



DCRBReport

SPRING 2013

CHAIRMAN'S CORNER

Inside

- 2 Investment Update
- 3 Statement of Net Assets
- 4 2013 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

I am honored to be the newly elected Chairman of the District of Columbia Retirement Board (DCRB). The District of Columbia Council first appointed me to the Board in January 2009, and I am proud to be on this Board, which serves the teachers, police officers, and firefighters of the District of Columbia. Please join me in thanking the outgoing Chairman of the Board, Michael J. Warren, for his two terms of service. At their February 2013 meeting, the Board of Trustees held officer elections, and the following trustees were also elected to serve as officers: Michael J. Warren, Board Secretary; Lyle M. Blanchard, Treasurer; Thomas N. Tippett, Parliamentarian; and Diana K. Bulger, Sergeant-at-Arms.



Joseph M. Bress

At the end of 2012, DCRB conducted elections for the Active Firefighter, the Active Teacher, and the Retired Police Officer representatives to the Board of Trustees. The results were confirmed at the Board's December 2012 meeting. I would like to congratulate Mr. Edward Smith, who has been reelected to serve as the Active Firefighter representative, and Mr. George Suter, who has been reelected to serve as the Retired Police Officer representative. I would also like to welcome a new trustee, Mr. Nathan Saunders, who was elected to serve as the Active Teacher representative to the Board. The previous Elected Active Teacher, Ms. Deborah Hensley, ended her term on the Board on January 27, 2013. On behalf of DCRB, I would like to thank Ms. Hensley for her service to the board.

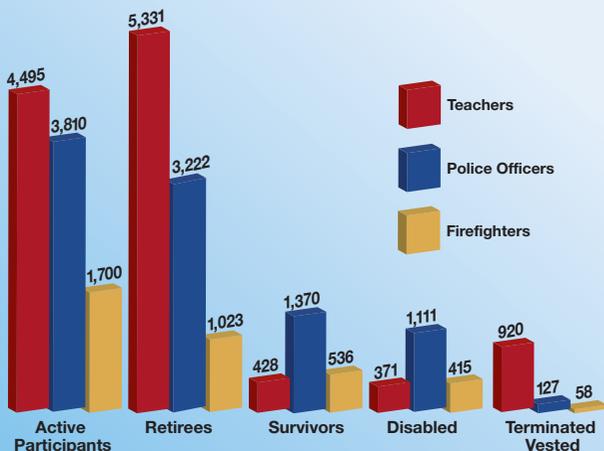
I am very pleased to announce that for the fourth year in a row, DCRB has received the following two awards: The Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting for our Fiscal Year 2011 Comprehensive Annual Financial Report (CAFR); and, 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.

Speaking of DCRB publications, we will soon release updated Summary Plan Descriptions ("SPDs") for members of the Teachers' Retirement Plan and members of the Police Officers' and Firefighters' Retirement Plan ("the Plans"). These updated documents clearly outline the benefits provided to you, the members, under the Plans. The SPDs include information on plan participation, life events and your retirement benefit, survivor benefits, applying for and receiving your benefit, and more.

In future newsletters, I look forward to sharing information on agency projects and achievements. DCRB is here to serve you.

Participants as of September 30, 2012



Fiscal Year 2012 Investment Update

Performance Update

At the end of Fiscal Year 2012 (“FY 2012”), the combined assets of the Police Officers’, Firefighters’ and the Teachers’ retirement funds (“the Fund”) were valued at \$5.2 billion, a net increase of approximately \$700 million after the payment of all member benefits and administrative expenses. During FY 2012, the Fund generated a gross return of 14.5%, outperforming the Policy Benchmark by 0.5%. Since its inception in October 1982, the Fund has underperformed the Policy Benchmark, but exceeded the actuarial return target of 6.5%, returning an annualized 9.1% for the 30 years since its inception.

Global Market Review

During fiscal year 2012, global markets experienced massive swings in investor sentiment and unusually high levels of market volatility. After a dramatic sell-off during the third quarter of 2011, equity markets posted very strong results in the final quarter of 2011 and the first quarter of 2012. Most major markets experienced double-digit returns over this six-month period. The forceful actions of the European Central Bank (ECB), which lowered interest rates in late 2011 and initiated two rounds of its Long Term Refinancing Operation (LTRO) in early 2012, apparently reversed investors’ prior pessimism about the lack of economic growth across the globe and the continued financial crisis in Europe.

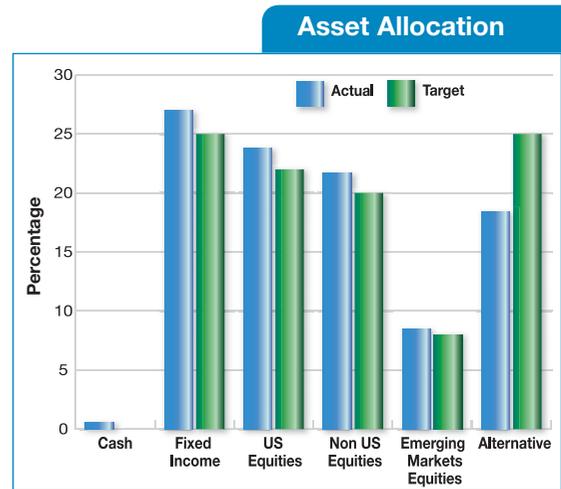
This six-month period recovery was followed by another setback in the second quarter of 2012, when investors once again turned pessimistic on the political and economic viability of the Eurozone. In addition, growing concerns around the condition of banks in Spain weighed heavily on markets.

The third quarter of 2012 brought much needed relief thanks to global central bankers. With economic growth stalling, the ECB and Federal Reserve Bank (Fed) intervened aggressively during the quarter, announcing a policy of unlimited government bond purchases (ECB) and monthly targets for mortgage security purchases (Fed). The response of policy makers highlighted a widespread concern that the global economy had gotten weaker.

In terms of market performance during FY 2012, the Russell 3000 Index, an index measuring 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 30.2%. Non-U.S. equity markets, as measured by the MSCI All Country World ex U.S. Index, rose 13.8%, partially aided by the appreciation of non-U.S. currencies vs. the U.S. dollar. Emerging markets, as measured by the MSCI Emerging Markets Index, once again outperformed developed markets, generating a positive return of 16.9%. The Barclays Capital U.S. Universal Bond Index, a broad measure of U.S. fixed income markets, appreciated 6.4%, driven by a continued decline in Treasury yields.

Asset Allocation Update

In February 2011, the Board modified the strategic asset allocation targets to further diversify the portfolio and to improve the portfolio’s downside protection. In addition, the Board approved a new manager structure, shifting a significant portion of the Fund’s assets from active to passive investment strategies in order to minimize investment risk



and expenses. The current targets and actual asset allocations are shown in the graph on this page.

During FY 2013, the Board will conduct searches for dedicated emerging market debt, foreign bond, and high-yield bond managers. This will move the Fund’s actual allocation closer in line with the new targets.

Cliffwater Hired as Alternative Investments Consultant

In the spring of 2012, the Board also engaged Cliffwater LLC as its alternative investments consultant. Cliffwater worked with the Board to establish a private equity and absolute return investment policy and guidelines for the implementation of the programs. The Board expects to gradually build out its private equity, real assets and absolute return programs over the coming years.

Looking Ahead

In FY 2013, the Board’s primary task is a strategic review of the Fund’s long-term asset allocation. In addition, the Board will continue to work on the development of the absolute return and private equity programs. Finally, the Board will seek to further enhance the Fund’s overall portfolio diversification and minimize investment expenses.

Statement of Net Assets

For Fiscal Year 2012, the Board once again received a clean opinion from its external auditor. The following schedules compare the audited FY 2012 financial statements with those of FY 2011.

Statement of Net Assets For the Fiscal Years ending September 30, 2012, and September 30, 2011 (\$000s)

	Teachers' Retirement Fund	2012 Police Officers and Firefighters' Retirement Fund	Total	Teachers' Retirement Fund	2011 Police Officers and Firefighters' Retirement Fund	Total
Assets						
Cash and short-term investments	\$19,628	\$54,888	\$74,516	\$44,847	\$104,912	\$149,759
Receivables	43,975	105,314	149,289	48,687	104,926	153,613
Investments at fair value	1,498,968	3,666,044	5,165,012	1,345,088	3,146,575	4,491,663
Collateral from securities lending	28,050	68,602	96,652	124,663	291,625	416,288
Capital assets	1	2	3	3	6	9
Total assets	<u>1,590,622</u>	<u>3,894,849</u>	<u>5,485,471</u>	<u>1,563,288</u>	<u>3,648,044</u>	<u>5,211,332</u>
Liabilities						
Other payables	1,385	3,273		1,875	4,290	6,165
Investment commitments payable	57,369	140,307	197,676	95,197	222,695	317,892
Obligations under securities lending	28,382	69,415	97,797	125,504	293,592	419,096
Total liabilities	<u>87,136</u>	<u>212,995</u>	<u>300,131</u>	<u>222,576</u>	<u>520,577</u>	<u>743,153</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS						
	<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>
Employer contributions						
Employer contributions	\$0	\$116,700	\$116,700	\$0	\$127,200	\$127,200
Employee contributions						
Employee contributions	28,639	30,398	59,037	27,739	30,474	58,213
Net investment income/(loss)						
Net investment income/(loss)	190,002	452,881	642,883	44,364	81,973	126,337
Other Income						
Other Income	672	1,584	2,256	616	1,435	2,051
Total additions	<u>219,313</u>	<u>601,563</u>	<u>820,876</u>	<u>72,719</u>	<u>241,082</u>	<u>313,801</u>
Benefit payments						
Benefit payments	48,145	38,924	87,069	42,532	30,766	73,298
Refunds						
Refunds	5,514	1,534	7,048	4,060	1,913	5,973
Administrative expenses						
Administrative expenses	2,880	6,718	9,598	2,885	6,678	9,563
Total deductions	<u>56,539</u>	<u>47,176</u>	<u>103,715</u>	<u>49,477</u>	<u>39,357</u>	<u>88,834</u>
Change in net assets	<u>162,774</u>	<u>554,387</u>	<u>717,161</u>	<u>23,242</u>	<u>201,725</u>	<u>224,967</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF THE FISCAL YEAR						
	<u>1,340,712</u>	<u>3,127,467</u>	<u>4,468,179</u>	<u>1,317,470</u>	<u>2,925,742</u>	<u>4,243,212</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, END OF THE 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>

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

(202) 343-3272
Toll free: (866) 456-3272
TTY (800) 877-8339
Fax: (202) 566-5001
Email: dcrb.benefits@dc.gov

**Useful
Contacts**



D.C. Public Schools Human Resources Office **(202) 442-4090**
dcps.hranswers@dc.gov

Metropolitan Police Department Human Resources Office **(202) 727-4261**

Department of Fire and Emergency Medical Services Human Resources Office **(202) 673-6443**

Police and Fire Retirement and Relief Board **(202) 442-9622**

2013 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 2013:

Police officers and firefighters hired before November 10, 1996:	1.7%
Police officers and firefighters hired on or after November 10, 1996:	1.7%
Teachers hired before November 1, 1996:	1.7%
Teachers hired on or after November 1, 1996:	1.7%

These increases were effective March 1, 2013, and they were included in pension payments that were issued on April 1, 2013. For more details about the 2013 COLAs, please visit DCRB's website at dcrb.dc.gov.



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Lyle M. Blanchard
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Mayoral Appointee

Joseph M. Bress
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Diana K. Bulger
*Sergeant-at-Arms
Mayoral Appointee*

James E. Bunn
Mayoral Appointee

Judith C. Marcus
Elected Retired Teacher

Darrick O. Ross
Elected Active Police Officer

Nathan A. Saunders
Elected Active Teacher

Edward C. Smith
Elected Active Firefighter

George R. Suter
Elected Retired Police Officer

Thomas N. Tippet
*Parliamentarian
Elected Retired Firefighter*

Michael J. Warren
*Secretary
Council Appointee*

Jeffrey Barnette
Ex Officio, Non-Voting

D.C. Retirement Board

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Eric O. Stanchfield
Executive Director

**Inside this DCRB Report:
Fiscal Year 2012 Investment
Summary and Financial
Statements**



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