Rebalancing Policy

Approved by the Board of Trustees

Adopted: October 21, 2010
Revised: September 28, 2017

Introduction

The purpose of rebalancing is to minimize unintended drifts from the Fund's strategic asset allocation, thus ensuring compliance with the investment policy and reducing potential tracking error relative to the Long-Term Policy Benchmark. Systematic rebalancing is meant to maintain diversification, reduce volatility and enhance portfolio returns over the long term. The District of Columbia Retirement Board ("Board") maintains a disciplined rebalancing process, whereby target allocations to public markets asset classes will not exceed certain rebalancing ranges under normal market conditions.

Rebalancing Process

The Board delegates to the Chief Investment Officer ("CIO") the responsibility and authority to:

1. Maintain portfolio allocations within allowable ranges, as set forth in Table 1, by directing public markets investment managers to prudently buy or sell securities.
2. Re-invest cash in excess of operational liquidity needs.
3. Regularly re-evaluate the rebalancing process and recommend enhancements to the Board's Investment Committee.

When the allocation to such asset classes fall outside the allowable range, a rebalancing transaction shall be initiated to bring the asset class weight within the range, keeping in mind potential tracking error, transaction costs and operational risks. The CIO will report rebalancing activities to the Investment Committee.

Illiquid (or private) asset classes such as real assets, absolute return and private equity will not be managed within rebalancing ranges, but will be managed to target over time through an annual commitment plan.

Table 1: Target Allocations, Allowable Ranges and Long-Term Benchmarks

Asset Class	Target Allocation (%)	Allowable Range (%)	Long-Term Policy Benchmark
Fixed Income	***30***	***20-40***	
Cash	0	0-2	*ML 91-Day U.S. T-Bills*
U.S. Core Fixed Income	11	7-15	*Bbg Barclays U.S. Aggregate TR*
U.S. TIPS	6	4-8	*Bbg Barclays U.S. TIPS TR*
U.S. High Yield	4	2-6	*Bbg Barclays U.S. High Yield*
U.S. Bank Loans	3	1-5	*CS Leveraged Loan*
Int'l. Dev. Markets Bonds	2	1-3	*Bbg Barclars Global ex U.S. Aggregate*
Emerging Markets Bonds	4	2-6	*JPM GBI-EM Global Diversified*
Public Equities	***46***	***34-58***	
U.S. Equities	20	15-25	*Russell 3000*
Int'l. Dev. Markets Equities	16	12-20	*MSCI World ex US ND*
Emerging Markets Equities	10	7-13	*MSCI Emerging Markets ND*
Alternative Investments	***24***	***14-34***	
Absolute Return	4	2-6	*3-Month LIBOR + 5%*
Private Equity	9	4-14	*MSCI ACWI ND + 3% (1Q Lag)*
Real Assets	11	5-17	*CPI-U + 5.5% (1Q Lag)*
Real Estate	6	4-8	
Infrastructure	3	1-5	
Natural Resources	2	1-3	
Total	**100**	**-**	