



DCRB Report

SPRING 2014

CHAIRMAN'S CORNER

Inside

- 2 Fiscal Year 2013 Investment Update
- 3 Statement of Net Assets
- 4 2014 COLA Notices to Members

The District of Columbia Retirement Board's mission is to prudently invest the assets of the Police Officers, Firefighters, and Teachers of the District of Columbia, while providing those employees with total retirement services.

From the Chairman of the Board

At the February 2014 meeting, the Board of Trustees held officer elections, and I am honored to have been re-elected to serve a second term as Chairman of the District of Columbia Retirement Board (DCRB). The following trustees were also elected to serve as officers: Michael J. Warren, Board Secretary; Lyle M. Blanchard, Treasurer; Diana K. Bulger, Parliamentarian; and, Gary W. Hankins, Sergeant-at-Arms.



Joseph M. Bress

Trustee Changes

The election for the Retired Teacher Representative to the Board of Trustees took place in the fall of 2013, and the results were confirmed at the Board's November 2013 meeting. I would like to congratulate Mary A. Collins, who returns to the Board after previously serving on the Board for twelve years representing the active teachers. Before retiring, Ms. Collins served as a DC public school teacher for 33 years and was a Washington Teachers Union representative for several years.

I would like to thank outgoing Trustee Judith C. Marcus for her service to the Board. Ms. Marcus did not run for re-election after serving as the Retired Teacher Representative since January 1998. While on the Board, Ms. Marcus served on various Committees such as Benefits, Operations, and Investments. Her leadership, pension and benefits knowledge, commitment to the members, and collegiality will be missed as we continue the growth of the Fund and improve the agency's services to its members.

Other Updates

During the past year, DCRB has continued to upgrade our technology to further assist us in carrying out our mission to serve our members. We have partnered with other District agencies to continue our Retirement Modernization Program, which is designed to enhance benefit administration capabilities. When completed, this means that initial payments will be faster, member information will be readily available to assist in servicing you, and there will be future self-service functions available.

You might have noticed our new logo on this newsletter. As part of our new communication efforts and ongoing technology improvements, the Board felt rebranding DCRB documents with a new modern logo would be fitting. After four weeks of reviewing multiple designs, the new logo, which incorporates the DC outline and elements of the previous logo, was adopted. Within the next several months, all of the documents and letters received from DCRB will be incorporating this new logo.

Plan Membership

Category	Police	Fire	Teacher	Total
Active	3,846	1,664	4,379	9,889
Service Retirement	3,248	1,051	5,379	9,678
Disability	1,079	400	367	1,846
Survivors	1,368	543	426	2,337
Term Vested	140	86	912	1,138
Total	9,681	3,744	11,463	24,888

As of October 1, 2013

Continued on page 3

Fiscal Year 2013 Investment Update

Performance Update

As of September 30, 2013, the Fund's total assets were \$5.8 billion after the payment of all benefits and all other administrative expenses, an increase of approximately \$600 million compared to September 30, 2012. The Fund generated a gross return of 11.3%, outperforming the actuarial return target of 6.5% by 4.8% for the fiscal year, driven by a moderate overweight to U.S. equities and underweight to absolute return strategies. The Fund's managers in U.S. equities, non-U.S. developed equities and U.S. fixed income, significantly outperformed their passive benchmarks.

Global Market Review

In terms of the cumulative performance over the course of fiscal year 2013, the Russell 3000 Index, an index that measures the performance of the 3,000 largest U.S. companies based on total market capitalization and representing approximately 98% of the investable U.S. equity market, increased 21.6%. International developed equity markets, as measured by the MSCI World, excluding the U.S. Index, rose 21.4%. Emerging markets equi-

ties, as measured by the MSCI Emerging Markets Index, underperformed international developed markets during the period, generating +1.0%. The Barclays Capital U.S. Universal Index, a broad measure of U.S. fixed income markets, fell 1.0%, driven by a moderate rise in Treasury yields.

Asset Allocation Update

In July 2013, the Board reviewed the Fund's strategic asset allocation in collaboration with Meketa Investment Group, its general investment consultant, and approved a few minor changes.

In addition, the Board selected new investment managers for international small cap equities and foreign bonds, moving the Fund's allocation closer to its targets. As of the end of the fiscal year, all of the Fund's asset classes were within their respective target allocation ranges.

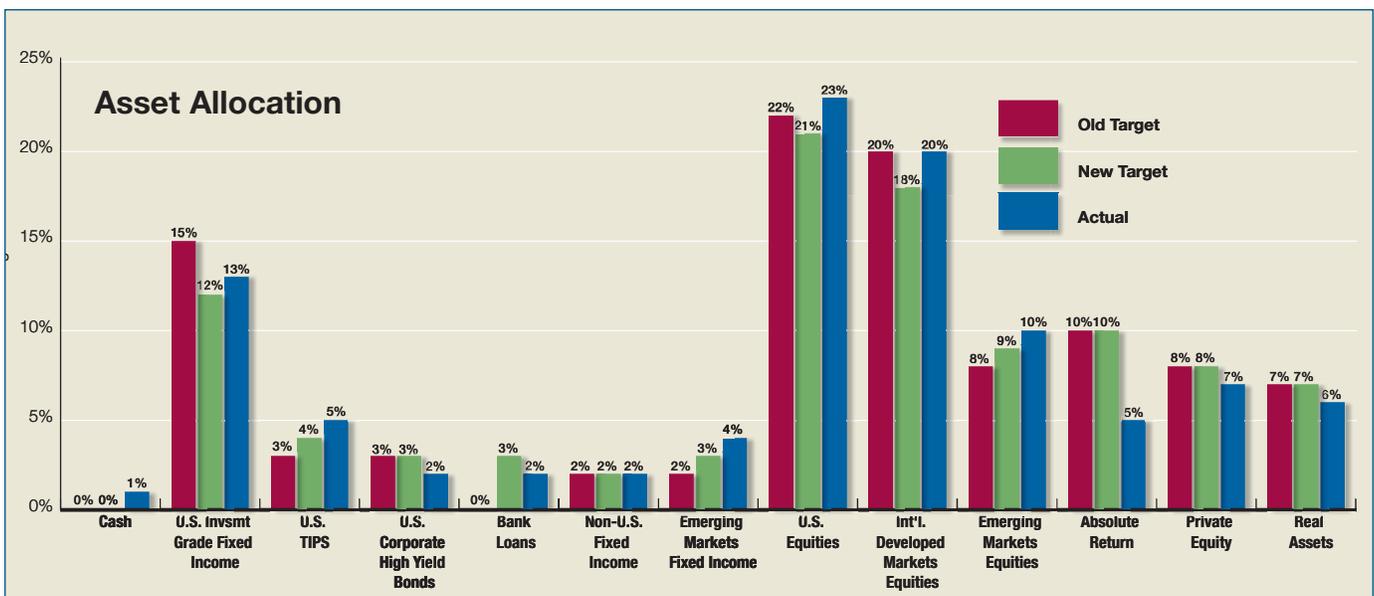
The old targets, new targets, and actual allocations as of September 30, 2013, are shown in the graph below.

Other Investment Updates

During fiscal year 2013, the Board

also implemented the following decisions:

- In May 2013, the Board voted to terminate Blackrock's contract for an active U.S. investment grade fixed income mandate.
 - In July 2013, the Board approved a new dedicated allocation to senior bank loans.
 - In September 2013, the Board voted to renew its contract with Zeno Consulting Group, an independent transaction cost analysis (TCA) and transition management consulting firm. Zeno will continue to provide TCA for the Board's public equity trades and will expand its coverage to include fixed income and foreign exchange transactions.
 - Throughout the year, the Board made several new commitments to private equity and private real asset funds with the assistance of its specialist consultant, Cliffwater.
- In fiscal year 2014, the Board plans to implement its Environment, Social and Governance (ESG) Policy. In addition, it may consider changes to the current asset allocation and investment manager structure, as warranted based on the market environment and manager-specific events.



Statement of Net Assets

For Fiscal Year 2013, the Board once again received a clean opinion from its external auditor. The following schedules compare the FY 2013 financial statements with those of FY 2012.

Statement of Net Assets for the Fiscal Years ending September 30, 2013, and September 30, 2012 (\$000s)

	2013			2012		
	Teachers' Retirement Fund	Police Officers and Firefighters' Retirement Fund	Total	Teachers' Retirement Fund	Police Officers and Firefighters' Retirement Fund	Total
ASSETS						
Cash and short-term investments	\$26,826	\$69,232	\$96,058	\$19,628	\$54,888	\$74,516
Receivables	28,853	70,820	99,673	43,975	105,313	149,288
Investments at fair value	1,630,294	4,144,784	5,775,078	1,498,968	3,666,044	5,165,012
Collateral from securities lending	23,566	59,912	83,478	28,050	68,602	96,652
Capital assets	0	0	0	1	2	3
Total assets	<u>1,709,539</u>	<u>4,344,748</u>	<u>6,054,287</u>	<u>1,590,622</u>	<u>3,894,849</u>	<u>5,485,471</u>
LIABILITIES						
Other payables	22,249	11,253	33,502	1,385	3,273	4,658
Investment commitments payable	41,162	104,649	145,811	57,369	140,307	197,676
Obligations under securities lending	23,753	60,389	84,142	28,382	69,415	97,797
Total liabilities	<u>87,164</u>	<u>176,291</u>	<u>263,455</u>	<u>87,136</u>	<u>212,995</u>	<u>300,131</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS						
	<u>1,622,375</u>	<u>4,168,457</u>	<u>5,790,832</u>	<u>1,503,486</u>	<u>3,681,854</u>	<u>5,185,340</u>
Employer contributions	6,407	96,314	102,721	0	116,700	116,700
Employee contributions	28,129	30,581	58,710	28,639	30,398	59,037
Net investment income/(loss)	168,117	423,581	591,698	190,002	452,881	642,883
Other income	796	2,047	2,843	672	1,584	2,256
Total additions	<u>203,449</u>	<u>552,523</u>	<u>755,972</u>	<u>219,313</u>	<u>601,563</u>	<u>820,876</u>
Benefit payments	54,180	45,656	99,836	48,145	38,924	87,069
Retirement benefits payable to U.S. Treasury	21,503	9,391	30,894	0	0	0
Refunds	5,250	1,960	7,210	5,514	1,534	7,048
Administrative expenses	3,627	8,913	12,540	2,880	6,718	9,598
Total deductions	<u>84,560</u>	<u>65,920</u>	<u>150,480</u>	<u>56,539</u>	<u>47,176</u>	<u>103,715</u>
Change in net assets	<u>118,889</u>	<u>486,603</u>	<u>605,492</u>	<u>162,774</u>	<u>554,387</u>	<u>717,161</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF FISCAL YEAR						
	<u>1,503,486</u>	<u>3,681,854</u>	<u>5,185,340</u>	<u>1,340,712</u>	<u>3,127,467</u>	<u>4,468,179</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, END OF FISCAL YEAR						
	<u>1,622,375</u>	<u>4,168,457</u>	<u>5,790,832</u>	<u>1,503,486</u>	<u>3,681,854</u>	<u>5,185,340</u>

Chairman of the Board continued from page 1

Finally, I am pleased to announce that for the fifth year in a row, DCRB received the following two awards: The Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting for our Fiscal Year 2012 Compre-

hensive Annual Financial Report (CAFR); and, The Public Pension Coordinating Council Recognition for Funding (PPCC), which is based on DCRB's comprehensive benefit program, funding adequacy, annual actuarial valuation, unqualified audit opinion, written investment policies, fiduciary standards, and effective member communications. The certificate of recognition from

the GFOA is the highest form of recognition in the area of governmental accounting and financial reporting. Please visit us at www.dcrb.dc.gov to view and download DCRB's CAFR and other agency publications.

I look forward to providing you with additional information on these projects and accomplishments in future Newsletters.

DC Retirement Board

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Inside this DCRB Report Fiscal Year 2013 Investment Summary and Financial Statements

2014 COLA Notices to Members



The D.C. Human Resources Office announced the following cost-of-living increases for police officer, firefighter, and teacher retirees and their survivors for 2014:

- Police officers and firefighters hired before November 10, 1996:1.5%
- Police officers and firefighters hired on or after November 10, 1996:1.5%
- Teachers hired before November 1, 1996:1.5%
- Teachers hired on or after November 1, 1996:1.5%

These increases were effective March 1, 2014, and they were included in pension payments that were issued on April 1, 2014. For more details about the 2014 COLAs, please visit DCRB’s website at dcrb.dc.gov.

Our Member Services Center Can Help You

- **Electronic Funds Transfer (EFT):** New annuitants must use EFT to receive annuity payments. For an enrollment form (*Electronic Funds Transfer Authorization*), please visit the DCRB website at www.dcrb.dc.gov. You may also contact the Member Services Center to request an enrollment form or to ask any questions.
- **Beneficiary Updates:** In the event that something may happen to you, it is important that you ensure beneficiary information is current. To update your beneficiary information related to your pension benefits, please contact the Member Services Center.
- **Life Event Changes:** Changes in your status may have an effect on your pension benefits. If you get married, divorced, widowed, or if you have a change in your child student status, you should report these events to DCRB.

DCRB Member Services Center
 900 7th Street, NW
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 Washington, DC 20001
 (202) 343-3272
 Toll free: (866) 456-3272
 TTY (800) 877-8339
 Fax: (202) 566-5001
 Email: dcrb.benefits@dc.gov

Our website can also answer many of your questions. Visit us at www.dcrb.dc.gov under the “Retirement” tab to view and download useful forms, Summary Plan Descriptions (SPDs), and helpful brochures regarding special topics. Also for your convenience, we have provided a retirement benefits calculator and a glossary of benefit terms. Check out our website to learn more!

TRUSTEES D.C. Retirement Board

Lyle M. Blanchard <i>Treasurer Council Appointee</i>	Diana K. Bulger <i>Parliamentarian Mayoral Appointee</i>	Darrick O. Ross <i>Elected Active Police Officer</i>	Thomas N. Tippet <i>Elected Retired Firefighter</i>	900 7th Street, NW Second Floor Washington, DC 20001 Voice (202) 343-3200 Fax (202) 566-5000 www.dcrb.dc.gov Eric O. Stanchfield <i>Executive Director</i>
Barbara Davis Blum <i>Mayoral Appointee</i>	Mary A. Collins <i>Elected Retired Teacher</i>	Nathan A. Saunders <i>Elected Active Teacher</i>	Michael J. Warren <i>Secretary Council Appointee</i>	
Joseph M. Bress <i>Chairman Council Appointee</i>	Gary W. Hankins <i>Sergeant-at-Arms Elected Retired Police Officer</i>	Edward C. Smith <i>Elected Active Firefighter</i>	Jeffrey Barnette <i>Ex Officio, Non-Voting</i>	