Audit Report

OIG-16-025

FINANCIAL MANAGEMENT

Audit of the Office of D.C. Pensions' Fiscal Years 2015 Financial Statements and Fiscal Year 2014 Balance Sheet

December 23, 2015

Office of Inspector General

Department of the Treasury

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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

December 23, 2015

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

FROM: Adé Bankole
Acting Director, Financial and Procurement Audit

SUBJECT: Audit of the Office of D.C. Pensions' Fiscal Year 2015 Financial Statements and Fiscal Year 2014 Balance Sheet

We contracted with the independent certified public accounting firm of KPMG LLP (KPMG) to audit the consolidated balance sheets of the Office of D.C. Pensions (ODCP) as of September 30, 2015 and 2014, and the consolidated statements of net cost, and changes in net position, and combined statement of budgetary resources for the year ended September 30, 2015; to provide a report on internal control over financial reporting; and to report any reportable noncompliance with laws, regulations, and contracts tested. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements,* and the Government Accountability Office/President's Council on Integrity and Efficiency *Financial Audit Manual.*

In its reports, KPMG

- was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, KPMG did not express an opinion on the consolidated financial statements. The basis for KPMG's disclaimer of opinion was it was unable to obtain sufficient evidential matter that supports the determination of ODCP's (1) actuarial pension liability and accrued pension benefits payable balances, which represent 99.93 percent and 99.96 percent of total liabilities as of September 30, 2015 and 2014, respectively; and (2) the pension expense before actuarial assumption changes and the loss on actuarial assumption changes, net, which represent 52 percent and 66 percent, respectively, of net cost of operations for the year ended September 30, 2015.

- reported a material weakness with ODCP's controls over the actuarial pension liability and accrued pension liability.

- found no instances of reportable noncompliance with laws, regulations, and contracts tested.

In connection with the contract, we reviewed KPMG's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit performed in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on the ODCP's consolidated financial statements or conclusions about the effectiveness of internal control or compliance with laws and regulations. KPMG is responsible for the attached auditors' reports dated December 9, 2015, and the conclusions expressed in the reports. However, our review disclosed no instances where KPMG did not comply, in all material respects, with U.S. generally accepted government auditing standards.

Should you have any questions, please contact me at (202) 927-5329, or Catherine Yi, Manager, Financial and Procurement Audit, at (202) 927-5591.

Attachment

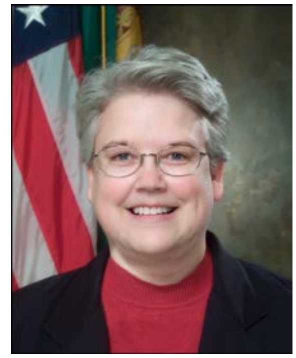
DEPARTMENT OF THE TREASURY
OFFICE OF D.C. PENSIONS

FISCAL YEAR 2015
ANNUAL REPORT

DISTRICT OF COLUMBIA PENSIONS PROGRAM

MESSAGE FROM THE DIRECTOR

December 2015



On behalf of the Office of D.C. Pensions, I am pleased to present the Fiscal Year 2015 Annual Report, which provides highlights of the significant accomplishments achieved by the program for this fiscal year as well as plans for upcoming years.

Pursuant to the Balanced Budget Act of 1997 (the Act), 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, 2015, the District of Columbia Judicial Retirement and Survivors Annuity Fund, and the District of Columbia Federal Pension Fund held assets totaling $4.1 billion. During FY 2015, the Office of D.C. Pensions processed $685.1 million in benefit payments to 14,224 annuitants, and refunds of employee contributions totaling $0.2 million were made to former active employees or their beneficiaries.

In FY 2015, the Office of D.C. Pensions modified the System to Administer Retirement (STAR), its pension/payroll system, for the Federal Employee Health Benefit (FEHB) Plan change to support the election of the new Self Plus One enrollment option. Also, the Office of D.C. Pensions began updating STAR to automate the FEHB enrollment processes with the Office of Personnel Management (OPM). The updates will be completed in FY 2016.

In FY 2015, as a result of errors in the FY 2014 actuarial valuation report identified by independent auditors, the Office of D.C. Pensions improved its review process and developed new standard operating procedures to ensure that the work of the third-party actuary performing valuations was complete and accurate. The new review procedures resulted in the Office of D.C. Pensions discovering small errors in the FY 2014 and FY 2015 actuarial valuations affecting the actuarial pension liabilities of a limited number of plan members. However, the auditors disclaimed an opinion on the FY 2015 financial statements (see Page 28 for additional information).

As with last year, the audit finding was limited to the financial statements with no material findings on current year annuitant benefit calculations. The Office of D.C. Pensions is implementing an action plan to correct the material weakness that led to the Disclaimer opinion. The Office of D.C. Pensions continued to work collaboratively with all entities associated with the District of Columbia Pensions Program to provide quality service to the annuitants and to carry out the Department of the Treasury's responsibilities under the Act.

Nancy A. Ostrowski

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

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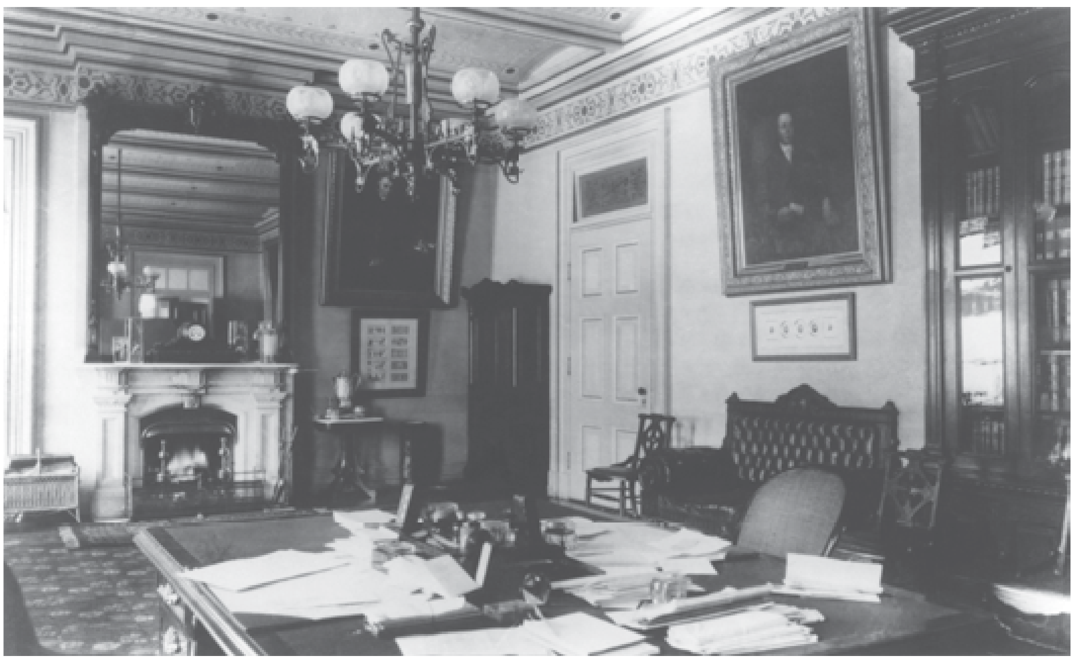
PART 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)



Office of the Secretary, c.1890

MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2015

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

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

I. Introduction

A. Statutory Basis and Responsibilities

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

[1] There have been three amendments to the Balanced Budget Act of 1997. These include Technical and Clarifying Amendments Relating to District of Columbia Retirement Funds, Title VIII of Pub. L. 105-277 (Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999), 112 Stat. 2681, (Oct. 21, 1998); Law Enforcement Pay Equity Act of 2000, Pub. L. 106-554, (Consolidated Appropriations Act of 2001) 114 Stat. 2763 (Dec. 21, 2000) and District of Columbia Police Department Retirees – Service Longevity Component, Pub. L. 107-290, 116 Stat. 2051 (Nov. 7, 2007); and the District of Columbia Retirement Protection Improvement Act of 2004 (Pub. L. 108-489, 118 Stat. 3966 (Dec. 23, 2004).

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

The Secretary's responsibilities include: (1) making accurate and timely benefit payments; (2) investing fund assets; and (3) funding pension benefits. To carry out these responsibilities, 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.

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

B. Organizational Structure and Staffing

The Office reports to the Deputy Assistant Secretary for Human Resources and Chief Human Capital Officer (DASHR/CHCO). The DASHR/CHCO reports to the Assistant Secretary for Management (ASM). The ASM reports through the Deputy Secretary to the Secretary 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 $685.1 million in Federal and District benefit payments were made to 14,224 annuitants for the year ended September 30, 2015.

- Finance and Resource Administration: The Office is responsible for financial and administrative activities related to the benefit administration functions it oversees. The Office provides oversight for investments in Government Account Series (GAS) securities in the federal pension funds totaling approximately $4.1 billion as of September 30, 2015. The Office also contracts with a third-party enrolled actuary to perform an annual actuarial valuation to determine the pension liability of the retirement plans and the annual contributions from the Treasury General Fund to the

District of Columbia Teachers, Police Officers and Firefighters Federal Pension Fund (D.C. Federal Pensions Fund) and the District of Columbia Judicial Retirement and Survivors Annuity Fund (Judicial Retirement Fund).

- Program Management: The Office plans and executes its responsibilities through program management activities which include planning and project management, quality management and risk management. The Office also produces, analyzes and acts upon performance management information to continually improve operations. As of September 30, 2015, the D.C. Federal Pensions Fund and the Judicial Retirement Fund paid for 23 Treasury positions. In addition, the Office provides funds to other Treasury offices providing support critical to accomplishing the Office's mission.

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

II. Executive Summary

During fiscal year (FY) 2015, the Office of D.C. Pensions (the Office) successfully worked with the District of Columbia Retirement Board (DCRB), Treasury's Bureau of the Fiscal Service (Fiscal Service), Administrative Resource Center (ARC) and other Treasury entities to execute responsibilities under the provisions in Title XI of the Balanced Budget Act of 1997, as amended.

The Office continued to oversee DCRB's benefit administration activities and conducted training to ensure that benefit payments were accurate and timely. In FY 2015, the Office increased training activities in all areas, including the use of the System to Administer Retirement (STAR) and debt management.

During FY 2015, the Office performed intensive reviews of the Office's third party actuarial model and census data used for the FY 2015 actuarial valuation. These reviews uncovered several errors which impacted earlier valuations, as well as the FY 2015 Actuarial Valuation Report. These errors, along with errors discovered in 2014, were contributing factors to the auditors' Disclaimer opinion on the Office's FY 2014 and FY 2015 financial statements. The Office is developing strategies to address audit findings and implementing an Action Plan to address and correct the material weakness that led to the Disclaimer opinion.

The Office's Program Management Group (PMG) supports long-term strategic planning with a focus on program oversight, quality management, and performance management. In FY 2015, the Office continued to use the Fiscal Year 2014 through 2016 Multi-Year Plan while reviewing several Memorandum of Understanding (MOU) and Interagency Agreement (IAA) documents, and updating the inventory of key programmatic activities. The following sections of the Management's Discussion and Analysis provide more details about the FY 2015 program results and plans for future years.

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

The Office of D.C. Pensions (the Office) has three Strategic Goals that contribute to the achievement of one of the five Department of the Treasury's (Treasury) Strategic Goals: *Create a 21st Century approach to government by improving efficiency, effectiveness, and customer interaction.*

1. Office Strategic Goal: Effectively Managed Finances

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

2. Office Strategic Goal: Management and Organizational Excellence

Office Outcomes:
- Program is effectively managed

3. Office Strategic Goal: Effective Quality Assurance Program

Office Outcomes:
- Program pursues continuous improvement

The table on the following pages displays the Office's Strategic Goals, Objectives and Outcomes linked to the Department of the Treasury's Strategic Goal, "*Create a 21st Century approach to government by improving efficiency, effectiveness, and customer interaction.*" It also identifies the Office's Performance Measures and Results.

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

Fiscal Years 2015/2016					Fiscal Year 2015
Treasury Goals and Objectives		**ODCP Strategic Goals, Objectives, and Outcomes**			**ODCP Performance Measures**
Treasury Strategic Goal	**Treasury Management Objective**	**ODCP Strategic Goal**	**ODCP Management Objective**	**ODCP Outcomes**	**ODCP Performance Measure**
Create 21st Century approach to government by improving efficiency, effectiveness, and customer interaction	Promote efficient use of resources through shared services, strategic sourcing, streamlined business processes, and accountability	Effectively Managed Finances	Skilled staff and technology are available to administer benefits	Benefit payments are accurate and timely	FY 2015 projected monetary error rate for new benefit calculations Target: 5% or less Actual: 7.3% (See footnote #1)
					STAR is available to users Target: 99% or more Actual: 99.9%
			Skilled staff and funds are available to manage financial activities	Pension funds are effectively invested	FY 2015 Investment strategy executed timely Target: 100% Actual: 100%
					FY 2016 Investment strategy developed timely Target: September 25, 2015 Actual: September 22, 2015
				Pension funds are effectively managed	FY 2015 minimum daily cash balance exceeds the minimum balance as defined in the FY 2015 investment strategy Target: 100% Actual: 100%
					FY 2015 annual required contribution from General Fund received timely into the D.C. Federal Pension & Judicial Retirement Funds Target: September 30, 2015 Actual: September 24, 2015

Fiscal Years 2015/2016					Fiscal Year 2015
Treasury Goals and Objectives		**ODCP Strategic Goals, Objectives, and Outcomes**			**ODCP Performance Measures**
Treasury Strategic Goal	**Treasury Management Objective**	**ODCP Strategic Goal**	**ODCP Management Objective**	**ODCP Outcomes**	**ODCP Performance Measure**
Create 21st Century approach to government by improving efficiency, effectiveness, and customer interaction (continued)	Promote efficient use of resources through shared services, strategic sourcing, streamlined business processes, and accountability (continued)	Effectively Managed Finances (continued)	Skilled staff and funds are available to manage financial activities (continued)	Pension funds are effectively managed (continued)	Monthly benefit payments made to annuitants by the first business day of the month Target: 100% Actual: 100%
					Electronic benefit payments made to annuitants Target: 98% Actual: 98.8%
				Pension funds meet future needs	FY 2015 Actuarial calculation for annual contribution from General Fund prepared timely Target: November 18, 2014 Actual: August 20, 2015 (See footnote #2)
		Management and Organizational Excellence	Skilled staff and management tools are available	Program is effectively managed	Risks are reviewed in accordance with the schedule outlined in the Risk Management Plan Target: Quarterly Meetings Actual: Meetings held in 3 of the 4 quarters
					FY 2015 Financial Statement audit opinion received from an independent external auditor Target: Unmodified opinion Actual: Disclaimer (See footnote #3)

Fiscal Years 2015/2016					Fiscal Year 2015
Treasury Goals and Objectives		**ODCP Strategic Goals, Objectives, and Outcomes**			**ODCP Performance Measures**
Treasury Strategic Goal	**Treasury Management Objective**	**ODCP Strategic Goal**	**ODCP Management Objective**	**ODCP Outcomes**	**ODCP Performance Measure**
Create 21st Century approach to government by improving efficiency, effectiveness, and customer interaction (continued)	Support effective, data-driven decision making and encourage transparency through intelligent gathering, analysis, sharing, use, and dissemination of information	Management and Organizational Excellence (continued)	Skilled staff and management tools are available (continued)	Program is effectively managed (continued)	FY 2015 Annual Report and Financial Statements prepared timely Target: December 15, 2015 Actual: ETA December 15, 2015
					FY 2015 open material weakness as of 10/30/2015 Target: 0 Actual: 1 (See footnote #4)
					FY 2015 Actuarial Valuation Report completed timely Target: November 18, 2015 Actual: November 23, 2015 (See footnote #5)
		Effective Quality Assurance Program	Quality plans are operational in each area	Program creates continuous improvement	FY 2016 Quality Assurance Plans approved by September 30, 2015 Target: 100% Actual: 25% (See footnote #6)

Footnotes:
1) The performance measure, "FY 2015 projected monetary error rate for new benefit calculations" was not met due to DCRB staff turnover.
2) The performance measure, "FY 2015 Actuarial calculation for annual contributions from General Fund prepared timely" was not met due to valuation errors.
3) The performance measure, "Unmodified FY 2015 Financial Statement Audit Opinion received from an independent external auditor" was not met due to the auditors inability to obtain sufficient evidential matter that supports the determination of the actuarial pension liability and accrued pension benefits payable as of September 30, 2015.
4) The performance measure, "FY 2015 open material weakness as of October 30, 2015" was not met. The auditors communicated one material weakness on the management review of the FY 2015 Actuarial Valuation Report.
5) The performance measure, "FY 2015 Actuarial Valuatuion Report completed by November 18, 2015" was not met due to a delay in final edits.
6) The performance measure, "FY 2015 Quality Assurance Plan approved by September 30, 2015" was not met, however, the majority of the plans were under review and approved by the 1st quarter's end.

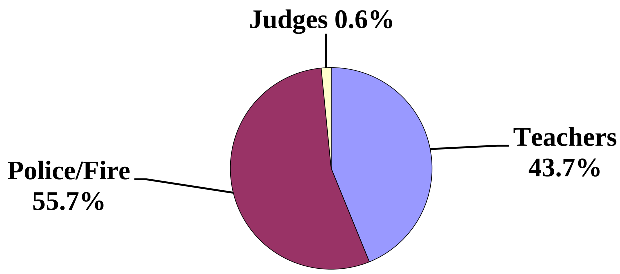
A. *Benefit payments are accurate and timely*

1. Program Results

a. Benefits Administration

General Operations

Benefits administration services were provided to 14,224 annuitants, as of September 30, 2015, 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, 6,209; police officers and firefighters, 7,924; and judges, 91.



In FY 2015, the monthly Federal and District benefit payments averaged \$57.0 million, which is \$1.3 million higher than the previous year. All payroll files were submitted on time ensuring timely payment of annuitant benefits on the first business day of the month. With oversight and support by the Office 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, activities include processing new retirements and/or survivor benefits, identifying those no longer eligible for benefits, and updating annuitants' personal and benefits information as appropriate. In addition to focusing on the accuracy and timeliness of transaction processing, the Office and our business partners strive to deliver high quality customer service.

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 98.8%, resulting in a 0.3% increase from the previous year.

The table below illustrates the EFT participation rates for annuitants by retirement plan.

District of Columbia Retirement Plans	Percentage of EFT Participation	
	FY 2015	FY 2014
Police Officers/Firefighters	98.6%	98.2%
Teachers	98.9%	98.7%
Judges	100%	100%

In FY 2015, a variety of outreach efforts provided accurate and timely information to annuitants, including:

- Letters notifying annuitants when their benefits changed;
- DCRB's newsletters (which provides retirement plan information for active and retired police officers, firefighters, and teachers);
- Earning statement messages alerting annuitants to changes such as a cost-of-living adjustment or opportunities to improve services (e.g., signing up for direct deposit, changing tax withholdings or updating mailing addresses) and changes in Health Benefits, including the new Self Plus One option; and,
- Letters to retired judges announcing the new Self Plus One enrollment option.

Annuitant Payroll Operations

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

In FY 2014, the Office entered into a Memorandum of Understanding with Treasury's Fiscal Service, Payment Management to ensure that the Office can generate monthly benefit payments in the unlikely situation where functions normally completed by STAR, or ARC Pension Payroll are temporarily unavailable. In FY 2016, a test of the contingency plan will be conducted.

In FY 2015, ARC Pension Payroll staff made 170,112 benefit payments totaling approximately $685.1 million for a monthly average of $57.0 million. In addition, the Office issued approximately $3.4 million in off-cycle payments. The off-cycle payments include items such as payments that were not processed in time for the regular on-cycle schedule, nonrecurring payments made to annuitants or beneficiaries, and refunds of retirement contributions or health/life insurance. The off-cycle payments included retroactive benefit payments of approximately $2.5 million paid in March 2015.

In FY 2015, ARC Pension Payroll reported the share of Federal and District benefit payments. This information is calculated by STAR and is included in the Split Reimbursement Summary Report (SRSR). This report supports the reimbursement to the Office from DCRB for District benefit payments. ARC Pension Payroll also provided mail management support to ensure that monthly earnings statements and other annuitant communications are distributed in an efficient and timely manner.

Benefit Administration Projects

During FY 2015, the Office continued to collaborate with DCRB to focus on key benefit activities and data integrity. In support of these efforts the Office contracted with a consulting firm with applicable specialty experience in benefits administration to assist with multiple benefits projects. This allows the Office to have maximum flexibility to execute various projects simultaneously. Some of the key areas for focus included the 80% Maximum Annuity Calculations and Lookback Cost of Living Adjustments (COLA) projects. In addition, the benefits administration performed quality reviews and provided quality review reports. The Office will have a new contract issued in FY 2016 and subsequent years to continue to perform benefit administration support activities.

The Office will update STAR to automate the Federal Employee Health Benefit (FEHB) enrollment processes with the Office of Personnel Management (OPM), which will be completed in the first quarter of FY 2016.

At the end of FY 2015, the Office began preparing for the 2015 Federal health benefits open season. The 2015 Federal health benefits open season period is from November 9, 2015 through December 14, 2015. The 2015 open season presents for the first time an opportunity for annuitants enrolled in the FEHB plans to elect a Self Plus One option. STAR will be modified to support the election of the FEHB's new enrollment option. The new enrollment codes and rate changes are effective January 1, 2016. The annuitants will first see this change in their February 1, 2016 annuity payment.

Summary Plan Description (SPD)

The SPDs are designed to provide Plan members accurate and easy to understand information about the retirement plans. In FY 2016, DCRB will update the District of Columbia Teachers' Retirement Plan SPD, and the District of Columbia Police Officers' and Firefighters' Retirement Plan SPD. The Office will update the SPD for the District of Columbia Judges' Retirement Plan in FY 2017.

Lookback COLA

A cost-of-living adjustment (COLA) was erroneously included in the retirement benefit due to a misapplication of the "lookback" COLA provision, causing some annuitants to receive an additional COLA. This error occurred during the period 1980 to 1997, a period during which both Federal and split annuitants may be impacted. In FY 2015, the Office's benefits administration contractor continued work to recalculate the benefits of affected annuitants, and benefit changes were effective March 1, 2015. Efforts also focused on reconsiderations, appeals, and waivers. The Office will continue with these efforts in FY 2016.

80% Maximum Annuity Calculations

In FY 2010, DCRB (with assistance from the District's attorneys) determined that since 1980, the D.C. Code incorrectly described the maximum benefit payable under the District of Columbia Police Officers and Firefighters' Retirement Plan. In FY 2015, the Office continued recalculating the Federal benefits of affected annuitants, and the change of benefits was completed on target effective on March 1, 2015. Efforts also focused on reconsiderations, appeals, and waivers. The Office will continue with these efforts in FY 2016.

Judges' Annuity Adjustments

With the assistance from the Treasury's Office of General Counsel (OGC), the Office settled a potential unasserted claim by a group of retired judges by extending the same relief that the Office extended to certain judges in FY 2014. The Office determined that 30 participants were eligible for a retroactive payment and an increased monthly benefit related to the restoration of cost-of-living adjustments they had been denied as active judges. After extensive analysis, communication and coordination with external business partners, on March 2, 2015, future benefit payments were adjusted for and retroactive payments totaling approximately $2.5 million were issued to 30 retired judges and spouse survivors.

b. System to Administer Retirement (STAR)

<u>Background and History</u>

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

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

- Release 1 was implemented in December 2002 to serve all annuitants of the Judges' Retirement Plan.
- Release 2 was implemented in September 2003 to serve Teachers, Police Officers, and Firefighters who retired on or before June 30, 1997, and their survivors.

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

STAR Long-Term Architectural Plan

The Office maintains a STAR Long-Term Architecture Plan (LTAP) designed to ensure the system architecture continues to meet business goals and objectives. The STAR LTAP also provides information for planning and budgeting for system enhancements. The STAR LTAP was updated in FY 2015 to reflect the changes in Oracle's planned release dates. This five year management plan outlines the future upgrades to the STAR application software, database, and hardware in order to maintain the vendor license agreements. In FY 2016, hardware will be refreshed and the Office will proceed with the analysis phase of PeopleSoft Upgrade 9.2, which is required for ongoing maintenance and support. The target date for implementation is FY 2017. The Office anticipates that the way future upgrades are handled will change after the PeopleSoft 9.2 upgrade.

STAR Technical Production Support and Hosting

System hosting and technical production support for STAR is performed by Treasury's Fiscal Service, Information Security Services (ISS). Since September 2003, ISS staff members have provided production support activities, including routine system operations, application and database administration, help desk operations, and problem resolution. A supplemental support contract is also in place to provide assistance to ISS in both operations and maintenance activities. In FY 2015, STAR was available 99.9% of the time.

STAR System Security

The STAR system is in compliance with all relevant security requirements and last renewed its triennial Security Assessment and Accreditation (SA&A) in May 2013. The SA&A is a process that ensures that systems and major applications are well-documented, authorized, and adheres to formal and established security requirements. The next SA&A is on schedule to be conducted in FY 2016.

During FY 2015, the Office successfully mitigated all the vulnerabilities identified during the previous system test and evaluation (ST&E). The FY 2015 ST&E identified thirteen new vulnerabilities (seven low and six medium). A Plan of Actions and Milestones (POA&M) was developed to mitigate the identified FY 2015 vulnerabilities.

As required by NIST 800-53, the Office conducted the annual test of its STAR Contingency and Incident Response Plans. The Contingency plan outlines how the Office responds to potential disruptions in service and the Incident Response Plan outlines the procedures for handling any major catastrophe.

In FY 2015, the Office conducted a classroom-based training and testing session on both plans mentioned above. Specifically, the STAR security group was provided with presentations on both contingency planning and incident response, and they successfully completed a test related to the material. Lessons learned from the sessions were used to update STAR security documentation.

<u>Change Control Board</u>

The Office's Change Control Board (CCB) acts as the approving authority for all STAR requirement changes. The CCB evaluates the costs, benefits, and risks associated with any proposed change; makes a determination as to whether or not the proposed change should be implemented; and establishes the priority for each approved change. The CCB process enhances internal controls and accountability for new proposed changes. During FY 2015, a major change request, which will automate the electronic health benefit enrollment to OPM, was approved and will be implemented in the fall of 2015. STAR will also be modified to support the new FEHB Self Plus One enrollment option which is being offered starting with the 2015 Federal Open Season.

During FY 2015, a change request was approved to update the Federal Employees Group Life Insurance (FEGLI) premiums in STAR. The effective date of the premium rate changes is January 1, 2016. In FY 2016, the Office will oversee the table update for the new FEGLI premium rates.

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:

    - An annual federal payment from the Treasury General Fund which amortizes the original unfunded liability and any additional liabilities identified in annual actuarial valuations;
    - Interest earned on investments; and
    - Payments from the District of Columbia Retirement Board (DCRB).

    Total assets as of September 30, 2015 are $4.0 billion.

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

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

    Total assets as of September 30, 2015, $150.6 million.

b. Fund Deposits

<u>Warrants</u>

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

In accordance with the Act, the annual payments to the funds are calculated by an enrolled actuary. These funds are requested in September each year, and invested upon receipt in Government Account Series (GAS) non-marketable Treasury securities, with maturities and par amounts consistent with the expected payment dates and payout amounts of the pension liabilities. The FY 2015 and FY 2014 annual payments from the Treasury General Fund are summarized in the following table:

Office of D.C. Pensions' Fund	**Annual Payments from the Treasury General Fund (in Millions)**		
	FY 2015	**FY 2014**	**Difference**
District of Columbia Federal Pension Fund	$487.5	$467.3	$20.2
District of Columbia Judicial Retirement and Survivors Annuity Fund	$14.2	$10.5	$3.7
Totals	**$501.7**	**$477.8**	**$23.9**

Year-to-year differences in the annual payments from the Treasury General Fund are driven by the amortization of actuarial gains or losses in the current year, the reamortization of remaining payments from previous amortizations, and the drop-off of completed previous amortizations.

Interest

The amount of Interest Payments (deposits) in the table below reflects three sources of interest; interest earned on GAS long-term securities, interest earned on overnight securities, and interest earned through the amortization of discounts. There are two methods of calculating interest: the Interest Earned (recognized) reflects the amortization of premiums and discounts from GAS securities in the portfolio; while the rate of return is calculated by dividing interest earned from GAS securities by the average par value of investments in GAS securities.

The FY 2015 and FY 2014 annual interest from the pension funds are summarized in the following tables:

Office of D.C. Pensions' Fund	**FY 2015 Annual Interest (in Millions)**		
	Interest Payments (deposits)	Interest Earned (recognized)	Rate of Return
District of Columbia Federal Pension Fund	$136.1	$54.9	2.63%
District of Columbia Judicial Retirement and Survivors Annuity Fund	$4.5	$3.7	1.58%
FY 2015 Totals	**$140.6**	**$58.6**	

Office of D.C. Pensions' Fund	FY 2014 Annual Interest (in Millions)		
	Interest Payments (deposits)	Interest Earned (recognized)	Rate of Return
District of Columbia Federal Pension Fund	$129.9	$61.8	2.85%
District of Columbia Judicial Retirement and Survivors Annuity Fund	$4.3	$3.8	1.92%
FY 2014 Totals	**$134.2**	**$65.6**	

Year-to-year differences in the Interest Earned (recognized) and Rates of Return are driven primarily by the interest rates for available GAS non-marketable Treasury securities available at the time investments are placed. Interest rates for more recent investments continues to be lower than prior years' investment rates for maturing investments, reducing the overall rate of return for the portfolio.

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.

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

Office of D.C. Pensions' Fund	Employee Contributions from Active Judges (in Thousands)		
	FY 2015	**FY 2014**	**Difference**
District of Columbia Judicial Retirement and Survivors Annuity Fund	$737	$1,107	$370

The year-to-year change is driven primarily by contributions from active back pay settlement amounts received by active and retired judges.

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 2015 and FY 2014:

Office of D.C. Pensions' Fund Deposits (in Millions)			
Fund	**Type of Deposit**	**FY 2015**	**FY 2014**
District of Columbia Federal Pension Fund	Warrant	$487.5	$467.3
	Interest	$136.1	$129.9
	Contributions	$0.0	$0.0
District of Columbia Judicial Retirement and Survivors Annuity Fund	Warrant	$14,2	$10.5
	Interest	4.5	$4.3
	Contributions	$.7	$1.1
Totals	**Warrant**	**$501,7**	**$477.8**
	Interest	**$140.6**	**$134.2**
	Contributions	**$0.7**	**$1.1**

c. Collections

District Benefit Payments

Treasury initially pays and funds all benefit payments under the Police Officers' and Firefighters' and Teachers' Retirement Plans from the D.C. Federal Pension Fund. On or close to the first business day of the month, the District of Columbia Retirement Board (DCRB) reimburses the D.C. Federal Pension Fund for benefit payments made by Treasury on behalf of the District. The System to Administer Retirement (STAR) Split Reimbursement Summary Report supports DCRB reimbursements made to Treasury each month.

The table below summarizes this reimbursement activity for the two most recent fiscal years:

Office of D.C. Pensions' Fund	**Benefit Payments from District of Columbia Retirement Board (in Millions)**		
	FY 2015	**FY 2014**	**Difference**
District of Columbia Federal Pension Fund	$127.7	$112.6	$15.1

Refunds Reconciliation Project

One hundred and thirty-eight refund cases from FY 1999 and FY 1998 have not been reconciled because data is not available to determine federal and District liability. In FY 2014, the Office analyzed the outstanding balances and developed a methodology to reconcile and process the remaining cases. In FY 2015, the Office presented the new methodology to the District for the District's consideration.

Reimbursement from the District for Overpayments

In FY 2015, the Office continued reviewing overpayments of Federal benefit payments made by the District using data from the Treasury's Bureau of the Fiscal Service (Fiscal Service), Administrative Resouce Center (ARC), Pension Payroll (ARC Pension Payroll). In FY 2016, the Office will continue to review and identify overpayments made by the District for which reimbursement will be requested.

Debt Management

During FY 2015, the Office pursued debt prevention and collection efforts working with ARC Pension Payroll, which manages the debt collection process for the Office. The Office worked with ARC Pension Payroll and the Office of General Counsel to pursue debt prevention efforts and ensured approximately $1.1 million was immediately recovered upon timely notification of an annuitant's death or in cases of payment errors. In addition, during the fiscal year, $226,723 was collected through offsets, lump sum payments or installment payments. Also, in FY 2015, the Office worked closely with DCRB and ARC Pension Payroll to reduce the number of open debt cases.

The Digital Accountability and Transparency Act (DATA Act) requires agencies to transfer to Treasury non-tax debt over 120 days delinquent. The FY 2015 agreement with the Fiscal Service, Debt Management Services' (DMS) Cross-Servicing Program allows collection processes for delinquent debt through a number of tools including: issuing demand letters, conducting telephone follow-up calls, initiating skip tracing, referring debts for administrative offset, performing administrative wage garnishment, and referring debts to private collection agencies. The Office expanded its use of commercial vendors to improve the identification of deceased annuitants and to stop erroneous payments.

During FY 2015, the Office continued with its efforts to implement the Treasury Offset Program (TOP), to recapture federal debt from the annuitants' benefit payments. The Office has prepared a Change Request that modifies a file for transmission to Fiscal Service. The Office has been working closely with the Fiscal Service and anticipates that final decisions will be made in FY 2016; at which time the Change Request will be implemented.

STAR Administration Expense Reimbursements

The Office and DCRB have developed a methodology for allocating STAR administration costs incurred by the Office when 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 2015 actual expenses.

The following table summarizes the FY 2015 and FY 2014 STAR administrative expense reimbursements:

Office of D.C. Pensions' Fund	**Reimbursements for STAR Administrative Expenses (in Millions)**		
	FY 2015	**FY 2014**	**Difference**
District of Columbia Federal Pension Fund	$1.4	$1.2	$0.2

Year-to-year differences in the reimbursements for STAR administrative expenses are driven primarily by STAR enhancement during FY 2015.

d. Investments

As required by the Act, amounts received in the D.C. Federal Pension Fund and the Judicial Retirement Fund are invested in non-marketable securities issued to mirror the characteristics of marketable securities. The Fiscal Service invests the assets of the 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 2015, the cash balances in the D.C. Federal Pension Fund and Judicial Retirement Fund, available for contingencies, were targeted to remain above $97 million and $2.1 million respectively, which represent approximately two months of federal obligations. Typically, the Office invests the cash balance in one-day certificates, except for an un-invested balance of $500,000 a month-end, to cover unanticipated withdrawals on the last day of the calendar month. In FY 2015, the Office extended the maturity dates of securities in the D.C. Federal Pension Fund to February 2021 and for securities in the Judicial Retirement Fund to February 2025.

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

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

Office of D.C. Pensions' Fund	Net Investments (in Millions)		
	FY 2015	**FY 2014**	**Difference**
District of Columbia Federal Pension Fund	$3,914.8	$3,929.3	$(14.5)
District of Columbia Judicial Retirement and Survivors Annuity Fund	$149.8	$146.4	$3.4
Totals	**$4,064.6**	**$4,075.7**	**$(11.1)**

Year-to-year differences in the Net Investments are driven primarily by differences in Net Assets.

e. Payments

Annuity Federal Benefit Payments

Federal benefit payments paid and accrued by the Office for the two most recent fiscal years are summarized in the table below:

Office of D.C. Pensions' Fund	Annuity Benefit Payments Federal Benefit Payments (in Millions)		
	FY 2015	**FY 2014**	**Difference**
District of Columbia Federal Pension Fund	$542.3	$545.4	($3.1)
District of Columbia Judicial Retirement and Survivors Annuity Fund	$14.2	$11.9	$2.3
Totals	**$556.5**	**$557.3**	**($0.8)**

Year-to-year differences in Federal benefit payments are driven primarily by cost-of-living increases, benefit adjustments, and the movement of annuitants on and off the pension rolls.

Refunds of Employee Contributions

DCRB processes refunds of contributions for active employees and requests the Office reimburse DCRB for the Federal portion of those refund payments.

The table below summarizes the refunds of employee contributions processed in the two most recent fiscal years:

Office of D.C. Pensions' Fund	Refunds of Federal Portion of Employee Contributions		
	FY 2015	FY 2014	Difference
District of Columbia Federal Pension Fund	$173,597	$202,384	$(28,787)

Year-to-year differences in refunds are driven by year-to-year differences in employee terminations.

Benefit Administration Expense Reimbursements

The Office reimburses DCRB for administrative expenses incurred in administering Federal benefit payments. The Office and DCRB have developed a methodology for estimating costs incurred by DCRB while administering District and Federal benefit payments and entered into a cost sharing agreement for reimbursement of FY 2015 actual expenses. 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; and (4) the level of effort associated with processing Federal benefit payments. The table below is an estimate of the amounts the Office expects to reimburse DCRB for FY 2015 administrative expenses incurred while administering Federal benefit payments and the actual reimbursement for FY 2014:

Office of D.C. Pensions' Fund	Reimbursements to DCRB for Administrative Expenses (in Millions)		
	FY 2015 (estimate)	FY 2014 (actual)	Difference
District of Columbia Federal Pension Fund	$2.8	$1.7	$1.0

Year-to-year differences in reimbursements to DCRB are driven primarily by changes in benefits administration costs at DCRB.

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.

The Office's major administrative expenses consisted of DCRB benefit administration (discussed above), the Office's staff salaries, and contractors engaged to provide benefit administration and IT system support. The following table reflects administrative expenses by fund for the two most recent fiscal years:

Office of D.C. Pensions' Fund	Administrative Expenses (in Millions)		
	FY 2015	FY 2014	Difference
District of Columbia Federal Pension Fund	$30.7	$12.2	$18.5
District of Columbia Judicial Retirement and Survivors Annuity Fund	$1.0	$1.0	-
Totals	**$31.7**	**$13.2**	**$18.5**

The $18.5 million increase in administrative expenses in FY 2015 was primarily due to bad debt expense resulting from the $8.6 million write-off in FY 2015 and $5.5 million reserve in the allowance account for future write off for Lookback COLA and the 80% Maximum Annuity projects. ODCP is going through due process with annuitants before accounts are written off.

In FY 2015, the Office was again subject to the Sequestration under the Bipartisan Budget Act of 2013 (Public Law 113-67) which modified the caps on defense and nondefense funding for fiscal year 2015 that were established by the Budget Control Act of 2012. The Office of Management and Budget issued a report to the Congress on the Joint Committee Reductions for Fiscal Year 2015. OMB prepared the report consistent with the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA), as amended. The report provided calculations of the amounts by which FY 2015 direct spending is required by section 251A of BBEDCA to be reduced and listed the required reductions for each non-exempt budget account with direct spending.

Based on this report, the Office identified the District of Columbia Federal Pension Fund and the District of Columbia Judicial Retirement and Survivors Annuity Fund as budget authority subject to sequestration. Although reductions due to sequestration had no impact on payments to annuitants, the Office absorbed these reductions in FY 2015 in the area of administrative expenses by delaying approved hiring actions (leaving vacancies unfilled), and delaying the award of several contract actions (postponing planned projects).

The table below summarizes these reductions for the two most recent fiscal years:

Fund	Payment Type	Sequestration Impact (in Millions)		
		FY 2015	FY 2014	Difference
District of Columbia Federal Pension Fund	Annuitant Benefit Payments	$0.0	$0.0	$0.0
	Administrative Expenses	$1.2	$1.1	$0.1
District of Columbia Judicial Retirement and Survivors Annuity Fund	Annuitant Benefit Payments	$0.0	$0.0	$0.0
	Administrative Expenses	$0.1	$0.1	$0.0
Total Reduction in Budget Authority due to Sequestration		**$1.3**	**$1.2**	**$0.1**

Unless language within the Sequestration Transparency Act of 2012 is changed by Congress, the Office will continue to be subject to sequestration reductions until 2021 and will comply with implementation guidance issued by the Office of Management and Budget (OMB) and the Department of the Treasury.

Improper Payments Elimination and Recovery Improvement Act

In FY 2015, the Office continued to review existing procedures to evaluate whether the Office is effective in preventing and recapturing erroneous payments as required by the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA). The Office worked extensively with teams from the Fiscal Service to analyze the various types of payments disbursed by the Office and reported these results using a standardized, risk-based model. Additionally, the Office reported and reviewed results from ongoing internal benefit payment quality reviews and will continue to work with Treasury's Office of the Deputy Chief Financial Officer (DCFO) to comply with IPERIA reporting requirements.

Prompt Payment Act and Electronic Invoice Payments

The Prompt Payment Act was enacted to ensure that suppliers doing business with the Federal Government are paid by the government in a timely manner. The Office paid 100% of the 74 invoices received within the timeframes required by the Prompt Payment Act.

f. Financial Operations

Accounting Support

Pursuant to an Interagency Agreement (IAA) with Fiscal Service/ARC, ARC Fiscal Accounting provides accounting support services that include processing accounting transactions such as commercial invoices, purchase cards, obligations, accruals, and revenue transactions. Transaction processing consists of a full range of accounting transactions necessary to maintain a complete general ledger, including budgetary transactions, accounts payable, accounts receivable, and fixed assets. ARC Fiscal Accounting uses Oracle Federal Financial (Oracle) as the core financial management system to record and process financial transactions. The Office's transactions are entered into Oracle both manually and via custom interfaces from ancillary systems such as PRISM and Concur Government Edition (CGE). ARC Fiscal Accounting also provides a report writer package called Discoverer, which allows the Office to generate various accounting reports to monitor obligations and expenditures.

Accounting entries that are recorded in the Oracle accounting system are supported by Treasury's Fiscal Service, Treasury Financial Manual (TFM) to ensure compliance with standard general ledger reporting requirements. ARC Fiscal Accounting also prepares the Office's financial statements and other useful data for managerial reporting.

g. Actuarial Valuation

In FY 2015, the Office's actuarial contractor performed the annual actuarial valuation for the Office, as required by the Act. The actuarial valuation is used to determine the pension liability of the retirement programs administered by the Office. The actuarial liability, as of October 1, 2015, was determined using the demographic rates from the FY 2014 experience study and economic assumptions in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 33, *Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates*. The Federal Government's total liability for Federal benefit payments for the Police Officers' and Firefighters', and Teachers' Retirement Plans, and Judges' Retirement Plan is summarized in the table below for the two most recent years. The table also identifies the portions of these actuarial liabilities by fund.

Office of D.C. Pensions' Funds	**Actuarial Pension Liability (in Millions)**		
	FY 2015	**FY 2014**	**Difference**
District of Columbia Federal Pension Fund	$8,631.0	$8,992.0	$(361.0)
District of Columbia Judicial Retirement and Survivors Annuity Fund	$218.4	$217.5	$0.90

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

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

1. Program Results

a. Long-Term Strategic Planning

In April 2014, the Office of D.C. Pensions (the Office) completed a revision of its Multi-Year Plan for Fiscal Years 2014 through 2016. This document summarizes the mission, vision, strategic direction and focus areas for the program. The five focus areas are:

- Manage with a Program-wide Perspective
- Achieve Effective Oversight and Advisory Role
- Optimize System Operations and Maintenance
- Optimize Benefits Administration
- Pursue Continuous Improvement in Critical Financial Operations

In FY 2015, these focus areas assisted the Office in prioritizing and sequencing projects.

b. Program Management

In FY 2015, the Program Management Group (PMG) focused on quality management, risk management, performance reporting activities and future activities.

In FY 2016, the PMG will continue to support quality and risk management efforts and explore approaches to better prioritize, plan, execute and monitor the Office's workload using performance metrics and managerial reporting tools. Based on the five focus areas identified in the Multi-Year Plan, the PMG will suggest actionable strategies to achieve the Office's mission and responsibilities. The Multi-Year Plan will be updated in FY 2016 to reflect FY 2017 through FY 2019.

c. Service Level Agreements

The Office has Service Level Agreements (SLAs) in place with the District of Columbia Retirement Board (DCRB) for benefit administration and with the Bureau of the Fiscal Service (Fiscal Service), Administrative Resource Center (ARC) for the System to Administer Retirement (STAR) administration and hosting, annuitant payroll operations, and financial management services. In FY 2015, the SLAs were reviewed and modified to more accurately define responsibilities, required services, and reporting requirements for service providers and to ensure the Office is providing high quality service to annuitants. In addition, the Office has established quality plans and conducts periodic reviews to ensure responsibilities are executed.

In FY 2016, the Office will use the revised SLA, in conjunction with the quality plans, to identify areas that require more focus by the Office to achieve the acceptable quality level for the required services.

d. Quality Program

Benefits Administration

As part of the Office's Quality Program, quality plans were established to review benefit administration activities such as new annuitant calculations, which include new retirees, survivors, beneficiaries, and Qualified Domestic Relation Orders (QDROs). The benefits administration quality plans are periodically reviewed and revised to ensure benefits processing errors are identified. In FY 2015, the Office's staff and benefits administration contractors conducted quality reviews for annuitant payments. Benefit administration contractors will continue to support quality reviews in FY 2016.

In FY 2015, the Office continued to review data maintenance activities, such as changes to annuitants' personal data, bank information, health benefits, and life insurance. As part of the Quality Program, the Office provided appropriate feedback to the DCRB to assess training needs for the staff. The activities will continue in FY 2016.

Payroll Administration

The Office's Quality Program includes reviews of payroll processing functions. The Office reviews preliminary and final payroll statistics, large annuitant payments, and third-party reporting. In addition to the aforementioned reports, each month the Office monitors death audit verification, Do Not Pay (DNP) notifications, split discrepancies, pending issues escalated for resolution, checks which have not been cashed for an extended period of time, and payment reclamations. In FY 2015, the Office enhanced the monthly preliminary statistics data by creating more robust automated queries for review prior to approval.

System Administration

During FY 2015, the Office continued to include system administration activities and the review of user accounts in its Quality Program. The quality plan tracks system availability, number and type of open production trouble tickets and completion time of trouble tickets. As part of the quality review, user accounts are reviewed semi-annually to ensure that users have the least amount of access privileges necessary to perform their duties. The semi-annual reviews are used by the Office to manage resources, maintain system security, and track the quality of STAR production support and hosting services.

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

In FY 2015, the Office tracked, collected, and reported performance data in an effort to continue to promote transparency, and improve decision making using the performance measurement reporting tool. The performance measures are reported and reviewed during the Office's monthly quality review meeting. The performance data is utilized to make improvements in program management areas, such as operational planning and resource needs assessments.

f. STAR End-User Forum

The STAR end-user forum has been successful as a platform for the Office and DCRB to present and discuss benefit administration program enhancement ideas aimed at improving benefits processing and customer service. The forum is used as a training vehicle by which users can be informed of new benefit administration processes, as well as reinforce processes already established. Additionally, STAR system changes are communicated to end-users at the forums. The Office continues to receive positive feedback on the STAR end-user forum and will continue to meet in FY 2016 to identify areas for improvement.

g. Risk Management Program

In FY 2015, the PMG and Risk Manager continued to monitor risks and made recommendations to the Office. Also, the PMG and Risk Manager evaluated the Risk Management Program, discussed recommendations for improvement, as well as, explored alternative risk management tools to replace the current Microsoft Access based tool.

h. Internal Control over Financial Reporting

The Office used the FY 2015 Guidance and Implementation Plan provided by Treasury's Office of the Deputy Chief Financial Officer (DCFO) 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. ARC Fiscal Accounting staff members and the Office conducted internal control tests or relied on the Fiscal Service/ARC Statement on Standards for Attestation Engagements No. 16 (SSAE 16) review.

The Office conducted its assessment of the effectiveness of internal controls over financial reporting as of June 30, 2015, 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. The scope of the assessment was limited to the Treasury-designated material consolidated financial statement lines for which the Office contributes 10% or greater and internal financial reports produced for the Office.

As a result of the $180 million actuarial valuation errors found in FY 2014, the Office improved the overall process in FY 2015 and developed standard operating procedures for the review of the actuarial report and implementing additional reviews of the financial statements.

These newly implemented processes allowed the Office to review and confirm the data provided by the third party actuary. Using the actuarial industry's best practice, the Office had "test lives" generated and reviewed then to assess the accuracy of the actuarial model used by the third party actuary to calculate the actuarial liability. Through this new internal control improvement process, the Office discovered census data errors and minor errors in the modeling of discrete sub-sets of the population resulting in a net understatement of the ending balance of the actuarial liability for FY 2015 of

$16.1 million and a net overstatement of the ending balance of the actuarial liability for FY 2014 of $1.2 million.

This is the first time the Office was able to estimate and verify the aggregated liability for the inactive (retiree and terminated vested) police officer, firefighter and teacher population against the liability in the FY 2015 Actuarial Report. The variance between the estimated liability for the inactive population and the liability in the actuarial report is 1.1%. The liability for the inactive population represents approximately 88% of the total liability of $8.9 billion.

Despite this major overhaul of the review of the actuarial liability, as of September 30, 2015, the auditors issued a *Notice of Findings and Recommendations.* The auditors asserted that the Office did not have sufficient policies and procedures in place to review the actuarial liability estimate prepared by the third party actuary and related journal entries at the appropriate level of accuracy that could detect and prevent material misstatements resulting in a material weakness for the Office for FY 2015 audit.

i. Financial Statement Audit Opinion

KPMG LLP (KPMG), an independent public accounting firm, disclaimed an opinion on the Office's FY 2015 financial statements on the basis that the auditors could not obtain sufficient evidential matter that supports the determination of actuarial pension liability and accrued pension benefits payable as of September 30, 2015, and pension expense before actuarial assumption changes and the loss on actuarial assumption changes, net, for the year ended September 30, 2015.

The audit disclosed no instances of noncompliance or other matters that require reporting under Government Auditing Standards or OMB Bulletin No. 15-02, Audit Requirements for Federal Financial Statements, as amended.

IV. Limitation of the Financial Statements

The consolidated financial statements have been prepared to report the financial position, net cost, changes in net position, and budgetary resources of the Office of D.C. Pensions (the Office), pursuant to the requirements of the 31 U.S.C. 351(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.

PART 2

INDEPENDENT AUDITORS' REPORTS

Auditor of the Treasury, c. 1910

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

Independent Auditors' Report

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

Report on the Financial Statements

We were engaged to audit the accompanying consolidated balance sheets of the Department of the Treasury's Office of D.C. Pensions (the ODCP) as of September 30, 2015 and 2014, and the consolidated statements of net cost, and changes in net position, and combined statement of budgetary resources for the year ended September 30, 2015, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on conducting the 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. 15-02, *Audit Requirements for Federal Financial Statements*. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The ODCP's actuarial pension liability and accrued pension benefits payable represent 99.93 percent and 99.96 percent of total liabilities as of September 30, 2015 and 2014, respectively. The pension expense before actuarial assumption changes and the loss on actuarial assumption changes, net, represent 52 percent and 66 percent, respectively, of net cost of operations for the year ended September 30, 2015. We were unable to obtain sufficient evidential matter that supports the determination of such balances. As a result of this matter, we were unable to determine whether any adjustments were necessary to the ODCP's consolidated financial statements referred to above.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these consolidated financial statements.

Other Matters

2014 Consolidated Statements of Net Cost, and Changes in Net position, and Combined Statement of Budgetary Resources

The accompanying consolidated statements of net cost, and changes in net position, and combined statement of budgetary resources for the year ended September 30, 2014, and the related notes to these financial statements were not audited, reviewed, or compiled by us and, accordingly, we do not express an opinion or any other form of assurance on them.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis included in Part 1 and the September 30, 2015 and 2014 Combining Statements of Budgetary Resources included in Part 4 be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We were unable to apply certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph. We do not express an opinion or provide any assurance on the information.

Other Information

We were engaged for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The Message from the Director and the Other Information included in Part 5 are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in our engagement to audit the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2015 on our consideration of the ODCP's internal control over financial reporting and our report dated December 9, 2015 on our tests of its compliance with certain provisions of laws, regulations, and 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 engagement to perform an audit in accordance with *Government Auditing Standards* in considering ODCP's internal control over financial reporting and compliance.

KPMG LLP

Washington, DC
December 9, 2015

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

Independent Auditors' Report on Internal Control Over Financial Reporting

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

We were engaged to audit, 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. 15-02, *Audit Requirements for Federal Financial Statements*, the consolidated balance sheets of the Department of the Treasury's Office of D.C. Pensions (the ODCP) as of September 30, 2015 and 2014, and the consolidated statements of net cost, and changes in net position, and combined statement of budgetary resources for the year ended September 30, 2015, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 9, 2015. Our report disclaims an opinion on the consolidated financial statements, because ODCP was unable to provide sufficient evidential matter that supports the determination of the actuarial pension liability, accrued pension benefits payable, the pension expense before actuarial assumption changes, and loss on actuarial assumption changes, net, as reported in the accompanying consolidated financial statements.

Internal Control Over Financial Reporting

In connection with our engagement to audit the consolidated financial statements, we considered ODCP's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of ODCP's internal control. Accordingly, we do not express an opinion on the effectiveness of ODCP's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in Exhibit I, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Exhibit I to be a material weakness.

ODCP's Response to Findings

The ODCP's response to the material weakness identified in our audit is described in a separate letter immediately following this report. The ODCP's response was not subjected to the auditing procedures applied in the engagement to audit the consolidated financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the result of that testing, and not to provide an opinion on the effectiveness of the ODCP's internal control. This report is an integral part of an engagement to perform an audit in accordance with *Government Auditing Standards* in considering the ODCP's internal control. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
December 9, 2015

Department of the Treasury
Office of D.C. Pensions (ODCP)
Independent Auditors' Report on Internal Control over Financial Reporting
Schedule of Finding
Material Weakness

ODCP's Controls over the Actuarial Pension Liability and Accrued Pension Liability Should be Improved

ODCP is required by statute to engage the services of a third party actuary to develop the actuarial pension liability (actuarial liability) as of each fiscal year end. ODCP reviews the actuarial valuation report prepared by the third party actuary to determine whether the underlying data, assumptions, and methodology used are reasonable and appropriate.

During our Fiscal Year (FY) 2014 engagement to audit ODCP's consolidated balance sheet, we noted several deficiencies in the design and implementation and the operating effectiveness of internal control over ODCP's review of the third party actuary's valuation. Management implemented additional review procedures over the FY 2015 actuarial liability estimate in response to the FY 2014 errors noted in the actuarial liability estimate and related underlying data. The additional review procedures over the actuarial liability estimate, however, are not at an appropriate level of precision that would detect and prevent material misstatements. In addition, the FY 2014 finding related to the lack of documentation to support the recording of a certain accrued pension liability continues to exist. Specifically, we noted the following:

- ODCP developed an independent estimate of the actuarial liability as of September 30, 2015, which was calculated using the census data obtained from the third party actuary and averages of certain factors such as age and mortality. However, this independent estimate only covered non-active participants and did not include testing the actuarial liability estimate of active participants in the amount of $919 million. In addition, the estimate developed is not at a sufficient precision level that would detect and prevent material misstatements in the actuarial liability balance and related pension expense.
- Management performed an independent testing of the FY 2015 actuarial liability estimate for a non-statistical sample of 13 participants out of approximately 16,670 participants. ODCP's rationale for such sample size was that the 13 samples represented each group of participants that is representative of the population (e.g. Police officers, firefighters, teachers, disabled, male, etc.) which have similar characteristics and the actuarial model would have applied the assumptions consistently for each group.

  Management's testing of the FY 2015 valuation report identified errors in 2 out of the 13 samples tested that were subsequently corrected in the FY 2015 actuarial liability beginning balance. Management determined that one of the errors related to the application of an incorrect assumption and resulted in the overstatement of the actuarial liability, as of September 30, 2014, by $17 million and the second error related to an error in the formula used to project the liability for a certain participants' group and resulted in the understatement of the actuarial liability, as of September 30, 2014, by $18 million. Based on our audit procedures, we noted the following:

  - There were approximately 23 different groups of participants in the population and ODCP's sampling approach only covered 13 of the 23 groups.
  - ODCP did not perform testing over the third party actuary's model to support their assumption that the actuarial model applied the assumptions consistently for each group. Accordingly, there is no evidence to support that the sample of 13 participants is a representative sample of the participants' population.

- The data for 8 participants were inadvertently excluded from the participants' data used to calculate the actuarial liability estimate. This error resulted in a $4 million understatement of the actuarial liability as of September 30, 2015.
- ODCP was unable to provide documentation to support that a liability in the amount of $12.5 million due to a third party is properly recorded in the general ledger as of September 30, 2015, in accordance with U.S. generally accepted accounting standards. Accordingly, ODCP's accrued pension liability reported in the consolidated balance sheet as of September 30, 2015, could be understated by approximately $12.5 million.

The lack of sufficiently detailed review of the actuarial valuation, including the underlying data, and journal entries resulted in the errors noted above and increases the risk that ODCP's consolidated financial statements could be materially misstated.

Office of Management and Budget Circular No. A-123, *Management Accountability and Control*, Section II: Establishing Management Controls, states: "Transactions should be promptly recorded, properly classified and accounted for in order to prepare timely accounts and reliable financial and other reports. The documentation for transactions, management controls, and other significant events must be clear and readily available for examination."

U.S. Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* (GAO/ AJMD-00-21.3.1) states: "Control activities occur at all levels and functions of the entity. They include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, performance reviews, maintenance of security, and the creation and maintenance of related records which provide evidence of execution of these activities as well as appropriate documentation. Control activities may be applied in a computerized information system environment or through manual processes."

Recommendations:

We recommend that ODCP management:

1. Design and implement procedures to review and assess the appropriateness of participants' data used in the calculation of the actuarial liability estimate, including changes made. Such review and assessment should be documented and maintained.
2. Perform a detailed review of the valuation report, including the participants' data and assumptions used to develop the estimate, and implement other necessary measures and reviews to ensure that the actuarial liability estimate reported in ODCP's consolidated financial statements is fairly stated in accordance with U.S. generally accepted accounting standards. Such review should be documented and maintained.
3. Strengthen controls over the review of journal entries to ensure that transactions are recorded in accordance with U.S. generally accepted accounting standards. Such review should be documented and maintained.

Management's Response:
Management's response to the finding is in a separate letter immediately following this report.

Auditors' Response:

Controls implemented by ODCP management are not sufficient to mitigate the higher risk of material misstatement evidenced by the history of errors identified in ODCP's financial statements, including a material error identified during the FY 2014 engagement to audit ODCP's consolidated balance sheet and a restatement of ODCP's previously issued financial statements.

MANAGEMENT'S RESPONSE TO INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

December 9, 2015

KPMG LLP
1801 K Street
NW Washington, DC 20006

Ladies and Gentlemen:

This is the Office of D.C. Pensions' (ODCP) response to the audit findings cited in KPMG's FY 2015 internal control report over financial reporting. You have reported four conditions leading to a findings. Management concurs with the finding regarding the third condition (ODCP data review). Management does not concur with the finding regarding the first condition (ODCP estimate of the actuarial liability) or the second condition (ODCP review of test lives). Management cannot concur at this time with the finding regarding the fourth condition (ODCP recording of monthly District payment for District benefit payments). Management notes the actuarial liability is an estimate based on assumptions. Because experience will always differ from assumptions, the estimate can never be precise. However, Management will continue to improve the accuracy of the census data, ensure that proper actuarial assumptions are used, and check the liability calculations for reasonableness.

Condition #1 – ODCP estimate of the actuarial liability

Management disagrees with the characterization of this estimate. The estimate was provided to the auditors in response to a request from the Treasury Office of the Deputy Chief Financial Officer for assurance that the actuarial liability was not materially misstated for the Treasury-wide statements. For this purpose, Management provided an estimate of the liability of inactive participants within 1% of the reported liability of $8.7 billion dollars. The estimate was not intended to be precise enough for the Office financial statements and prior to the DCFO request was not mentioned in discussions between Management and the auditors regarding recommended Management review procedures. To test the $919 million actives' liability, Management relied on a review of test lives, which is standard practice for reviewing actuarial valuations.

Condition #2 – ODCP review of test lives

Management disagrees that choosing to review 13 of 23 test lives should result in a condition. Management chose test lives to cover every type of benefit for police officers, firefighters, and teachers. One gender was selected for each benefit type. Management was able to check the male/female-specific decrements across the 13 test lives and found no evidence of decrement errors due to gender.

Management disagrees with the assertion that there is no evidence to support that the 13 test lives are a representative sample of the participants' population. The 13 test lives cover every type of benefit for police officers, firefighters and teachers. It is standard practice to assume that a test life is representative of all participants of that type in the population. The likelihood of this not being the case is so remote, the burden should be on the auditors to provide evidence to the contrary.

Condition #3 – ODCP data review

Management acknowledges not performing a data matching procedure that would have uncovered the data error described in this condition. Management will add this procedure along with improving other data checking procedures in FY 2016.

Condition #4 – ODCP recording of monthly District payment for District benefit payments

Management disagrees with the assertion that ODCP was unable to provide documentation. Management provided a detailed explanation of the current process for recording of the District benefit payments which included the transactions related to the receivable and receipt of the funds. In addition, the Bureau of the Fiscal Service, Administrative Resource Center provided the documents that supported the posting of this transaction. Furthermore, Management held meetings with KPMG describing the process and documentation. The question is not on the documentation but in the proper presentation of this transaction on the financial statements. Management contends that the issue regarding the presentation of this payment is unresolved and requires further review and discussion. Therefore, Management cannot concur at this time that the recording is incorrect.

Recommendation #1 – Improve data review

Management improved its data review in FY 2015 and will make further improvements in FY 2016.

Recommendation #2 – Improve actuarial report review

Management improved its review procedures in FY 2015. Management asserts that its current review procedures are acceptable and actually exceed the level typically expected for reliance on outside experts. Management will focus its efforts in FY 2016 on engaging a third party actuary with well-regarded experience in public pension valuations and strong quality review credentials.

Recommendation #3 – Strengthen control over review of journal entries

Management will continue to review the particular journal entry described in Condition #4 to ensure proper presentation.

Sincerely,

Nancy A. Ostrowski

Nancy A. Ostrowski
Director, Office of D.C. Pensions

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

Independent Auditors' Report on Compliance and Other Matters

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

We were engaged to audit, 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. 15-02, *Audit Requirements for Federal Financial Statements*, the consolidated balance sheets of the Department of the Treasury's Office of D.C. Pensions (the ODCP) as of September 30, 2015 and 2014, and the consolidated statements of net cost, and changes in net position, and combined statement of budgetary resources for the year ended September 30, 2015, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 9, 2015. Our report disclaims an opinion on the consolidated financial statements, because ODCP was unable to provide sufficient evidential matter that supports the determination of the actuarial pension liability, accrued pension benefits payable, the pension expense before actuarial assumption changes, and loss on actuarial assumption changes, net, as reported in the accompanying consolidated financial statements.

Compliance and Other Matters

In connection with our engagement to audit the consolidated financial statements as of and for the year ended September 30, 2015, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 15-02. Additionally, if the scope of our work had been sufficient to enable us to express an opinion on the basic consolidated financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the result of that testing, and not to provide an opinion on the ODCP's compliance. This report is an integral part of an engagement to perform an audit in accordance with *Government Auditing Standards* in considering the ODCP's compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
December 9, 2015

PART 3

FINANCIAL STATEMENTS AND NOTES

Reference Library, c.1915

Department of the Treasury
Departmental Offices
Office of D.C. Pensions
Consolidated Balance Sheets
As of September 30, 2015 and September 30, 2014
(in thousands)

	2015	2014
Assets:		
Entity Assets		
Intragovernmental		
Fund Balance with Treasury (Note 2)	*$ 12,542*	*$ 10,615*
Investments, Net (Note 3)	*4,064,640*	*4,075,690*
Interest Receivable	*34,462*	*36,386*
Total Intragovernmental	*4,111,644*	*4,122,691*
Accounts Receivable, Net (Note 4)	*4,555*	*2,583*
ADP Software, Net (Note 5)	*-*	*6*
Equipment, Net (Note 6)	*-*	*-*
Total Assets	*$ 4,116,199*	*$ 4,125,280*
Liabilities:		
Intragovernmental		
Accounts Payable	*$ 1,185*	*$ 301*
Accrued Payroll and Benefits	*13*	*10*
Total Intragovernmental	*1,198*	*311*
Accounts Payable	*4,658*	*3,025*
Accrued Pension Benefits Payable	*57,652*	*57,372*
Actuarial Pension Liability (Note 9)	*8,849,368*	*9,209,525*
Accrued Payroll and Benefits	*261*	*263*
Total Liabilities	*8,913,137*	*9,270,496*
Net Position:		
Cumulative Results of Operations	*(4,796,938)*	*(5,145,216)*
Total Net Position	*(4,796,938)*	*(5,145,216)*
Total Liabilities and Net Position	*$ 4,116,199*	*$ 4,125,280*

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, 2015 and September 30, 2014
(in thousands)

		2015		Unaudited 2014
Program Costs				
Administrative Expenses (Note 8)	$	31,654	$	13,202
Pension Expense before Actuarial Assumption Changes (Note 9)		79,966		133,870
Total Program Costs		111,620		147,072
Less: Earned Revenues (Note 7)				
Interest Earned		58,566		65,589
Employee Contributions		737		1,107
Total Earned Revenues		59,303		66,696
Net Expense Before Loss from Actuarial Assumption Changes		52,317		80,376
Loss on Actuarial Assumption Changes, Net (Note 9)		101,267		359,105
Net Cost of Operations	$	153,584	$	439,481

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, 2015 and September 30, 2014
(in thousands)

		2015		***Unaudited 2014***
Cumulative Results of Operations:				
Net Position - Beginning of Year	*$*	*(5,145,216)*	*$*	*(5,183,671)*
Budgetary Financing Sources:				
Appropriations Used		*501,721*		*477,780*
Other Financing Sources (Nonexchange):				
Imputed Financing		*141*		*156*
Total Financing Sources		*501,862*		*477,936*
Net Cost of Operations		*(153,584)*		*(439,481)*
Net Change		*348,278*		*38,455*
Cumulative Results of Operations	*$*	*(4,796,938)*	*$*	*(5,145,216)*
Unexpended Appropriations:				
Beginning Balance	*$*	*-*	*$*	*-*
Budgetary Financing Sources				
Appropriations Received		*501,721*		*477,780*
Appropriations Used		*(501,721)*		*(477,780)*
Total Budgetary Financing Sources		*-*		*-*
Total Unexpended Appropriations		*-*		*-*
Net Position	*$*	*(4,796,938)*	*$*	*(5,145,216)*

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, 2015 and September 30, 2014
(in thousands)

	2015	Unaudited 2014
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	$ -	$ -
Recoveries of Prior Year Unpaid Obligations	1,598	345
Unobligated Balance from Prior Year Budget Authority, Net	1,598	345
Appropriations (Discretionary and Mandatory)	1,075,949	1,018,346
Spending Authority from Offsetting Collections	840	30,902
Total Budgetary Resources	$ 1,078,387	$ 1,049,593
Status of Budgetary Resources:		
Obligations Incurred	$ 1,078,387	$ 1,049,593
Apportioned	-	-
Exempt from Apportionment	-	-
Unapportioned	-	-
Unobligated balance brought forward, end of year	-	-
Total Budgetary Resources	$ 1,078,387	$ 1,049,593
Change in Obligated Balance		
Unpaid Obligations, Brought Forward, October 1	$ 67,094	$ 62,115
Obligations Incurred	1,078,387	1,049,593
Outlays (Gross)	(1,074,631)	(1,044,269)
Recoveries of Prior Year Unpaid Obligations	(1,598)	(345)
Unpaid Obligations, End of Year (Gross)	69,252	67,094
Obligated Balance, End of Year	$ 69,252	$ 67,094
Budget Authority and Outlays, Net		
Budget Authority, Gross (Discretionary and Mandatory)	$ 1,076,789	$ 1,049,248
Actual Offsetting Collections (Discretionary and Mandatory)	(840)	(30,902)
Budget Authority, Net (Discretionary and Mandatory)	$ 1,075,949	$ 1,018,346
Outlays, Gross (Discretionary and Mandatory)	$ 1,074,631	$ 1,044,269
Actual Offsetting Collections (Discretionary and Mandatory)	(840)	(30,902)
Outlays, Net (Discretionary and Mandatory)	1,073,791	1,013,367
Distributed Offsetting Receipts	(595,101)	(532,083)
Agency Outlays, Net (Discretionary and Mandatory)	$ 478,690	$ 481,284

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

Department of the Treasury
Departmental Offices
Office of D.C. Pensions
Notes to Financial Statements
September 30, 2015 and September 30, 2014

1) Summary of Significant Accounting Policies

a. 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 (ASM). ASM reports through the Deputy Secretary to the Secretary of the Treasury.

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 Fiscal Service (BFS). 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 2015 and FY 2014 were $487.5 million and $467.3 million, respectively.

District of Columbia Judicial Retirement and Survivors Annuity Fund

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

The Judicial Retirement Fund is used for the accumulation of funds to finance obligations of the Federal Government for benefits and necessary administrative expenses of the Judges' 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 2015 and FY 2014 were $14.2 million and $10.5 million, respectively.

b. 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, and the related notes which consist of a summary of significant accounting policies and other relevant explanatory information. The financial statements have been prepared from the accounting records of the Office in accordance with accounting principles generally accepted in the United States of America for federal entities. Accounting principles generally accepted for federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB). FASAB is designated by the American Institute of Certified Public Accountants as the official accounting standards-setting body for the Federal Government. 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.

c. Fund Balance with Treasury

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

d. Investments, Net

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

e. Accounts Receivable, Net

Accounts receivable consist primarily of:

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

f. 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 District of Columbia's needs (net of accumulated amortization). It also represents enhancements that added new capabilities in the pension/payroll system in FY 2010 (net of accumulated amortization).

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

- Capitalize software acquisitions that exceed $125,000
- Capitalize bulk purchases (a single purchase of like items in the same lot with a unit cost greater than $5,000 and less than $125,000) that exceed $500,000

- Capitalize aggregate purchases (multiple purchases of items directly related to a specific project and unit cost is less than $125,000) 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.

g. 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.

h. Accrued Pension Benefits Payable

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

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 Individual Entry Age Normal Cost Method. Under this funding method, the normal cost is a level percent of covered salary, which, along with the member contributions (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 economic assumptions (rate of return, inflation, and salary increases) are based upon the requirements of Statement of Federal Financial Accounting Standards (SFFAS) No. 33, *Pensions, Other Retirement Benefits, and*

Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates.

To calculate the actuarial pension liabilities as of October 1, 2015, the Office used a 100-year yield curve of spot rates developed by Treasury's Office of Economic Policy. The yield curve is based on a 10-year average of quarterly rates, consistent with the requirements of SFFAS No. 33. The assumptions for inflation and salary increases were also the average of 10-year historical values. The assumptions used to calculate the pension liabilities as of October 1, 2015, were spot rates gradually increasing from 1.52% to discount FY 2016 payments, to 4.10% by FY 2036, to a maximum of 4.30% to discount longer term payments; annual inflation and cost-of-living adjustments of 2.40% for judges, 2.20% for teachers, and 2.14% for police officers and firefighters; and salary increases at an annual rate of 1.70% for judges, 3.00% for teachers, 2.17% for police officers, and 2.20% for firefighters.

The assumptions used to calculate the pension liabilities as of October 1, 2014, were spot rates gradually increasing from 1.72% to discount FY 2015 payments, to 4.27% by FY 2035, to a maximum of 4.42% to discount longer term payments; annual inflation and cost-of-living adjustments of 2.50% for judges, 2.51% for teachers, and 2.39% for police officers and firefighters; and salary increases at an annual rate of 1.90% for judges, 3.00% for teachers, 2.31% for police officers, and 2.20% for firefighters.

The economic assumptions used by the Office for the Teachers, Police Officers and Firefighters, and Judges plans differ from those used by the Office of Personnel Management (OPM) for the following reasons: (i) the annual rate of salary increase assumptions are based on different plan member experience; (ii) the annual rate of inflation and cost-of-living adjustment assumptions are based on different statutory requirements (applicable Consumer Price Index and period of calculation); and (iii) for the discount rate assumption, OPM and the Office use the same underlying yield curve but, OPM converts the yield curve to a single equivalent rate while for teachers, police officers and firefighters, the Office uses the individual yield curve rates.

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 transferred out to the D.C. Federal Pension Fund and the Judicial Retirement Fund to be invested in non-marketable GAS securities. In accordance with SFFAS No. 7, *Accounting for Revenue and Other Financing Sou*rces, 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, 2015 and 2014 were $501.7 million and $477.8 million, respectively.

k. Treasury Employee Retirement Plans

The D.C. Federal Pension Fund and Judicial Retirement Fund pay the salaries and benefits of Treasury employees who support the Office as reasonable and necessary expenses incurred in carrying out the Secretary's responsibilities under the Act. 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 President's Budget for 2017, which includes actuals for FY 2015, has not yet been published as of the date of these financial statements. The President's Budget is currently expected to be published and delivered to Congress in early February 2016. The FY 2014 Combined Statement of Budgetary Resources (SBR) was reconciled to the Program and Financing (P&F) Schedules within the President's Budget for 2016, published in February 2015, and there were no differences for budgetary resources, status of budgetary resources, or net outlays.

The President's Budget for 2016, which includes the Office's budget within the Other Independent Agencies' budget appendix, is available at the Office of Management and Budget website.

m. Revenue and Financing Sources

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

Funding for the Judicial Retirement Fund is authorized by 111 Stat. 757, Sec. 11251, Public Law 105-33 as amended by 112 Stat. 2681-534, Sec. 804(a)(4), Public Law 105-277. Funding for the D.C. Federal Pension Fund is authorized by 118 Stat. 3967, Sec. 11084, Public Law 108-489. Sources of revenue or other financing sources for the years ended September 30, 2015, and 2014 were annual federal payments, employee contributions, and interest earnings from investments.

n. Income Taxes

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

2) Fund Balance with Treasury

Fund balance with Treasury and the Status of Fund balance with Treasury as of September 30, 2015 and 2014, consisted of the following (in thousands):

	2015	2014
Fund Balances		
Trust Fund	$ 171	$ 87
Special Fund	12,371	10,528
Total Fund Balance with Treasury	$ 12,542	$ 10,615

	2015	Unaudited 2014
Status of Fund Balance with Treasury:		
Obligated Balance Not Yet Disbursed	$ 69,252	$ 67,094
Adjustments for:		
Budget Authority Unavailable for Obligation	3,813,170	3,787,301
Adjustment for Amounts Invested in Treasury Security Investments	(3,869,880)	(3,843,780)
Total	$ 12,542	$ 10,615

The adjustments in the table above are required to reconcile the budgetary status to the non-budgetary Fund Balance with Treasury as reported on the Consolidated Balance Sheets, including:

- Adjustment for Budget Authority Unavailable for Obligation – budget authority that is unavailable for obligation reduced the budgetary resources.

- Adjustment for Amounts Invested in Treasury Security Investments – budgetary resources that include Treasury security investments; however, the funds have been moved from the Fund Balance with Treasury asset account to the Investments account.

3) Investment, Net

Investments, Net as of September 30, 2015 and 2014 consisted of the following (in thousands):

	2015			
	Investments, Gross	Unamortized Premium, Net	Investments, Net	Market Value
Intragovernmental Securities				
Non-Marketable Par Value	$ 195,248	-	195,248	195,248
Non-Marketable Market-based	3,676,084	193,308	3,869,392	3,913,322
Total	$ 3,871,332	193,308	4,064,640	4,108,570

	2014			
	Investments, Gross	Unamortized Premium, Net	Investments, Net	Market Value
Intragovernmental Securities				
Non-Marketable Par Value	$ 198,911	-	198,911	198,911
Non-Marketable Market-based	3,646,211	230,568	3,876,779	3,892,041
Total	$ 3,845,122	230,568	4,075,690	4,090,952

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, 2015 and 2014, as published in the Treasury Quote Sheets prepared by Treasury's Office of Market Finance. Included in these figures are a net unrealized gain of $43.9 million as of September 30, 2015, and a net unrealized gain of $15.3 million as of September 30, 2014.

The amortized cost of Investments, Net as of September 30, 2015 and 2014, by maturity date, are as follows (in thousands):

	2015	2014
Less than or Equal to 1 Year	$ 818,153	$ 816,071
More than 1 Year and Less than or Equal to 5 Years	2,558,571	2,599,335
More than 5 Years and Less than or Equal to 10 Years	687,916	660,284
Total	$ 4,064,640	$ 4,075,690

4) Accounts Receivable, Net

The components of Accounts Receivable, Net as of September 30, 2015 and 2014 are as follows (in thousands):

	2015	2014
Accounts Receivable, Gross	$ 10,040	$ 2,745
Allowance for Loss on Accounts Receivable	(5,485)	(162)
Accounts Receivable, Net	$ 4,555	$ 2,583

Accounts receivable, net increased during FY 2015 as a result of the Office's findings from a formal review of prior years' payments dating back to the funds' inception. As a result of this review, the Office identified overpayments made to annuitants and recorded these transactions as receivables for the amount of $16.1 million in FY 2015. The Office determined that $2.0 million was deemed collectible and, $14.1 million was determined to be uncollectible. The $8.6 million of this uncollectible amount has been written off and the remaining $5.5 million is fully reserved for future write-off once those owed amounts are finalized upon the completion of due process.

5) ADP Software, Net

The components of ADP Software, Net as of September 30, 2015 and 2014 are as follows (in thousands):

	2015	2014
ADP Software	$ 40,129	$ 40,129
Accumulated Amortization	(40,129)	(40,123)
ADP Software, Net	$ -	$ 6

6) Equipment, Net

The components of Equipment, Net as of September 30, 2015 and 2014 are as follows (in thousands):

	2015	2014
ADP Hardware	$ 500	$ 500
Accumulated Depreciation	(500)	(500)
Equipment, Net	$ -	$ -

7) Intra-governmental Costs and Exchange Revenue

Intra-governmental Costs and Exchange Revenue for the years ended September 30, 2015 and 2014 are as follows (in thousands):

	2015	Unaudited 2014
Program Costs		
Intragovernmental Costs	$ 7,086	$ 5,841
Public Costs	104,534	141,231
Total Program Costs	111,620	147,072
Program Revenue		
Intragovernmental Earned Revenue	(58,566)	(65,589)
Public Earned Revenue	(737)	(1,107)
Total Program Revenue	(59,303)	(66,696)
Net Expense Before Loss from Actuarial Assumption Changes	52,317	80,376
Loss on Actuarial Assumption Changes, Net	101,267	359,105
Net Program Cost	$ 153,584	$ 439,481

8) Administrative Expenses

Administrative expenses for the years ended September 30, 2015 and 2014 are as follows (in thousands):

		2015		Unaudited 2014
Intragovernmental Expenses				
Salaries and Related Benefits	$	750	$	687
Contractual Services		5,951		4,779
Rent		383		371
Other		2		4
Total Intragovernmental Expenses		7,086		5,841
Public Expenses				
Salaries and Related Benefits		2,618		2,397
Contractual Services		7,651		4,486
Noncapitalized Equipment/Software		1		289
Amortization/Depreciation		6		11
Other		14,292		178
Total Public Expenses		24,568		7,361
Total Administrative Expenses	$	31,654	$	13,202

Administrative expense increased $18.5 million in FY 2015 primarily in the Other category which reflects a $8.6 million in write-offs for FY 2015 and $5.5 million was reserved for for future write-offs.

9) Pension Expense

Pension expense for the plan years ended September 30, 2015, and 2014, includes the following components (in thousands):

		2015		Unaudited 2014
Beginning Liability Balance	$	9,209,525	$	9,273,867
Pension Expense:				
Normal Cost		5,800		5,700
Interest on Pension Liability During the Period		159,393		171,723
Actuarial (Gains) Losses During the Period:				
From Experience		(70,130)		(43,553)
From Discount Rate Assumption Change		350,021		382,420
From Other Assumption Changes		(248,754)		(23,315)
From Method Change		-		-
Pension Expense before Other / Non-Actuarial Adjustments		196,330		492,975
Less Amounts Paid and Accrued:		(556,487)		(557,317)
Ending Liability Balance	$	8,849,368	$	9,209,525

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

		2015		Unaudited 2014
Pension Expense before Actuarial Assumption Changes:				
Normal Cost	$	5,800	$	5,700
Interest on Pension Liability During the Period		159,393		171,723
Actuarial (Gain) Loss During the Period from Experience		(70,130)		(43,553)
Other / Non-Actuarial Adjustments		(15,097)		-
Total Pension Expense before Actuarial Assumption Changes		79,966		133,870
Loss on Actuarial Assumption Changes, Net				
Actuarial (Gains) Losses During the Period:				
From Discount Rate Assumption Change		350,021		382,420
From Other Assumption Changes		(248,754)		(23,315)
From Method Change		-		-
Total Loss on Actuarial Assumption Changes, Net		101,267		359,105
Total Pension Expense	$	181,233	$	492,975

Federal Benefit Payments

Federal pension benefits paid and accrued during the plan years were $542.3 million and $14.2 million from the D.C. Federal Pension Fund and Judicial Retirement Fund, respectively, for 2015, and $545.4 million and $11.9 million, respectively, for 2014. During FY 2015, the Office corrected $15.1 million in overpayments as a result of the 80% Maximum Annuity Calculations and Lookback COLA Projects. The Office’s effort focused on reconsiderations, appeals, and waivers. For FY 2015 and FY 2014, approximately $0.2 million and $0.2 million, respectively, represent contribution refunds to plan participants of the D.C. Federal Pension Fund.

Actuarial Gains and Losses

In FY 2015, there was a net liability actuarial loss in both funds. There was a liability actuarial loss of $350.0 million due to new discount rate assumptions offset by a liability actuarial gain of $248.8 million due to new pay and cost-of-living assumptions and a liability actuarial gain of $70.1 million due to experience. The net result was a total liability actuarial loss of $15.1 million for both funds.

In FY 2014, there was a net liability actuarial loss in both funds. There was a liability actuarial loss of $382.4 million due to new discount rate assumptions offset by a liability actuarial gain of $43.6 million due to experience and a liability actuarial gain of $23.3 million due to new pay and cost-of-living assumptions. The net result was a total liability actuarial loss of $315.6 million for both funds.

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, 2015, and 2014, the Reconciliation of Net Cost of Operations to Budget consisted of the following (in thousands):

	2015	Unaudited 2014
Budgetary Resources Obligated		
Obligations Incurred	*$ 1,078,387*	*$ 1,049,593*
Less: Spending Authority from Offsetting Collections and Recoveries	*2,437*	*31,247*
Obligations Net of Offsetting Collections and Recoveries	*1,075,950*	*1,018,346*
Less: Offsetting Receipts	*595,101*	*532,083*
Net Obligations	*480,849*	*486,263*
Imputed Financing from Costs Absorbed by Others	*141*	*156*
Total Resources Used to Finance Activities	*480,990*	*486,419*
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	*(640)*	*1,128*
Resources That Fund Expenses Recognized in Prior Periods	*1,973*	*(30,912)*
Budgetary Offsetting Collections and Receipts that do not Affect Net Cost of Operations	*(3)*	*(3)*
Total Resources Used to Finance Items not Part of the Net Cost of Operations	*1,330*	*(29,787)*
Total Resources Used to Finance Net Cost of Operations	*479,660*	*516,206*
Components Requiring or Generating Resources in Future Periods		
Future Funded Expenses	*(360,157)*	*(64,341)*
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	*(360,157)*	*(64,341)*
Components not Requiring or Generating Resources		
Depreciation and Amortization	*28,888*	*45,834*
Other	*5,193*	*(58,218)*
Total Components of Net Cost Operations that will not Require or Generate Resources in Future Periods	*34,081*	*(12,384)*
Total Components of Net Cost Operations that will not Require or Generate Resources in Current Periods	*(326,076)*	*(76,725)*
Net Cost of Operations	*$ 153,584*	*$ 439,481*

PART 4

REQUIRED SUPPLEMENTAL INFORMATION
(Unaudited)

Express Company Room, c. 1910

Department of the Treasury
Departmental Offices
Office of D.C. Pensions
Combining Statements of Budgetary Resources
By Fund (Unaudited)
For the Years Ended September 30, 2015 and September 30, 2014
(in thousands)

	2015			2014		
	DC Judicial Retirement and Survivors Annuity Fund	DC Federal Pension Fund	Consolidated D.C. Pension Funds Total	DC Judicial Retirement and Survivors Annuity Fund	DC Federal Pension Fund	Consolidated D.C. Pension Funds Total
Budgetary Resources						
Unobligated Balance Brought Forward, October 1	$ -	-	-	$ -	-	-
Recoveries of Prior Year Unpaid Obligations	29	1,569	1,598	22	323	345
Unobligated Balance from Prior Year Budget Authority, Net	29	1,569	1,598	22	323	345
Appropriations (Discretionary and Mandatory)	28,949	1,047,000	1,075,949	23,353	994,993	1,018,346
Spending Authority from Offsetting Collections	1	839	840	0	30,902	30,902
Total Budgetary Resources	$ 28,979	1,049,408	1,078,387	$ 23,375	1,026,218	1,049,593
Status of Budgetary Resources						
Obligations Incurred	$ 28,979	1,049,408	1,078,387	$ 23,375	1,026,218	1,049,593
Total Budgetary Resources	$ 28,979	1,049,408	1,078,387	$ 23,375	1,026,218	1,049,593
Change in Obligated Balance						
Unpaid Obligations, Brought Forward, October 1	$ 1,632	65,462	67,094	$ 1,098	61,017	62,115
Obligations Incurred	28,979	1,049,408	1,078,387	23,375	1,026,218	1,049,593
Outlays (Gross)	(29,282)	(1,045,349)	(1,074,631)	(22,819)	(1,021,450)	(1,044,269)
Recoveries of Prior Year Unpaid Obligations	(29)	(1,569)	(1,598)	(22)	(323)	(345)
Unpaid Obligations, End of Year (Gross)	1,300	67,952	69,252	1,632	65,462	67,094
Obligated Balance, End of Year	$ 1,300	67,952	69,252	$ 1,632	65,462	67,094
Budget Authority and Outlays, Net						
Budget Authority, Gross (Discretionary and Mandatory)	$ 28,949	1,047,840	1,076,789	$ 23,353	1,025,895	1,049,248
Actual Offsetting Collections (Discretionary and Mandatory)	(1)	(839)	(840)	(0)	(30,902)	(30,902)
Budget Authority, Net (Discretionary and Mandatory)	$ 28,948	1,047,001	1,075,949	$ 23,353	994,993	1,018,346
Outlays, Gross (Discretionary and Mandatory)	$ 29,282	1,045,349	1,074,631	$ 22,819	1,021,450	1,044,269
Actual Offsetting Collections (Discretionary and Mandatory)	(1)	(839)	(840)	(0)	(30,902)	(30,902)
Outlays, Net (Discretionary and Mandatory)	29,281	1,044,510	1,073,791	22,819	990,548	1,013,367
Distributed Offsetting Receipts	(14,229)	(580,872)	(595,101)	(10,490)	(521,593)	(532,083)
Agency Outlays, Net (Discretionary and Mandatory)	$ 15,052	463,638	478,690	$ 12,329	468,955	481,284

See accompanying independent auditors' report.

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PART 5

OTHER INFORMATION (UNAUDITIED)

Switchboard Operators, c. 1914

Department of the Treasury
Departmental Offices
Office of D.C. Pensions
Consolidated Balance Sheets
By Fund (Unaudited)
As of September 30, 2015 and September 30, 2014
(in thousands)

	2015			2014		
	D.C. Judicial Retirement and Survivors Annuity Fund	D.C. Federal Pension Fund	Consolidated D.C. Pension Funds Total	D.C. Judicial Retirement and Survivors Annuity Fund	D.C. Federal Pension Fund	Consolidated D.C. Pension Funds Total
Assets:						
Entity Assets						
Intragovernmental						
Fund Balance With Treasury	$ 171	12,371	12,542	$ 87	10,528	10,615
Investments, Net	149,862	3,914,778	4,064,640	146,355	3,929,335	4,075,690
Interest Receivable	545	33,917	34,462	565	35,821	36,386
Total Intragovernmental	150,578	3,961,066	4,111,644	147,007	3,975,684	4,122,691
Accounts Receivable	-	4,555	4,555	-	2,583	2,583
ADP Software, Net	-	-	-	-	6	6
Equipment, Net	-	-	-	-	-	-
Total Assets	$ 150,578	3,965,621	4,116,199	$ 147,007	3,978,273	4,125,280
Liabilities:						
Intragovernmental						
Accounts Payable	$ 129	1,056	1,185	$ 38	263	301
Accrued Payroll and Benefits	1	12	13	1	9	10
Total Intragovernmental	130	1,068	1,198	39	272	311
Accounts Payable	23	4,635	4,658	2	3,023	3,025
Accrued Pension Benefits Payable	955	56,697	57,652	1,333	56,039	57,372
Actuarial Pension Liability	218,418	8,630,950	8,849,368	217,512	8,992,013	9,209,525
Accrued Payroll and Benefits	26	235	261	28	235	263
Total Liabilities	219,552	8,693,585	8,913,137	218,914	9,051,582	9,270,496
Net Position:						
Cumulative Results of Operations	(68,973)	(4,727,965)	(4,796,938)	(71,909)	(5,073,307)	(5,145,216)
Total Net Position	(68,973)	(4,727,965)	(4,796,938)	(71,909)	(5,073,307)	(5,145,216)
Total Liabilities and Net Position	$ 150,579	3,965,620	4,116,199	$ 147,005	3,978,275	4,125,280

See accompanying independent auditors' report.

Department of the Treasury
Departmental Offices
Office of D.C. Pensions
Consolidated Statements of Net Cost
By Fund (Unaudited)
For the Years Ended September 30, 2015 and September 30, 2014
(in thousands)

	2015			2014		
	D.C. Judicial Retirement and Survivors Annuity Fund	D.C. Federal Pension Fund	Consolidated D.C. Pension Funds Total	D.C. Judicial Retirement and Survivors Annuity Fund	D.C. Federal Pension Fund	Consolidated D.C. Pension Funds Total
Program Costs						
Administrative Expenses	$ 1,086	30,568	31,654	$ 976	12,226	13,202
Pension Expense before Actuarial Assumption Changes	13,491	66,475	79,966	34,598	99,272	133,870
Total Program Costs	14,577	97,043	111,620	35,574	111,498	147,072
Less: Earned Revenues						
Interest Earned	3,658	54,908	58,566	3,762	61,827	65,589
Benefit Program Revenue	-	-	-	-	-	-
Employee Contributions	737	-	737	1,107	-	1,107
Total Earned Revenues	4,395	54,908	59,303	4,869	61,827	66,696
Net Expense Before Loss from Actuarial Assumption Changes	10,182	42,135	52,317	30,705	49,671	80,376
Loss on Actuarial Assumption Changes, Net	1,124	100,143	101,267	4,802	354,303	359,105
Net Cost of Operations	$ 11,306	142,278	153,584	$ 35,507	403,974	439,481

See accompanying independent auditors' report.

Department of the Treasury
Departmental Offices
Office of D.C. Pensions
Consolidated Statements of Changes in Net Position
By Fund (Unaudited)
For the Years Ended September 30, 2015 and September 30, 2014
(in thousands)

	2015			2014		
	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
Cumulative Results of Operations:						
Net Position - Beginning of Year	$ (71,907)	(5,073,309)	(5,145,216)	$ (46,906)	(5,136,765)	(5,183,671)
Budgetary Financing Sources:						
Appropriations Used	14,229	487,492	501,721	10,490	467,290	477,780
Other Financing Sources (Nonexchange):						
Imputed Financing	13	128	141	16	140	156
Total Financing Sources	14,242	487,620	501,862	10,506	467,430	477,936
Net Cost of Operations	(11,306)	(142,278)	(153,584)	(35,507)	(403,974)	(439,481)
Net Change	2,936	345,342	348,278	(25,001)	63,456	38,455
Cumulative Results of Operations	$ (68,971)	(4,727,967)	(4,796,938)	$ (71,907)	(5,073,309)	(5,145,216)
Unexpended Appropriations:						
Beginning Balance	$ -	-	-	-	-	-
Budgetary Financing Sources:						
Appropriations Received	14,229	487,492	501,721	10,490	467,290	477,780
Appropriations Used	(14,229)	(487,492)	(501,721)	(10,490)	(467,290)	(477,780)
Total Budgetary Financing Sources	-	-	-	-	-	-
Total Unexpended Appropriations	-	-	-	-	-	-
Net Position	$ (68,971)	(4,727,967)	(4,796,938)	$ (71,907)	(5,073,309)	(5,145,216)

See accompanying independent auditors' report.

Department of the Treasury
Departmental Offices
Office of D.C. Pensions
Schedule of Pension Expense - by Fund
(Unaudited)
For the Years Ended September 30, 2015 and September 30, 2014
(in thousands)

	2015			2014		
	D.C. Judicial Retirement and Survivors Annuity Fund	D.C. Federal Pension Fund	Consolidated D.C. Pension Funds Total	D.C. Judicial Retirement and Survivors Annuity Fund	D.C. Federal Pension Fund	Consolidated D.C. Pension Funds Total
Beginning Liability Balance	$ 217,511	8,992,014	9,209,525	$ 189,994	9,083,873	9,273,867
Pension Expense:						
Normal Cost	5,800	-	5,800	5,700	-	5,700
Interest on Pension Liability During the Period	8,424	150,969	159,393	7,702	164,021	171,723
Actuarial (Gains) Losses During the Period:						
From Experience	(298)	(69,832)	(70,130)	21,196	(64,749)	(43,553)
From Discount Rate Assumption Change	2,741	347,280	350,021	3,777	378,643	382,420
From Other Assumption Changes	(1,617)	(247,137)	(248,754)	1,025	(24,340)	(23,315)
From Method Change	-	-	-	-	-	-
Pension Expense before Other / Non-Actuarial Adjus	15,050	181,280	196,330	39,400	453,575	492,975
Less Amounts Paid and Accrued:	(14,146)	(542,341)	(556,487)	(11,883)	(545,434)	(557,317)
Ending Liability Balance	$ 218,415	8,630,953	8,849,368	$ 217,511	8,992,014	9,209,525

See accompanying independent auditors' report.

Department of the Treasury
Departmental Offices
Office of D.C. Pensions
Combined Schedule of Spending
By Fund (Unaudited)
For the Years Ended September 30, 2015 and September 30, 2014
(in thousands)

	2015			2014		
	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*
What Money is Available to Spend?						
Total Resources	$ 28,979	1,049,408	1,078,387	$ 23,375	1,026,218	1,049,593
Less Amount Not Agreed to be Spent	-	-	-	-	-	-
Less Amount Not Available to be Spent	-	-	-	-	-	-
Total Amounts Agreed to be Spent	$ 28,979	1,049,408	1,078,387	$ 23,375	1,026,218	1,049,593
How was the Money Spent?						
Personnel Compensation	$ 289	2,485	2,774	$ 258	2,276	2,534
Personnel Benefits	75	651	726	73	569	642
Benefits for Former Personnel	14,229	487,492	501,721	10,490	467,290	477,780
Travel and transportation of persons	-	0	0	-	2	2
Transportation of things	-	-	-	-	-	-
Rent, Communications, and utilities	5	42	47	-	-	-
Printing and reproduction	1	7	8	-	3	3
Other contractual services	668	14,353	15,021	668	10,705	11,373
Supplies and materials	1	10	11	1	5	6
Equipment	0	1	1	3	286	289
Land and structures	-	-	-	-	-	-
Investments and Loans	-	-	-	-	-	-
Grants, subsidies and contributions	-	-	-	-	-	-
Insurance claims and indemnities	13,711	544,367	558,078	11,882	545,082	556,964
Interest and dividends	-	0	-	0	-	0
Refunds	-	-	-	-	-	-
Other (i.e. unvouchered, undistributed)	-	-	-	-	-	-
Total Amounts Agreed to be Spent	$ 28,979	1,049,408	1,078,387	$ 23,375	1,026,218	1,049,593
Who did the Money go to?						
Federal	$ 14,884	492,739	507,623	$ 11,167	472,566	483,733
Non-Federal	14,095	556,669	570,764	12,208	553,652	565,860
Total Amounts Agreed to be Spent	$ 28,979	1,049,408	1,078,387	$ 23,375	1,026,218	1,049,593

See accompanying independent auditors' report.

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PHOTOGRAPHS

The photographs for the Office of D.C. Pensions Fiscal Year 2015 Annual Report were selected from the Treasury Department's Beautification Project Photographs, which represents over 200 years of history of the Treasury building. For more information on these photographs, or to use them in your own publication, please contact Treasury's Office of the Curator through Printing & Graphics at *P&G@treasury.gov*.

Cover:	United States Treasury, c. 1870
Part 1	Office of the Secretary, c. 1890
Part 2	Auditor of the Treasury, c. 1910
Part 3	Reference Library, c. 1915
Part 4	Express Company Room, c. 1910
Part 5	Switchboard Operators, c. 1914
Below:	A Liberty Loan Film, c. 1918

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