Given the constant stream of worrisome news about the economy in the U.S. and around the world, the D.C. Retirement Board’s (DCRB) investment staff would like to provide a brief update on the status of the D.C. Police Officers and Firefighters’ Retirement Fund and the D.C. Teachers’ Retirement Fund (collectively referred to as “the Fund”). As of June 30, 2012, the Fund was valued at $5.0 billion, just below its peak value of $5.1 billion at the end of May 2012. Over the course of the twelve months through June 30, 2012, investment performance was roughly flat, generating a return of −0.6%, net of all fees and expenses. Over the longer term, the Fund returned 5.4% per year over the last ten years.

The Fund has significant diversification to provide long-term risk mitigation in a variety of economic scenarios, including deflationary and inflationary environments. In the current low-growth environment, the Fund is benefiting from its 23% allocation to fixed income securities, which have generated a return of +7.1% over the last year, offsetting lower returns from U.S. equities (+3.0%) and developed markets (ex U.S.) equities (-14.9%). At the same time, the Fund has a significant allocation to inflation-sensitive assets, such as Treasury-Inflation Protected Securities (TIPS), real estate, infrastructure, and commodities, which should provide some protection in an inflationary environment.

Over the course of the last quarter, the investment staff completed a restructuring of the fixed income portfolio to further increase diversification and downside protection in case of a prolonged economic slowdown. In the coming months, the staff will continue to diversify the portfolio by adding exposure to U.S. oil and gas assets, as well as global real estate to take advantage of attractive investment opportunities in these markets.

If you are interested in reading the most current investment reports, they can be found on the DCRB website at www.dcrb.dc.gov. Simply click on Investments from the top menu and then, on the left-hand menu, click on Investment Reports.
The Plans administered by the District of Columbia Retirement Board (DCRB) are known as defined benefit (“DB”) plans. DB plans are a major type of pension plan that specify the retirement benefit employees will receive when they retire from employment. DB plans pay a defined amount upon retirement based on length of service, age, and the employee’s earnings history. Because the benefit is defined, employees know what benefit payout to expect when they retire, thus enabling them to plan ahead.

A new national economic impact study finds that DB pension benefits have a significant economic impact. A new study calculates that rates of poverty among older households lacking DB pension income were approximately nine times greater than the rates among older households with DB pension income in 2010, up from six times greater in 2006.

Older households with lifetime pension income are far less likely to experience food, shelter, and health care hardship, and are less reliant on public assistance. The data indicate that pensions are a factor in preventing middle class Americans from slipping into poverty during retirement. More specifically, the report estimates that in 2010, DB pension receipt among older American households was associated with:

- 4.7 million fewer poor and near-poor households
- 460,000 fewer households that experienced a food insecurity hardship
- 1.22 million fewer households receiving means-tested public assistance

These findings are contained in a new report, “The Pension Factor 2012: Assessing the Role of Defined Benefit Plans in Reducing Elder Economic Hardships,” an update of a similar study conducted in 2009. The report was authored by Dr. Frank Porell, Professor of Gerontology at the University of Massachusetts-Boston, and Diane Oakley, Executive Director at the National Institute on Retirement Security (NIRS). The full report is available at www.nirsonline.org.

Information courtesy of The National Institute on Retirement Security is a non-profit, non-partisan organization established to contribute to informed policymaking by fostering a deep understanding of the value of retirement security to employees, employers, and the economy as a whole.