



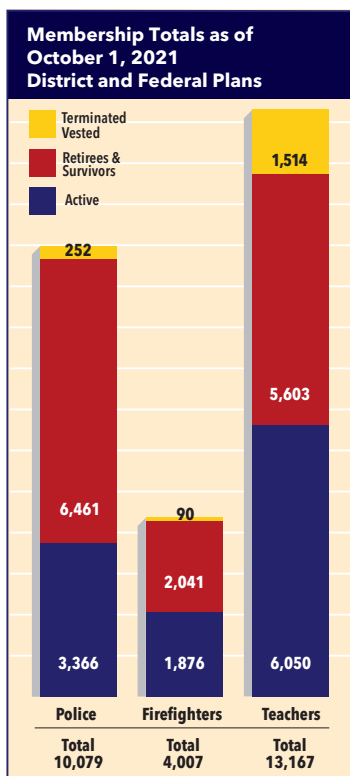
# DCRB Report

SPRING 2022

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The mission of the District of Columbia Retirement Board is to serve the interests of the District's Police Officers, Firefighters, Teachers and their Survivors and Beneficiaries by prudently investing Fund assets and delivering accurate and timely benefit payments with excellent member service.



## From the Chair of the Board

During its February meeting, the District of Columbia Retirement Board (the Board) held its annual elections to select those Trustees who will serve as officers for calendar year 2022. The Trustees elected me to serve as the Board's Chair for this year. They also elected Trustee Tracy S. Harris as Treasurer/Audit Committee Chair, and Trustee Danny Gregg as Vice Chair/Secretary.



Joseph M. Bress

### Trustee Edward C. Smith Retires

Trustee Edward C. Smith retired from the DC Fire and EMS Department in December 2021. Due to his change of status, he was no longer eligible to be the Active Firefighter Representative on the Board and a special election (see below) was held to fill that seat. Mr. Smith was initially elected to the Board in 2009, and over his 12-year tenure, he was a member of many of the Board's standing committees, served as the Chair of the Benefits and Operations committees, and was Vice-Chair/Secretary of the Board at the time of his retirement. We wish him well and thank him for his service and many contributions to the Board's important work for our members.

### Trustee Election Results

I am also pleased to announce that during the Board's December 2021 meeting, Trustees certified Mary A. Collins as the winner of the regularly scheduled election last fall for the Retired Teacher Representative on the Board. This term began on January 28, 2022 and will end on January 27, 2026. Trustee Collins began her tenure on the Board as the Active Teacher Representative in 1997 and served in that capacity until her retirement from the DC Public Schools in 2009. She has served as the Retired Teacher Representative since 2014.

As indicated above, a special election began in November 2021 to fill the Active Firefighter Representative seat on the Board due to the then pending retirement of Trustee Edward C. Smith. At its March 2022 meeting, the Board certified Christopher M. Finelli as the winner of that election. Trustee Finelli has been a member of the DC Fire Department for 14 years and is currently assigned to Rescue Squad 2. He is a member of the Department's Diversity Advisory Council, and is a technical panelist for the Underwriters Laboratories' Fire Safety Research Institute.

### Trustee Blanchard Reappointed

On November 2, 2021, the DC Council reappointed Trustee Lyle M. Blanchard to serve on the Board. Trustee Blanchard has served as a DC Council appointee since 2002. His current term will end on January 27, 2025.

### Trustee Harris Appointed to Advisory Council

The Council of Institutional Investors (CII) has appointed Trustee Tracy S. Harris to its U.S. Asset Owners Advisory Council (USAOAC) for 2021-2022. The USAOAC advises the CII board and staff on issues, trends, proposed policy development topics and speakers for CII events and membership benefits and services. The CII is a non-profit, nonpartisan association of U.S. public, corporate, and union employee benefit funds, other employee benefit plans, foundations and endowments, and state and local entities charged with investing public assets.

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## Fiscal Year 2021 Investment Commentary

**A**t the end of fiscal year (FY) 2021 (September 30), the D.C. Police Officers and Fire Fighters' Retirement Fund and the D.C. Teachers' Retirement Fund (collectively, the Fund or Funds) had assets totaling \$10.9 billion, an increase of \$1.9 billion from the end of FY 2020. The Fund generated a gross return of 20.9% during FY 2021, 0.1% below the Fund's interim policy benchmark return of 21.0% for the same period.

### Global Market Review

The fiscal year started with global equity markets making gains in fourth quarter (Q4) 2020 as several vaccine breakthroughs fostered hopes of a return to economic normality. The S&P 500 Index was up 12.2% during Q4 while the MSCI EAFE and MSCI Emerging Markets Indices were up 11.4% and 16.0%, respectively. Given a weaker US dollar (USD), USD-based investors fared even better as the MSCI EAFE and MSCI Emerging Markets Indices were up 16.1% and 19.7% in USD. Value stocks rebounded as cyclical segments of the market, such as, financials, energy, traditional retail, and airlines rallied while the "stay-at-home" pandemic winners lagged. Performance was particularly strong for smaller capitalization stocks in the U.S. Despite their Q4 rally, value indices still lagged growth indices by significant margins across geographic and market cap segments for the calendar year.

Global equities advanced in Q1 2021, supported by the roll-out of COVID-19 vaccines and news of further U.S. fiscal stimulus. Lowly-valued parts of the market fared well, as did smaller companies. Money flowed out of mega-cap growth and stay-at-home stocks into long underappreciated value-oriented and small cap segments of the mar-

ket. Broad market value indices meaningfully outperformed growth indices during the quarter and for the six-months prior. Higher long-term rates, a steepening of the yield curve and vaccine rollout all seemed to provide a tailwind for value stocks at the expense of growth names. A massive U.S. stimulus package, which combined with the increasing supply of vaccines, has led to rising optimism about the outlook for global growth. As a result, bond yields rose as the markets priced in higher future growth and inflation expectations.

Global equities continued to perform well in Q2 2021, supported by the accelerating roll-out of Covid-19 vaccines. Growth stocks outperformed more lowly valued parts of the market. June was the first negative month for value since the start of the of the value recovery in November as concerns about the spread of the COVID-19 delta variant, and its potential impact on the pace of economic recovery, may have weighed down value stocks during the month. Ten-year Treasury yields fell by 30 basis points which also provided a tailwind for growth stocks. Big Tech also got a boost at the end of the quarter when two antitrust cases that were brought against Facebook were dismissed. Year-to-date however, value stocks remained well ahead of growth stocks given their strong performance since the COVID-19 vaccine announcements in early November.

In the third quarter of 2021, U.S. equities posted their biggest monthly decline since the start of the pandemic, as the S&P 500 Index was down 4.7%, although it finished the quarter up 0.6% while the MSCI EAFE and MSCI Emerging Markets Indices were down -0.5% and -8.1%, respectively. Globally, supply chain

disruptions continued to impact company results and rising inflation eroded investor optimism. The constant stream of negative news from China during the quarter weighed heavily on large-cap emerging market equities, which were down 1.3% year-to-date (small cap emerging market equities, however, were up 17.2%). From a style perspective, it was a mixed bag for value stocks, as they outperformed across most small cap segments of the market, but fared less well within large caps, except for the emerging markets. On a positive note, equity markets proved reasonably resilient to the rapid spread of the Delta variant during the quarter as cases and hospitalizations continued to decline worldwide.

### Investment Results for FY 2021

The Fund generated the following gross returns for FY 2021:

- Fiscal Year: +20.9% per year, underperforming the Interim Policy Benchmark by 0.1%
- Last 5 Years: +9.5% per year, underperforming the Interim Policy Benchmark by 0.3%
- Last 10 Years: +8.6% per year, underperforming the Interim Policy Benchmark by 0.2%
- Since Inception: +8.8% per year, underperforming the Long-Term Policy Benchmark by 1.0% and outperforming the current actuarial benchmark (6.5%) by 2.3%

While total portfolio returns underperformed the benchmark over the last fiscal year, they lagged only by a small margin. The underperformance was driven by several factors, including an underweight to private markets investments, specifically venture capital, as well as selected active manager underperformance.

## DCRB Financial Statements for Fiscal Year (FY) 2021

For FY 2021, the Board once again received an unmodified, clean opinion from its independent auditor. The following schedules compare the FY 2021 financial statements with those of FY 2020.

### Statements of Net Position (in \$000s) for the Fiscal Years ending:

	September 30, 2021			September 30, 2020		
	Teachers' Retirement Fund	Police Officers and Fire Fighters' Retirement Fund	Total	Teachers' Retirement Fund	Police Officers and Fire Fighters' Retirement Fund	Total
<b>Assets</b>						
Cash and short-term investments	\$ 23,513	\$63,818	\$87,331	\$8,814	\$24,227	\$33,041
Receivables & prepaid expenses	4,083	6,298	10,381	15,822	35,830	51,652
Investments at fair value	2,927,401	7,949,393	10,876,794	2,397,395	6,589,423	8,986,818
Net capital assets	20	55	75	20	55	75
Total assets	<u>2,955,017</u>	<u>8,019,564</u>	<u>10,974,581</u>	<u>2,422,051</u>	<u>6,649,535</u>	<u>9,071,586</u>
<b>Liabilities</b>						
Payables & other liabilities	2,822	7,718	10,540	2,225	6,158	8,383
Investment commitments payable	7,311	19,852	27,163	8,436	23,187	31,623
Total liabilities	<u>10,133</u>	<u>27,570</u>	<u>37,703</u>	<u>10,661</u>	<u>29,345</u>	<u>40,006</u>
<b>Net position restricted for pensions</b>	<u>\$2,944,884</u>	<u>\$7,991,994</u>	<u>\$10,936,878</u>	<u>\$2,411,390</u>	<u>\$6,620,190</u>	<u>\$9,031,580</u>

### Statements of Changes in Net Position (in \$000s) for the Fiscal Years ending:

	September 30, 2021			September 30, 2020		
<b>Additions</b>						
District government contributions	\$70,478	\$109,933	\$180,411	\$58,888	\$93,061	\$151,949
Employee contributions	45,689	37,433	83,122	42,356	37,880	80,236
Total contributions	<u>116,167</u>	<u>147,366</u>	<u>263,533</u>	<u>101,244</u>	<u>130,941</u>	<u>232,185</u>
Net investment income	513,322	1,391,936	1,905,258	138,936	381,595	520,531
Other income	953	2,585	3,538	803	2,207	3,010
Total additions	<u>630,442</u>	<u>1,541,887</u>	<u>2,172,329</u>	<u>240,983</u>	<u>514,743</u>	<u>755,726</u>
<b>Deductions</b>						
Benefit payments	89,404	156,455	245,859	85,679	140,044	225,723
Refunds	3,417	2,420	5,837	4,873	1,236	6,109
Administrative expenses	4,127	11,208	15,335	3,511	9,648	13,159
Total deductions	<u>96,948</u>	<u>170,083</u>	<u>267,031</u>	<u>94,063</u>	<u>150,928</u>	<u>244,991</u>
<b>Change in net position</b>	533,494	1,371,804	1,905,298	146,920	363,815	510,735
<b>Allocation adjustments</b>	-	-	-	(12)	12	-
<b>Net position restricted for pensions</b>						
<b>Beginning of year</b>	<u>2,411,390</u>	<u>6,620,190</u>	<u>9,031,580</u>	<u>2,264,482</u>	<u>6,256,363</u>	<u>8,520,845</u>
<b>End of year</b>	<u>\$2,944,884</u>	<u>\$7,991,994</u>	<u>\$10,936,878</u>	<u>\$2,411,390</u>	<u>\$6,620,190</u>	<u>\$9,031,580</u>

## DC Retirement Board

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### Inside this DCRB Report

#### FY 2021 Investment Commentary, Financial Statements and more

#### From the Chair

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##### Self-Service Project

Focus group activities for the Self-Service Project ended on December 31, 2021. A full launch began on April 4, 2022, at which time FEMS retirees had access to the portal, followed by retired police officers on May 2 and retired teachers on June 6. Our thanks go out to those of you who participated in the focus group. Your feedback and suggestions were very helpful as we continued to build the program.

##### Benefits Statements

The Benefits Statements Project kicked off in March 2022, and we expect that Statements will be mailed to active members in early June. Updates for this Project will be posted on DCRB's website announcing the mailing date and providing answers to questions members may have.

### 2022 COLA Notices to Members

In February 2022, the District of Columbia Department of Human Resources announced the following cost-of-living adjustments (COLAs) for retired police officers and firefighters who were hired before November 10, 1996 and for retired teachers who were hired before November 1, 1996:

- Police Officers and Firefighters 7.0%
- Teachers 7.8%

In accordance with legislation passed in 1996, police officers/firefighters and teachers who were hired on or after November 10, 1996 and November 1, 1996, respectively, receive COLAs that are capped as follows:

- Police Officers and Firefighters 3.0%
- Teachers 3.0%

These increases were effective on March 1, 2022, and they were included in pension payments that were paid to the above retirees and their survivors on April 1, 2022. Members who retired after March 1, 2021 and before March 1, 2022, are entitled to a prorated COLA equal to 1/12th of the applicable increase for each month or partial month (for a maximum of 12 months) for which their annuity was effective. For more details about the 2022 COLAs, please visit DCRB's website at [dcrb.dc.gov](http://dcrb.dc.gov).

TRUSTEES				DC Retirement Board
Vacant <i>Mayoral Appointee</i>	Mary A. Collins <i>Elected Retired Teacher</i>	Danny C. Gregg <i>Vice-Chair/Secretary Elected Retired Police Officer</i>	Nathan A. Saunders <i>Elected Active Teacher</i>	900 7th Street, NW, 2nd Floor Washington, DC 20001 Voice (202) 343-3200 Fax (202) 566-5000 <b><a href="http://www.dcrb.dc.gov">www.dcrb.dc.gov</a></b> Gianpiero (JP) Balestrieri <i>Executive Director</i> Darrell S. Pressley <i>Director of Communications</i>
Lyle M. Blanchard <i>Council Appointee</i>	Christopher M. Finelli <i>Elected Active Firefighter</i>	Tracy S. Harris <i>Treasurer Mayoral Appointee</i>	Adam Weers <i>Council Appointee</i>	
Joseph M. Bress <i>Chair Council Appointee</i>	Geoffrey P. Grambo <i>Elected Retired Firefighter</i>	Greggory J. Pemberton <i>Elected Active Police Officer</i>	Carmen Pigler <i>Ex-Officio, Non-Voting</i>	
Joseph W. Clark <i>Mayoral Appointee</i>				