

Report on Investment Activity

Prepared by Sheila Morgan-Johnson, Chief Investment Officer

Introduction

DCRB manages and controls the assets of the Fund. The Board is charged by law with responsibility for investing 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.

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).

As of September 30, 2015, the Policy Benchmark included the following components:

| Asset Class | Performance Benchmark | Weight |
|--|--|-------------|
| Fixed Income | Fixed Income Benchmark ¹ | 27% |
| U.S. Equities | Russell 3000 Index | 21% |
| International Developed Markets Equities | MSCI World Index ex-U.S. (net) | 18% |
| Emerging Markets Equities | MSCI Emerging Markets Index (net) | 9% |
| Absolute Return | 3-Month LIBOR + 500% | 10% |
| Private Equity | Cambridge Associates U.S. Private Equity Index (lag) | 8% |
| Real Assets | CPI-U + 700 bps | 7% |
| Total | | 100% |

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 over the Fund's multi-decade time horizon. In addition, while the Board generally believes in the value of active management, it utilizes lower-cost passive investment strategies (e.g., index funds) in more efficient markets where active managers have a lower likelihood of generating excess returns.

¹ The Fixed Income Benchmark is a composite of 49% BC U.S. Aggregate Index, 15% BC U.S. TIPS Index, 11% BC U.S. High-Yield Constrained Index, 11% CSFB Levered Loan Index; 7% BC Global Aggregate ex U.S. Index, and 7% JPM GBI-EM Global Diversified Index.

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Fiscal Year 2015 Global Market Review

Investor concerns about geopolitical issues, the slowdown of the Chinese economy, and falling commodity prices brought about a return of global equity market volatility during the fiscal year 2015 period.

Stock indices in the U.S. reached new record highs in late 2014 as the Federal Reserve ended its quantitative easing program in October, crude oil plunged from \$90/barrel to less than \$55/barrel, and third quarter growth increased more than expected. In the first quarter of 2015, non-U.S. developed markets rallied by over 10% in local currency terms as the European Central Bank began its quantitative easing program by buying government bonds. However, dollar investors were up only 4.9% due to the strength of the dollar, another recurring theme during the year.

In the second quarter 2015, global equity markets slowed their rise while the 10-year Treasury yield had its largest increase in nearly two years closing at 2.3%. In the third calendar quarter of 2015 – the final quarter of the fiscal year – global equity markets performed at their worst since the third quarter of 2011. The U.S. equity markets fell 6.4%, non-U.S. developed markets dropped 10.2%, and emerging markets declined 17.9%. The economic slowdown in China and uncertainty about the Federal Reserve's next move dominated headlines.

In terms of cumulative returns for the fiscal year ending September 30, 2015, 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, was roughly flat at -0.5%. International developed equity markets, as measured by the MSCI World ex-U.S. Index, fell by 10.1% in U.S. dollar terms, while emerging markets, as measured by the MSCI Emerging Markets Index, and dropped 19.3% in U.S. dollar terms. The Barclays Capital U.S. Aggregate Bond Index, a broad measure of U.S. fixed income markets, rose by 2.9%, driven by a small decline in U.S. interest rates.

Fiscal Year 2015 Investment Results

As of September 30, 2015, the Fund's net position totaled \$6.1 billion, a decrease of approximately \$200 million compared to the end of the prior fiscal year. The Fund generated a gross return of -3.9%, underperforming the Total Fund Benchmark by 1.5%. Since its inception in October 1982, the Fund has underperformed the Total Fund Benchmark by roughly 1% per year, but has exceeded the actuarial return target by approximately 2% per year, net of fees.

Of the total underperformance during fiscal year 2015, 1.3% (87% of the total) was driven by the Fund's asset allocation relative to targets. The key contributors were an underweight to absolute return and private equity investments as well as an overweight to international developed and emerging market equities. The remaining 0.2% (13% of the total) underperformance came from manager selection, with a few of the private equity and fixed income managers being the main detractors.

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, 2015. The returns were calculated by the Board's custodian bank, State Street, and are time-weighted returns computed in compliance with the CFA Institute's Global Investment Performance Standards (GIPS). Benchmark returns are presented below each asset class for relative performance comparison purposes.

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Exhibit 1: Investment Performance (Gross of Fees) as of September 30, 2015

| Asset Class | 1-Year | 3-Year | 5-Year | 10-Year |
|---|---------------|--------------|--------------|-------------|
| Total Fund | -3.9% | 5.1% | 6.4% | 4.7% |
| <i>Total Fund Benchmark¹</i> | -2.5% | 5.4% | 6.4% | 5.3% |
| Cash and Cash Equivalents | 0.1% | 0.1% | 0.1% | 1.6% |
| <i>3-month U.S. Treasury Bills</i> | 0.0% | 0.1% | 0.1% | 1.4% |
| Fixed Income | -2.3% | 0.0% | 2.5% | 4.2% |
| <i>Fixed Income Benchmark²</i> | -1.7% | -0.1% | 2.2% | 4.2% |
| U.S. Equities | -0.8% | 12.5% | 13.4% | 6.8% |
| <i>Russell 3000 Index</i> | -0.5% | 12.5% | 13.3% | 6.9% |
| International Developed Markets Equities | -8.0% | 5.9% | 4.0% | 4.4% |
| <i>MSCI World Index ex U.S.(net)</i> | -10.1% | 4.6% | 3.3% | 3.7% |
| Emerging Markets Equities | -19.7% | -5.1% | - | - |
| <i>MSCI Emerging Markets Index (net)</i> | -19.3% | -5.3% | - | - |
| Absolute Return | 3.5% | 3.1% | 6.6% | - |
| <i>3-Month LIBOR + 5%³</i> | 5.3% | 3.6% | 2.2% | - |
| Private Equity | 3.8% | 13.1% | 13.2% | 8.8% |
| <i>Cambridge Associates U.S. Private Equity Index</i> | 8.9% | 15.9% | 15.7% | 13.1% |
| Real Assets | 7.2% | 8.4% | - | - |
| <i>CPI + 7%</i> | 7.0% | 8.0% | - | - |

¹ The Total Fund Benchmark is a composite of 21% Russell 3000 Index, 18% MSCI World Index ex U.S. (net), 9% MSCI Emerging Markets (net); 27% Fixed Income Benchmark, 10% 3-Month LIBOR+5%, 8% Cambridge Associates U.S. Private Equity Index, 7% CPI + 7%.

From 7/1/12 to 8/31/13, 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 49% BC U.S. Aggregate Index, 15% BC U.S. TIPS Index, 11% BC U.S. High-Yield Constrained Index, 11% CSFB Levered Loan Index; 7% BC Global Aggregate ex U.S. Index, and 7% JPM GBI-EM Global Diversified Index.

From 4/1/12 to 9/30/13, 60% BC U.S. Aggregate Index, 12% BC U.S. TIPS Index, 12% BC U.S. High-Yield Constrained 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.

³ The Absolute Return Benchmark is the 3-month LIBOR + 5%.

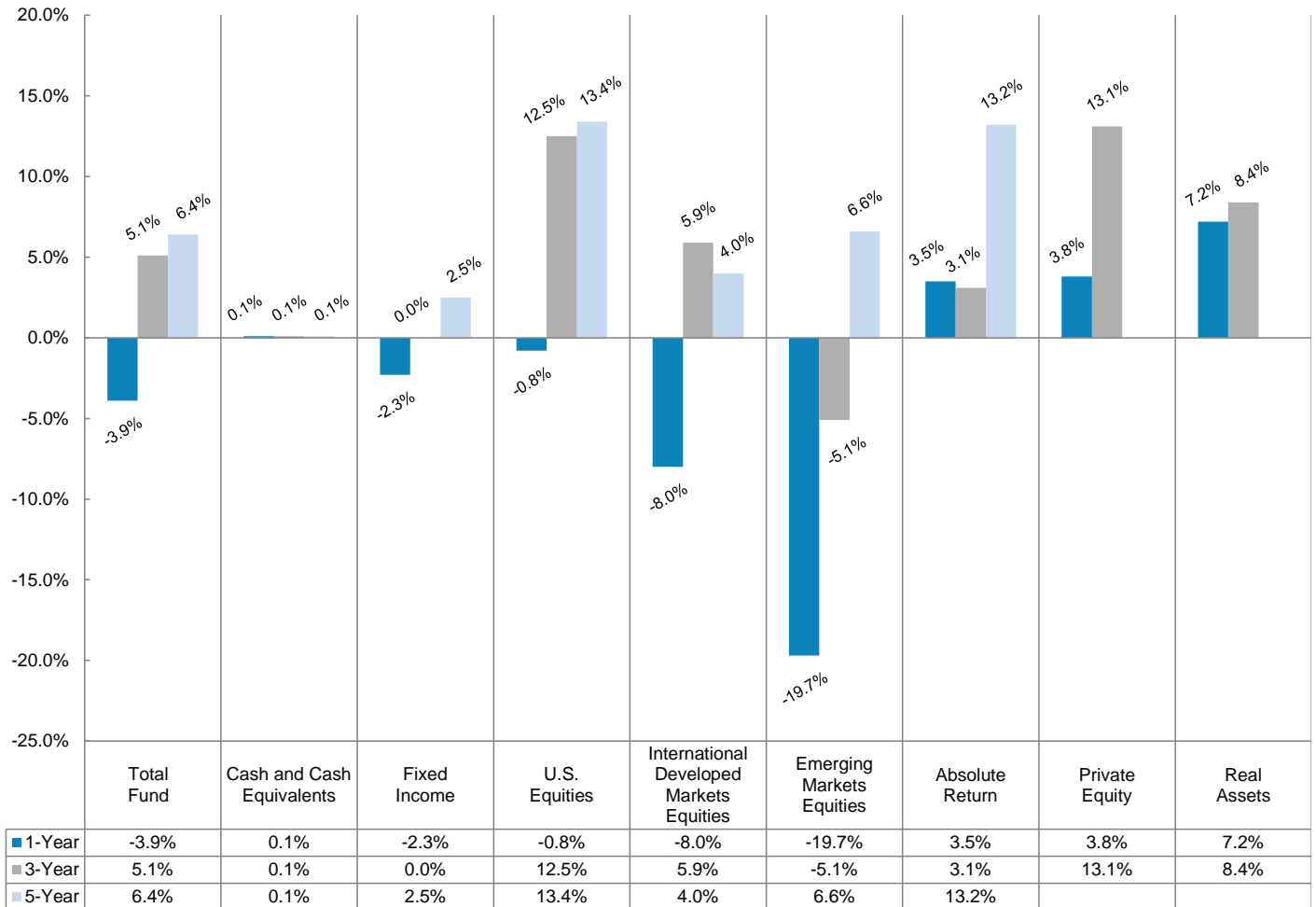
From 7/1/06 to 9/30/13, 1-month LIBOR.

Note: All returns are time-weighted and gross of fees.

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Exhibit 2: Historical Investment Performance

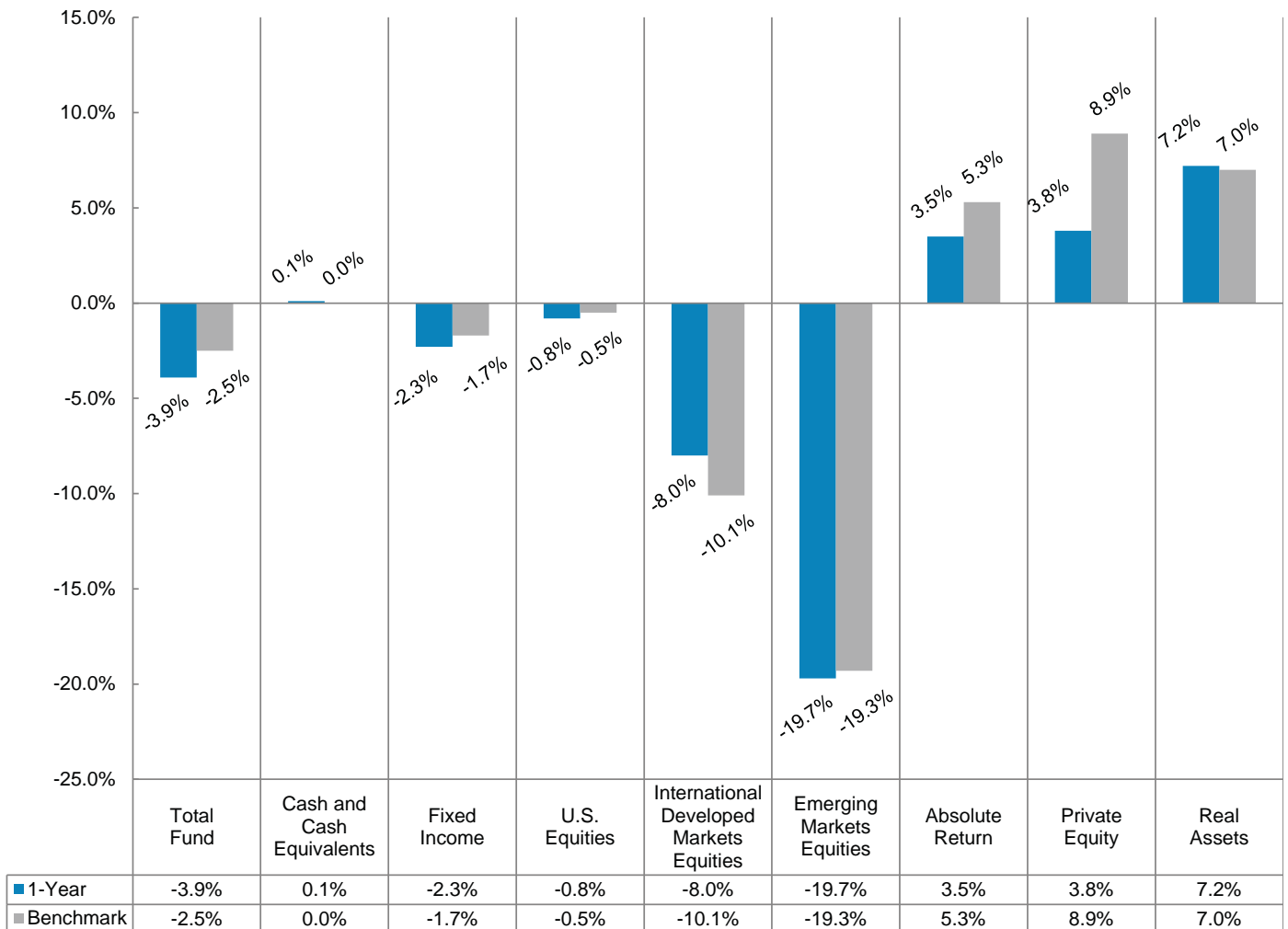
As of September 30, 2015



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Exhibit 3: 1-Year Performance vs. Benchmark

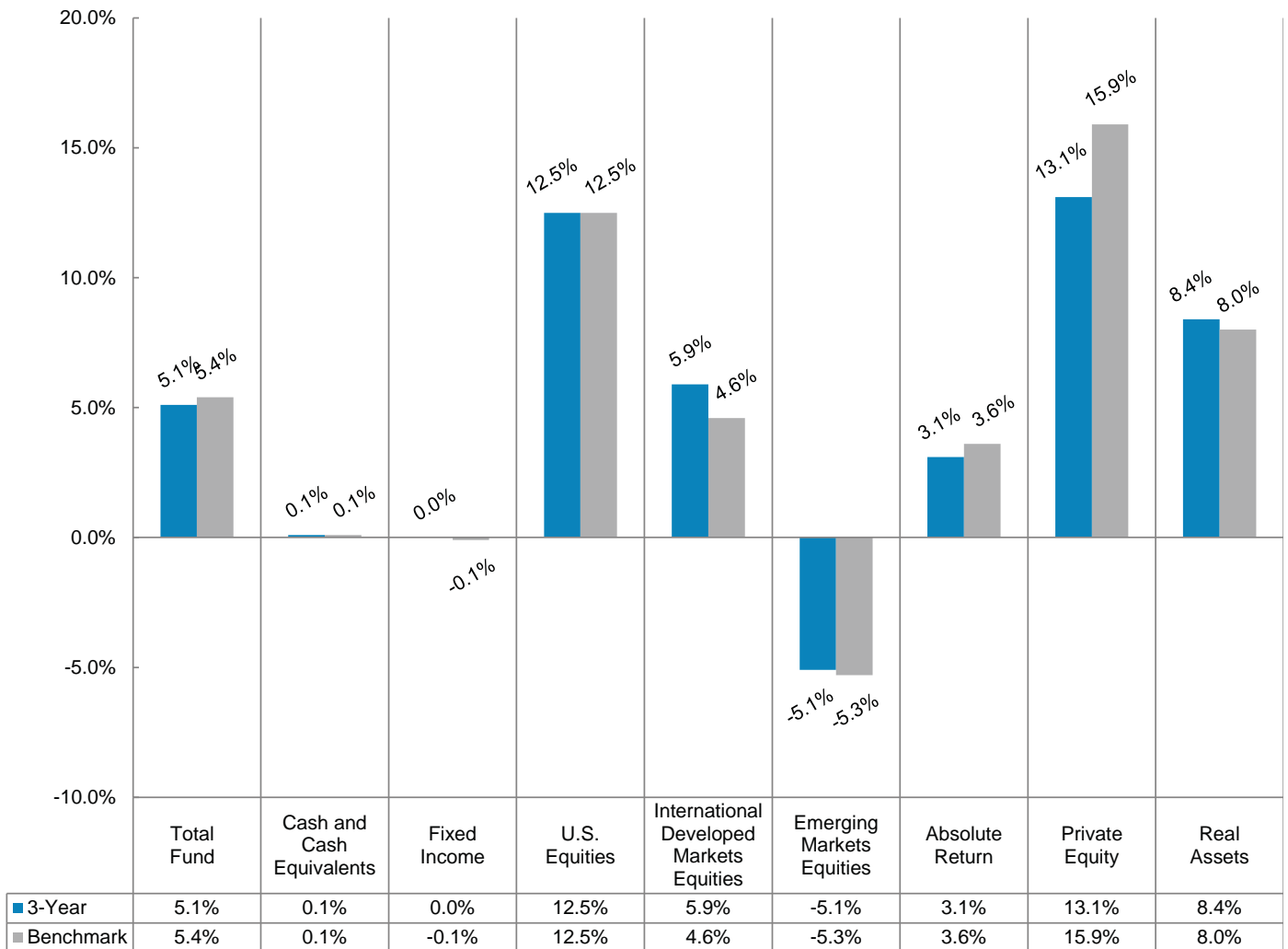
As of September 30, 2015



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Exhibit 4: 3-Year Performance vs. Benchmark

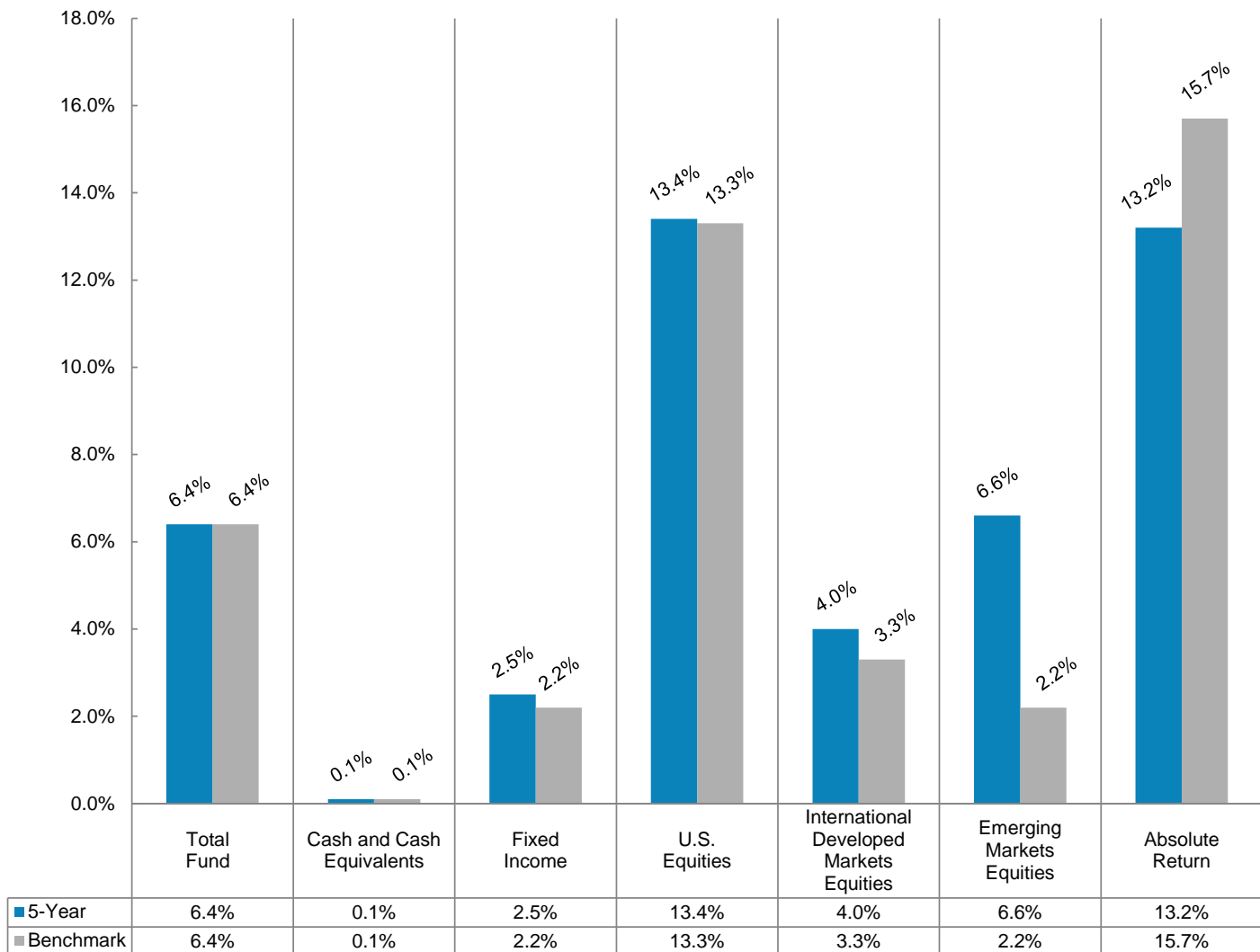
As of September 30, 2015



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Exhibit 5: 5-Year Performance vs. Benchmark

As of September 30, 2015

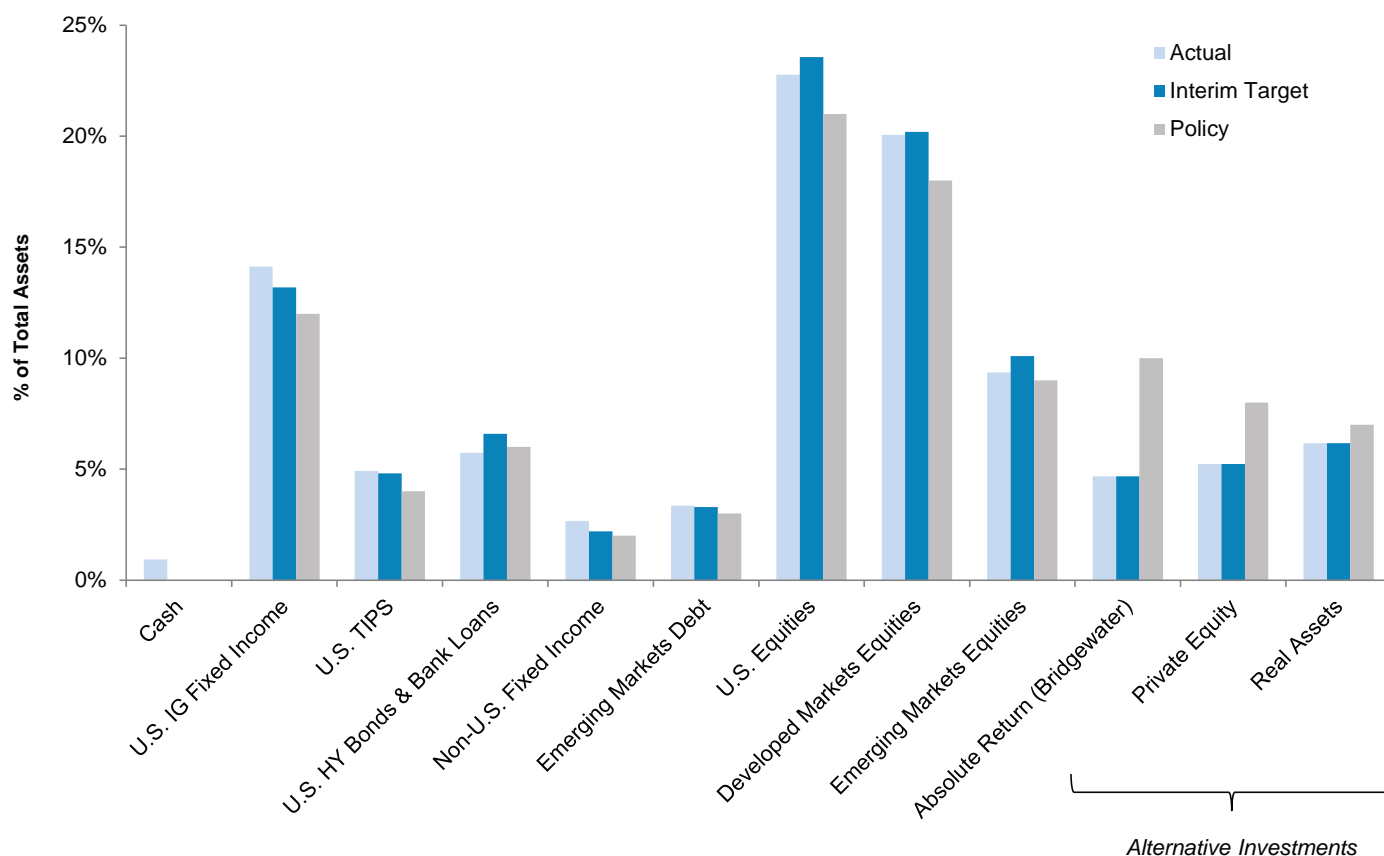


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Asset Allocation

There were no changes to the policy asset allocation during fiscal year 2015. The Board last reviewed the asset allocation in July 2013. The interim target distributes the underweight to alternative investments - absolute return, private equity, and real assets - across the traditional investments - fixed income and public equities - in line with the Fund's long-term risk target. The actual, interim target and policy asset allocations are shown in Exhibit 6.

Exhibit 6: Actual, Interim Target and Policy Asset Allocations as of September 30, 2015



As of September 30, 2015, the Fund's asset classes were within their respective target allocation ranges with the exception of the Absolute Return program, which continued to be below the targeted minimum. As discussed, this underweight has been re-allocated to fixed income and public equities as a temporary placeholder for future investments in this asset class.

The underweight to private equity is driven by a deliberate pace of new commitments and a high volume of realizations from more mature funds over the last few years. The current underweight should moderate by 2020-22, as new commitments draw down capital and mature funds slow down distributions. In the meantime, the Board is focused on continuing its consistent pace of new commitments, subject to the availability of compelling opportunities, strong fit with the existing portfolio, and attractive market characteristics.

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Other Updates

During fiscal year 2015, the Board completed a review of its custodian bank relationship and hired Northern Trust as the Board's new custodian bank. The transition was successfully completed on December 1, 2015.

In addition, the Board enhanced diversification by hiring two new active managers. In March 2015, the Board selected Altrinsic Global Advisors to manage an active non-U.S. developed markets equities mandate and in July 2015, the Board selected Channing Capital Management to manage an active U.S. small cap value equity mandate. Within the private investment program, the Board committed a total of \$228 million to ten new private equity and real assets limited partnerships, including funds focused on small U.S. buyout, European credit, and early-stage venture capital.

Furthermore, staff and consultants have continued the incorporation of the Environmental, Social, and Governance (ESG) policy, passed in November 2013, into the investment due diligence process. Given the rapid developments in the sustainable and responsible investment market, this will continue to be a focus in fiscal year 2016.

A second major initiative in fiscal year 2016 will be the review of current investment consultants, Meketa and Cliffwater. The Board customarily reviews its service provider relationships every five years; Meketa has been working with the Board since 2010 and Cliffwater was first hired in 2011. Finally, the Board is planning to complete an asset allocation study to update the study completed in 2013.

Investment Activity Summary

During fiscal year 2015, the Board implemented the following investment manager changes:

Terminations:

- Gryphon International – *International Growth Equity*
- PIMCO – *Core Plus Fixed Income*

Additions:

- Altrinsic Global Advisors - *International Equity*
- Channing Capital Management – *U.S. Small Cap Value Equity*

During fiscal year 2016, the Board expects to fund the previously-approved mandate for U.S. bank loans, which will complete the comprehensive action plan approved following an in-depth portfolio review in 2010.

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List of Largest Holdings

| Top 10 Fixed Income Holdings (Dollar amounts in thousands) | | | | | | |
|---|--------------------------|------------------------|-----------|-------------------|---------------|------------|
| Rank | Security Name | Moody's Quality Rating | Par Value | Interest Rate (%) | Maturity Date | Fair Value |
| 1 | US FOODS INC | Caa2 | \$14,780 | 8.500 | 06/30/2019 | \$15,297 |
| 2 | HRG GROUP INC | Caa1 | 14,799 | 7.750 | 01/15/2022 | 14,522 |
| 3 | FORESIGHT ENERGY/FINANCE | Caa3 | 16,710 | 7.875 | 08/15/2021 | 13,035 |
| 4 | TRANSDIGM INC | Caa1 | 11,000 | 5.500 | 10/15/2020 | 10,484 |
| 5 | CAESARS ENTERTAINMENT OP | WR | 11,950 | 11.250 | 06/01/2017 | 9,560 |
| 6 | CLEAR CHANNEL WORLDWIDE | B2 | 9,140 | 6.500 | 11/15/2022 | 9,094 |
| 7 | 1011778 BC / NEW RED FIN | B3 | 8,670 | 6.000 | 04/01/2022 | 8,800 |
| 8 | ASSUREDPARTNERS CAP INC | n/a | 8,701 | 0.010 | 04/02/2022 | 8,799 |
| 9 | AF BORROWER LLC | n/a | 8,100 | 0.010 | 01/28/2023 | 8,086 |
| 10 | ASURION LLC | n/a | 8,500 | 0.010 | 03/03/2021 | 7,703 |

| Top 10 Public Equity Holdings (Dollar amounts in thousands) | | | |
|--|-----------------------------|---------|------------|
| Rank | Security Name | Shares | Fair Value |
| 1 | VISA INC CLASS A SHARES | 171,300 | \$11,933 |
| 2 | REGENERON PHARMACEUTICALS | 14,400 | 6,698 |
| 3 | FACEBOOK INC A | 64,400 | 5,790 |
| 4 | PRICELINE GROUP INC | 4,350 | 5,380 |
| 5 | SALESFORCE.COM INC | 76,600 | 5,318 |
| 6 | CHIPOTLE MEXICAN GRILL INC | 6,750 | 4,862 |
| 7 | ALEXION PHARMACEUTICALS INC | 29,200 | 4,567 |
| 8 | AMAZON.COM INC | 8,200 | 4,197 |
| 9 | NIKE INC CL B | 32,800 | 4,033 |
| 10 | BIOMARIN PHARMACEUTICAL INC | 37,100 | 3,907 |

A complete list of portfolio holdings is available upon request.

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Schedule of Fees and Commissions

During fiscal year 2015, the Board paid the following fees and commissions:

| Expense Category | Amount (Dollars in thousands) | Percent of Fund |
|-----------------------------------|-------------------------------------|--------------------|
| Investment Managers* | \$ 10,118 | 0.165% |
| Investment Consultants | 1,030 | 0.017 |
| Investment Administrative Expense | 879 | 0.014 |
| Investment Custodian | 229 | 0.004 |
| Subtotal | 12,256 | 0.200 |
| Brokerage Commissions** | 760 | 0.012 |
| Total | \$ 13,016 | 0.212% |

* 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 and commingled fund relationships.

| Total | Total Shares Traded | Total Commission (Dollar value) | Commission (Cents Per Share) | Commission (Basis Points) | Number of Trades | Trade Value (Dollars in millions) |
|--|---------------------------|--|------------------------------------|------------------------------|------------------------|--|
| Gryphon International Investment Corporation | 5,644,568 | \$ (49,879) | -0.9 | -11 | 250 | \$ 44 |
| Sands Capital Mgmt | 878,751 | (22,071) | -2.5 | -3 | 289 | 66 |
| Copper Rock International | 21,750,985 | (211,645) | -1.0 | -15 | 962 | 143 |
| LSV Emerging Markets | 55,296,442 | (26,780) | 0.0 | -7 | 3,036 | 39 |
| Northern Trust R3000 | 69,453,108 | (155,019) | -0.2 | -1 | 46,916 | 2,416 |
| Northern Truist Global REIT | 710,466 | (2,472) | -0.3 | -1 | 1,529 | 17 |
| Altrinsic | 2,882,896 | (70,935) | -2.5 | -17 | 222 | 42 |
| State Street Global Advisors-CAD | 663,642 | (5,194) | -0.8 | -4 | 717 | 12 |
| State Street Global Advisors-EAFE | 24,103,300 | (70,438) | -0.3 | -3 | 8,515 | 231 |
| State Street Global Advisors-EM | 120,699,521 | (145,584) | -0.1 | -7 | 13,207 | 224 |
| Total | 302,083,679 | \$(760,017) | -0.3 | -2 | 75,643 | \$3,234 |

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Investment Summary

(Dollar amounts in thousands)

| Asset Class | Fair Value | % of Fund |
|--|--------------------|------------------|
| Cash and Cash Equivalents | \$ 57,583 | 0.9% |
| Fixed Income | 1,887,421 | 30.8% |
| U.S. Equities | 1,395,638 | 22.7% |
| International Developed Markets Equities | 1,229,430 | 20.1% |
| Emerging Markets Equities | 573,439 | 9.4% |
| Absolute Return | 286,466 | 4.7% |
| Private Equity | 320,524 | 5.2% |
| Real Assets | 378,358 | 6.2% |
| Total | \$6,128,859 | 100.0% |