



DCRB Report

SPRING 2015

CHAIRMAN'S CORNER

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The District of Columbia

Retirement Board's mission

is to prudently invest the assets of the Police Officers, Firefighters, and Teachers of the District of Columbia, while providing those employees with total retirement services.

From the Chairman of the Board

At the Board's meeting on March 19, 2015, I was honored to be reelected as Chairman for this next year. At that meeting, the Trustees also elected the following officers: Joseph Clark, Secretary; Lyle Blanchard, Treasurer; Thomas Tippet, Parliamentarian; and Gary Hankins, Sergeant-at-Arms. Since the Board did not have a meeting in April, I will appoint Chairs of the Board's Standing Committees in May. The current Committee Chairs are: Edward Smith, Benefits Committee; Joseph Clark, Fiduciary Committee; Barbara Davis Blum, Investment Committee; Darrick Ross, Operations Committee; Lyle Blanchard, Legislative Committee; and Gary Hankins, Audit Committee.



Joseph M. Bress

New Standing Committee

Trustee Gary Hankins was appointed last year to Chair our newly established Audit Committee. The key responsibilities of this Committee are to provide independent review and oversight of DCRB's financial reporting processes and internal controls.

Health of the Plans

As in the past, our spring Newsletter serves as your Summary Annual Report for the prior Plan Year (ending September 30, 2014). As such, the *Investment Update* on page 2 and the *Statement of Net Assets* on page 3 provide you with information on the status and health of the Trust Fund that supports the Plans, and illustrate Fund changes that have taken place over Fiscal Year 2014. The investment performance over the past year was 8.4%, and the Fund's average annual return since its inception in 1982 is 9.1%. We are also pleased to advise you that the Plans are well funded. As of October 1, 2014, the Plans' funded status was an aggregate 101.4%.

Technology Update

A few years ago, DCRB engaged a consulting firm to assess our benefits administration systems for the purpose of upgrading our operations to better serve you. As a result of that assessment, we scanned member records and improved our telephone system. This past year, we completed a review and reclamation of historical salary, service and contribution data that we receive from the District's human resources and payroll offices and that existed primarily in paper form. This data is now being reviewed to assure its accuracy. Once that review is completed later this year, the data will be readily available for our use in calculating benefits. The goals are to provide new retirees and survivors with their initial pension pay-

Plan Membership*

Category	Police	Firefighters	Teachers	Total
Active	3,902	1,649	4,499	10,050
Service Retirement	3,318	1,085	5,423	9,826
Disability Retirement	1,044	379	331	1,754
Survivors	1,355	562	435	2,352
Total	9,619	3,675	10,688	23,982

*as of October 1, 2014.

Continued on page 4

Fiscal Year 2014 Investment Update

Performance Update

The assets of the District of Columbia Teachers' Retirement Fund and the District of Columbia Police Officers and Fire Fighters' Retirement Fund (collectively referred to as the "Fund") are commingled for investment purposes. As of September 30, 2014, the Fund's total assets were \$6.3 billion, an increase of approximately \$540 million compared to September 30, 2013. The Fund generated an annual gross return for the fiscal year of 8.4%, outperforming by 1.9% the actuarial return target of 6.5% (the long-term rate of return needed to fully fund the Plans). Positive performance by investments in U.S. stocks, private equity, and infrastructure were the primary drivers of the 1.9% outperformance.

Global Market Review

US and international ("global") equity markets were positive during the fiscal year ending September 30, 2014. The Russell 3000 Index (an index that measures the per-

formance of the 3,000 largest U.S. companies by market capitalization), increased 17.8%. The MSCI World ex U.S. Index, which measures the performance of stocks in developed markets around the world, indicated an increase of 4.9%, and the MSCI Emerging Markets Index, a barometer of the performance of the stocks in the emerging markets, reflected an increase of 4.3%. U.S. fixed income markets rose by 3.1%, as measured by the Barclays Capital U.S. Universal Index, driven by a slight decline in U.S. interest rates.

Asset Allocation

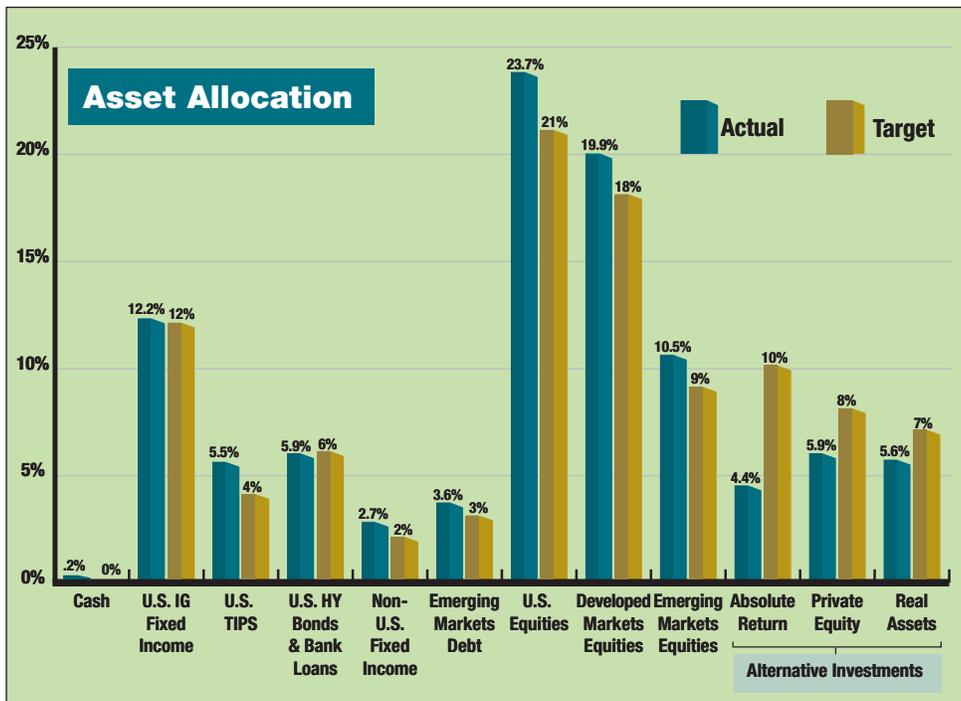
The Board made no changes to the Fund's strategic asset allocation during fiscal year 2014 and, as of September 30, 2014, the Fund's asset classes were within their respective target ranges with the exception of the Absolute Return program, which was moderately below the targeted range minimum. The targeted and actual allocations as of September 30, 2014, are shown in the chart below.

Other Investment Updates

During fiscal year 2014, the Board continued to work with its general investment consultant, Meketa Investment Group, to: review the investment performance of the Fund, the asset class, and each investment manager; implement an allocation to bank loans, a category within fixed income; and select a new international developed markets equity manager. The Board also worked closely with Cliffwater, its alternative investments consultant, to commit additional capital to private equity and private real assets funds.

The Environmental, Social, and Governance (ESG) policy adopted by the Board in November 2013, was implemented and incorporated into the investment decision-making process. The Board thought it important to put into writing its commitment to considering the environmental, social, and governance impacts of its investments, as well as best practices in these areas, as part of its framework to make the most prudent investments on behalf of beneficiaries. The Board will continue to work with its investment consultants to identify investment managers who exhibit best practices in these areas.

During fiscal year 2015, the Board will fund the previously-approved mandates for international developed markets equities and U.S. bank loans. Additionally, the Board plans to review the services provided by its custodian bank and investment consultants. The Board may also consider changes to the current asset allocation and investment manager structure, if warranted by the market environment or manager-specific events.



Statement of Net Assets

For Fiscal Year 2014, the Board once again received a clean opinion from its external auditor. The following schedules compare the FY 2014 financial statements with those of FY 2013.

Statement of Net Assets for the Fiscal Years ending September 30, 2014, and September 30, 2013 (\$000s)

	2014			2013		
	Teachers' Retirement Fund	POLFF Retirement Fund	Total	Teachers' Retirement Fund	POLFF Retirement Fund	Total
Assets						
Cash and short-term investments	\$7,236	\$20,164	\$27,400	\$26,826	\$69,232	\$96,058
Receivables & Prepaid expenses	43,458	111,885	155,343	28,853	70,820	99,673
Investments at fair value	1,729,571	4,546,197	6,275,768	1,630,294	4,144,784	5,775,078
Collateral from securities lending	6,885	18,097	24,982	23,566	59,912	83,478
Capital assets	0	0	0	0	0	0
Total Assets	<u>1,787,150</u>	<u>4,696,343</u>	<u>6,483,493</u>	<u>1,709,539</u>	<u>4,344,748</u>	<u>6,054,287</u>
Liabilities						
Other payables	1,781	4,623	6,404	22,249	11,253	33,502
Investment commitments payable	32,426	85,237	117,663	41,162	104,649	145,811
Obligations under securities lending	6,982	18,354	25,336	23,753	60,389	84,142
Total Liabilities	<u>41,189</u>	<u>108,214</u>	<u>149,403</u>	<u>87,164</u>	<u>176,291</u>	<u>263,455</u>
Net Assets Held in Trust For Pension Benefits	<u>\$1,745,961</u>	<u>\$4,588,129</u>	<u>\$6,334,090</u>	<u>\$1,622,375</u>	<u>\$4,168,457</u>	<u>\$5,790,832</u>
ADDITIONS						
Employer contributions	\$31,636	\$110,766	\$142,402	\$6,407	\$96,314	\$102,721
Employee contributions	28,751	32,821	61,572	28,129	30,581	58,710
Net investment income/(loss)	132,086	338,894	470,980	168,117	423,581	591,698
Other income	522	1,342	1,864	796	2,047	2,843
Total additions	<u>192,995</u>	<u>483,823</u>	<u>676,818</u>	<u>203,449</u>	<u>552,523</u>	<u>755,972</u>
DEDUCTIONS						
Benefit payments	59,832	52,784	112,616	54,180	45,656	99,836
Retirement benefits payable to U.S. Treasury	0	0	0	21,503	9,391	30,894
Refunds	5,790	1,637	7,427	5,250	1,960	7,210
Administrative expenses	3,787	9,730	13,517	3,627	8,913	12,540
Total deductions	<u>69,409</u>	<u>64,151</u>	<u>133,560</u>	<u>84,560</u>	<u>65,920</u>	<u>150,480</u>
Change in net assets	<u>123,586</u>	<u>419,672</u>	<u>543,258</u>	<u>118,889</u>	<u>486,603</u>	<u>605,492</u>
Net Assets Held in Trust For Pension Benefits, Beginning of Fiscal Year	<u>1,622,375</u>	<u>4,168,457</u>	<u>5,790,832</u>	<u>1,503,486</u>	<u>3,681,854</u>	<u>5,185,340</u>
Net Assets Held in Trust For Pension Benefits, End of Fiscal Year	<u>\$1,745,961</u>	<u>\$4,588,129</u>	<u>\$6,334,090</u>	<u>\$1,622,375</u>	<u>\$4,168,457</u>	<u>\$5,790,832</u>

DC Retirement Board

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Fiscal Year 2014 Investment Summary and Financial Statements

2015 COLA Notices to Members

The D.C. Human Resources Office announced the following cost-of-living adjustments (COLAs) for retired police officers, firefighters, and teachers, and their survivors, for 2015.

- Police officers and firefighters:* 0.8%
- Teachers: 0.3%

These increases were effective March 2, 2015, and they were included in pension payments that were issued on April 1, 2015.

For more details about the 2015 COLAs, please visit DCRB's website at dcrb.dc.gov. The COLA Notifications are located under Newsroom, then click on Press Releases.

*Police and firefighter retirees who retired before February 15, 1980 (Tier 1) receive equalization payments based on pay increases granted to active members and, therefore, do not receive COLAs.

DCRB Hosts Teachers' Retirement Workshop

On March 30 - 31, DCRB and DC Public Schools (DCPS) joined forces to present the 2015 Teachers' Retirement Workshop, which was held at DCRB's office at 900 Seventh Street, NW. On the first day of the Workshop, teachers were provided with information on Social Security and Medicare, and with an overview of the District of Columbia Teachers' Retirement Plan. The presenters also fielded questions on post-retirement health care and life insurance coverage, and the steps in the retirement process. On the second day, DCPS' 403(b) plan providers presented attendees with information and materials on those plans.

Chairman's Corner

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ments much sooner, and to enable our ability to provide you with annual benefit statements.

While the review of the recovered data is in progress, our Information Technology Department will work on a Data Management Project, which contains applications that will assist us in assuring the integrity of pension-related data that is added to our pension database going forward. They are also gathering requirements and reviewing market research aimed toward transitioning pension calculation and record keeping from the U.S. Treasury Department to a system that will be owned and maintained by DCRB. Although the implementation of this system is still a few years away, we are excited that with the completion of each step of the project, we are that much closer to being able to provide you with more comprehensive benefits administration services.

TRUSTEES

Lyle M. Blanchard
*Treasurer
Council Appointee*

Barbara Davis Blum
Mayoral Appointee

Joseph M. Bress
*Chairman
Council Appointee*

Joseph W. Clark
*Secretary
Mayoral Appointee*

Mary A. Collins
*Elected Retired
Teacher*

Gary W. Hankins
*Sergeant-at-Arms
Elected Retired
Police Officer*

Darrick O. Ross
*Elected Active
Police Officer*

Nathan A. Saunders
*Elected Active
Teacher*

Edward C. Smith
*Elected Active
Firefighter*

Thomas N. Tippet
*Parliamentarian
Elected Retired
Firefighter*

Michael J. Warren
Council Appointee

Lenda P. Washington
Mayoral Appointee

Jeffrey Barnette
*Ex Officio,
Non-Voting*

D.C. Retirement Board

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