REPORT ON INVESTMENT ACTIVITY

Prepared by Sheila Morgan-Johnson, Chief Investment Officer

I. Introduction

The District of Columbia Retirement Board (the "Board"), a defined benefit plan, manages and controls the assets of the Teachers' Retirement Fund and the Police Officers' and Firefighters' Retirement Fund (the "Fund"). The Board is charged by law with responsibility for the investment of these assets.

The Board retains the services of independent investment consultants who possess specialized experience and resources in asset allocation, investment strategy and investment manager selection. The Board's traditional investment managers acknowledge their fiduciary responsibility in writing. Investment managers are accorded full discretion within general and specific investment manager policy guidelines.

II. Investment Objectives and Policies

The Board targets investment returns that meet or exceed the actuarial investment return target at a level of risk commensurate with the target return and consistent with prudent investment practices. The current actuarial investment return target is 6.5%, net of investment management fees and administrative expenses. In addition to meeting or exceeding the actuarial return target over the long-term, a secondary return objective is to exceed the annualized total return of the Board's strategic asset allocation benchmark (the "Policy Benchmark").

Strategic Asset Allocation as of September 30, 2013:

As a long-term investor, the Board believes that it can generate the highest risk-adjusted returns through a diversified portfolio with an emphasis on equity investments. Although equities are generally more volatile than other asset classes in the short-term, if properly diversified, they are expected to yield higher total returns in the long-term. In addition, while the Board generally believes in the value of active management, it has pursued lower cost passive investment strategies (e.g., index funds) in more efficient markets where active managers have a lower likelihood of generating excess returns.

III. FY 2013 Global Market Review

Global markets continued their recovery during fiscal year 2013. After a flat fourth quarter of 2012, U.S. markets rallied nearly 11% during the first quarter of 2013 following the resolution of the doomsday fiscal cliff scenario. Non-U.S. developed markets saw a 5% gain during the first quarter 2013 after being up nearly 7% during the final quarter of 2012. Markets continued their rise during the second quarter of 2013 until Chairman Bernanke's testimony in late May raised fears that the Fed might soon reduce its quantitative easing measures. U.S. stocks and bonds had a wild ride in June as investors switched to a "risk-off" position and U.S. Treasury yields started to rise significantly for the first time in over two years. Non-U.S. developed markets, in contrast, had a fairly calm quarter. Global markets continued to perform well in the third quarter 2013, despite ongoing monetary, fiscal and political concerns. The U.S. market was up 5.2% and the non-U.S. developed markets gained 11.6%.

Asset Class	Performance Benchmark	Weight
Fixed Income	Fixed Income Benchmark	25%
U.S. Equities	Russell 3000 Index	22%
International Developed Markets Equities	MSCI World Index ex-U.S. (net)	20%
Emerging Markets Equities	MSCI Emerging Markets Index (net)	8%
Absolute Return	1-Month LIBOR	10%
Private Equity	Cambridge Associates U.S. Private Equity Index (lag)	8%
Real Assets	CPI-U + 700 bps	7%

REPORT ON INVESTMENT ACTIVITY

Over the course of fiscal year 2013, the Russell 3000 Index, an index that measures the performance of the 3,000 largest U.S. companies and that represents approximately 98% of the U.S. equity market, increased 21.6%. International developed equity markets, as measured by the MSCI World ex U.S. Index, rose 21.4% in U.S. dollar terms. Emerging markets equities, as measured by the MSCI Emerging Markets Index, underperformed international developed markets during the period, generating +1.0% in U.S. dollar terms. The Barclays Capital U.S. Universal Index, a broad measure of U.S. fixed income markets, fell 1.0%, driven by a rise in Treasury yields.

IV. FY 2013 Investment Results

As of September 30, 2013, the Fund's net position was $5.8 billion after the payment of all benefits and all other administrative expenses, an increase of approximately $600 million compared to the end of FY 2012. The Fund generated a gross return of 11.3%, outperforming the Total Fund Benchmark by 1% and the actuarial return target by nearly 5% for the fiscal year, driven by a moderate overweight to U.S. equities and underweight to absolute return strategies. Manager selection in U.S. equities, non-U.S. developed equities, and U.S. fixed income markets also added to relative performance. The Fund's managers in these asset classes significantly outperformed their passive benchmarks. Over the long-term, the Fund underperformed the Total Fund Benchmark but exceeded the actuarial return target of 6.5%, returning an annualized 9.2% since October 1982.

Exhibit 1 shows the gross returns for the Fund and each asset class over the one, three, five, and ten-year time periods ending September 30, 2013. The returns were calculated by the Board's custodian bank, State Street, and are time-weighted returns computed in conformance with the CFA Institute's Global Investment Performance Standards (GIPS). Benchmark returns are presented below each asset class for relative performance comparison purposes.

REPORT ON INVESTMENT ACTIVITY

Exhibit 1
Investment Performance (Gross of Fees) for Periods Ending September 30, 2013

Asset Class	1-Year	3-Year	5-Year	10-Year
Total Fund	**11.3%**	**9.5%**	**7.2%**	**6.8%**
Total Fund Benchmark[1]	*10.3%*	*8.7%*	*7.2%*	*7.6%*
Cash and Cash Equivalents	**0.8%**	**0.4%**	**0.5%**	**2.1%**
3-month U.S. Treasury Bills	*0.1%*	*0.1%*	*0.2%*	*1.7%*
Fixed Income	**-0.6%**	**3.9%**	**6.6%**	**5.1%**
Fixed Income Benchmark[2]	*-1.0%*	*3.4%*	*5.9%*	*4.7%*
U.S. Equities	**22.2%**	**17.2%**	**11.1%**	**8.1%**
Russell 3000 Index	*21.6%*	*16.8%*	*10.6%*	*8.1%*
International Developed Markets Equities	**22.4%**	**7.9%**	**8.4%**	**8.9%**
MSCI World Index ex U.S.(net)	*21.5%*	*7.6%*	*7.3%*	*8.9%*
Emerging Markets Equities	**1.5%**			
MSCI Emerging Markets Index (net)	*1.0%*			
Absolute Return	**2.8%**	**8.9%**	**11.8%**	
1-Month LIBOR	*0.2%*	*0.2%*	*0.3%*	
Private Equity	**13.0%**	**13.3%**	**5.9%**	**8.6%**
Cambridge Associates U.S. Private Equity Index	*16.3%*	*15.6%*	*7.9%*	*15.3%*
Real Assets	**8.5%**			
CPI + 7%	*8.3%*			

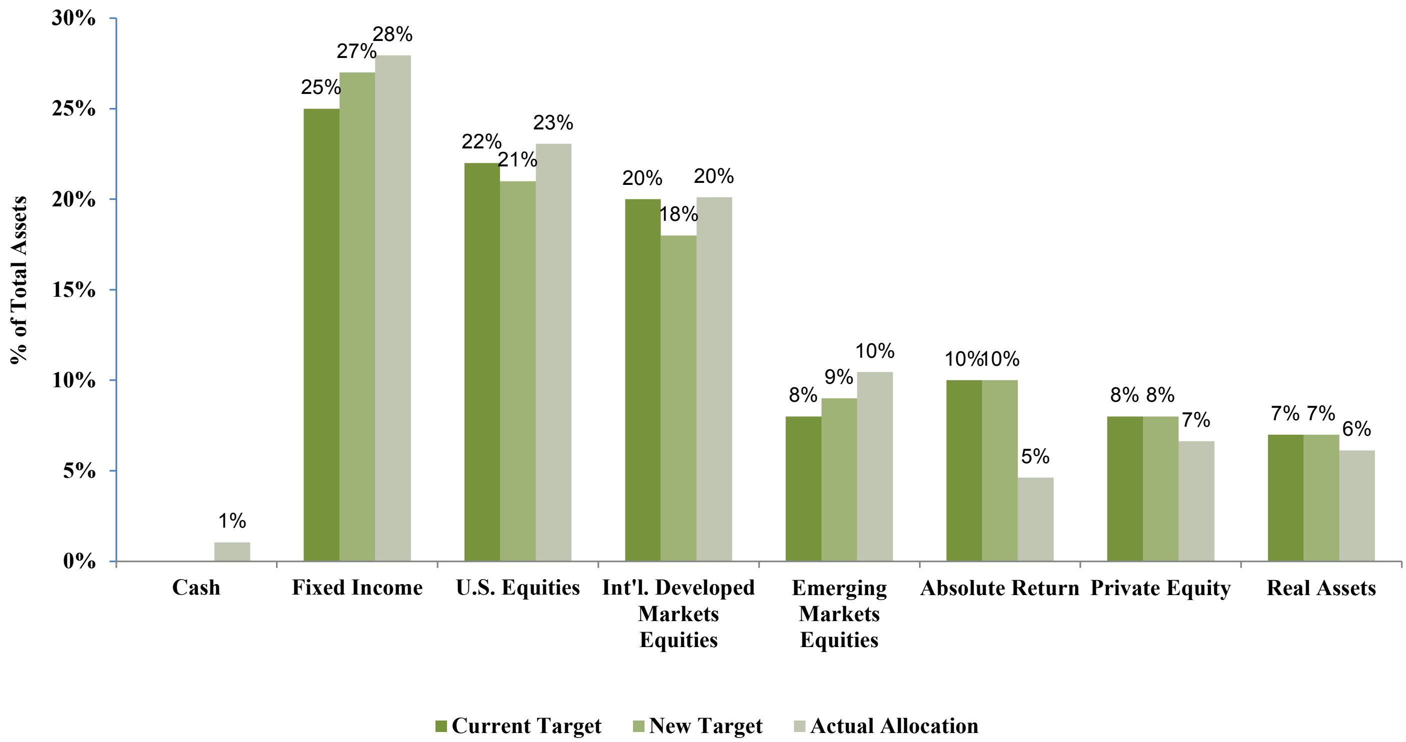
[1] The Total Fund Benchmark is a composite of 22% Russell 3000 Index, 20% MSCI World Index ex U.S. (net), 8% MSCI Emerging Markets (net); 25% Fixed Income Benchmark, 10% 1-Month LIBOR, 8% Cambridge Associates U.S. Private Equity Index, 7% CPI + 7%. **From 9/1/11 to 6/30/12**, 22% Russell 3000 Index, 20% MSCI World Index ex U.S. (net), 8% MSCI Emerging Markets (net); 27% Barclays Capital U.S. Universal Bond Index, 8% Cambridge Associates U.S. Private Equity Index, 10% 1-Month LIBOR, 4% NCREIF ODCE Index, 1% Wilshire U.S. Real Estate Securities Index. **From 4/1/06 to 8/31/11:** 40% Russell 3000 Index, 20% MSCI All Country World Index ex U.S., 25% Barclays Capital U.S. Universal Bond Index, 6% Cambridge Associates U.S. Private Equity Index, 4% 1-Month LIBOR, 4% NCREIF ODCE Index, 1% Wilshire U.S. Real Estate Securities Index. **From 4/1/03 to 3/31/06:** 40% Russell 3000 Index, 20% MSCI EAFE Index, 25% Lehman Brothers Aggregate Bond Index, 10% Cambridge Associates U.S. Private Equity Index, 5% NCREIF Property Index. **From 6/30/99 to 3/31/03:** 43.7% Russell 3000 Index, 20% MSCI EAFE Index, 30.3% Lehman Brothers Aggregate Bond Index, 5% Cambridge Associates U.S. Private Equity Index, 1% 3-month U.S. Treasury Bills.

[2] The Fixed Income Benchmark is a composite of 60% BC U.S. Aggregate Index, 12% BC U.S. TIPS Index, 12% BC U.S. High-Yield Index, 8% BC Global Aggregate ex U.S. Index, 8% JPM GBI-EM Global Diversified Index. **From 4/1/06 to 3/31/12**, BC U.S. Universal Index. **From Inception to 3/31/06**, BC U.S. Aggregate Index.

Note: All returns are time-weighted.

REPORT ON INVESTMENT ACTIVITY

Exhibit 2 - Actual and Target Asset Allocations as of September 30, 2013



V. Asset Allocation

In July 2013, the Board reviewed the Fund's strategic asset allocation in collaboration with Meketa Investment Group (Meketa), its general investment consultant, and approved a few minor changes. The old targets, new targets and actual allocations as of September 30, 2013, are shown in Exhibit 2.

As of September 30, 2013, all of the Fund's asset classes were within their respective target allocation ranges.

VI. Other Updates

In November 2012, the Board lowered the Fund's actuarial return assumption from 7.0% to 6.5%. The decision was made to further strengthen the Fund's ability to meet its future obligations to members.

The investment staff worked with Meketa to implement allocations to two new asset classes, developed international markets small-cap equities and non-U.S. fixed income. In addition, the Board approved a new dedicated allocation to senior bank loans.

REPORT ON INVESTMENT ACTIVITY

Within the alternative investment program, the Board made several new commitments to private equity and private real asset funds with the assistance of its specialist consultant, Cliffwater. The Board will continue such commitments in FY 2014, if it can source and access compelling investment opportunities.

In FY 2014, the Board plans to implement the Environment, Social and Governance (ESG) Policy approved in late 2013. In addition, it may consider changes to the current asset allocation and investment manager structure, as warranted based on the market environment and manager-specific events.

VII. Report on Investment Activity

During FY 2013, the Board voted to renew its contract with Zeno Consulting Group, an independent transaction cost analysis (TCA) and transition management consulting firm. Zeno will continue to provide TCA for the Board's public equity trades and will expand its coverage to include fixed income and FX transactions.

During the fiscal year, the Board also implemented the following traditional investment manager changes:

Termination

- BlackRock - *Core Plus Fixed Income*

Additions

- Copper Rock Capital Management – *Int'l. Developed Markets Small Cap Equities*
- Mondrian Investment Partners – *Non-U.S. Fixed Income*

REPORT ON INVESTMENT ACTIVITY

VIII. List of Largest Holdings

Top 10 Fixed Income Holdings

Rank	Security Name	Moody's Quality Rating	Par Value	Interest Rate	Maturity Date	Market Value
1	US TREASURY N/B	Aaa	$35,700,000	1.75%	05/15/2022	$33,811,827
2	BWU002SB9 IRS USD R V 03MLIBOR	Aaa	17,700,000	0.25%	06/19/2023	17,700,000
3	US TREASURY N/B	Aaa	15,200,000	1.50%	08/31/2018	15,300,928
4	US TREASURY N/B	Aaa	15,700,000	1.00%	11/30/2019	14,975,131
5	FNMA TBA 3.5 NOV 30YR SINGLE	Aaa	14,000,000	3.50%	12/01/2099	14,205,660
6	BWPC535X9 CDS EUR R V 03MEVENT	A-*	9,900,000	1.00%	06/20/2017	13,401,142
7	SWU023FY9 IRS BRL R F 8.16000	Baa2	28,600,000	8.16%	01/02/2015	12,610,377
8	HARBINGER GROUP INC	B2	9,690,000	7.88%	07/15/2019	10,029,150
9	FEDERAL NATL MTG ASSN	Aaa	8,000,000	3.50%	12/01/2099	8,413,760
10	FORESIGHT ENERGY LL/CORP	Caa1	8,250,000	7.88%	08/15/2021	8,250,000

* Indicates utilization of the fixed income manager's internal rating, as no rating was available from Moody's, S&P or Fitch.

Top 10 Public Equity Holdings

Rank	Security Name	Shares	Market Value
1	VISA INC CLASS A SHARES	51,000	$9,746,100
2	AMAZON.COM INC	29,000	9,066,560
3	SALESFORCE.COM INC	174,000	9,032,340
4	GOOGLE INC CL A	10,100	8,846,691
5	PRICELINE.COM INC	6,500	6,571,175
6	FACEBOOK INC A	126,000	6,330,240
7	NUANCE COMMUNICATIONS INC	306,150	5,723,474
8	CHIPOTLE MEXICAN GRILL INC	12,500	5,358,750
9	FRESENIUS SE + CO KGAA	42,732	5,311,255
10	NIKE INC CL B	72,000	5,230,080

A complete list of portfolio holdings is available upon request.

VIII. Schedule of Fees and Commissions

During fiscal year 2013, the Board paid the following fees and commissions:

Expense Category	Amount	% of Fund
Investment Managers*	$5,498,505	0.095%
Investment Consultants	974,522	0.017%
Investment Custodian	131,380	0.002%
Brokerage Commissions**	89,058	0.002%
Total	**$6,693,465**	**0.115%**

* Includes fees paid to traditional investment managers only. Traditional investment managers are those that invest primarily in public equity and fixed income securities.

** Includes separate account relationships only.

IX. Investment Summary

Asset Class	Market Value	% of Fund
Cash and Cash Equivalents	$ 61,116,007	1.1%
Fixed Income	1,625,378,569	27.9%
U.S. Equities	1,341,324,470	23.1%
International Developed Markets Equities	1,169,578,259	20.1%
Emerging Markets Equities	607,929,719	10.5%
Absolute Return	268,895,612	4.6%
Private Equity	385,820,420	6.6%
Real Assets	356,104,391	6.1%
Total	**$5,816,147,447**	**100.0%**