



DCRB Report

SPRING 2012

A Message from the Chairman of the Board

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.

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

Participants as of September 30, 2011

	Teachers	Police Officers	Firefighters
Active Participants	4,747	3,775	1,786
Retirees*	5,294	3,170	982
Survivors*	432	1,364	521
Disabled*	387	1,125	432
Terminated Vested*	794	139	49
TOTAL	11,654	9,573	3,770

Total Participants 24,997

*Federal and District Participants Combined

At their February 2012 meeting, the Board of Trustees held officer elections, and I am honored to have been 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: Joseph M. Bress, Board Secretary; Lyle M. Blanchard, Treasurer; Judith C. Marcus, Parliamentarian; and Diana K. Bulger, Sergeant-at-Arms. The election for the Retired Firefighter representative to the Board of Trustees took place in the fall of 2011, and the results were confirmed at the Board's January 2012 meeting. I would like to congratulate Mr. Thomas N. Tippett, who has been reelected to serve a third four-year term as the Retired Firefighter representative to the DCRB Board. I would also like to welcome a new trustee, Mr. James E. Bunn, to the Board of Trustees, who was appointed by the District of Columbia Mayor, Vincent Gray. His term began March 20, 2012, and will extend through January 27, 2015. Mr. Bunn previously served on the Board from 1991 through 1995. Mr. Joseph W. Clark's term ended March 20, 2012. On behalf of DCRB, I would like to thank Mr. Clark for his stellar service to the board. Finally, it was announced that Ms.

Barbara Davis Blum has been reappointed to the Board, and her term will extend through January 27, 2016.

I am pleased to announce that for the third year in a row, DCRB received the following two awards:

The Public Pension Coordinating Council Recognition for Funding, 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; and **The Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting** for our Fiscal Year 2010 Comprehensive Annual Financial Report (CAFR). This certificate is the highest form of recognition in the area of governmental accounting and financial reporting. Please go to www.dcrb.dc.gov to view DCRB's CAFR and other agency publications.

To meet its mission, DCRB has continued to improve communications and enhance Member Services while working to automate and streamline Benefits Administration. DCRB has also continued to control costs, to focus on the financial stability of the Funds, and to prudently invest the assets of the Funds. I look forward to highlighting further agency achievements in future newsletters.

Chairman's Corner



Michael J. Warren

Fiscal Year 2011 Investment Update

Performance Update

At the end of Fiscal Year 2011 (“FY 2011”), the combined assets of the Police Officers’, Firefighters’ and the Teachers’ retirement funds (“the Fund”) were valued at \$4.5 billion, which is an increase of approximately \$200 million after the payment of all member benefits and administrative expenses. During FY 2011, the Fund generated a gross return of 2.9%, outperforming the Total Portfolio Benchmark by 0.8%. The outperformance was driven by the Fund’s Absolute Return and Private Equity investments. Since its inception in October 1982, the Fund has outperformed the 7.0% actuarial return target by 1.9% every year, before the deduction of management fees.

Global Market Review

Following the U.S. Federal Reserve’s announcement of a second round of quantitative easing (QE2) in August 2010, the global capital markets experienced mixed results towards the end of 2010. While equity markets saw gains and the U.S. market outperformed its developed markets peers, bond markets gained less. Investors were uncertain due to several major geopolitical events during early 2011, including the political crises in the Middle East, a catastrophic natural disaster in Japan, and the continuing debt crisis in the Euro zone. However, asset prices were only minimally impacted during the high market volatility. During the fourth quarter of FY 2011, political gridlock over the debt ceiling in Washington, D.C., prompted investors to shift from risky assets to perceived safe-havens (e.g. the Swiss Franc and gold). In August 2011, the first-ever U.S. sovereign credit downgrade, continued unemploy-

ment, and weak growth figures caused more negativity for the market.

The Russell 3000 Index, an index measuring the performance of the 3,000 largest U.S. companies and representing approximately 98% of the investable U.S. equity market, increased 0.6% in FY 2011. International developed markets equities, as measured by the MSCI World Index ex U.S., declined 9.1% in U.S. dollar terms. Emerging market equities fell 16.2% in U.S. dollar terms. The Barclays Capital U.S. Aggregate Bond Index, a broad measure of U.S. bond markets, rose 5.3%. The Cambridge Associates Private Equity Index, an index of U.S. buyout and venture capital fund performance, rebounded by 24.6% while the NCREIF National Property Index, measuring private real estate returns, rose 16.1%.

Asset Allocation Update

In February 2011, the Board modified the strategic asset allocation targets to further diversify the portfolio and to improve the port-

folio’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 to minimize investment risk and expenses. The current targets and actual asset allocations are shown in the graph on this page.

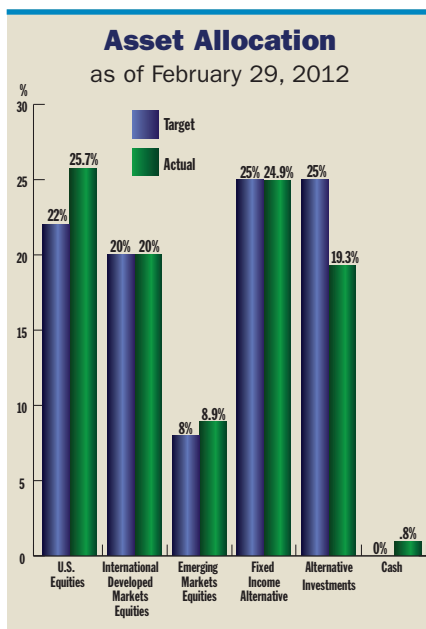
During FY 2012, the Board will conduct searches for dedicated emerging market debt, foreign bond, and high-yield bond managers. This will move the Fund’s actual allocation closer in line with the new targets.

Cliffwater Hired as Real Assets Investments Consultant

In August 2011, the Board retained Cliffwater LLC as its first real assets investment consultant. Cliffwater is working with the Board to establish a real assets investment policy and guidelines for its implementation. Subsequently, Cliffwater will help the Board develop a real assets investments strategy and assist in the evaluation of new real assets investment opportunities.

Looking Ahead

The primary task for FY 2012 is the completion of the asset allocation changes approved in 2011, including the restructuring of the fixed income portfolio. This is expected to further diversify the portfolio by adding dedicated investments in international developed markets bonds, emerging markets bonds, and high-yield bonds. In addition, the Board will develop investment policies and guidelines for the Absolute Return and Private Equity programs. For more information on DCRB’s investments program, please visit www.dcrb.dc.gov/service/investments.



Financial Statements

For Fiscal Year 2011, the Board once again received a clean opinion from its external auditor. The following schedules compare the audited FY 2011 financial statements with those of FY 2010.

Statement of Net Assets For the Fiscal Years ending September 30, 2011, and September 30, 2010 (\$000s)

	2011			2010		
	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	\$44,847	\$104,912	\$149,759	\$69,514	\$155,106	\$224,620
Receivables	48,687	104,926	153,613	75,261	153,870	229,131
Investments at fair value	1,345,088	3,146,575	4,491,663	1,291,887	2,882,591	4,174,478
Collateral from securities lending	124,663	291,625	416,288	162,369	352,834	515,203
Capital assets	3	6	9	5	11	16
Total assets	<u>1,563,288</u>	<u>3,648,044</u>	<u>5,211,332</u>	<u>1,599,036</u>	<u>3,544,412</u>	<u>5,143,448</u>
Liabilities						
Other payables	1,875	4,290	6,165	1,926	4,246	6,172
Investment commitments payable	95,197	222,695	317,892	115,898	258,604	374,502
Obligations under securities lending	125,504	293,592	419,096	163,742	355,820	519,562
Total liabilities	<u>222,576</u>	<u>520,577</u>	<u>743,153</u>	<u>281,566</u>	<u>618,670</u>	<u>900,236</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS						
	<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>
Employer contributions						
Employer contributions	\$0	\$127,200	\$127,200	\$0	\$132,300	\$132,300
Employee contributions						
Employee contributions	27,739	30,474	58,213	29,940	31,607	61,547
Net investment income/(loss)						
Net investment income/(loss)	44,364	81,973	126,337	125,756	270,277	396,033
Other Income						
Other Income	616	1,435	2,051	695	1,555	2,250
Total additions	<u>72,719</u>	<u>241,082</u>	<u>313,801</u>	<u>156,391</u>	<u>435,739</u>	<u>592,130</u>
Benefit payments						
Benefit payments	42,532	30,766	73,298	37,611	27,872	65,483
Refunds						
Refunds	4,060	1,913	5,973	3,374	1,974	5,348
Administrative expenses						
Administrative expenses	2,885	6,678	9,563	2,327	5,145	7,472
Total deductions	<u>49,477</u>	<u>39,357</u>	<u>88,834</u>	<u>43,312</u>	<u>34,991</u>	<u>78,303</u>
Change in net assets	<u>23,242</u>	<u>201,725</u>	<u>224,967</u>	<u>113,079</u>	<u>400,748</u>	<u>513,827</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF THE FISCAL YEAR						
	<u>1,317,470</u>	<u>2,925,742</u>	<u>4,243,212</u>	<u>1,204,391</u>	<u>2,524,994</u>	<u>3,729,385</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, END 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>

Did You Know?

Annuitant Verification

The District of Columbia Retirement Board (DCRB) has a responsibility to verify that you are receiving your annuity payment. Therefore, periodically, DCRB will request that a random sample of members acknowledge receipt of benefit payments.

Life Event Changes

Changes in your status may have an effect on your pension benefits. If you become married, divorced, widowed, or if you have a change in your child student status, you should report these events to DCRB.

Beneficiary Update

In the event that something may happen to you, it is important to ensure your beneficiary information is up-to-date. To update your beneficiary information related to your pension benefits, please contact the DCRB Member Services Center using the

information on the first page of this newsletter.

Phone System

DCRB has a 24 hour automated phone system. This means that you can order forms, make requests for information, request an appointment, or simply leave a message – all at the convenience of your schedule.

Useful Numbers

D.C. Public Schools Human Resources Office **(202) 442-4090**

Metropolitan Police Department Human Resources Office **(202) 727-4286**

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

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

2012 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 2012:

Police and firefighters hired before November 10, 1996:	3.0%
Police and firefighters hired on or after November 10, 1996:	3.0%*
Teachers hired before November 1, 1996:	3.2%
Teachers hired on or after November 1, 1996:	3.0%

These increases were effective March 1, 2012, and they were included in pension payments that were issued on April 1, 2012.

*Since this percentage is at the 3% cap applicable to police officers and firefighters hired on or after November 10, 1996, and their survivors, their COLA effective on March 1, 2012, is 3.0%.

TRUSTEES

Lyle M. Blanchard
Treasurer
Council Appointee

Barbara Davis Blum
Mayoral Appointee

Joseph M. Bress
Secretary
Council Appointee

Diana K. Bulger
Sergeant-at-Arms
Mayoral Appointee

James E. Bunn
Mayoral Appointee

Deborah Hensley
Elected Active Teacher

Judith C. Marcus
Parliamentarian
Elected Retired Teacher

Darrick O. Ross
Elected Active Police Officer

Edward C. Smith
Elected Active Firefighter

George R. Suter
Elected Retired Police Officer

Thomas N. Tippet
Elected Retired Firefighter

Michael J. Warren
Chairman
Council Appointee

Lasana K. Mack
Ex Officio, Non-Voting

D.C. Retirement Board

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Eric O. Stanchfield
Executive Director

Fiscal Year 2011 Update

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