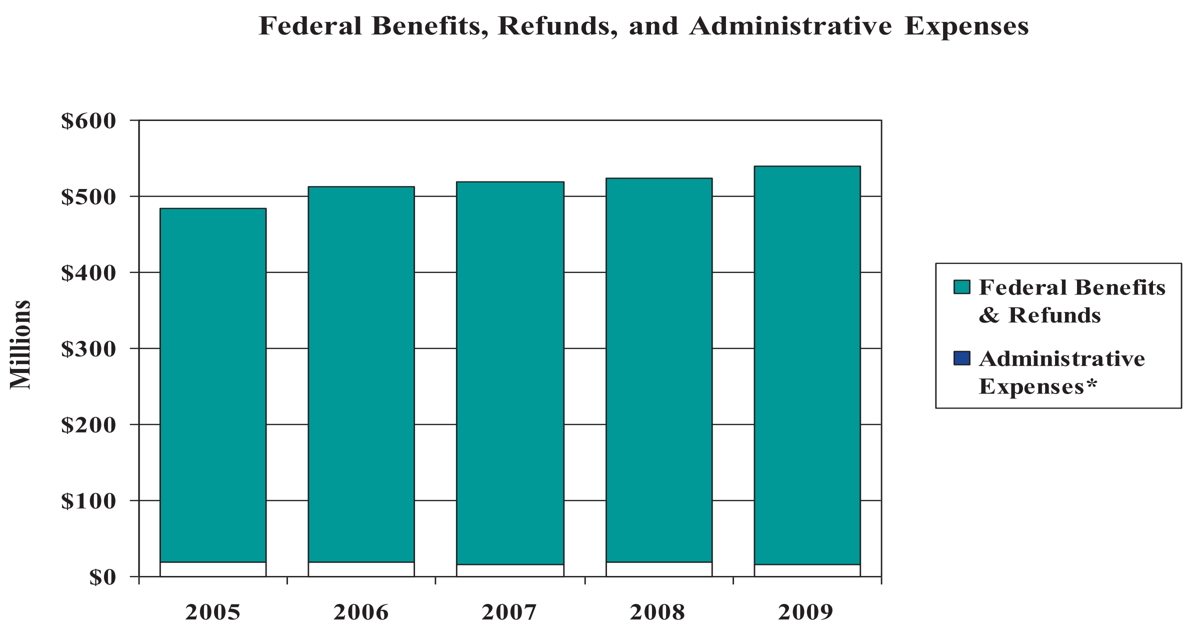



*The Rate of Return is calculated by dividing interest earned from Government Account Series (GAS) securities by the average par value of investments in GAS securities. Interest earned from GAS securities includes the amortization of premiums and discounts.




*The Rate of Return is calculated by dividing interest earned from Government Account Series (GAS) securities by the average par value of investments in GAS securities. Interest earned from GAS securities includes the amortization of premiums and discounts.

## C. **Payments by Category** *(as of September 30, 2009)*




*Administrative expenses include, but are not limited to, (a) expenses paid to the District for administration of Federal benefits, (b) expenses for ODCP salaries, and (c) expenses associated with contractor support. It does not include reimbursement from the District for STAR-related administrative expenses incurred by ODCP in support of District benefits.

### Federal Benefits, Refunds, and Administrative Expenses

| Fiscal Year | Federal Benefits/ Refunds Paid | Administrative Expenses* | Federal Benefits/ Refunds % | Administrative Expenses % |
|---|---|---|---|---|
| **2005** | $464M | $19.5M | 96% | 4% |
| **2006** | $494M | $18.4M | 96% | 4% |
| **2007** | $504M | $15.7M | 97% | 3% |
| **2008** | $506M | $18.4M | 96% | 4% |
| **2009** | $524M | $15.3M | 97% | 3% |

*Administrative expenses include, but are not limited to, (a) expenses paid to the District for administration of Federal benefits, (b) expenses for ODCP salaries, and (c) expenses associated with contractor support. It does not include reimbursement from the District for STAR-related administrative expenses incurred by ODCP in support of District benefits.

# V. Limitation of the Financial Statements

The principal 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).

While the 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, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

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# PART 2

# INDEPENDENT AUDITORS' REPORTS

KPMG LLP
2001 M Street, NW
Washington, DC 20036

## Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of the U.S. Department of the Treasury's Office of D.C. Pensions (the ODCP) as of September 30, 2009 and 2008, and the related consolidated statements of net cost, changes in net position, and combined statements of budgetary resources (hereinafter referred to as "consolidated financial statements") for the years then ended. These consolidated financial statements are the responsibility of the ODCP's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; 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. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of the Treasury's Office of D.C. Pensions as of September 30, 2009 and 2008, and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 10, effective October 1, 2008, the ODCP changed its reporting of distributed offsetting receipts in the statement of budgetary resources.

The information in the Management's Discussion and Analysis is not a required part of the consolidated financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The September 30, 2009 and 2008 consolidating information presented in the *Supplementary Schedules* in Part 4 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, net costs, changes in net position, and budgetary resources of the ODCP's two funds individually. The September 30, 2009 and 2008 *Supplementary Schedules* have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 13, 2009, on our consideration of the ODCP's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audits.

KPMG LLP

November 13, 2009

KPMG LLP
2001 M Street, NW
Washington, DC 20036

**Independent Auditors' Report on Internal Control Over Financial Reporting**

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

We have audited the consolidated balance sheets of the U.S. Department of the Treasury's Office of D.C. Pensions (the ODCP) as of September 30, 2009 and 2008 and the related consolidated statements of net cost, changes in net position, and combined statements of budgetary resources (hereinafter referred to as "consolidated financial statements") for the years then ended, and have issued our report thereon dated November 13, 2009. That report referenced that the ODCP changed its reporting of distributed offsetting receipts in the statement of budgetary resources in fiscal year 2009.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; 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. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

The management of the ODCP is responsible for establishing and maintaining effective internal control. In planning and performing our fiscal year 2009 audit, we considered the ODCP's internal control over financial reporting by obtaining an understanding of the design effectiveness of the ODCP's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements. To achieve this purpose, we did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to express an opinion on the effectiveness of the ODCP's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the ODCP's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses.

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 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. A material weakness is a deficiency, or 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.

In our fiscal year 2009 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain additional matters that we have reported to management of the ODCP in a separate letter dated November 13, 2009.

This report is intended solely for the information and use of the ODCP's management, the U.S. Department of the Treasury's Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 13, 2009

KPMG LLP
2001 M Street, NW
Washington, DC 20036

## Independent Auditors' Report on Compliance and Other Matters

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

We have audited the consolidated balance sheets of the U.S. Department of the Treasury's Office of D.C. Pensions (the ODCP) as of September 30, 2009 and 2008, and the related consolidated statements of net cost, changes in net position, and combined statements of budgetary resources (hereinafter referred to as "consolidated financial statements") for the years then ended, and have issued our report thereon dated November 13, 2009. That report referenced that the ODCP changed its reporting of distributed offsetting receipts in the statement of budgetary resources in fiscal year 2009.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; 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. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

The management of the ODCP is responsible for complying with laws, regulations, and contracts applicable to the ODCP. As part of obtaining reasonable assurance about whether the ODCP's consolidated financial statements are free of material misstatement, we performed tests of the ODCP's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of the consolidated financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, and contracts applicable to the ODCP. 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 of compliance described in the preceding paragraph, disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04.

This report is intended solely for the information and use of the ODCP's management, the U.S. Department of the Treasury's Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 13, 2009

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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, 2009 and September 30, 2008***
***(in thousands)***

| | 2009 | 2008 |
|---|---|---|
| *Assets* | | |
| *Entity Assets* | | |
| *Intra-Governmental Assets* | | |
| *Fund Balance with Treasury (Note 3)* | $ 250 | $ 317 |
| *Investments in GAS Securities, Net (Note 4)* | 3,839,297 | 3,827,309 |
| *Interest Receivable from GAS Securities* | 27,035 | 31,506 |
| *Advances to Others* | 78 | 73 |
| *Accounts Receivable, Net* | 6,807 | 6,832 |
| *ADP Software, Net (Note 5)* | 5,557 | 8,505 |
| *Equipment, Net (Note 6)* | - | 17 |
| *Total Assets* | $ 3,879,024 | $ 3,874,559 |
| | | |
| *Liabilities* | | |
| *Liabilities Covered By Budgetary Resources* | | |
| *Intra-Governmental* | | |
| *Accounts Payable* | $ 469 | $ 46 |
| *Accrued Payroll and Benefits* | 28 | 23 |
| *Accounts Payable* | 5,348 | 3,822 |
| *Accrued Pension Benefits Payable* | 48,438 | 48,711 |
| *Actuarial Pension Liability (Note 2i)* | 3,680,250 | 3,683,632 |
| *Accrued Payroll and Benefits* | 302 | 246 |
| *Total Liabilities Covered By Budgetary Resources* | 3,734,835 | 3,736,480 |
| | | |
| *Liabilities Not Covered By Budgetary Resources* | | |
| *Actuarial Pension Liability* | 5,368,844 | 5,119,756 |
| *Total Liabilities* | 9,103,679 | 8,856,236 |
| | | |
| *Net Position* | | |
| *Cumulative Results of Operations - Earmarked* | (5,224,655) | (4,981,677) |
| *Total Net Position* | (5,224,655) | (4,981,677) |
| | | |
| *Total Liabilities and Net Position* | $ 3,879,024 | $ 3,874,559 |

*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, 2009 and September 30, 2008***
***(in thousands)***

| | 2009 | 2008 |
|---|---|---|
| *Program Costs (Note 7)* | | |
| *Administrative Expenses (Note 8)* | *$ 15,432* | *$ 18,414* |
| *Pension Expense (Note 9)* | *769,461* | *319,660* |
| *Total Program Costs* | *784,893* | *338,074* |
| | | |
| *Less: Earned Revenues (Note 7)* | | |
| *Interest Earned* | *133,796* | *150,025* |
| *Employee Contributions* | *613* | *597* |
| *Net Cost of Operations* | *$ 650,484* | *$ 187,452* |

*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, 2009 and September 30, 2008***
***(in thousands)***

| | 2009 Earmarked | 2008 Earmarked |
|---|---|---|
| *Cumulative Results of Operations* | | |
| *Net Position - Beginning of Year* | *$ (4,981,677)* | *(5,141,514)* |
| *Budgetary Financing Sources* | | |
| *Appropriations Used* | *407,380* | *347,180* |
| *Other Financing Sources* | | |
| *Imputed Financing Sources* | *126* | *109* |
| *Total Financing Sources* | *407,506* | *347,289* |
| *Net Cost of Operations* | *(650,484)* | *(187,452)* |
| *Net Change* | (242,978) | 159,837 |
| *Net Position - End of Year* | *$ (5,224,655)* | *(4,981,677)* |

*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, 2009 and September 30, 2008***
***(in thousands)***

| | 2009 | 2008 |
|---|---|---|
| *Budgetary Resources* | | |
| *Unobligated Balance - brought forward* | $ - | $ 76 |
| *Recoveries of Prior Year Unpaid Obligations* | 1,927 | 2,334 |
| *Budget Authority:* | | |
| *Appropriations* | 946,803 | 846,433 |
| *Spending Authority from Offsetting Collections:* | | |
| *Earned:* | | |
| *Collected* | 5,591 | 35,216 |
| *Temporarily Unavailable Pursuant to Public Law* | (3,945) | (4,145) |
| *Total Budgetary Resources* | $ 950,376 | $ 879,914 |
| *Status of Budgetary Resources* | | |
| *Obligations Incurred:* | | |
| *Direct* | $ 950,376 | $ 879,914 |
| *Unobligated Balance:* | | |
| *Exempt from Apportionment* | - | - |
| *Total Status of Budgetary Resources* | $ 950,376 | $ 879,914 |
| *Change in Obligated Balance* | | |
| *Unpaid obligations brought forward, Oct. 1* | $ 59,900 | $ 59,082 |
| *Obligations Incurred* | 950,376 | 879,914 |
| *Gross outlays* | (947,311) | (876,762) |
| *Recoveries of Prior Year Unpaid Obligations, Actual* | (1,927) | (2,334) |
| *Unpaid Obligated Balance, Net, End of Period:* | 61,038 | 59,900 |
| *Net Outlays* | | |
| *Gross Outlays* | $ 947,311 | $ 876,762 |
| *Offsetting collections* | (5,591) | (35,216) |
| *Distributed offsetting receipts (Note 10)* | (531,142) | (147,325) |
| *Net Outlays* | $ 410,578 | $ 694,221 |

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

## 1) Reporting Entity

Under provisions in Title XI of the Balanced Budget Act of 1997, 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 Secretary's responsibilities include: (1) making accurate and timely benefit payments; (2) investing fund assets; and (3) funding pension benefits. To carry out these responsibilities, Treasury's Office of D.C. Pensions (the Office) engages in a wide range of legal, policy and operational activities in the areas of benefits administration, information technology, financial management and administration. The Office coordinates with many District entities and stakeholders to administer its responsibilities.

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

### *a. District of Columbia Teachers, Police Officers, and Firefighters Federal Pension Fund*

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

- Amounts deposited from the proceeds of assets transferred from the Trust Fund and the Supplemental Fund, which included the proceeds of assets transferred to Treasury from the District of Columbia Retirement Board (DCRB) pursuant to the Act;

- Amounts deposited from the General Fund of the Treasury;
- Income earned on the investments held in the D.C. Federal Pension Fund; and
- Reimbursement from the D.C. government for the District's actual share of benefits paid from the D.C. Federal Pension Fund.

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 Treasury's Bureau of the Public Debt (BPD). 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 2009 and FY 2008 were $400.3 million and $340.2 million, respectively.

***b. 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' 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 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 Judicial Retirement Fund; and
- Employee contributions to the Judicial Retirement Fund.

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

By the end of each fiscal year, the Act requires the Secretary to pay into the Judicial Retirement Fund (from the General Fund of the Treasury) an amount equal to the normal cost for the year, an annual amortization amount and the covered administrative expenses for the year. The annual amortization amount, as determined by an enrolled actuary, is the amount necessary to amortize the original unfunded liability of the retirement program assumed by the Federal government over 30 years, the net experience gains or losses over 10 years, and any other changes in actuarial liability over 20 years. The annual payment to the Judicial Retirement Fund also includes an amount necessary to fund the normal cost of the retirement program not covered by employee contributions. The amounts paid into the Judicial Retirement Fund during FY 2009 and FY 2008 were $7.0 million and $7.0 million, respectively.

## 2) Summary of Significant Accounting Policies

### *a. Basis of Accounting and Presentation*

The Office's financial statements consist of the Consolidated Balance Sheets, the Consolidated Statements of Net Cost and the Consolidated Statements of Changes in Net Position, and the Combined Statements of Budgetary Resources, all of which are prescribed by Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*. The financial statements have been prepared from the accounting records of the Office in conformity with accounting principles generally accepted in the United States of America. Accounting principles generally accepted in the United States of America for federal entities are prescribed by the Federal Accounting Standards Advisory Board (FASAB), which is designated as the official accounting standards setting body of the Federal government by the American Institute of Certified Public Accountants. The statements are different from the financial reports, also prepared by the Office, pursuant to OMB directives that are used to monitor and control the Office's use of budgetary resources. These financial statements present the consolidated activities and balances of the D.C. Federal Pension Fund and the Judicial Retirement Fund. There were no transactions between the Funds that require elimination during consolidation.

### *b. Fund Balance with Treasury*

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

### *c. Investments*

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 BPD. 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 range from less than one year to approximately ten years.

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.

### *d. Advances to Others*

The carrying amount of advances and prepayments to the Department of the Treasury's Working Capital Fund approximate fair value as they represent the amounts expected to be paid for certain common administrative services such as telecommunications and information technology services.

### *e. ADP Software, Net*

ADP Software, Net represents the pension benefit and payroll software purchased and independent contractor costs incurred in FY 2000 – FY 2008 to develop a pension/payroll system to meet Treasury's and D.C.'s needs (net of accumulated amortization).

Internal use software is recorded at cost and capitalized in accordance with the following thresholds:

- Capitalize software acquisitions that exceed $50,000
- Capitalize bulk purchases (a single purchase of like items in the same lot with a unit cost greater than $5,000 and less than $50,000) that exceed $500,000
- Capitalize aggregate purchases (multiple purchases of items directly related to a specific project and unit cost is less than $50,000) that exceed $500,000

Software is amortized using the straight-line method over an estimated useful life of five years, with six months amortization taken in the first and last year.

### *f. Equipment, Net*

Equipment, Net represents computer hardware purchases (net of accumulated depreciation) placed in service and used to run ADP Software and operation of the pension/payroll system. Equipment is recorded at cost and capitalized in accordance with the following thresholds:

- Capitalize equipment acquisitions that exceed $50,000
- Capitalize bulk purchases (a single purchase of like items in the same lot with a unit cost greater than $5,000 and less than $50,000) that exceed $500,000
- Capitalize aggregate purchases (multiple purchases of items directly related to a specific project and unit cost is less than $50,000) that exceed $500,000

Equipment is depreciated using the straight-line method over an estimated useful life of five years, with six months depreciation taken in the first and last year.

### g. *Accounts Receivable*

Accounts receivable consist primarily of: (a) the amount due from the D.C. government for the District's share of benefits paid by the Office to which the recipients became entitled during the reporting period, but which, by law, are paid on the first business day of the subsequent period; (b) amounts due from the D.C. government for the District's estimated share of refunds paid by the Office in prior years; (c) employee retirement contributions withheld from judges' salaries not yet transferred from the General Services Administration to the Judicial Retirement Fund before the end of each fiscal year; and (d) amounts due from annuitants and survivors as the result of benefit overpayments.

### h. *Accrued Pension Benefits Payable*

Accrued pension benefits payable pertains, for the most part, 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.

### i. *Actuarial Pension Liability*

The actuarial cost method used to determine costs for the Police Officers' and Firefighters' Retirement Plan, Teachers' Retirement Plan, and Judges' Retirement Plan is the Aggregate 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 (under the Judges' Plan only), 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 actuarial pension liability is based upon assumptions made by Treasury. The assumptions used to calculate the pension liability as of October 1, 2009, were an annual rate of investment return of 5.2% in FY 2010 based on the securities held in the Judicial Retirement Fund, gradually increasing to 6% by FY 2017; an annual rate of investment of 4.5% in FY 2010 based on securities held in the D.C. Federal Pension Fund, gradually increasing to 6% by FY 2016; an annual inflation and cost-of-living adjustment of 3.5%; and salary increases at an annual rate of 3.5% for judges, 5.5% for teachers, and 6.5% for police officers and firefighters. The assumptions used to calculate the pension liability as of October 1, 2008, were an annual rate of investment return of 5.2% in FY 2009 based on the securities held in the Judicial Retirement Fund, gradually increasing to 6% by FY 2015; an annual rate of investment of 4.7% in FY 2009 based on securities held in the D.C. Federal Pension Fund, gradually increasing to 6% by FY 2014; an annual inflation and cost-of-living adjustment of 3.5%; and salary increases at an annual rate of 3.5% for judges, 5.5% for teachers, and 6.5% for police officers and firefighters.

### *j. Appropriations Received and Used*

Treasury is required to make annual payments from the General Fund of the Treasury to the Judicial Retirement Fund and the D.C. Federal Pension Fund 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 Funds. The appropriations are received into the Office's appropriation funds and are paid out to the Judicial Retirement Fund and the D.C. Federal Pension Fund to be invested in non-marketable GAS securities. In accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 7, *Accounting for Revenue and Other Financing Sources*, the payment from the Office's appropriation funds results in an appropriation used, as reported in the accompanying Consolidated Statements of Changes in Net Position. Appropriations received and used for the years ended September 30, 2009 and 2008 were $407.4 million and $347.2 million, respectively.

### *k. Treasury Employee Retirement Plans*

The D.C. Federal Pension Fund and Judicial Retirement Fund pay salaries and benefits of Treasury employees who work in the Office as reasonable and necessary expenses incurred in carrying out the Secretary's responsibilities under the Act. These salaries and benefits are split 90% and 10% between the D.C. Federal Pension Fund and the Judicial Retirement Fund, respectively.

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 Funds make matching contributions, ranging from 1% to 4% of base pay, for FERS eligible employees who contribute to their TSP accounts. Pursuant to law, mandatory and matching contributions are not made to the TSP accounts established for CSRS employees.

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

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

### *l. President's Budget*

The Budget of the United States (also known as the President's Budget), with actual numbers for FY 2009, was not published at the time that these financial statements were issued. The President's Budget for FY 2011, which includes the Office's budget within the Other Independent Agencies' budget appendix, is expected to be published in January or February 2010. It will be available from the United States Government Printing Office. The FY 2008 Statement of Budgetary Resources (SBR) was reconciled to the Program and Financing (P&F) Schedules within the President's Budget for FY 2010 and there were no differences for budgetary resources, status of budgetary resources, and net outlays.

Earnings on investments in U.S. securities, federal (as reported in the annual President's Budget) consists of interest *collected* from GAS securities less premiums and interest purchased. Interest *earned* from GAS Securities (as reported in the financial statements) consists of interest *earned* from GAS securities and the amortization of premiums and discounts.

### *m. Earmarked Funds*

**Funding Sources**

All proceeds received and deposited by the Office are earmarked 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, 2009, and 2008 were annual appropriations, employee contributions, and interest earnings from investments.

**Intra-governmental Investments in Treasury Securities**

The Federal government does not set aside assets to pay future benefits or other expenditures associated with earmarked funds. The cash receipts collected from the public for an earmarked fund are deposited in the U.S. Treasury, which uses the cash for general Government purposes. Treasury securities are issued to the Office as evidence of its receipts. Treasury securities are an asset of the Office and a liability to the U.S. Treasury. Since the Office and the U.S. Treasury are both parts of the Federal government, these assets and liabilities offset each other from the standpoint of the U.S. Treasury and the Federal government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements.

Treasury securities provide the Office with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the Office requires redemption of these securities to make expenditures, the Federal government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Federal government finances all other expenditures.

## 3) Fund Balance with Treasury

Fund balance with Treasury and the status of Fund balance with Treasury as of September 30, 2009 and 2008, consisted of the following (in thousands):

| | 2009 | 2008 |
|---|---|---|
| Fund balances: | | |
| Trust fund | $ 13 | $ 15 |
| Special fund * | 237 | 302 |
| Total fund balance with Treasury | $ 250 | $ 317 |

* OMB Circular A-11 defines special funds as a Federal fund account for receipts earmarked for specific purposes and the expenditure of these receipts.

| | 2009 | 2008 |
|---|---|---|
| Status of fund balance with Treasury | | |
| Obligated balance not yet disbursed | $ 250 | $ 317 |
| Total | $ 250 | $ 317 |

## 4) Investments in GAS Securities - Net

Investments in GAS securities – net as of September 30, 2009 and 2008 consisted of the following (in thousands):

| | 2009 | | | |
|---|---|---|---|---|
| | Cost | Unamortized Premium, Net | Investments Net | Market Value |
| Intragovernmental Securities | | | | |
| Non-marketable par value | $ 312,333 | — | 312,333 | 312,333 |
| Non-marketable market-based | 3,444,181 | 82,783 | 3,526,964 | 3,705,035 |
| Total | $ 3,756,514 | 82,783 | 3,839,297 | 4,017,368 |

| | 2008 | | | |
|---|---|---|---|---|
| | Cost | Unamortized Premium, Net | Investments Net | Market Value |
| Intragovernmental Securities | | | | |
| Non-marketable par value | $ 180,218 | — | 180,218 | 180,218 |
| Non-marketable market-based | 3,581,041 | 66,050 | 3,647,091 | 3,785,037 |
| Total | $ 3,761,259 | 66,050 | 3,827,309 | 3,965,255 |

The amortization method utilized by the Office is the effective interest method. The market value for notes and bonds is calculated using rates for September 30, 2009 and 2008, as published in the Treasury Quote Sheets prepared by Treasury's Office of Market Finance. Included in this figure are a net unrealized gain of $178.1 million as of September 30, 2009, and a net unrealized gain of $137.9 million as of September 30, 2008.

The amortized cost of non-marketable market-based GAS securities as of September 30, 2009 and 2008, by maturity date, are as follows (in thousands):

| | 2009 | 2008 |
|---|---|---|
| Less than or equal to 1 year | $ 576,676 | $ 727,628 |
| More than 1 year and less than or equal to 5 years | 2,215,931 | 2,172,016 |
| More than 5 years and less than or equal to 10 years | 734,357 | 747,447 |
| Total | $ 3,526,964 | $ 3,647,091 |

## 5) ADP Software, Net

The components of ADP software, net as of September 30, 2009 and 2008 are as follows (in thousands):

| | | 2009 | | 2008 |
|---|---|---|---|---|
| ADP software | $ | 40,073 | $ | 40,073 |
| Accumulated amortization | | (34,516) | | (31,568) |
| ADP software, net | $ | 5,557 | $ | 8,505 |

## 6) Equipment, Net

The components of equipment, net as of September 30, 2009 and 2008 are as follows (in thousands):

| | | 2009 | | 2008 |
|---|---|---|---|---|
| ADP hardware | $ | 500 | $ | 500 |
| Accumulated depreciation | | (500) | | (483) |
| Equipment, net | $ | — | $ | 17 |

## 7) Intra-governmental Costs and Exchange Revenue

Intra-governmental Costs and Exchange Revenue for the years ended September 30, 2009, and 2008 are as follows (in thousands):

| | | 2009 | | 2008 |
|---|---|---|---|---|
| Program Costs | | | | |
| Intragovernmental Costs | $ | 4,549 | $ | 4,004 |
| Public Costs | | 780,344 | | 334,070 |
| Total Program Costs | | 784,893 | | 338,074 |
| Program Revenue | | | | |
| Intragovernmental Earned Revenue | | (133,796) | | (150,025) |
| Public Earned Revenue | | (613) | | (597) |
| Total Program Revenue | | (134,409) | | (150,622) |
| Net Program Cost | $ | 650,484 | $ | 187,452 |

## 8) Administrative Expenses

Administrative expenses for the years ended September 30, 2009 and 2008 are as follows (in thousands):

| | 2009 | 2008 |
|---|---|---|
| Intragovernmental Expenses | | |
| Salaries and Related Benefits | $ 661 | $ 560 |
| Contractual Services | 3,404 | 2,636 |
| Rent | 465 | 789 |
| Noncapitalized Equipment/Software | - | 2 |
| Other | 19 | 17 |
| Total intragovernmental expenses | 4,549 | 4,004 |
| Public Expenses | | |
| Salaries and Related Benefits | 2,448 | 2,105 |
| Contractual Services | 5,447 | 6,964 |
| Noncapitalized Equipment/Software | - | 3 |
| Amortization/Depreciation | 2,965 | 5,313 |
| Other | 23 | 25 |
| Total public expenses | 10,883 | 14,410 |
| Total administrative expenses | $ 15,432 | $ 18,414 |

Included in the administrative expenses are amounts incurred by the D.C. Federal Pension Fund and Judicial Retirement Fund for intra-governmental activity totaling $4,051 thousand and $498 thousand, respectively, for 2009, and $3,575 thousand and $429 thousand, respectively, for 2008.

## 9) Pension Expense

Pension expense for the plan years ended September 30, 2009 and 2008, includes the following components (in thousands):

| | | 2009 | | 2008 |
|---|---|---|---|---|
| Normal Cost | $ | 4,223 | $ | 4,200 |
| Actuarial (Gains) Losses During the Period | | 360,711 | | (99,240) |
| Interest on Pension Liability During the Period | | 404,527 | | 414,700 |
| Total Pension Expense | $ | 769,461 | $ | 319,660 |

*Federal Benefit Payments*

Federal pension benefits paid during the plan years were $516 million and $8.0 million from the D.C. Federal Pension Fund and Judicial Retirement Fund, respectively, for FY 2009, and $498.6 million and $7.2 million, respectively, for FY 2008. For FY 2009, approximately $0.6 million represents contribution refunds to plan participants of the D.C. Federal Pension Fund. For 2008, approximately $0.6 million represents contribution refunds to plan participants of the D.C. Federal Pension Fund. No contribution refunds were made to plan participants of the Judicial Retirement Fund during FY 2009 or FY 2008.

In FY 2009, there was an actuarial loss in the D.C. Federal Pension Fund and an actuarial gain in the Judicial Retirement Fund due to changes in demographic assumptions, in particular, improved mortality rates for police officers, firefighters, and teachers. The loss in the D.C. Federal Pension Fund was partially offset by a gain due to plan experience, but the net result was a total actuarial loss in the two funds of $360.7 million. In FY 2008, there was an actuarial loss in each of the funds due to lowering the investment rate assumption. There was an actuarial gain in the D.C. Federal Pension Fund and an actuarial loss in the Judicial Retirement Fund due to plan experience. The net result was a total actuarial gain in the two funds of $99.2 million.

## 10) Reconciliation of Net Cost of Operations to Budget

The Reconciliation of Net Cost of Operations to Budget explains the difference between the budgetary net obligations and the proprietary net cost of operations. As of September 30, 2009, and 2008, the Reconciliation of Net Cost of Operations to Budget consisted of the following (in thousands):

| | 2009 | 2008 |
|---|---|---|
| Budgetary Resources Obligated | | |
| Obligations Incurred | $ 950,376 | $ 879,914 |
| Less: Spending Authority from Offsetting Collections and Adjustments | 7,519 | 37,550 |
| Obligations Net of Offsetting Collections and Recoveries | 942,857 | 842,364 |
| Less: Offsetting Receipts | 531,142 | 147,325 |
| Net Obligations | 411,715 | 695,039 |
| Imputed Financing from Costs Absorbed by Others | 126 | 109 |
| Total Resources Used to Finance Activities | 411,841 | 695,148 |
| Resources Used to Finance Items Not Part of the Net Cost of Operations | | |
| Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not yet Provided | (594) | (1,995) |
| Resources That Fund Expenses Recognized in Prior Periods | 5,007 | 176,157 |
| Resources that Finance the Acquisition of Assets or Liquidation of Liabilities | - | (107) |
| Other Resources or Adjustments to Net Obligated Resources that do not Affect Net Cost of Operations | - | 347,180 |
| Total Resources used to Finance Items not part of the Net Cost of Operations | 4,413 | 521,235 |
| Total Resources Used to Finance Net Cost of Operations | 407,428 | 173,913 |
| Components Requiring or Generating Resources in Future Periods | | |
| Future Funded Expenses | 250,738 | 11,525 |
| Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods | 250,738 | 11,525 |
| Components not Requiring or Generating Resources | | |
| Depreciation and Amortization | (16,452) | 3,439 |
| Other | 8,770 | (1,425) |
| Total Components of Net Cost Operations that will not Require or Generate Resources in Future Periods | (7,682) | 2,014 |
| Total Components of Net Cost Operations that will not Require or Generate Resources in Current Periods | 243,056 | 13,539 |
| Net Cost of Operations | $ 650,484 | $ 187,452 |

In FY 2009, the Office changed its reporting of Distributed Offsetting Receipts in the Statement of Budgetary Resources to comply with new reporting guidance from the Office of Management and Budget (OMB). This change in accounting policy resulted in the inclusion of the Office's annual appropriations from Treasury of $407.4 million, and the exclusion of the investment activities in the Judicial Retirement Fund of $5.7 million, in the computation of Distributed Offsetting Receipts for the year ended September 30, 2009.

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# PART 4

# SUPPLEMENTARY SCHEDULES

***Department of the Treasury***
***Departmental Offices***
***Office of D.C. Pensions***
***Consolidating Balance Sheets***
***As of September 30, 2009 and September 30, 2008***
***(in thousands)***

| | 2009 | | | 2008 | | |
|---|---|---|---|---|---|---|
| | DC Judicial Retirement and Survivors Annuity Fund | DC Federal Pension Fund | Consolidated DC Pension Funds Total | DC Judicial Retirement and Survivors Annuity Fund | DC Federal Pension Fund | Consolidated DC Pension Funds Total |
| *Assets* | | | | | | |
| *Entity Assets* | | | | | | |
| *Intra-Governmental Assets* | | | | | | |
| *Fund Balance with Treasury* | $ 13 | 237 | 250 | $ 15 | 302 | 317 |
| *Investments in GAS Securities, Net* | 128,752 | 3,710,545 | 3,839,297 | 124,750 | 3,702,559 | 3,827,309 |
| *Interest Receivable from GAS Securities* | 639 | 26,396 | 27,035 | 1,090 | 30,416 | 31,506 |
| *Advances to Others* | 8 | 70 | 78 | 7 | 66 | 73 |
| *Accounts Receivable, Net* | - | 6,807 | 6,807 | - | 6,832 | 6,832 |
| *ADP Software, Net* | 7 | 5,550 | 5,557 | 10 | 8,495 | 8,505 |
| *Equipment, Net* | - | - | - | 2 | 15 | 17 |
| *Total Assets* | $ 129,419 | 3,749,605 | 3,879,024 | $ 125,874 | 3,748,685 | 3,874,559 |
| *Liabilities* | | | | | | |
| *Liabilities Covered By Budgetary Resources* | | | | | | |
| *Intra-Governmental* | | | | | | |
| *Accounts Payable* | $ 81 | 388 | 469 | $ 7 | 39 | 46 |
| *Accrued Payroll and Benefits* | 3 | 25 | 28 | 2 | 21 | 23 |
| *Accounts Payable* | 51 | 5,297 | 5,348 | 13 | 3,809 | 3,822 |
| *Accrued Pension Benefits Payable* | 672 | 47,766 | 48,438 | 611 | 48,100 | 48,711 |
| *Actuarial Pension Liability* | 122,428 | 3,557,822 | 3,680,250 | 118,482 | 3,565,150 | 3,683,632 |
| *Accrued Payroll and Benefits* | 28 | 274 | 302 | 24 | 222 | 246 |
| *Total Liabilities Covered By Budgetary Resources* | 123,263 | 3,611,572 | 3,734,835 | 119,139 | 3,617,341 | 3,736,480 |
| *Liabilities Not Covered By Budgetary Resources* | | | | | | |
| *Actuarial Pension Liability* | 34,169 | 5,334,675 | 5,368,844 | 43,150 | 5,076,606 | 5,119,756 |
| *Total Liabilities* | 157,432 | 8,946,247 | 9,103,679 | 162,289 | 8,693,947 | 8,856,236 |
| *Net Position* | | | | | | |
| *Cumulative Results of Operations - Earmarked* | (28,013) | (5,196,642) | (5,224,655) | (36,415) | (4,945,262) | (4,981,677) |
| *Total Net Position* | (28,013) | (5,196,642) | (5,224,655) | (36,415) | (4,945,262) | (4,981,677) |
| *Total Liabilities and Net Position* | $ 129,419 | 3,749,605 | 3,879,024 | $ 125,874 | 3,748,685 | 3,874,559 |

*See accompanying independent auditors' report.*

***Department of the Treasury***
***Departmental Offices***
***Office of D.C. Pensions***
***Consolidating Statements of Net Cost***
***For the Years Ended September 30, 2009 and September 30, 2008***
***(in thousands)***

| | 2009 | | | 2008 | | |
|---|---|---|---|---|---|---|
| | DC Judicial Retirement and Survivors Annuity Fund | DC Federal Pension Fund | Consolidated DC Pension Funds Total | DC Judicial Retirement and Survivors Annuity Fund | DC Federal Pension Fund | Consolidated DC Pension Funds Total |
| Program Costs | | | | | | |
| Administrative Expenses | $ 833 | 14,599 | 15,432 | $ 913 | 17,501 | 18,414 |
| Pension Expense | 3,052 | 766,409 | 769,461 | 18,724 | 300,936 | 319,660 |
| Total Program Costs | 3,885 | 781,008 | 784,893 | 19,637 | 318,437 | 338,074 |
| Less: Earned Revenues | | | | | | |
| Interest Earned | 4,621 | 129,175 | 133,796 | 4,481 | 145,544 | 150,025 |
| Employee Contributions | 613 | - | 613 | 597 | - | 597 |
| Net Cost of Operations | $ (1,349) | 651,883 | 650,484 | $ 14,559 | 172,893 | 187,452 |

*See accompanying independent auditors' report.*

***Department of the Treasury***
***Departmental Offices***
***Office of D.C. Pensions***
***Consolidating Statements of Changes in Net Position***
***For the Years Ended September 30, 2009 and September 30, 2008***
***(in thousands)***

| | 2009 | | | 2008 | | |
|---|---|---|---|---|---|---|
| | *DC Judicial Retirement and Survivors Annuity Fund* | *DC Federal Pension Fund* | *Consolidated DC Pension Funds Total* | *DC Judicial Retirement and Survivors Annuity Fund* | *DC Federal Pension Fund* | *Consolidated DC Pension Funds Total* |
| *Cumulative Results of Operations* | | | | | | |
| *Net Position - Beginning of Year* | *$ (36,415)* | *(4,945,262)* | *(4,981,677)* | *$ (28,847)* | *(5,112,667)* | *(5,141,514)* |
| *Budgetary Financing Sources* | | | | | | |
| *Appropriations Used* | *7,040* | *400,340* | *407,380* | *6,980* | *340,200* | *347,180* |
| *Other Financing Sources* | | | | | | |
| *Imputed Financing Sources* | *13* | *113* | *126* | *11* | *98* | *109* |
| *Total Financing Sources* | *7,053* | *400,453* | *407,506* | *6,991* | *340,298* | *347,289* |
| *Net Cost of Operations* | *1,349* | *(651,833)* | *(650,484)* | *(14,559)* | *(172,893)* | *(187,452)* |
| *Net Change* | *8,402* | *(251,380)* | *(242,978)* | *(7,568)* | *167,405* | *159,837* |
| *Net Position - End of Year* | *$ (28,013)* | *(5,196,642)* | *(5,224,655)* | *$ (36,415)* | *(4,945,262)* | *(4,981,677)* |

*See accompanying independent auditors' report.*

***Department of the Treasury***
***Departmental Offices***
***Office of D.C. Pensions***
***Combining Statements of Budgetary Resources***
***For the Years Ended September 30, 2009 and September 30, 2008***
***(in thousands)***

| | 2009 | | | 2008 | | |
|---|---|---|---|---|---|---|
| | DC Judicial Retirement and Survivors Annuity Fund | DC Federal Pension Fund | Combined DC Pension Funds Total | DC Judicial Retirement and Survivors Annuity Fund | DC Federal Pension Fund | Combined DC Pension Funds Total |
| Budgetary Resources | | | | | | |
| Unobligated Balance - brought forward | $ - | - | - | $ 1 | 75 | 76 |
| Recoveries of Prior Year Unpaid Obligations | 45 | 1,882 | 1,927 | 41 | 2,293 | 2,334 |
| Budget Authority: | | | | | | |
| Appropriations | 19,780 | 927,023 | 946,803 | 19,039 | 827,394 | 846,433 |
| Spending Authority from Offsetting Collections: | | | | | | |
| Earned: | | | | | | |
| Collected | - | 5,591 | 5,591 | - | 35,216 | 35,216 |
| Temporarily Unavailable Pursuant to Public Law | (3,945) | - | (3,945) | (4,145) | - | (4,145) |
| Total Budgetary Resources | $ 15,880 | 934,496 | 950,376 | $ 14,936 | 864,978 | 879,914 |
| Status of Budgetary Resources | | | | | | |
| Obligations Incurred: | | | | | | |
| Direct | $ 15,880 | 934,496 | 950,376 | $ 14,936 | 864,978 | 879,914 |
| Unobligated Balance: | | | | | | |
| Exempt from Apportionment | - | - | - | - | - | - |
| Total Status of Budgetary Resources | $ 15,880 | 934,496 | 950,376 | $ 14,936 | 864,978 | 879,914 |
| Change in Obligated Balance | | | | | | |
| Unpaid obligations brought forward, Oct. 1 | $ 1,542 | 58,358 | 59,900 | $ 1,488 | 57,594 | 59,082 |
| Obligations Incurred | 15,880 | 934,496 | 950,376 | 14,936 | 864,978 | 879,914 |
| Gross outlays | (15,766) | (931,545) | (947,311) | (14,840) | (861,922) | (876,762) |
| Recoveries of Prior Year Unpaid Obligations, Actual | (45) | (1,882) | (1,927) | (41) | (2,293) | (2,334) |
| Unpaid Obligated Balance, Net, End of Period: | 1,611 | 59,427 | 61,038 | 1,543 | 58,357 | 59,900 |
| Net Outlays | | | | | | |
| Gross Outlays | 15,766 | 931,545 | 947,311 | 14,840 | 861,922 | 876,762 |
| Offsetting collections | - | (5,591) | (5,591) | - | (35,216) | (35,216) |
| Distributed offsetting receipts | (7,040) | (524,102) | (531,142) | (5,077) | (142,248) | (147,325) |
| Net Outlays | $ 8,726 | 401,852 | 410,578 | $ 9,763 | 684,458 | 694,221 |

*See accompanying independent auditors' report.*

***Department of the Treasury***
***Departmental Offices***
***Office of D.C. Pensions***
***Consolidating Intra-governmental Balances***
***As of and for the years ended September 30, 2009 and September 30, 2008***
***(in thousands)***

| | | 2009 | | | 2008 | | |
|---|---|---|---|---|---|---|---|
| Department | Intra-governmental balance description | *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 | | | | | | |
| Treasury | Fund Balance with Treasury | $ 13 | 237 | 250 | $ 15 | 302 | 317 |
| Treasury | Investments in GAS securities, net | 128,752 | 3,710,545 | 3,839,297 | 124,750 | 3,702,559 | 3,827,309 |
| Treasury | Interest receivable from GAS securities | 639 | 26,396 | 27,035 | 1,090 | 30,416 | 31,506 |
| Treasury | Advances to Others | 8 | 70 | 78 | 7 | 66 | 73 |
| | Total intra-governmental assets | $ 129,412 | 3,737,248 | 3,866,660 | $ 125,862 | 3,733,343 | 3,859,205 |
| | Liabilities | | | | | | |
| Treasury | Accounts Payable | $ 80 | 386 | 466 | $ 7 | 36 | 43 |
| GSA | Accounts Payable | — | 3 | 3 | — | 3 | 3 |
| Gen Fund | Accrued Payroll and Benefits | — | 1 | 1 | — | 6 | 6 |
| OPM | Accrued Payroll and Benefits | 3 | 24 | 27 | 2 | 15 | 17 |
| | Total intra-governmental liabilities | $ 83 | 414 | 497 | $ 9 | 60 | 69 |
| | Revenues | | | | | | |
| Treasury | Interest earned/loss from GAS Securities, Net | $ 4,621 | 129,175 | 133,796 | $ 4,481 | 145,544 | 150,025 |
| OPM | Imputed Financing Sources | 13 | 113 | 126 | 11 | 98 | 109 |
| | Total intra-governmental revenues | $ 4,634 | 129,288 | 133,922 | $ 4,492 | 145,642 | 150,134 |
| | Expenses | | | | | | |
| Treasury | Salaries and related benefits | $ 1 | 14 | 15 | $ (1) | (9) | (10) |
| OPM | Salaries and related benefits | 50 | 450 | 500 | 43 | 396 | 439 |
| Gen Fund | Salaries and related benefits | 15 | 131 | 146 | 13 | 118 | 131 |
| Treasury | Contractual Services | 379 | 3,025 | 3,404 | 299 | 2,327 | 2,626 |
| OPM | Contractual Services | — | — | — | 1 | 9 | 10 |
| Treasury | Rent | 46 | 419 | 465 | 79 | 710 | 789 |
| GPO | Other | 6 | 3 | 9 | — | 66 | 66 |
| Treasury | Other | 1 | 9 | 10 | (5) | (42) | (47) |
| | Total intra-governmental expenses | $ 498 | 4,051 | 4,549 | $ 429 | 3,575 | 4,004 |

*See accompanying independent auditors' report.*

***Department of the Treasury***
***Departmental Offices***
***Office of D.C. Pensions***
***Investments in GAS Securities - Net By Fund***
***As of September 30, 2009 and September 30, 2008***
***(in thousands)***

| | 2009 | | | | 2008 | | | |
|---|---|---|---|---|---|---|---|---|
| | Cost | Unamortized Premium Net | Investments Net | Market Value | Cost | Unamortized Premium Net | Investments Net | Market Value |
| ***D. C. Judicial Retirement and Survivors Annuity Fund: Intragovernmental Securities*** | | | | | | | | |
| Non-marketable Par Value | $ 7,695 | - | 7,695 | 7,695 | $ 4,062 | - | 4,062 | 4,062 |
| Non-marketable Market-based | 116,840 | 4,217 | 121,057 | 125,480 | 117,728 | 2,960 | 120,688 | 123,763 |
| Total | $ 124,535 | 4,217 | 128,752 | 133,175 | $ 121,790 | 2,960 | 124,750 | 127,825 |
| ***D.C. Federal Pension Fund: Intragovernmental Securities*** | | | | | | | | |
| Non-marketable Par Value | $ 304,638 | - | 304,638 | 304,638 | $ 176,156 | - | 176,156 | 176,156 |
| Non-marketable Market-based | 3,327,341 | 78,566 | 3,405,907 | 3,579,555 | 3,463,313 | 63,090 | 3,526,403 | 3,661,274 |
| Total | $ 3,631,979 | 78,566 | 3,710,545 | 3,884,193 | $ 3,639,469 | 63,090 | 3,702,559 | 3,837,430 |

*See accompanying independent auditors' report.*

***Department of the Treasury***
***Departmental Offices***
***Office of D.C. Pensions***
***Investments in Nonmarketable Market-Based GAS Securities - Net By Fund and Maturity***
***As of September 30, 2009 and September 30, 2008***
***(in thousands)***

| | 2009 | | | 2008 | | |
|---|---|---|---|---|---|---|
| *Time of Maturity* | *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* |
| Less than or equal to 1 year | $ 8,257 | 568,419 | 576,676 | $ 30,744 | 696,884 | 727,628 |
| More than 1 year and less than or equal to 5 years | 48,329 | 2,167,602 | 2,215,931 | 43,975 | 2,128,041 | 2,172,016 |
| More than 5 years and less than or equal to 10 years | 64,471 | 669,886 | 734,357 | 45,969 | 701,478 | 747,447 |
| Total | $ 121,057 | 3,405,907 | 3,526,964 | $ 120,688 | 3,526,403 | 3,647,091 |

*See accompanying independent auditors' report.*

***Department of the Treasury***
***Departmental Offices***
***Office of D.C. Pensions***
***Intragovernmental Costs and Exchange Revenue***
***For the years ended September 30, 2009 and September 30, 2008***
***(in thousands)***

| | **2009** | | | **2008** | | |
|---|---|---|---|---|---|---|
| | *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 | | | | | | |
| Intragovernmental Costs | $ 498 | 4,051 | 4,549 | $ 429 | 3,575 | 4,004 |
| Public Costs | 3,387 | 776,957 | 780,344 | 19,208 | 314,862 | 334,070 |
| Total Program Costs | 3,885 | 781,008 | 784,893 | 19,637 | 318,437 | 338,074 |
| Program Revenue | | | | | | |
| Intragovernmental Earned Revenue | (4,621) | (129,175) | (133,796) | (4,481) | (145,544) | (150,025) |
| Public Earned Revenue | (613) | - | (613) | (597) | - | (597) |
| Total Program Revenue | (5,234) | (129,175) | (134,409) | (5,078) | (145,544) | (150,622) |
| Net Program Cost | $ (1,349) | 651,833 | 650,484 | $ 14,559 | 172,893 | 187,452 |

*See accompanying independent auditors' report.*

***Department of the Treasury***
***Departmental Offices***
***Office of D.C. Pensions***
***Administrative Expenses - By Fund***
***For the years ended September 30, 2009 and September 30, 2008***
***(in thousands)***

| | 2009 | | | 2008 | | |
|---|---|---|---|---|---|---|
| | *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* |
| Intragovernmental Expenses | | | | | | |
| Salaries and Related Benefits | $ 66 | 595 | 661 | $ 55 | 505 | 560 |
| Contractual Services | 379 | 3,025 | 3,404 | 300 | 2,336 | 2,636 |
| Rent | 46 | 419 | 465 | 79 | 710 | 789 |
| Noncapitalized Equipment/Software | - | - | - | - | 2 | 2 |
| Other | 7 | 12 | 19 | (5) | 22 | 17 |
| Total intragovernmental expenses | 498 | 4,051 | 4,549 | 429 | 3,575 | 4,004 |
| Public Expenses | | | | | | |
| Salaries and Related Benefits | 240 | 2,208 | 2,448 | 203 | 1,902 | 2,105 |
| Contractual Services | 88 | 5,359 | 5,447 | 45 | 6,919 | 6,964 |
| Noncapitalized Equipment/Software | - | - | - | 3 | - | 3 |
| Amortization/Depreciation | 5 | 2,960 | 2,965 | 230 | 5,083 | 5,313 |
| Other | 2 | 21 | 23 | 3 | 22 | 25 |
| Total public expenses | 335 | 10,548 | 10,883 | 484 | 13,926 | 14,410 |
| Total administrative expenses | $ 833 | 14,599 | 15,432 | $ 913 | 17,501 | 18,414 |

*See accompanying independent auditors' report.*

***Department of the Treasury***
***Departmental Offices***
***Office of D.C. Pensions***
***Pension Expense - By Fund***
***For the years ended September 30, 2009 and September 30, 2008***
***(in thousands)***

| | 2009 | | | 2008 | | |
|---|---|---|---|---|---|---|
| | *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* |
| Normal Cost | $ 4,223 | - | 4,223 | $ 4,200 | - | 4,200 |
| Actuarial (Gains) Losses During the Period | (9,415) | 370,126 | 360,711 | 5,724 | (104,964) | (99,240) |
| Interest on Pension Liability During the Period | 8,244 | 396,283 | 404,527 | 8,800 | 405,900 | 414,700 |
| Total Pension Expense | $ 3,052 | 766,409 | 769,461 | $ 18,724 | 300,936 | 319,660 |

*See accompanying independent auditors' report.*

***Department of the Treasury***
***Departmental Offices***
***Office of D.C. Pensions***
***Reconciliation of Net Cost of Operations to Budget***
***For the Years Ended September 30, 2009 and September 30, 2008***
***(in thousands)***

| | 2009 | | | 2008 | | |
|---|---|---|---|---|---|---|
| | *DC Judicial Retirement and Survivors Annuity Fund* | *DC Federal Pension Fund* | *Consolidated DC Pension Funds Total* | *DC Judicial Retirement and Survivors Annuity Fund* | *DC Federal Pension Fund* | *Consolidated DC Pension Funds Total* |
| Budgetary Resources Obligated | | | | | | |
| Obligations Incurred | $ 15,880 | 934,496 | 950,376 | $ 14,936 | 864,978 | 879,914 |
| Less: Spending Authority from Offsetting Collections and Adjustments | 45 | 7,474 | 7,519 | 41 | 37,509 | 37,550 |
| Obligations Net of Offsetting Collections and Recoveries | 15,835 | 927,022 | 942,857 | 14,895 | 827,469 | 842,364 |
| Less: Offsetting Receipts | 7,040 | 524,102 | 531,142 | 5,077 | 142,248 | 147,325 |
| Net Obligations | 8,795 | 402,920 | 411,715 | 9,818 | 685,221 | 695,039 |
| Imputed Financing from Costs Absorbed by Others | 13 | 113 | 126 | 11 | 98 | 109 |
| Total Resources Used to Finance Activities | 8,808 | 403,033 | 411,841 | 9,829 | 685,319 | 695,148 |
| Resources Used to Finance Items Not Part of the Net Cost of Operations | | | | | | |
| Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not yet Provided | (108) | (486) | (594) | 101 | (2,096) | (1,995) |
| Resources That Fund Expenses Recognized in Prior Periods | 5,033 | (26) | 5,007 | - | 176,157 | 176,157 |
| Resources that Finance the Acquisition of Assets or Liquidation of Liabilities | - | - | - | (59) | (48) | (107) |
| Other Resources or Adjustments to Net Obligated Resources that do not Affect Net Cost of Operations | - | - | - | 6,980 | 340,200 | 347,180 |
| Total Resources used to Finance Items not part of the Net Cost of Operations | 4,925 | (512) | 4,413 | 7,022 | 514,213 | 521,235 |
| Total Resources Used to Finance Net Cost of Operations | 3,883 | 403,545 | 407,428 | 2,807 | 171,106 | 173,913 |
| Components Requiring or Generating Resources in Future Periods | | | | | | |
| Future Funded Expenses | - | 250,738 | 250,738 | 11,525 | - | 11,525 |
| Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods | - | 250,738 | 250,738 | 11,525 | - | 11,525 |
| Components not Requiring or Generating Resources | | | | | | |
| Depreciation and Amortization | 5 | (16,457) | (16,452) | (429) | 3,868 | 3,439 |
| Other | (5,237) | 14,007 | 8,770 | 656 | (2,081) | (1,425) |
| Total Components of Net Cost Operations that will not Require or Generate Resources in Future Periods | (5,232) | (2,450) | (7,682) | 227 | 1,787 | 2,014 |
| Total Components of Net Cost Operations that will not Require or Generate Resources in Current Periods | (5,232) | 248,288 | 243,056 | 11,752 | 1,787 | 13,539 |
| Net Cost of Operations | $ (1,349) | 651,833 | 650,484 | $ 14,559 | 172,893 | 187,452 |

*See accompanying independent auditors' report.*