



DCRB Report

SPRING 2018

Inside

2 FY 2017 Investment Performance

3 DCRB Financial Statements

The mission of DCRB is to prudently invest the assets of the District of Columbia Police Officers and Fire Fighters' Retirement Fund and the District of Columbia Teachers' Retirement Fund for the exclusive benefit of the members of the District of Columbia Police Officers and Firefighters' Retirement Plan and the District of Columbia Teachers' Retirement Plan and to provide Plan members with total retirement services.

2018 COLA Notices to Members

The DC Department of Human Resources announced the 2018 cost-of-living adjustments (COLAs) for retirees and survivors receiving annuities under the District of Columbia Police Officers and Firefighters' Retirement Plan and the District of Columbia Teachers' Retirement Plan, as follows:

- Police officers and firefighters who retired on or after February 15, 1980, and their survivors: 2.1%
- Teachers hired before, on, or after November 1, 1996, and their survivors: 2.2%

COLAs are effective on March 1 of each year and are included in annuity payments payable April 1.

COLAs are prorated for members who retired after March 1, 2017, and before March 1, 2018.

From the Chairman of the Board

The District of Columbia Retirement Board (the Board) held elections during its March 2018 meeting to fill its officer positions for calendar year 2018. I am pleased to report that the Trustees elected me to serve a second term as the Board's Chairman. They also reelected Gary Hankins as Vice Chair/Secretary and Lyle Blanchard as Treasurer.

Over the past several newsletters, we introduced you to members of the Board, who were appointed by the Mayor, and elected by you. The Trustees, presented below in alphabetical order, were appointed by the District Council.



Joseph W. Clark

Council Trustees

Lyle M. Blanchard is the Board's Treasurer. He also serves as Chair of the Legislative Committee, Vice Chair of the Fiduciary Committee, and he is a member of the Investment Committee. Mr. Blanchard is an attorney with Greenstein DeLorme and Luchs, PC. His practice areas include land use, zoning, historic preservation, and real estate development. From 1995 to 2000, Mr. Blanchard was the Committee Clerk for Councilmember Jack Evans, and from 1992 to 1994, he was Legislative Assistant to former Councilmember James Nathanson. He was first appointed to the Board in November 2002. Mr. Blanchard is a member of the District of Columbia Bar Association, the Maryland State Bar Association, and the American Bar Association. He graduated from Marlboro College, received a Master of Arts degree in Legal Studies from Antioch University, and a Juris Doctor degree from the Columbus School of Law of the Catholic University of America. His current term expires on January 27, 2021.



Joseph M. Bress is Vice Chair of the Audit and Operations Committees, and a member of the Investment Committee. He was first appointed to the Board in October 2008, and he served several terms as Chairman of the Board. Mr. Bress retired from his position as Vice President of Labor Relations for the National Railroad Passenger Corporation (Amtrak). Prior to Amtrak, he held several positions in New York State Government. He was appointed head of the Governor's Office of Employee Relations, and he was also the first Executive Director of the New York State Ethics Commission. From 1990 to 1995, he served as Chair of the Commission that implemented the Ethics in Government Act in New York, and he has held other positions, including General Counsel to the Governor's Office of Employee Relations. He presently is on contract to provide labor relations services on behalf of the governor of New York State. Mr. Bress is a graduate of Binghamton University and Buffalo Law School. His current term expires on January 27, 2020.



Michael J. Warren has served on the Board since March 2005. He chairs the Investment Committee, and is a member of the Board's Fiduciary and Legislative Committees. From 2011 to 2013, Mr. Warren served as Chairman of the Board. Mr. Warren is the Global Managing Director at Albright Stonebridge Group, a global investment strategy firm. Previously, at McKinsey & Company, Mr. Warren provided strate-



Continued on page 4

FY 2017 Investment Performance

As of September 30, 2017, the Fund's total assets stood at \$7.8 billion after the payment of benefits and administrative expenses. This is a \$1 billion increase over the prior twelve-month period. During this period, the Fund generated a net return of 13.0%, outperforming the (actuarial) return target of 6.5%.

Global Market Review

At a high level, the global economic environment continued to be stable as the economic recovery continued at a moderate pace into its ninth year. Unemployment fell again in the U.S., the Eurozone economy expanded, and companies in the Emerging Markets experienced strong earnings growth. Many market participants felt uncertain about the implications of the recent U.S. presidential election, but broadly maintained their global equity (stock) allocations given the ongoing economic growth.

In terms of investment returns, the Russell 3000 Index, which measures the performance of the 3,000 largest U.S. companies and

represents approximately 98% of the U.S. equity market, rose by 18.7% during the fiscal year ending September 30, 2017. International developed equity markets, as measured by the MSCI World ex U.S. Index, also increased by 18.7%, while emerging equity markets, as measured by the MSCI Emerging Markets Index, advanced 22.5%. The Bloomberg Barclays U.S. Aggregate Bond Index, a broad measure of U.S. fixed income markets, was nearly unchanged at 0.1%.

Asset Allocation

As of September 30, 2017, all asset classes were within their respective target allocation ranges, except for private equity. The underweight in private equity is driven by a deliberate, measured pace of new commitments and a high volume of realizations from more mature funds over the last few years. The current underweight should moderate in the coming years, as new funds invest capital and mature funds slow the pace of distributions.

Over the course of the fiscal year ending September 30, 2017, the

Board completed the implementation of the new strategic asset allocation, which was approved in November 2016. The strategic asset allocation lays out the targeted mix of stocks, bonds and other types of investments for the Fund. This process resulted in additional contributions to high-yield debt, bank loans, inflation-protected bonds, and global real estate securities, as well as a reduction in U.S. and international developed market public equities.

Other Updates

November 2017 Asset Allocation Review

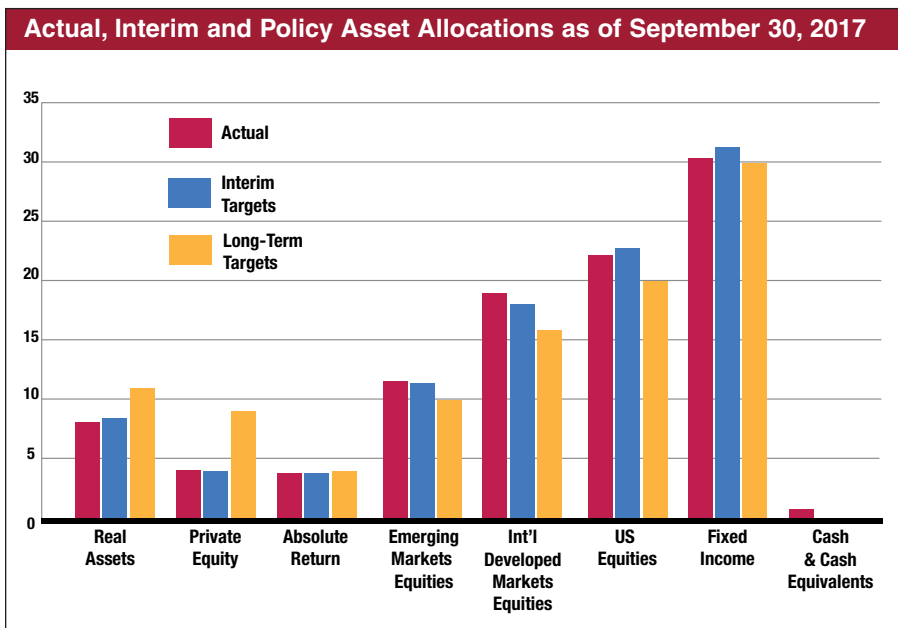
In November 2017, the Board reviewed the Fund's strategic asset allocation and approved changes to alternative investment targets (an increase in real assets and private equity and a decrease in absolute return).

Environmental, Social, and Governance (ESG)

The staff and consultant continued to implement the Board's ESG policy into the investment and operational due diligence processes. The policy was first adopted in November 2013. The evaluation of ESG risks and opportunities continues to be a focus in the evaluation of prospective and existing investment managers.

Private Market Commitments

Within the alternative investments program, the Board committed a total of \$525 million to seventeen private equity and real assets limited partnerships. In private equity, this includes funds focused on U.S. buyouts, Western European buyouts, and U.S. growth equity. In real assets, commitments included opportunistic real estate in the U.S. and Western Europe, as well as natural resources investments.



DCRB Financial Statements

For FY 2017, the Board once again received an unmodified, clean opinion from its independent auditor. The following schedules compare the FY 2017 financial statements with those of FY 2016.

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

	September 30, 2017			September 30, 2016		
	Teachers' Retirement Fund	Police Officers and Fire Fighters' Retirement Fund	Total	Teachers' Retirement Fund	Police Officers and Fire Fighters' Retirement Fund	Total
Assets						
Cash and short-term investments	\$23,675	\$64,541	\$88,216	\$ 13,993	\$ 37,487	\$ 51,480
Receivables & Prepaid expenses	19,504	44,180	63,684	5,005	9,240	14,245
Investments at fair value	2,046,711	5,628,706	7,675,417	1,807,998	4,920,614	6,728,612
Total assets	2,089,890	5,737,427	7,827,317	1,826,996	4,967,341	6,794,337
Liabilities						
Other payables	1,706	4,631	6,337	2,393	5,486	7,879
Investment commitments payable	17,585	48,354	65,939	2,654	7,224	9,878
Total liabilities	19,291	52,985	72,276	5,047	12,710	17,757
Net Assets Held in Trust For Pension Benefits	\$2,070,599	\$5,684,442	\$7,755,041	\$1,821,949	\$4,954,631	\$6,776,580

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

	September 30, 2017			September 30, 2016		
Additions						
District Government contributions	\$56,781	\$145,631	\$202,412	\$ 44,469	\$ 136,115	\$ 180,584
Employee contributions	34,364	33,424	67,788	33,591	32,785	66,376
Total contributions	91,145	179,055	270,200	78,060	168,900	246,960
Net investment income (loss)	239,554	655,310	894,864	152,262	415,157	567,419
Other income	907	2,468	3,375	1,033	2,810	3,843
Total additions (reductions)	331,606	836,833	1,168,439	231,355	586,867	818,222
Deductions						
Benefit payments	72,069	92,537	164,606	68,634	78,920	147,554
Retirement benefits payable to U.S. Treasury	-	-	-	459	217	676
Refunds	6,166	1,647	7,813	6,205	2,179	8,384
Administrative expenses	4,721	12,838	17,559	4,746	12,918	17,664
Total deductions	82,956	107,022	189,978	80,044	94,234	174,278
Change in Net Position	248,650	729,811	978,461	151,311	492,633	643,944
Net Assets Held in Trust For Pension Benefits, Beginning of Fiscal Year	1,821,949	4,954,631	6,776,580	1,670,638	4,461,998	6,132,636
Net Assets Held in Trust For Pension Benefits, End of Fiscal Year	\$2,070,599	\$5,684,442	\$7,755,041	\$1,821,949	\$4,954,631	\$6,776,580

DC Retirement Board

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Inside this DCRB Report

Fiscal Year 2017 Investment Summary and Financial Statements

From the Chairman of the Board

continued from page 1

gic consultation in the technology and financial institutions practices, and as a fellow of the McKinsey Global Institute. Mr. Warren is a member of the Board of Trustees of the Commonfund, a Connecticut-based institutional investment firm that manages \$24 billion in assets. President Obama appointed him to two terms on the Board of Directors of the Overseas Private Investment Corporation, where he chairs the Audit Committee. He also worked at Walker and Dunlop, a commercial real estate finance company, is a member of the Board of Advisors of the Yale School of Management, the Yale President's Council for International Activities and the Yale President's University Council. He has also served as an economic advisor in several presidential administra-

tions. A Rhodes Scholar, Mr. Warren earned his degrees from Yale University and Balliol College, Oxford University. Mr. Warren's current term expires on January 27, 2019.

Summary Plan Descriptions

Updated Summary Plan Descriptions (SPDs) were distributed to members of the District of Columbia Police Officers and Firefighters' Retirement Plan and the District of Columbia Teachers' Retirement Plan (the Plans) in late May and early June. These booklets, which were updated as of December 31, 2017, were mailed in paper form to annuitants, and in electronic form to active members of the Plans. Active members who prefer a paper copy may request one, free of charge, from their human resources office. These important documents, which summarize the statutory provisions of the Plans, also contain useful

information on the retirement process, and who to contact for certain types of information.

Benefit Statements

After successfully developing benefit statements (Statements) for firefighters last year, DCRB's Benefits Department is preparing Statements this year for all active members (police officers, firefighters, and teachers). The Statements, which are expected to be distributed this summer, and annually thereafter, provide members with the data used to calculate their benefits, and their estimated monthly benefit, projected to their earliest retirement date, using their average salary as of December 31, 2017. Also, for those who were vested (had five years of service) as of December 31, 2017, the benefit accrued as of that date will be included.

TRUSTEES				DC Retirement Board
Janice M. Adams <i>Mayoral Appointee</i>	Mary A. Collins <i>Elected Retired Teacher</i>	Nathan A. Saunders <i>Elected Active Teacher</i>	Michael J. Warren <i>Council Appointee</i>	900 7th Street, NW, 2nd Floor Washington, DC 20001 Voice (202) 343-3200 Fax (202) 566-5000 www.dcrb.dc.gov Sheila Morgan-Johnson <i>Executive Director</i> Joan M. Passerino <i>Editor</i>
Lyle M. Blanchard <i>Treasurer Council Appointee</i>	Gary W. Hankins <i>Vice Chair/Secretary Elected Retired Police Officer</i>	Edward C. Smith <i>Elected Active Firefighter</i>	Lenda P. Washington <i>Mayoral Appointee</i>	
Joseph M. Bress <i>Council Appointee</i>		Thomas N. Tippet <i>Elected Retired Firefighter</i>	Jeffrey A. Barnette <i>Ex Officio, Non-Voting</i>	
Joseph W. Clark <i>Chair Mayoral Appointee</i>	Darrick O. Ross <i>Elected Active Police Officer</i>			