

REPORT ON INVESTMENT ACTIVITY

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INTRODUCTION

The District of Columbia Retirement Board, a defined benefit plan, manages and controls the assets of the Teachers' Retirement Fund and the Police Officers and Firefighters' Retirement 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.

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, 2014, 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	1-Month LIBOR	10%
Private Equity	Cambridge Associates U.S. Private Equity Index (lag)	8%
Real Assets	CPI-U + 700 bps	7%

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 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.

FISCAL YEAR 2014 GLOBAL MARKET REVIEW

Global equity markets extended their recovery streak to a fifth year in the aftermath of the global financial crisis. U.S. stock markets rallied nearly 11% during the final (calendar) quarter of 2013 as investors shrugged off the government shutdown in October and U.S. unemployment rates dropped to 7%.

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 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 2014 GLOBAL MARKET REVIEW (CONTINUED)

Despite a fair amount of market volatility based on geopolitical worries, U.S. stocks saw a small gain during the first quarter of 2014, while non-U.S. markets were nearly unchanged during the first quarter. Markets continued their upward trend with a strong rally in the second quarter, with global equity markets rising 5% (in U.S. dollars). In the third quarter, U.S. equity markets held steady while other developed and emerging markets experienced declines of 5.7% and 3.5%, respectively, led by renewed concerns about economic growth potential in Europe and Asia.

In terms of the cumulative performance over the course of fiscal year 2014 (ending September 30, 2014), the Russell 3000 Index, an index that measures the performance of the 3,000 largest U.S. companies and represents approximately 98% of the U.S. equity market, increased 17.8%. International developed equity markets, as measured by the MSCI World ex U.S. Index, rose 4.9% in U.S. dollar terms, while emerging markets, as measured by the MSCI Emerging Markets Index, generated a 4.3% return in U.S. dollar terms. The Barclays Capital U.S. Aggregate Bond Index, a broad measure of U.S. fixed income markets, rose by 3.1%, driven by a small decline in U.S. interest rates.

FISCAL YEAR 2014 INVESTMENT RESULTS

As of September 30, 2014, the Fund's total net assets stood at \$6.3 billion after the payment of all benefits and administrative expenses, an increase of approximately \$540 million compared to the end of fiscal year 2013. The Fund generated a net return of 8.2%, underperforming the Total Fund Benchmark by 0.5%. At the same time, the Fund outperformed the actuarial return target of 6.5% by 1.7%. The actuarial return target is the annual net investment return the Board hopes to generate over the long-term.

The underperformance relative to the Total Fund Benchmark was driven by the Fund's asset allocation, i.e., the division of investments across stocks, bonds, and other asset classes. When compared to the Total Fund Benchmark, this relative performance was hurt by an underweight to Private Equity investments, which generated a benchmark return of 22.0% during the fiscal year, and an overweight to Emerging Markets Stocks and Fixed Income investments, which generated benchmark returns of 4.3% and 3.1%, respectively. In addition, below-average returns from the Fund's real estate portfolio also contributed to underperformance.

The outperformance relative to the actuarial return target resulted from the Board's investments in U.S. stocks (17.5% for the fiscal year), private equity (23.0%), and infrastructure (12.8%). In aggregate, 31.5% of the Fund's assets were invested in these asset classes at the end of the fiscal year.

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 2.6% per year over the last 32 years.

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, 2014. 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 showing each asset class for relative performance comparison purposes.

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EXHIBIT 1

Investment Performance (Gross of Fees) as of September 30, 2014

Asset Class	1-Year	3-Year	5-Year	10-Year
Total Fund	8.4%	11.4%	9.4%	6.5%
<i>Total Fund Benchmark¹</i>	<i>8.7%</i>	<i>11.0%</i>	<i>9.1%</i>	<i>7.2%</i>
Cash and Cash Equivalents	0.1%	0.1%	0.2%	1.9%
<i>3-month U.S. Treasury Bills</i>	<i>0.1%</i>	<i>0.1%</i>	<i>0.1%</i>	<i>1.6%</i>
Fixed Income	2.9%	3.3%	5.2%	4.9%
<i>Fixed Income Benchmark²</i>	<i>3.1%</i>	<i>2.7%</i>	<i>4.3%</i>	<i>4.7%</i>
U.S. Equities	17.5%	23.5%	16.0%	8.3%
<i>Russell 3000 Index</i>	<i>17.8%</i>	<i>23.1%</i>	<i>15.8%</i>	<i>8.4%</i>
International Developed Markets Equities	5.3%	13.5%	7.6%	7.7%
<i>MSCI World Index ex U.S.(net)</i>	<i>4.9%</i>	<i>13.2%</i>	<i>7.1%</i>	<i>7.3%</i>
Emerging Markets Equities	5.0%	7.6%		
<i>MSCI Emerging Markets Index (net)</i>	<i>4.3%</i>	<i>7.2%</i>		
Absolute Return	2.9%	2.3%	10.0%	
<i>1-Month LIBOR + 5%³</i>	<i>5.3%</i>	<i>1.9%</i>	<i>1.2%</i>	
Private Equity	23.3%	12.5%	15.4%	10.4%
<i>Cambridge Associates U.S. Private Equity Index</i>	<i>22.0%</i>	<i>14.8%</i>	<i>17.6%</i>	<i>15.2%</i>
Real Assets	9.5%			
<i>CPI + 7%</i>	<i>8.8%</i>			

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 49% BC U.S. Aggregate Index, 15% BC U.S. TIPS Index, 11% BC U.S. High-Yield 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 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.

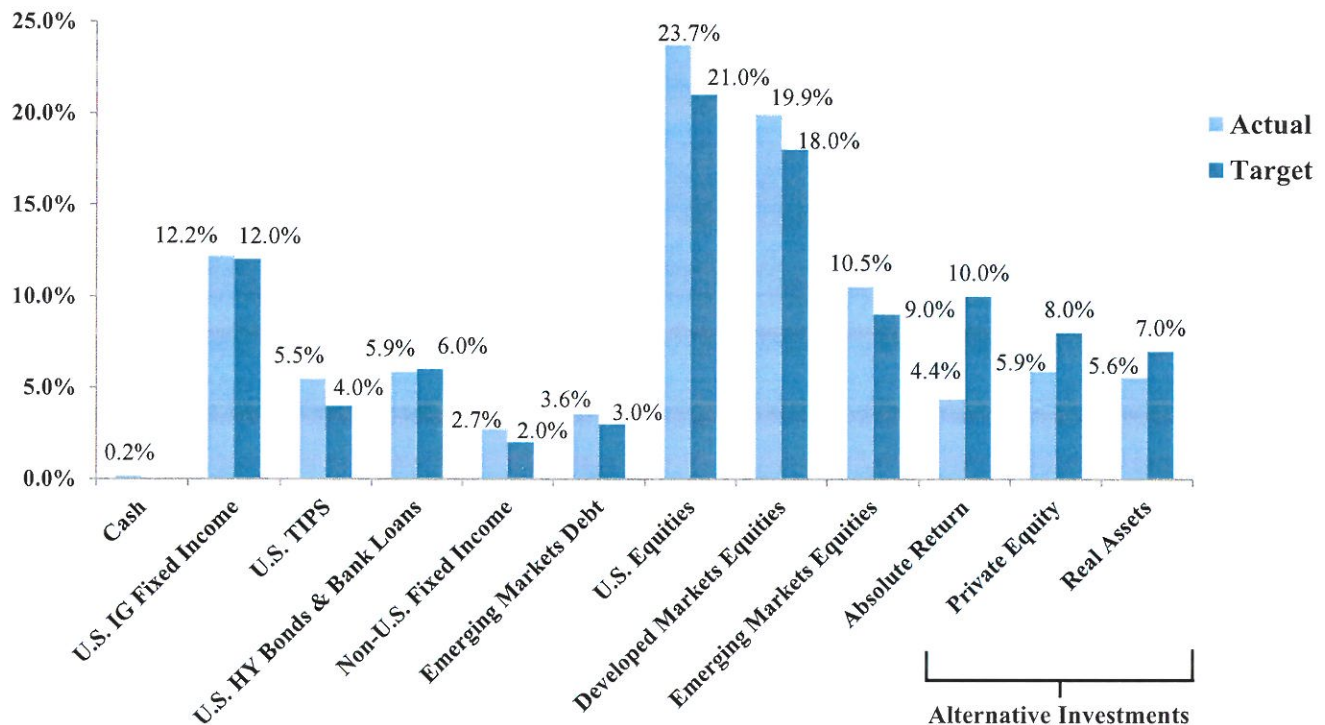
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ASSET ALLOCATION

There were no changes to the strategic asset allocation during fiscal year 2014. The Board last reviewed the asset allocation in July 2013. The current targets and actual allocations are shown in Exhibit 2.

EXHIBIT 2

Actual and Target Asset Allocations as of September 30, 2014



As of September 30, 2014, the Fund's asset classes were within their respective target allocation ranges with the exception of the Absolute Return program, which was moderately below the targeted minimum (6.0%).

On the traditional investment side (fixed income and public equities), the Board continued to work with Meketa to implement an allocation to bank loans, a new asset class. In addition, the Board selected a new international developed markets equity manager.

The Board also continued to work with Cliffwater, its alternatives investment consultant, to commit additional capital to private equity and private real assets funds. To maintain appropriate vintage year diversification, the Board expects to commit additional capital on a consistent pace going forward, subject to the availability of attractive opportunities in these markets.

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OTHER UPDATES

During fiscal year 2014, the investment staff continued to work with Meketa and Cliffwater to enhance the diversification of the portfolio. In October 2013, the Board selected a manager for its new allocation to bank loans. In January 2014, the Board made its first investment in a Global REIT Index strategy. Within the private equity program, the Board made its first commitment to a Latin American private equity fund. In addition, the Board approved a secondary investment in an existing Western Europe-focused buyout manager.

In November 2013, the Board approved an Environmental, Social, and Governance (ESG) policy, which the staff and consultants are working to implement.

In fiscal year 2015, the Board plans to review the services provided by its custodian bank and investment consultants. In addition, it may consider changes to the current asset allocation and investment manager structure, as warranted by the market environment and manager-specific events.

INVESTMENT ACTIVITY SUMMARY

During fiscal year 2014, the Board implemented the following traditional investment manager changes:

Termination:

- PIMCO – *Stocks PLUS Fund*
- The Vanguard Group - *U.S. Real Estate Securities Index Fund*

Additions:

- Northern Trust Asset Management - *Global REIT Index Fund*

During fiscal year 2015, the Board expects to fund previously-approved mandates for international developed markets equities and U.S. bank loans.

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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	\$66,500,000	2.750%	2/15/2024	\$68,064,080
2	US TREASURY N/B	Aaa	\$20,400,000	1.625%	7/31/2019	\$20,272,500
3	BWU002SB9 IRS USD R V 03MLIBOR	Aaa	\$17,700,000	0.234%	6/19/2023	\$17,700,000
4	SWU006I21 IRS AUD R F 4.00000	Aaa	\$19,400,000	4.000%	6/18/2019	\$17,522,805
5	US FOODS INC	Caa2	\$14,780,000	8.500%	6/30/2019	\$15,670,495
6	FORESIGHT ENERGY/FINANCE	Caa1	\$14,800,000	7.875%	8/15/2021	\$15,577,000
7	TSY INFL IX N/B	Aaa	\$16,153,865	0.125%	7/15/2024	\$15,509,003
8	SWPC03GC8 CDS USD R F 1.00000	n/a	\$14,200,000	1.000%	6/20/2019	\$14,427,853
9	HARBINGER GROUP INC	Caa1	\$14,379,000	7.750%	1/15/2022	\$14,271,158
10	BREITBURN ENER/BREIT FIN	B3	\$11,875,000	7.875%	4/15/2022	\$12,023,438

Top 10 Public Equity Holdings

Rank	Security Name	Shares	Market Value
1	VISA INC CLASS A SHARES	37,300	\$7,958,701
2	FACEBOOK INC A	83,500	\$6,599,840
3	AMAZON.COM INC	19,800	\$6,384,312
4	FRESENIUS SE + CO KGAA	128,196	\$6,347,379
5	SALESFORCE.COM INC	94,600	\$5,442,338
6	NOVARTIS AG REG	55,468	\$5,233,323
7	REGENERON PHARMACEUTICALS	14,500	\$5,227,540
8	LINKEDIN CORP A	24,700	\$5,132,413
9	GOOGLE INC CL A	8,000	\$4,707,280

A complete list of portfolio holdings is available upon request.

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SCHEDULE OF FEES AND COMMISSIONS

During fiscal year 2014, the Board paid the following fees and commissions:

Expense Category	Amount	Percent of Fund
Investment Managers*	\$11,400,214	0.180%
Investment Consultants	1,018,869	0.016%
Investment Administrative Expense	867,722	0.014%
Investment Custodian	369,065	0.006%
Subtotal	13,655,870	0.216%
Brokerage Commissions**	675,090	0.011%
Total	\$14,330,960	0.227%

* 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 accounts and commingled funds. Brokerage commissions are a component of net appreciation in fair value of investments on the Statement of Changes in Fiduciary Net Position.

Manager	Total Shares Traded	Total Commission (Dollar Value)	Commission (Cents Per Share)	Commission (Basis Points)	Number of Trades	Trade Value (Dollars in Millions)
<i>Separate Accounts</i>						
Gryphon International Inv Corp	837,219	-\$ 7,751	-2.1	-2	338	\$ 76
Sands Capital Management	3,744,762	-61,692	-1.6	-13	326	49
<i>Commingled Funds</i>						
Copper Rock International	30,608,011	-239,802	-0.8	-15	1,003	164
LSV Emerging Markets	27,375,320	-19,911	-0.1	-5	2,579	39
Northern Trust R3000	62,098,915	-121,827	-0.2	-1	52,766	1,814
Northern Truist Global REIT	890,543	-1,989	-0.2	-2	1,445	13
State Street Global Advisors	1,174,907,201	-212,119	-0.0	-5	n/a	441
Total	1,300,461,971	-\$ 675,091	-0.1	-3	n/a	\$ 2,596

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INVESTMENT SUMMARY

Asset Class	Percent of Fund
Cash and Cash Equivalents	0.2%
Fixed Income	29.8%
U.S. Equities	23.7%
International Developed Markets Equities	19.9%
Emerging Markets Equities	10.5%
Absolute Return	4.4%
Private Equity	5.9%
Real Assets	5.6%
Total	<u>100.0%</u>