



# DCRB Report

SPRING 2017

## Inside

- 2 FY 2016 Investment Update
- 2 Asset Allocations
- 3 Financial Statements

**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.**

### 2017 COLA Notices to Members

The DC Department of Human Resources (DCHR) announced the 2017 cost-of-living adjustments (COLAs) for retirees and survivors receiving annuities under the District of Columbia Police Officers and Firefighters' Retirement Plan and the District of Columbia Teachers' Retirement Plan, as follows:

- Police officers and firefighters who retired on or after February 15, 1980, and their survivors: **2.1%**
- Teachers hired before, on, or after November 1, 1996, and their survivors: **2.0%**

COLAs are effective on March 1 of each year and are included in annuity payments payable April 1.

## From the Chairman of the Board

During our March 2017 meeting, the District of Columbia Retirement Board held officer elections, and I was pleased to be elected Chairman for this year. Trustees also elected Trustee Gary Hankins as Vice Chair/Secretary and Trustee Lyle Blanchard as Treasurer.

In recent newsletters, we introduced the trustees who you elected to the Board. Information about the trustees appointed by the mayor is provided below. In our fall newsletter, we will introduce you to the trustees who were appointed by the District of Columbia Council.



**Joseph W. Clark**

### Mayoral Trustees

In March 2017, Trustee **Janice M. Adams** was appointed to replace Trustee Barbara Davis Blum, whose service had just ended. Trustee Adams is the Founder and Chief Executive Officer of JMA Solutions, an award-winning management consulting firm that provides a variety of services to the federal community. Previously, Trustee Adams honorably served 24 years with the U.S. Air Force, and retired as the Information Management Functional Manager for the Air Force Communications Agency. She is a graduate of the Community College of the Air Force.



Chairman **Joseph W. Clark** (see photo above) served on the Board from 2008 through 2012, and was reappointed in 2014. As a trustee, he has served as Treasurer; Vice Chair/Secretary; and Chair of the Operations, Audit, and Fiduciary committees. He is Vice President and Sr. Deputy General Counsel, Government Investigations, at Comcast NBC Universal. Previously, he led Global Investigations at Hewlett Packard Enterprise and was a partner in the commercial litigation and white collar defense practices at Jones Day, an international law firm. Prior to going into private practice, he served as a federal prosecutor at the U.S. Attorney's Office for the District of Columbia. Chairman Clark graduated magna cum laude from Morehouse College and earned his law degree from Harvard Law School.

Trustee **Lenda P. Washington** initially served on the Board from 1999 to 2003, and she was reappointed in 2014. She is a member of the Board's Audit, Benefits, and Investment committees. Trustee Washington began her career in securities brokerage in 1985, and in 1993 she founded and served as President of GRW Capital Corporation, a boutique broker-dealer/ investment advisory firm. She is a graduate of Howard University.



### Eric Stanchfield Leaves DCRB



Eric Stanchfield, DCRB's Executive Director since July 2007, ended his tenure with DCRB effective March 17, 2017. Eric, a native Washingtonian, came to DCRB from the Wisconsin Retirement System, where he was a member of the Wisconsin State Investment Board and served as Secretary of the Department of Employee Trust Funds. The Board has appointed Sheila Morgan-Johnson, DCRB's Chief Investment Officer and Chief Operating Officer, as Interim Executive Director until a permanent Executive Director is named.

## Fiscal Year 2016 Investment Update

### Performance

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 the end of Fiscal Year (FY) 2016 (September 30, 2016), the Fund's total assets stood at \$6.8 billion, after the payment of all benefits and administrative expenses. This reflected an increase of approximately \$650 million compared to the end of FY 2015. The Fund generated a net return of 9.3%. The Fund has underperformed the Long-Term Policy Benchmark by roughly 0.9% per year since its inception in October 1982, but has achieved a return of 8.7%, exceeding the actuarial return target of 6.5% by approximately 2.2% per year, net of fees.

### Global Market Review

Most investor concerns from FY 2015 continued into the early part of FY 2016. They include: unresolved geopolitical issues, the slowdown of the Chinese economy, and falling commodity prices. Combined with sluggish economic growth, this uncertainty translated into another period of substantial volatility. Despite this, the fiscal year produced surprisingly strong returns across both debt and equity markets in the U.S. and abroad.

In terms of cumulative returns for FY 2016, 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, rose by 15.0%. International developed equity markets, as measured by the MSCI World ex U.S. Index, increased by 7.2%, while emerging equity markets, as measured by the MSCI Emerging Markets Index, advanced

16.8%. The Barclays Capital U.S. Aggregate Bond Index, a broad measure of U.S. fixed income markets, rose by 5.2%, driven by a moderate decline in U.S. interest rates.

### Asset Allocation

In November 2016, the Board reviewed the strategic asset allocation structure and approved new targets. The primary changes were an increase in private equity and real assets targets and a decrease in the absolute return target. The Actual and Long-Term Policy allocations are shown in the chart below.

At the end of FY 2016, the Fund's asset classes were within their respective target allocation ranges, except for Absolute Return, which continued to be below the targeted minimum. The target weight for this asset class was reduced as part of the 2016 asset allocation review, and the Absolute Return program is now in line with the Long-Term Policy target.

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, as new funds invest capital and mature funds slow down distributions.

### Other Updates

On December 1, 2015, DCRB completed the transition to a new custodial bank, the Northern Trust Company, following a review of custody bank service providers during the prior fiscal year.

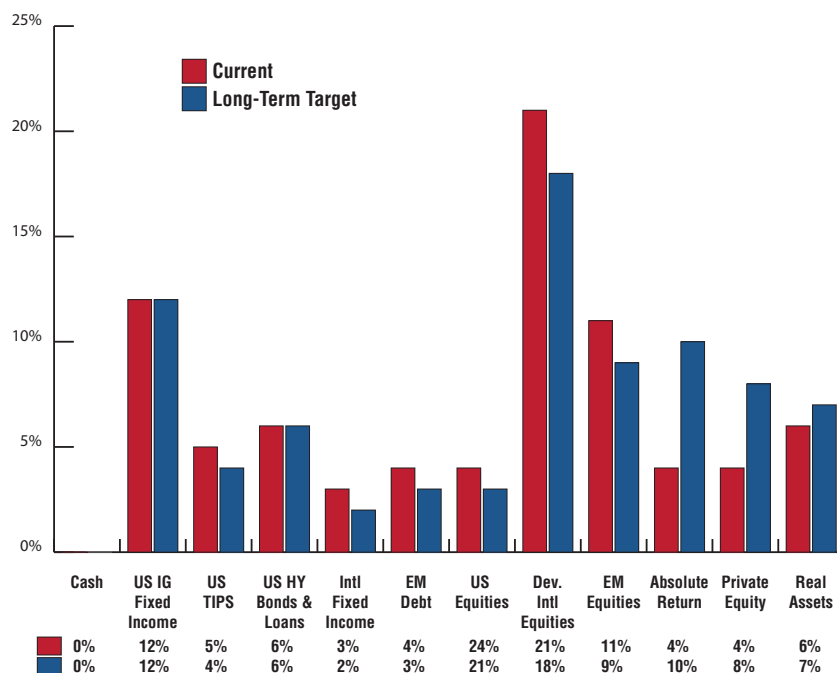
On August 1, 2016, Meketa Investment Group, DCRB's general investment consultant since February 2010, began serving as our consultant across all asset classes.

Also, in September 2016, the Board approved new Proxy Voting Guidelines. The Guidelines direct DCRB's separate account managers on the Board's voting preferences for shareholder proxies.

In addition, the Board enhanced diversification by hiring a new

*Continued on page 4*

**Actual and Long-term Policy Asset Allocations as of 9/30/16**



## DCRB Financial Statements

For FY 2016, the Board once again received an unmodified, clean opinion from its independent auditor. The following schedules compare the FY 2016 financial statements with those of FY 2015.

### Statements of Net Position (in \$000s) for the Fiscal Years ending:

	September 30, 2016			September 30, 2015		
	Teachers' Retirement Fund	Police Officers and Firefighters' Retirement Fund	Total	Teachers' Retirement Fund	Police Officers and Firefighters' Retirement Fund	Total
<b>Assets</b>						
Cash and short-term investments	\$ 13,993	\$ 37,487	\$ 51,480	\$ 18,352	\$ 57,140	\$ 75,492
Receivables & Prepaid expenses	5,005	9,240	14,245	4,885	9,239	14,124
Investments at fair value	1,807,998	4,920,614	6,728,612	1,650,974	4,405,127	6,056,101
Total assets	1,826,996	4,967,341	6,794,337	1,674,211	4,471,506	6,145,717
<b>Liabilities</b>						
Other payables	2,393	5,486	7,879	1,156	3,058	4,214
Investment commitments payable	2,654	7,224	9,878	2,417	6,450	8,867
Total liabilities	5,047	12,710	17,757	3,573	9,508	13,081
<b>Net Assets Held in Trust For Pension Benefits</b>	<b>\$1,821,949</b>	<b>\$4,954,631</b>	<b>\$6,776,580</b>	<b>\$1,670,638</b>	<b>\$4,461,998</b>	<b>\$6,132,636</b>

### Statements of Changes in Net Position (in \$000s) for the Fiscal Years ending:

	September 30, 2016			September 30, 2015		
<b>Additions</b>						
District Government contributions	\$ 44,469	\$ 136,115	\$ 180,584	\$ 39,513	\$ 103,430	\$ 142,943
Employee contributions	33,591	32,785	66,376	31,621	33,679	65,300
Total contributions	78,060	168,900	246,960	71,134	137,109	208,243
Net investment income (loss)	152,262	415,157	567,419	(72,647)	(187,283)	(259,930)
Other income	1,033	2,810	3,843	385	1,012	1,397
Total additions (reductions)	231,355	586,867	818,222	(1,128)	(49,162)	(50,290)
<b>Deductions</b>						
Benefit payments	68,634	78,920	147,554	64,076	63,634	127,710
Retirement benefits payable to U.S. Treasury	459	217	676	-	-	-
Refunds	6,205	2,179	8,384	5,576	1,396	6,972
Administrative expenses	4,746	12,918	17,664	4,543	11,939	16,482
Total deductions	80,044	94,234	174,278	74,195	76,969	151,164
<b>Change in Net Position</b>	<b>151,311</b>	<b>492,633</b>	<b>643,944</b>	<b>(75,323)</b>	<b>(126,131)</b>	<b>(201,454)</b>
<b>Net Assets Held in Trust For Pension Benefits, Beginning of Fiscal Year</b>	<b>1,670,638</b>	<b>4,461,998</b>	<b>6,132,636</b>	<b>1,745,961</b>	<b>4,588,129</b>	<b>6,334,090</b>
<b>Net Assets Held in Trust For Pension Benefits, End of Fiscal Year</b>	<b>\$1,821,949</b>	<b>\$4,954,631</b>	<b>\$6,776,580</b>	<b>\$1,670,638</b>	<b>\$4,461,998</b>	<b>\$6,132,636</b>

## DC Retirement Board

900 7th Street, NW  
Second Floor  
Washington, DC 20001



Pre-Sorted  
Standard  
US Postage  
**PAID**  
Permit #349  
Washington, DC

### Inside this DCRB Report

## Fiscal Year 2016 Investment Summary and Financial Statements

### Investment Update *continued from page 2*

active manager, Beach Point Capital Management, to focus on U.S. bank loans. The Board also committed a total of \$195 million to a total of nine new and existing private equity and real assets limited partnerships, including funds focused on Canadian buyouts, U.S. growth equity and

small buyouts, as well as opportunistic real estate investments in the U.S. and Western Europe.

Furthermore, our Investment Department staff and Meketa have continued to incorporate DCRB's Environmental, Social, and Governance policy, passed in November

2013, into the investment due diligence process. This will continue to be a focus when evaluating prospective and existing investment managers in FY 2017 and beyond.

A second major initiative in FY 2017 will be the implementation of the new strategic asset allocation.

### From the Chairman *continued from page 1*

#### Health of the Plans

This spring Newsletter serves as your Summary Annual Report of financial information for the District of Columbia Teachers' Retirement Plan and the District of Columbia Police Officers and Firefighters' Retirement Plan (the Plans) for FY 2016. The status of the Trust Fund that supports the Plans is reflected in the investment and financial information that appears on pages

two and three. I am pleased to report that your Plans are well-funded, with an aggregate funded ratio of 104.6%, as of October 1, 2016.

#### Technology Updates

During FY 2016, DCRB automated the previously manual transmission of member data to U.S. Treasury's pension calculation system. In addition, a Data Management Project created a central repository for

member data that is being used to provide members with Benefit Statements, the first of which were distributed to active firefighters in April, and will be provided to active police officers and teachers in the near future. A Request for Proposal related to a Pension Information Management System is being prepared for release later this year.

TRUSTEES				DC Retirement Board
Janice M. Adams <i>Mayoral Appointee</i>	Mary A. Collins <i>Elected Retired Teacher</i>	Nathan A. Saunders <i>Elected Active Teacher</i>	Michael J. Warren <i>Council Appointee</i>	900 7th Street, NW, 2nd Floor Washington, DC 20001 Voice (202) 343-3200 Fax (202) 566-5000 <b>www.dcrb.dc.gov</b> Sheila Morgan-Johnson <i>Interim Executive Director</i> Joan M. Passerino <i>Editor</i>
Lyle M. Blanchard <i>Treasurer Council Appointee</i>	Gary W. Hankins <i>Vice Chair/Secretary Elected Retired Police Officer</i>	Edward C. Smith <i>Elected Active Firefighter</i>	Lenda P. Washington <i>Mayoral Appointee</i>	
Joseph M. Bress <i>Council Appointee</i>		Thomas N. Tippet <i>Elected Retired Firefighter</i>	Jeffrey Barnette <i>Ex Officio, Non-Voting</i>	
Joseph W. Clark <i>Chair Mayoral Appointee</i>	Darrick O. Ross <i>Elected Active Police Officer</i>			