



DCRBReport

SPRING 2019

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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.

2019 COLA

On February 7, 2019, the DC Human Resources Office issued a notification indicating a 1.9% cost-of-living adjustment (COLA) for eligible District of Columbia Police Officers and Firefighters' Retirement Plan retirees and survivors and a 1.8% COLA for eligible District of Columbia Teachers' Retirement Plan retirees and survivors. These increases were effective March 1, 2019, and were included in annuity payments beginning April 1, 2019.

Members who retired after March 1, 2018 and before March 1, 2019, were entitled to a prorated COLA equal to 1/12th of the above increases for each month or partial month (for a maximum of 12 months) for which their annuity was effective prior to March 1, 2019. Note: police officers and firefighters who retired before February 15, 1980, are under equalization rather than COLAs, and receive annuity adjustments based on pay increases granted to active members.

From the Chairman of the Board

During its meeting on March 20, 2019, the District of Columbia Retirement Board (DCRB or the Board) conducted elections to determine which Trustees would serve as Board officers for 2019. I am happy to report that my colleagues elected me to serve a third one-year term as Chairman of the Board. They also reelected Trustee Gary Hankins to serve another year as Vice Chair/Secretary, and Trustee Lyle Blanchard to serve as Treasurer.



Joseph W. Clark

New Trustees

As we noted in several of our newsletters last year, DCRB conducted elections for two Trustee positions, one for the Active Police Officer Trustee and the other for the Active Teacher Trustee. In December 2018, the Board certified Gregory J. Pemberton as the winner of the Active Police Officer election, and in January 2019, the Board certified Dr. Denise D. Daniels as the winner of the Active Teacher election. In addition, in April 2019, Mayor Muriel Bowser appointed Tracy S. Harris to serve on the Board. Trustee Harris succeeds Lenda P. Washington as a mayoral trustee. Below, in alphabetical order, is information on each of the new trustees.

Dr. Denise D. Daniels



Trustee Daniels has served the District of Columbia Public Schools as a School Psychologist for over 20 years. During that time, she has served as a member of the Council of School Officers and the Washington Teachers' Union (WTU). She also served on the executive board of the WTU from 2011 to 2014, and she currently serves as the President of the DC Association of School Psychologists. Dr. Daniels holds Doctorate and Master's degrees in Clinical Psychology from Loyola University of Chicago, and a Bachelor's degree in Psychology with departmental honors from Spelman College. Trustee Daniels' term on DCRB's Board began on January 28, 2019, and will continue through January 27, 2021.

Tracy S. Harris



In a swearing in ceremony on April 9, 2019, Tracy S. Harris began her term as a mayoral appointee to the Board. Trustee Harris is the Chief Business Officer & Chief Financial Officer at the Bullis School, where she has been employed since 2015. Previously, Trustee Harris was the Chief Financial Officer for The BondFactor Company; Chief Financial Officer & Vice President of Administration for the American Institute of Architects; Senior Vice President & CFO for Delon Hampton & Associates; Chief Financial Officer of the Walter Washington Convention Center, and Associate Treasurer for the District of Columbia government. Trustee Harris is a graduate of the General Management Program at the Harvard Business School, and has a Master of Government Administration degree from the University of Pennsylvania, an MBA from St. Louis University, and a BS from Fontbonne University. Trustee Harris' term on the Board will continue through January 27, 2023.

Greggory J. Pemberton



Trustee Pemberton is a Chicago native and attended high school and college while living there. He graduated with a BS in Engineering from Columbia College Chicago, and moved to Washington, DC in 2005 to join the Metropolitan Police Department. After joining the Department, he was

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FY 2018 Investment Performance

Following the payment of benefits and administrative expenses, the Fund’s assets totaled \$8.2 billion as of September 30, 2018, an increase of \$444 million from the end of FY 2017. During FY 2018, the Fund generated a gross return of 5.4%, slightly below the policy benchmark return of 5.7% over the same period.

Global Market Review

During the first quarter of FY 2018, U.S. equity markets rose 6.3%, driven by strong corporate earnings and an anticipated boost from tax cuts. Developed international markets increased 4.2%, and emerging markets equities gained 7.4%, driven by improving global economic data and a depreciating U.S. dollar. Increased tightening by central banks around the world, coupled with the announcement of U.S. trade sanctions, fueled investor fear and led to a sharp increase in market volatility during the second quarter. U.S. equities declined by -0.8%, devel-

oped international markets fell by -1.5%, and emerging markets equities gained 1.4%.

In the third quarter, U.S. equities and developed international equities proved resilient considering escalating trade tensions, and generated returns of 3.4% and -1.2%, respectively. U.S. markets were led higher by large-cap growth companies. In emerging markets, the increasing trade war rhetoric led to a sell-off in bonds and equities, with equities falling -8.0%. A strengthening U.S. dollar also caused a deterioration in developed international and emerging markets equity returns.

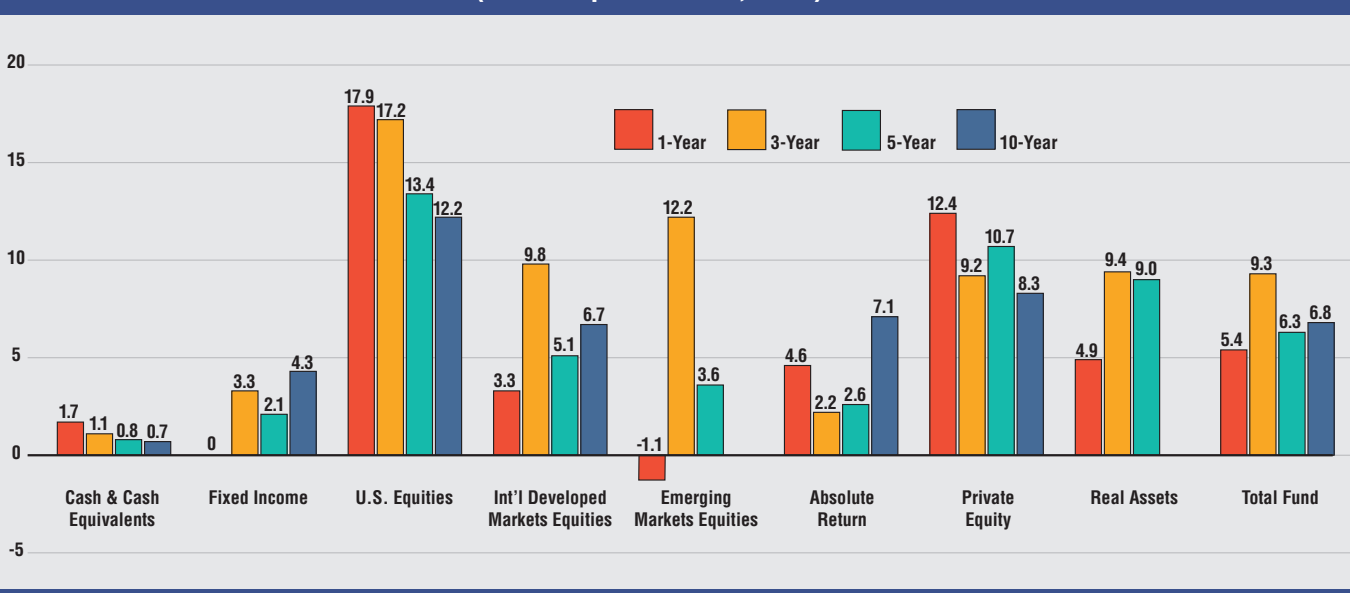
During the fourth quarter of the fiscal year, U.S. consumer confidence reached its highest level since 2000, corporate earnings and economic growth remained strong, the unemployment rate declined to 3.9%, and Apple and Amazon both reached unprecedented \$1 trillion valuations. U.S. stocks finished near record highs, with the Russell 3000 Index up 7.1%, Outside the U.S.,

developed market stocks returned 1.3%, while concerns about the potential impact of global trade tensions, rising Fed funds rate expectations, and a strong U.S. dollar acted as headwinds for emerging markets equities, resulting in a decline of -1.1%.

Investment Results for FY 2018

As noted above, at the close of FY 2018, the Fund held assets of \$8.2 billion, and generated a gross return of 5.4% for the fiscal year. Over the intermediate term, the Fund generated an annualized gross return of 9.3% over the last three years, 6.3% over the last five years, and 6.8% over the last 10 years. Since inception (October 1982), the Fund’s gross return was 8.8% per year, exceeding the actuarial target by 2.3%. The Fund’s underperformance during the year was primarily driven by its asset allocation, especially from underweights to U.S. equities, public real estate, and natural resources.

Historical Gross Fund Performance (As of September 30, 2018)



DCRB Financial Statements

For FY 2018, the Board once again received an unmodified, clean opinion from its independent auditor. The following schedules compare the FY 2018 financial statements with those of FY 2017.

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

	September 30, 2018			September 30, 2017		
	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	\$15,735	\$43,599	\$59,334	\$23,675	\$64,541	\$88,216
Receivables & prepaid expenses	\$4,038	\$4,619	\$8,657	\$19,504	\$44,180	\$63,684
Investments at fair value	\$2,159,823	\$5,984,412	\$8,144,235	\$2,046,711	\$5,628,706	\$7,675,417
Total Assets	\$2,179,596	\$6,032,630	\$8,212,226	\$2,089,890	\$5,737,427	\$7,827,317
Liabilities						
Other payables	\$2,329	\$5,644	\$7,973	\$1,706	\$4,631	\$6,337
Investment commitments payable	\$1,161	\$3,216	\$4,377	\$17,585	\$48,354	\$65,939
Total Liabilities	\$3,490	\$8,860	\$12,350	\$19,291	\$52,985	\$72,276
Net Assets Held in Trust For Pension Benefits	\$2,176,106	\$6,023,770	\$8,199,876	\$2,070,599	\$5,684,442	\$7,755,041

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

	September 30, 2018			September 30, 2017		
Additions						
District Government contributions	\$59,046	\$105,596	\$164,642	\$56,781	\$145,631	\$202,412
Employee contributions	\$40,324	\$34,478	\$74,802	\$34,364	\$33,424	\$67,788
Total contributions	\$99,370	\$140,074	\$239,444	\$91,145	\$179,055	\$270,200
Net Investment Income (loss)	\$94,129	\$316,842	\$410,971	\$239,554	\$655,310	\$894,864
Other Income	\$1,038	\$2,356	\$3,394	\$907	\$2,468	\$3,375
Total additions (reductions)	194,537	459,272	653,809	\$331,606	\$836,833	\$1,168,439
Deductions						
Benefit payments	\$78,430	\$106,794	\$185,224	\$72,069	\$92,537	\$164,606
Refunds	\$6,126	\$1,580	\$7,706	\$6,166	\$1,647	\$7,813
Administrative Expenses	\$4,474	\$11,570	\$16,044	\$4,721	\$12,838	\$17,559
Total deductions	\$89,030	\$119,944	\$208,974	\$82,956	\$107,022	\$189,978
Change in Net Position	\$105,507	\$339,328	\$444,835	\$248,650	\$729,811	\$978,461
Net Assets Held in Trust For Pension Benefits, Beginning of Fiscal Year	\$2,070,599	\$5,684,442	\$7,755,041	\$1,821,949	\$4,954,631	\$6,776,580
Net Assets Held in Trust For Pension Benefits, End of Fiscal Year	\$2,176,106	\$6,023,770	\$8,199,876	\$2,070,599	\$5,684,442	\$7,755,041

DC Retirement Board

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From the Chairman of the Board

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assigned to the Patrol Section of the Third District, and later to the Third District Vice Unit. During his time in the Vice Unit, he completed his MS in Management at Johns Hopkins University in Baltimore by attending classes during the day and working the night shift. In 2008, Trustee Pemberton was promoted to Detective Grade 2 and assigned to the Seventh District Detective's Unit. In 2017, he was promoted to Detective Grade 1. Trustee Pemberton has been a long-serving, elected Union Representative in the DC Police Union, and is currently serving his third term as the Union's Treasurer. Trustee Pemberton's term on DCRB's Board began on January 28, 2019, and will continue through January 27, 2023.

Updates

Strategic Planning Project

In August 2018, DCRB began a Strategic Planning Project (Project) for the years 2018 through 2023 that involved all DCRB trustees and staff. We are currently in the process of completing the Project, which includes an update of our mission and vision statements, core values, a strategy map, and priority initiatives. Among our priorities, in addition to keeping the Plans fully funded and providing you with prompt and excellent service, is to work with our agency partners to review the steps in the retirement process to identify ways we might shorten the time it takes to provide our retiring members with their first annuity payment. We will keep you informed of our progress as this initiative evolves over the next few months.

Benefit Statements

Once again, DCRB plans to provide all active, vested members of the District of Columbia Police Officers and Firefighters' Retirement Plan and the District of Columbia Teachers' Retirement Plan (the Plans) with benefit statements (Statements) that will indicate the annuity amount accrued as of December 31, 2018, as well as projected to your earliest retirement date. To be vested, members must have at least five years of creditable service. Since the Statements are mailed to your home address, you should make sure that your address in the District's PeopleSoft system is accurate, and that any data issues you are aware of have been corrected. We expect to distribute the Statements toward the end of the year.

TRUSTEES

Janice M. Adams
Mayoral Appointee
Lyle M. Blanchard
*Treasurer
Council Appointee*
Joseph M. Bress
Council Appointee
Joseph W. Clark
*Chairman
Mayoral Appointee*

Mary A. Collins
*Elected Retired
Teacher*
Dr. Denise D. Daniels
*Elected Active
Teacher*
Gary W. Hankins
*Vice Chair/Secretary
Elected Retired
Police Officer*

Tracy S. Harris
Mayoral Appointee
Greggory J. Pemberton
*Elected Active
Police Officer*
Edward C. Smith
*Elected Active
Firefighter*
Thomas N. Tippet
*Elected Retired
Firefighter*

Michael J. Warren
Council Appointee
Bruno Fernandes
*Ex-Officio,
Non-Voting*

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