



# District of Columbia Retirement Board

a Pension Trust Fund of the District of Columbia



## Comprehensive Annual Financial Report

For the fiscal year ended September 30, 2008



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For the fiscal year ended September 30, 2008

Prepared by the District of Columbia Retirement Board's  
Finance Department  
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Washington, D.C. 20001  
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Comprehensive Annual Financial Report  
For the Fiscal Year Ended September 30, 2008

# Introductory Section

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- 9 Letter of Transmittal
- 10 Organizational Structure:
  - 14 Board of Trustees
  - 16 Organizational Diagram

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March 31, 2009

Darrick O. Ross  
Chairman of the Board of Trustees  
District of Columbia Retirement Board  
900 7th St. , 2nd Floor,  
Washington, D.C. 20001

### **Introduction**

I am pleased to present the Comprehensive Annual Financial Report (“CAFR”) of the District of Columbia Retirement Board (“DCRB,” or the “Board”) for the fiscal year ending September 30, 2008. The DCRB was established to manage the assets of the District of Columbia Police Officers and Firefighters’ Retirement Fund and the District of Columbia Teachers’ Retirement Fund (collectively referred to as the “Total Fund”).

### **CAFR Transmittal**

This annual report is issued in accordance with the Federal “National Capital Revitalization and Self-Government Improvement Act of 1997” and the District “Police Officers, Firefighters and Teachers Retirement Benefit Replacement Plan Act of 1998”. This report includes the independent auditor’s reports on the Total Fund.

The audit reports are issued by the independent public accounting firm of Clifton Gunderson LLP, the selection of which was approved by the DCRB Board of Trustees (the “Trustees”). This annual report also includes other information concerning the Total Fund, the Board, the District of Columbia Police Officers and Firefighters’ Retirement Plan and the District of Columbia Teachers’ Retirement Plan (collectively referred to as the “Plans”), Plan membership, investments, and Board operations.

Additional disclosures that are specifically required by statute are also included in the report.

The responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the DCRB. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the Plan assets and the changes in Plan assets and financial position of the Total Fund; and that all disclosures necessary to enable the reader to gain the maximum understanding of the financial activities of the Total Fund have been included.

### **Structure of this Report**

The CAFR of the DCRB for the fiscal year ending September 30, 2008 is prepared as follows:

**Introductory Section**, including the Letter of Transmittal and the organizational structure. This section contains general information on the nature of the Total Fund, financial performance, and the investment objectives.

**Financial Section**, including the 2008 audited financial statements, Management's Discussion and Analysis, and related schedules concerning the financial position and changes in Plan assets for the Total Fund.

**Investment Section**, containing descriptions of the investment policy, objectives, results, and expenses.

**Actuarial Section**, including the actuarial certification, descriptions of actuarial assumptions and methods, and schedules presenting summary data on members, retirees and beneficiaries.

**Statistical Section**, including summary data on revenues, expenses and benefits.

**Additional Disclosures Required by the District of Columbia City Council**, which are specified in applicable statutes, are included in this volume, including information on the names and addresses of the Trustees, custodial bank statements, reportable transactions, transactions with parties in interest, Trustee activities sponsored by service providers, and return data of the Total Fund.

### **Structure of the DC Retirement Board and the Board of Trustees**

The Board was created by the U.S. Congress in 1979 under the Retirement Reform Act (the "Reform Act"). The Reform Act established the structure, legal responsibilities, and composition of the Board. The 12 member Board of Trustees consists of 6 individuals elected by their participant groups (2 each by active and retired police officers, firefighters and teachers), 3 appointed by the Mayor, and 3 appointed by the City Council. The D.C. Chief Financial Officer, or his or her designee, sits on the Board as an ex-officio, non-voting Trustee.

The Total Fund is managed and controlled by the Board, and are held in trust by the Board for the exclusive benefit of members, retirees, survivors and beneficiaries of the Plans. The Board's mission is to manage and control the Total Fund on an actuarially sound basis to assure that sufficient assets are available to pay the benefits promised under the terms of the Plans, to pay those benefits promptly and accurately, and to provide all Plan participants with appropriate administrative support services when they contact the Board.

### **History and Legislative Background**

Prior to the Reform Act, eligibility and benefit rules and financing arrangements for the Plans were authorized by acts of Congress and administered by the Federal Government. Benefits were paid monthly from the general revenues of the U.S. Department of the Treasury, on a "pay-as-you-go" basis when workers retired, not on a prefunded basis using actuarial assumptions and methods. Under the "National Capital Revitalization and Self-Government Improvement Act of 1997" (the "Revitalization Act"), the Federal Government assumed responsibility for the unfunded pension liabilities for retirement benefits earned as of June 30, 1997.

The District of Columbia passed the "Police Officers, Firefighters and Teachers Retirement Benefit Replacement Plan Act of 1998" (the "Replacement Plan Act") which established retirement plans for pension benefits accrued after June 30, 1997.

To facilitate the effective monitoring of the retirement system, the Reform Act and the Replacement Plan Act require the Board to publish an annual report for each fiscal year. The DCRB Comprehensive Annual Financial Report (CAFR) fulfills that requirement.

With the passage of the District's "Office of Financial Operations and Systems Reorganization Act of 2004", the Board assumed responsibility for administering the retirement programs for the District's police officers, firefighters and teachers.

The Board, in cooperation with the U.S. Treasury Department's Office of D.C. Pensions ("ODCP") and the District government, ensured a smooth transition of Benefits Administration from the District's Office of Pay and Retirement Services ("OPRS") to DCRB.

DCRB and ODCP collaborated on changes to the U.S. Treasury retirement system to calculate the benefit split between the District and the Federal trusts, in accordance with the Split Benefit regulations. This project will result in the financial reconciliation of pension liabilities between the two trusts, projected to be completed in 2011.

The Board's budget relies entirely on Special Purpose Revenue funding. These monies are derived from the Total Fund investments, employee contributions, District employer contributions, and reimbursements received from the U.S. Treasury for the administration of certain pension payments and other services for which it is responsible. Pursuant to Section 1-711 (f) of the District of Columbia Code, "the Mayor and the Council may establish the amount of funds which will be allocated to the Board for administrative expenses, but may not specify the purposes for which such funds may be expended or the amounts which may be expended for the various activities of the Board." The Board is responsible for establishing the level of annual expenditures; any adjustments or re-allocations of the budgetary expenditures; DCRB staffing and compensation; and the spending by program, vendor or department.

### **Profile of the Plans**

The Plan for police officers and firefighters provides retirement, service-related disability, non-service-related disability, and death benefits. All police officers and firefighters of the District of Columbia automatically become members on their date of employment. Police cadets are not eligible.

The Plan for teachers provides retirement, disability retirement, and death benefits. Permanent, temporary, and probationary teachers for the District of Columbia public day schools become members automatically on

their date of employment. Other employees covered include librarians, principals, and counselors. Former D.C. teachers working at charter schools may be eligible to remain in the Plan.

Upon assuming responsibility for administering the Plans in October 2005, the Board established a Member Services Center that is available to all active Plan members and retirees, calculates benefit payments, and works closely with ODCP to implement system changes resulting from software upgrades or legislation affecting Plan provisions. The Board produces Plan communications that include a periodic newsletter, a Summary Annual Report reflecting fund investment results, and Summary Plan Descriptions as prescribed by statute. ODCP maintains the retirement computer system that calculates benefits, issues monthly benefit payments to retirees and survivors, and handles all payment-related activities, including tax withholdings and premiums for health and life insurance coverages.

### **Plan Management, Performance and Investments**

As of September 30, 2008, the Plans had 24,630 members, of whom 14,148 were retirees and survivors who receive monthly pension payments and 10,482 of whom were active members. At that date, the Total Fund's assets were valued at \$3.73 billion, a decrease of approximately 16.9% in the total asset value from the end of FY 2007. During FY 2008, \$56.1 million in pension benefits were paid and approximately \$143 million in employer contributions and \$57.6 million in employee contributions were deposited into the Total Fund.

In order to minimize administrative expenses while providing a broad range of investment options that are economically feasible, the assets of the Plans are commingled for investment. The portfolio of the combined assets is collectively referred to as the "Total Fund". The investment returns of the Total Fund are calculated based on the fair value of the assets.

**LETTER OF TRANSMITTAL**

The Total Fund underperformed its 7.0% actuarial assumed rate of return for the one, three, five, and ten-year periods ending September 30, 2008, by approximately 23.9%, 4.7%, 0.6%, and 1.7%, respectively. Since inception, the Total Fund has achieved an average annual return of 9.5%.

The Board seeks long-term investment returns in excess of the actuarial investment rate of return assumption at a level of risk commensurate with the expected levels of returns and consistent with sound and responsible investment practices. The Board, working closely with investment consultants and with input from its actuary, selects the optimal asset allocation policy which best reflects the risk tolerance and investment goals for the Total Fund. The asset allocation policy is implemented through the careful screening and selection of investment managers that have an audited favorable long-term track record, a disciplined investment process, and reasonable investment management fees.

The Total Fund also seeks to outperform the return of the Total Fund Benchmark, computed as the weighted average index return of the following strategic asset allocation:

<u>Asset Class</u>	<u>Performance Benchmark</u>	<u>Weight</u>
U.S. Equities	Russell 3000 Index	40%
Non-U.S. Equities	MSCI All Country World ex U.S. Index	20%
Fixed Income	Barclays U.S. Universal Index	25%
Private Equity	Cambridge Private Equity Index	10%
Real Estate	NCREIF Index	5%

Over the long-term, the Total Fund has slightly underperformed the Total Fund Benchmark, with the Total Fund returning an annualized 5.7% for the 10-year period ended September 30, 2008, versus 6.3% for the Total Fund Benchmark. However, it should be noted that the performance of the Total Fund exceeded the Board’s actuarial assumed rate of return for the 26-year period, from its inception in October 1982 through September 30, 2008, by approximately 230 basis points (or 2.3%). Since its inception, the Total Fund has earned an annualized return of 9.54%.

**Summary of Financial Information**

DCRB management is responsible for maintaining internal accounting controls to provide reasonable assurance that transactions are properly authorized and recorded on an accrual basis in accordance with GAAP, and that financial statements conform to GASB and AICPA reporting standards and GFOA guidelines.

The accounting records of DCRB are maintained by DCRB staff. Pension payment information is contained within the System to Administer Retirement (STAR), maintained by the U.S. Treasury Department. Accounting, and DCRB payroll transactions are processed through the District of Columbia’s System of Accounting and Reporting (SOAR).

DCRB budgets are approved by the Board and then incorporated into the District CFO’s source budgetary system. The Total Fund’s Trustee Bank, State Street Bank and Trust Company, records and reports all investment and cash management transactions, and the Board exercises close review and controls over those records and transactions.

Consideration is given to the adequacy of internal accounting controls for systems under the control of DCRB, and systems that are shared with other governmental offices or service providers. DCRB requires that its service providers undergo an annual SAS 70 review by independent public accountants, and that government offices whose systems are used by DCRB are subjected to an annual audit. These controls are designed to provide reasonable assurance regarding the safekeeping of assets and the reliability of financial records.

We believe the internal controls in effect during the fiscal year ended September 30, 2008 adequately safeguarded the Total Fund's assets and provided reasonable assurance regarding the proper recording of financial transactions.

The independent auditor's reports on the Plans are presented in the *Financial Section* of this report.

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statement—and Management's Discussion and Analysis—for State and Local Governments*. This statement establishes financial reporting standards for state and local governments. The Management's Discussion and Analysis provides a narrative introduction and overview to DCRB's financial statements. It is contained within the *Financial Section* and serves to supplement the *Introductory Section* of the Comprehensive Annual Financial Report, as well as financial statements, notes and supplementary information within the *Financial Section*.

### Plan Funding

The Replacement Plan Act establishes the method for calculating the employer's (District of Columbia) annual contribution to the retirement Total Fund. The Board's enrolled actuary must determine the level of covered payroll, expressed as a percentage ("normal contribution rate") for each participant group. Under the Replacement Plan Act, the District must contribute the annual funding amount determined under the Aggregate Actuarial Cost method. No other funding limitations apply. The DC Government is current in providing to the Total Fund the actuarially determined employer contribution to the Plans.

However, the Board seeks a prompt resolution on the employer contribution receivable, as noted herein by the actuary and the independent auditor, associated with the District's errors in tracking teachers' contributions under various retirement programs. Furthermore, in collaboration with the District, the Board will strive to aggregate all of the census data for its members in a Board-managed pension information system

and to develop procedures to assure the data is complete and accurate.

GASB Statement No. 50 requires funds using the Aggregate Actuarial Cost method to disclose funding status information based on the Entry Age Normal ("EAN") method. As of October 1, 2008, the Plan's funded ratio was 102.4%, based on the EAN method. Funding status and employer contributions are presented as *Required Supplementary Information* within the *Financial Section* of the report.

### Acknowledgements

I would like to express my appreciation to the U.S. Treasury's Office of DC Pensions, the District of Columbia City Council, the DC Office of Financial and Operations Systems, the DC Office of Budget and Planning, all other DC Government Offices that support the Board, and the DCRB trustees, staff, consultants and service providers for their tireless efforts to assure the financial soundness and successful operation of the DC Retirement Board.

If you have any questions regarding this Comprehensive Annual Financial Report (CAFR) of the District of Columbia Retirement Board for the fiscal year ending September 30, 2008, please direct them to my office at any time.

Respectfully submitted,

Eric Stanchfield  
Executive Director  
District of Columbia Retirement Board

## INTRODUCTORY SECTION

### BOARD OF TRUSTEES



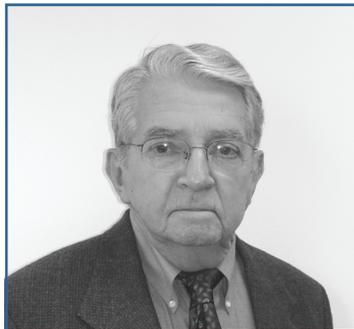
**Brian K. Lee, Board Chair**  
*Elected Active Firefighter*  
*Term Began January 28, 2001*  
*Term Expires January, 27, 2009*



**Mary A. Collins, Treasurer**  
*Elected Active Teacher*  
*Term Began January 28, 1997*  
*Term Expires January 27, 2009*



**Judith C. Marcus, Secretary**  
*Elected Retired Teacher*  
*Term Began January 28, 1998*  
*Term Expires January 27, 2010*



**George R. Suter, Sergeant-at-Arms**  
*Elected Retired Teacher*  
*Term Began January 28, 1998*  
*Term Expires January 27, 2009*



**Darrick O. Ross, Board Parliamentarian**  
*Elected Active Police*  
*Term Began January 28, 1999*  
*Term Expires January 27, 2011*



**Lyle M. Blanchard**  
*Council Appointee*  
*Term Began November 15, 2002*  
*Term Expires January 27, 2009*



**Barbara Davis Blum**  
*Mayoral Appointee*  
*Term Began July 12, 2000*  
*Term Expires January 27, 2011*



**Shireen L. Dodson**  
*Council Appointee*  
*Term Began August 3, 2001*  
*Term Expires January 27, 2008*



**Lasana Mack**  
*Ex-Officio Member*  
*Deputy CFO and Treasurer of the*  
*District of Columbia*



**Thomas N. Tippet**  
*Elected Retired Firefighter*  
*Term Began March 21, 2005*  
*Term Expires January 27, 2012*



**Joseph W. Clark**  
*Mayoral Appointee*  
*Term Began March 13, 2008*  
*Term Expires January 27, 2011*

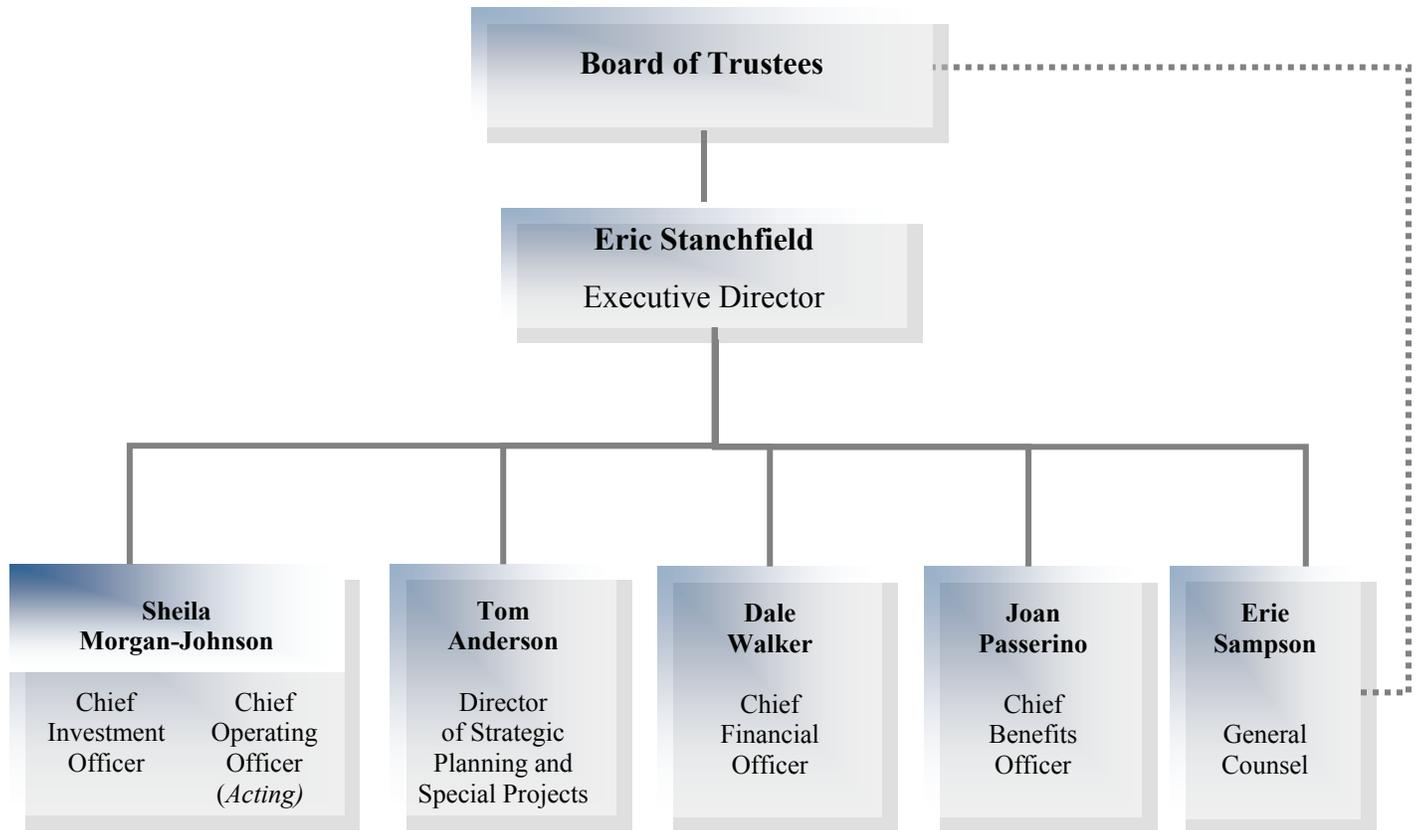


**Michael J. Warren**  
*Council Appointee*  
*Term Began March 11, 2005*  
*Term Expires January 27, 2011*



**Diana K. Bulger**  
*Mayoral Appointee*  
*Term Began March 2, 2008*  
*Term Expires January 27, 2010*

**The District of Columbia Retirement Board  
For the Fiscal Year Ended September 30, 2008**



**Auditor**  
Clifton Gunderson, LLP

**Actuary,**  
EFI Actuaries

**Investment Advisors**  
Watson Wyatt Investment Consulting Inc.  
Townsend Group  
Plexus Group  
Pantheon Ventures, Inc.



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# Financial Section

## Financial Section

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INDEPENDENT AUDITOR'S REPORT



**Independent Auditor's Report**

Board of Trustees  
District of Columbia Teachers' Retirement Fund and the  
District of Columbia Police Officers and Firefighters' Retirement Fund

We have audited the accompanying statement of net assets of the District of Columbia Teachers' Retirement Fund and the District of Columbia Police Officers and Firefighters' Retirement Fund (the Total Fund), Pension Trust Funds of the Government of the District of Columbia (the District), as of September 30, 2008, and the related statements of changes in net assets for the year then ended. These financial statements are the responsibility of the Total Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of the Total Fund as of September 30, 2007 were audited by other auditor's whose report dated February 20, 2008 expressed an unqualified opinion.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, these financial statements only present the Total Fund and do not purport to, and do not, present the financial position of the Government of the District of Columbia as of September 30, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the District of Columbia Teachers' Retirement Fund and the District of Columbia Police Officers and Firefighters' Retirement Fund as of September 30, 2008, and the changes in its net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITOR'S REPORT

In accordance with *Government Audit Standards*, we have also issued a report dated January 12, 2009, on our consideration of the Total Fund's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the schedules of employer contributions are not a required part of the financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information as listed in the table of contents is for the purpose of additional analysis and is not a required part of the financial statements, and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The supplemental information for prior years was subjected to the auditing procedures applied in the basic financial statements by other auditors whose report dated February 20, 2008 expressed an unqualified opinion on such information, in all material respects, in relation to the basic financial statements taken as a whole.

The Introductory, Investment, Actuarial, Statistical and Additional Disclosures Required by the District of Columbia City Council sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

*Clifton Gunderson LLP*

Baltimore, Maryland  
January 12, 2009

**MANAGEMENT'S DISCUSSION & ANALYSIS**

*(In thousands of dollars)*

This discussion and analysis provides an overview of the financial activities of the District of Columbia Teachers' Retirement Fund and the District of Columbia Police Officers and Firefighters' Retirement Fund (collectively referred to as the "Total Fund") for the fiscal years ended September 30, 2008 and 2007. This discussion and analysis should be read in conjunction with the financial statements, the notes to the financial statements, and the supplementary information provided in this report.

The District of Columbia Retirement Board (the "Board" or "DCRB") is an independent agency of the District of Columbia Government. The Board is responsible for managing the assets of the District of Columbia Police Officers and Firefighters' Retirement Fund and the assets of the District of Columbia Teachers' Retirement Fund. As authorized by DC Code, the Board combines the assets of the two Funds into a single investment portfolio (the "Total Fund"). The Board allocates the investment and administrative expenses of the Board, between the two Funds in proportion to the dollar value of funds managed. The Board maintains financial records of contributions, distributions, withdrawals, investment earnings, investment expenses, and administrative expenses for each Fund, and produces financial statements for each Fund.

Effective October 1, 2005, the Board was assigned the responsibility for administering the pension benefits for retirees, survivors and beneficiaries of the Plans. The related administrative expenses are assumed by the Total Fund as described above.

Effective October 1, 2005, the Board entered into a Memorandum of Understanding (MOU) with the United States Department of the Treasury (the "U.S. Treasury") to administer police officers, firefighters, and teachers' pension benefits that are the financial responsibility of the Federal government (pre-1997 benefits). The U.S. Treasury reimburses the Board for expenses incurred to administer the Federal portion of the Plans.

DCRB and the U.S. Treasury's Office of D.C. Pensions ("ODCP") are collaborating on reconciling the split retirement benefit calculations for retirees with service before July 1, 1997 and after June 30, 1997. This project will result in the financial reconciliation

of pension liabilities between the two trusts, projected to be completed in fiscal year 2011. A detailed description of the relationship between DCRB and ODCP regarding the administration and payment of split benefits is included in the notes to the financial statements.

**OVERVIEW OF THE FINANCIAL STATEMENTS AND SCHEDULES**

The financial information presented in this report includes two financial statements, the notes to the financial statements, and supplementary information.

*The Statements of Net Assets* show the amount of assets, liabilities, and net assets held in trust for pension beneficiaries as of the end of the current and prior fiscal years.

*The Statements of Changes in Net Assets* show the additions to and reductions in the Total Fund's net assets during the current and prior fiscal years. The statements present the major sources of funds added and uses of funds deducted.

*The Notes to Financial Statements* contain disclosures and discussions which support the data presented in the financial statements. The notes present information about the creation and administration of the Total Fund, significant accounting policies, and investments. The notes are an integral part of the financial statements and should be considered in conjunction with any review of the financial statements.

## MANAGEMENT'S DISCUSSION &amp; ANALYSIS

*(In thousands of dollars)*

*The Required Supplementary Information* includes the schedule of employer contributions for the last 6 fiscal years. This schedule presents historical trend information regarding the value of total annual contributions required to be paid by employers for the employees participating in each defined benefit plan, and the actual performance of employers in meeting this requirement. The information contained in this schedule reflects the required contributions based on the actuarially determined contribution rates approved by the Board.

*The Supplementary Information* includes additional information on the Total Fund's financial condition and trends including Total Fund additions and deductions for the last 10 fiscal years.

**FINANCIAL HIGHLIGHTS**

The financial highlights for fiscal year 2008 are:

**District of Columbia Teachers' Retirement Fund**

Net assets held in trust for pension benefits, as of September 30, 2008, were \$1,257,754 an annual decrease of \$260,011 or 17%.

- The investment loss net of investment expenses for fiscal year 2008 was \$259,309, a loss of 20%.
- The District of Columbia government made a timely contribution of \$6,000 to the Fund for fiscal year 2008, which satisfied its statutory obligation.
- The Fund's share of administrative expenditures for fiscal year 2008 was \$2,919, equivalent to 22 basis points on Fund assets under management.

**District of Columbia Police Officers and Firefighters Retirement Fund**

- Net assets held in trust for pension benefits, as of September 30, 2008, were \$2,476,725 an annual decrease of \$376,882 or 13%.
- The investment loss net of investment expenses for fiscal year 2008 was \$516,438, a loss of 20%.
- The District of Columbia government made a contribution of \$137,000 to the Fund for fiscal year 2008, which satisfied its statutory obligation.
- The Fund's share of administrative expenditures for fiscal year 2008 was \$5,750, equivalent to 22 basis points on Fund assets under management.

**FINANCIAL ANALYSIS****Net Assets**

Certain reclassifications were made as of and for the year ended September 30, 2007 to conform to the presentation as of and for the year ended September 30, 2008. The presentation as of and for the year ended September 30, 2006 was included for informational purposes and was not reclassified to conform with the presentation as of and for the years ended September 30, 2008 and 2007. A summary of the net assets and changes in net assets held in trust for pension benefits as of September 30 is presented on the next two pages.

**FINANCIAL SECTION**
**MANAGEMENT'S DISCUSSION & ANALYSIS**
*NET ASSETS (In thousands of dollars)*

District of Columbia Teachers' Retirement Fund	2008	2007	2006	Amount	Percent
				Increase (Decrease) from 2007 to 2008	Increase/ (Decrease) from 2007 to 2008
Cash and short-term investments	\$25,211	\$51,589	\$-	\$(26,378)	-51%
Investment sales proceeds receivable	142,941	106,686	-	36,255	34%
Accrued interest & dividends receivable	4,110	4,086	3,254	24	1%
Contributions receivable	8,624	8,883	9,094	(259)	-3%
Investments at fair value	1,290,920	1,531,547	1,444,374	(240,627)	-16%
Collateral from securities lending transactions	157,359	166,852	-	(9,493)	-6%
Other assets	1,120	409	91	711	174%
Accounts payable -investment expense	(1,964)	(1,959)	(1105)	(5)	0%
Due to Federal Government, net	(3,115)	(16,708)	(15,378)	13,593	-81%
Due to District of Columbia	(370)	(2,056)	0	1,686	-82%
Investment commitments payable	(209,723)	(164,712)	-	(45,011)	27%
Obligations under securities lending	(157,359)	(166,852)	(153,727)	9,493	-6%
<b>Net assets</b>	<b>\$1,257,754</b>	<b>\$1,517,765</b>	<b>\$1,286,603</b>	<b>\$ (260,011)</b>	<b>-17%</b>

**MANAGEMENT'S DISCUSSION & ANALYSIS**  
*CHANGES IN NET ASSETS (In thousands of dollars)*

<b>District of Columbia Teachers' Retirement Fund</b>				<b>Amount</b>	<b>Percent</b>
				<b>Increase</b>	<b>Increase/</b>
				<b>(Decrease)</b>	<b>(Decrease)</b>
				<b>from 2007 to</b>	<b>from 2007 to</b>
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2008</b>	<b>2008</b>
Employer contributions	\$6,000	\$14,600	\$15,500	\$(8,600)	-59%
Employee contributions	25,919	26,793	25,807	(874)	-3%
Net investment income/(loss)	(259,309)	217,731	120,114	(477,040)	-219%
Other Income	990	740	-	250	34%
<b>Total additions</b>	<b>(226,400)</b>	<b>259,864</b>	<b>161,421</b>	<b>(486,264)</b>	<b>-187%</b>
Benefit payments	30,692	25,801	23,793	4,891	19%
Administrative expenses	2,919	2,901	1,010	18	1%
<b>Total deductions</b>	<b>33,611</b>	<b>28,702</b>	<b>24,803</b>	<b>4,909</b>	<b>17%</b>
<b>Net change in net assets</b>	<b>\$(260,011)</b>	<b>\$231,162</b>	<b>\$136,618</b>	<b>\$(491,173)</b>	<b>-208%</b>

**FINANCIAL SECTION**
**MANAGEMENT'S DISCUSSION & ANALYSIS**
*NET ASSETS (In thousands of dollars)*

District of Columbia Police Officers and Firefighters' Retirement Fund				Amount	Percent
				Increase (Decrease)	Increase/ (Decrease)
	2008	2007	2006	from 2007 to 2008	from 2007 to 2008
Cash and short-term investments	\$49,904	\$96,935	\$-	\$(47,031)	-49%
Investment sales proceeds receivable	282,946	200,390	-	82,556	41%
Accrued interest & dividends receivable	8,136	7,678	5,801	458	6%
Employee contribution receivable	1,338	1,052	955	286	27%
Investments at fair value	2,555,332	2,877,743	2,591,840	(322,411)	-11%
Collateral from securities lending transactions	311,603	311,863	-	(260)	0%
Other assets	1,136	755	160	381	50%
Accounts payable -investment expense	(3,873)	(2,926)	(1,976)	(947)	32%
Due to Federal Government, net	(2,321)	(14,684)	(12,068)	12,363	-84%
Due to District of Columbia	(733)	(3,844)	-	3,111	-81%
Investment commitments payable	(415,139)	(309,491)	-	(105,648)	34%
Obligations under securities lending	(311,603)	(311,863)	(274,501)	260	0%
<b>Net assets</b>	<b>\$ 2,476,726</b>	<b>\$ 2,853,608</b>	<b>\$ 2,310,211</b>	<b>\$ (376,882)</b>	<b>-13%</b>

**MANAGEMENT'S DISCUSSION & ANALYSIS**  
*CHANGES IN NET ASSETS (In thousands of dollars)*

District of Columbia Police Officers and Firefighters' Retirement Fund				Amount	Percent
	2008	2007	2006	Increase (Decrease) from 2007 to 2008	Increase/ (Decrease) from 2007 to 2008
Employer contributions	\$137,000	\$140,100	\$117,500	\$(3,100)	-2%
Employee contributions	31,718	27,489	25,142	4,229	15%
Net investment income/(loss)	(516,438)	400,433	212,089	(916,871)	-229%
Other Income	1,952	1,383	-	569	41%
<b>Total additions</b>	<b>(345,768)</b>	<b>569,405</b>	<b>354,731</b>	<b>(915,173)</b>	<b>-161%</b>
Benefit payments	25,364	20,587	15,795	4,777	23%
Administrative expenses	5,750	5,421	1,817	329	6%
<b>Total deductions</b>	<b>31,114</b>	<b>26,008</b>	<b>17,612</b>	<b>5,106</b>	<b>20%</b>
<b>Net change in net assets</b>	<b>\$(376,882)</b>	<b>\$543,397</b>	<b>\$337,119</b>	<b>\$(920,279)</b>	<b>-169%</b>

**MANAGEMENT'S DISCUSSION & ANALYSIS**
*(In thousands of dollars)*
**TOTAL FUND INVESTMENT ANALYSIS**

The Total Fund (combined assets of teachers, police officers and firefighters) returned -16.9% during fiscal year 2008, underperforming the Asset Allocation Benchmark by 280 basis points (-16.9% versus -14.1%). The Total Fund's underperformance relative to the Asset Allocation Benchmark for fiscal year 2008 can be attributed primarily to the performance of the domestic equity segment. This segment underperformed its benchmarked, the Russell 3000 Index, a broad-based U.S. equity index, by 200 basis points (-23.5% versus -21.5%). In addition, other asset class segments also underperformed their respective benchmarks, including international equity, fixed income, and real estate. However, the alternatives segment delivered positive returns during the year, providing diversification benefits to the Total Fund in a difficult environment.

As of September 30, 2008, the Total Fund's assets equaled \$3.73 billion, of which \$1.24 billion was attributable to the Teachers' Retirement Fund and \$2.49 billion was attributable to the Police Officers and Firefighters' Retirement Fund, a decrease of approximately 15% from the total asset value at the end of fiscal year 2007, after payment of all benefits and other administrative expenses and obligations. Over the long-term, the Total Fund has slightly underperformed the Total Fund Benchmark, with the Total Fund returning an annualized 5.7% for the 10-year period ended September 30, 2008, versus 6.3% for the Total Fund Benchmark.

However, it should be noted that the performance of the Total Fund exceeded the Board's actuarial assumed rate of return for the 26-year period from its inception in October 1982 through September 30, 2008, by approximately 230 basis points. Since inception, the Total Fund has earned an annualized 9.5%.

Public equity markets declined significantly during fiscal year 2008, as world stock markets produced negative returns for the first time in six years. Concerns over declining housing prices, the worsening credit crisis, and the slowing economy intensified during the year. In the U.S., the Russell 3000 Index dropped -21.5% during the period. Non-U.S. equity markets declined even more significantly than U.S. Stocks, with the MSCI ACWI ex-US Index decreasing 30.3% during the 12-month period ended September 30, 2008. Fixed income performed relatively well in fiscal year 2008 compared with other asset classes, as investors flocked to the safety of U.S. Treasury securities, with the Barclay's U.S. Universal Bond Index returning 2.3%.

During fiscal year 2008, the Board maintained its strategic asset allocation targets, which had been established in fiscal year 2003 following an asset/liability study conducted by the Board's general investment consultant, Watson Wyatt. This study was updated by Watson Wyatt in fiscal year 2005, and asset class targets remain as follows:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Target Allocation Range</b>
Domestic Equities	40%	35-45%
International Equities	20%	15-25%
Fixed Income	25%	20-30%
Alternatives	10%	7-13%
Real Estate	5%	2-8%

## MANAGEMENT'S DISCUSSION &amp; ANALYSIS

*(In thousands of dollars)*

As of September 30, 2008, all asset classes were within their respective target allocation ranges, with the exception of alternatives, which was just slightly above its target allocation range at 13.3% at the end of fiscal year 2008.

This overweight position was primarily due to (1) the significant decline in the public equity segments, particularly at the end of fiscal year 2008, and (2) the additional funding of Bridgewater, the Board's multi-strategy hedge fund manager, during the year.

During fiscal year 2008, the Board took important steps in enhancing the diversification of investments in the Total Fund. Within the fixed income segment, the Board selected and provided initial funding for two infrastructure investment managers, Babcock & Brown and Macquarie. Infrastructure investing focuses on essential physical infrastructure such as toll roads, bridges, airports, and utilities which are accessible to most citizens and provide a steady stream of income. Within the private equity segment, the Board committed to invest in a large buyout fund (an investment fund that invests in privately held companies typically through the use of leverage), Warburg Pincus Private Equity X, and made an initial investment in the fund. Within the real estate segment, the Board made an investment in an international real estate fund, Carlyle Europe III. All of these investments are expected to enhance the risk-adjusted returns of the Total Fund over the long term. The Board made a few changes to its roster of investment managers during the fiscal year. Within the U.S. equity segment, the Board conducted a search for a large cap value manager to replace Edgar Lomax, selecting Sound Shore Management. Sound Shore was funded in July 2008. Within the international equity segment, the Board funded Goldman Sachs, a new core international equity manager, replacing Capital Guardian, in April 2008.

The Board continued to rebalance its managers' portfolios during fiscal year 2008, in accordance with the Board's rebalancing policy. Variances from investment style targets were rebalanced as needed in a manner that maintained the overall integrity of the as-

set class structure but was not disruptive to the managers.

Among other investment-related developments, the Board began complying with the provisions of a new District of Columbia law entitled "Prohibition of the Investment of Public Fund in Certain Companies Doing Business with the Government of Sudan Act of 2007," which became effective on February 2, 2008. Among other things, this law requires that the Board divest from certain companies that do business with the government of Sudan. The Board regularly monitors the Total Fund's investments to ensure compliance with this law. As of this writing, the D.C. Council is considering similar divestment legislation related to Iran. In addition, the Board engaged a cost consultant, CEM Benchmarking, in fiscal year 2008 to examine the Board's investment related costs. CEM's analysis concluded that the Board's investment related costs, which were approximately 71 basis points during 2007 (calendar year), were normal when compared with the costs of pension funds of a similar size and asset mix. The Board also changed its actuarial assumed rate of return for the valuation period October 1, 2007, increasing it from 7.25% to 7.50%.

Going forward, in fiscal year 2009 the Board intends to continue the implementation of its strategic asset allocation policy. The Board will continue to review the investment structure of its asset class segments and to carefully monitor the performance of its investment managers. As appropriate, the Board will make adjustments to its investment structure within each asset class and conduct manager searches, when necessary, to enhance the performance of the Total Fund. In addition, in order to establish long-term strategic asset allocation targets that are appropriate for the Board's liability structure, the Board plans to undertake an asset-liability study during fiscal year 2009.

**STATEMENT OF NET ASSETS**
*(In thousands of dollars)*

	September 30, 2008			September 30, 2007		
	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	\$25,211	\$49,904	75,115	\$51,589	\$96,935	\$148,524
Due From District of Columbia	540	-	540	-	-	0
Due from Federal Government	560	1,099	1,659	394	729	1,123
Due from other agencies	6	11	17	6	11	17
Investment sales proceeds receivable	142,941	282,946	425,887	106,686	200,390	307,076
Accrued interest & dividends receivable	4,110	8,136	12,246	4,086	7,678	11,764
Employee contributions receivable	1,160	1,338	2,498	1,419	1,052	2,471
Contribution receivable - District of Columbia	7,464	-	7,464	7,464	-	7,464
Investments at fair value	1,290,920	2,555,332	3,846,252	1,531,547	2,877,743	4,409,290
Collateral from securities lending transactions	157,359	311,603	468,962	166,852	311,863	478,715
Capital assets, net	14	26	40	9	15	24
<b>Total Assets</b>	<b>\$1,630,285</b>	<b>\$3,210,395</b>	<b>\$4,840,680</b>	<b>\$1,870,052</b>	<b>\$3,496,416</b>	<b>\$5,366,468</b>
<b>Liabilities</b>						
Accounts payable - investment expense	\$1,964	\$3,873	5,837	\$1,959	\$2,926	\$4,885
Due to Federal Government	3,115	2,321	5,436	16,708	14,684	\$31,392
Due to District of Columbia Government	370	733	1,103	2,056	3,844	\$5,900
Investment commitments payable	209,723	415,139	624,862	164,712	309,491	\$474,203
Obligations under securities lending	157,359	311,603	468,962	166,852	311,863	\$478,715
<b>Total liabilities</b>	<b>372,531</b>	<b>733,669</b>	<b>1,106,200</b>	<b>352,287</b>	<b>642,808</b>	<b>995,095</b>
<b>Net Assets Held in Trust for Pension Benefits</b>	<b>\$1,257,754</b>	<b>\$2,476,726</b>	<b>\$3,734,480</b>	<b>\$1,517,765</b>	<b>\$2,853,608</b>	<b>\$4,371,373</b>

The accompanying notes are an integral part of these statements.

## STATEMENT OF CHANGES IN NET ASSETS

*(In thousands of dollars)*

	September 30, 2008			September 30, 2007		
	Teachers' Retirement Fund	Police Officers and Firefighters' Retirement Fund	Total	Teachers' Retirement Fund	Police Officers and Firefighters' Retirement Fund	Total
<b>Additions</b>						
Contributions:						
District Government	\$6,000	\$137,000	\$143,000	\$14,600	\$140,100	\$154,700
District employees	25,919	31,718	57,637	26,793	27,489	54,282
Total Contributions	31,919	168,718	200,637	41,393	167,589	208,982
Investment Income:						
Net appreciation/(depreciation) in fair value of investments	(294,079)	(585,796)	(879,875)	183,224	335,006	518,230
Interest and dividends	37,270	74,197	111,467	38,419	72,403	110,822
Total Gross investment income/(loss)	(256,809)	(511,599)	(768,408)	221,643	407,409	629,052
Less:						
Investment expenses	4,214	8,233	12,447	4,373	8,170	12,543
Net investment income/(loss)	(261,023)	(519,832)	(780,855)	217,270	399,239	616,509
Securities lending income	7,163	14,184	21,347	9,326	17,438	26,764
Less: securities lending exposure	5,449	10,790	16,239	8,865	16,244	25,109
Net securities lending income	1,714	3,394	5,108	461	1,194	1,655
Total net investment income/(loss)	(259,309)	(516,438)	(775,747)	217,731	400,433	618,164
Other income	990	1,952	2,942	740	1,383	2,123
Total additions	(226,400)	(345,768)	(572,168)	259,864	569,406	829,270
<b>Deductions</b>						
Benefit payments	30,692	25,364	56,056	25,801	20,587	46,388
Administrative expenses	2,919	5,750	8,669	2,901	5,421	8,322
Total deductions	33,611	31,114	64,725	28,702	26,008	54,710
<b>Changes in Net Assets</b>	<b>(260,011)</b>	<b>(376,882)</b>	<b>(636,893)</b>	<b>231,162</b>	<b>543,397</b>	<b>774,559</b>
<b>Net Assets Held in Trust for Pension Benefits, Beginning of Year</b>	1,517,765	2,853,608	4,371,373	1,286,603	2,310,211	3,596,814
<b>Net Assets Held in Trust for Pension Benefits, End of Year</b>	\$1,257,754	\$2,476,726	\$3,734,480	\$1,517,765	\$2,853,608	\$4,371,373

The accompanying notes are an integral part of these statements.

## NOTES TO FINANCIAL STATEMENTS

*(In thousands of dollars)***Note 1: Organization**

The District of Columbia Teachers' Fund (the Fund) was established in 1979 by the District of Columbia Retirement Reform Act (the Reform Act, Pub. L. 96-122, D. C. Code § 1-701 et seq.). The Fund holds in trust the assets available to pay pension benefits to all teachers employed by the D.C. public schools, including certain other educational employees in the public day schools and certain eligible educational employees in the public charter schools of the District of Columbia Government.

The District of Columbia Police Officers and Firefighters' Retirement Fund (the Fund) was established in 1979 by the District of Columbia Retirement Reform Act (the Reform Act, Pub. L. 96-122, D. C. Code § 1-701 et seq.). The Fund holds in trust the assets available to pay pension benefits to police officers and firefighters of the District of Columbia. The Reform Act also established the District of Columbia Retirement Board (the "Board" or "DCRB").

The National Capital Revitalization and Self-Government Improvement Act of 1997 (the "Revitalization Act", Title XI of the Balanced Budget Act of 1997, Pub. L. 105-33) transferred significant assets and liabilities of the Police Officers and Firefighters' Fund and the Teachers' Retirement Fund (collectively, the "District Retirement Funds") to the Federal Government.

Concurrently, the District of Columbia Retirement Protection Act of 1997 (the "Retirement Protection Act," Subtitle A of the Revitalization Act) transferred to the Federal Government the liability for retirement benefits for employee service credit earned prior to July 1, 1997, by participants of the District Retirement Funds. The assets transferred to the Federal Government and the assets of the Total Fund managed by the Board are components of the same single employer defined benefit pension plan. The Council of the District of Columbia (the "Council") enacted the "Police Officers, Firefighters, and Teachers Retirement Benefit Replacement Plan Act of 1998" (September 18, 1998, D.C. Law 12-152, § 101, 45 DCR 4045; D.C.

Code § 1- 901.01 et seq.). This Act (the "Replacement Act") established the pension benefits for employee service earned after June 30, 1997, and provided for full funding of the benefits on an actuarially sound basis.

The Board is an independent agency of the District of Columbia Government (the "District") that is responsible for managing the assets of the District Retirement Funds. Although the assets of the Funds are combined for investment purposes, each Fund's assets may only be used for the payment of benefits to the participants of that Fund and certain administrative expenses.

The Total Fund is included in the District's Comprehensive Annual Financial Report as a pension trust fund.

**Note 2: Fund Administration and Description**

***District of Columbia Retirement Board*** - The Board consists of 12 trustees, three appointed by the Mayor of the District, three appointed by the Council of the District, and six elected by the active and retired participants. Included are one active and one retired representative each from the police officers, firefighters, and teachers. In addition, the District's Chief Financial Officer, or his designee, serves as a non-voting, ex-officio trustee.

Since inception, the Board has operated under a committee system, which provides a two-tiered process for fiduciary review and analysis. In this manner, the Board, consistent with its fiduciary duties, reviews all issues brought before it. The Board has six standing committees: Benefits, Emerging Enterprise, Fiduciary, Investment, Legislative, and Operations. (The function usually associated with an Audit Committee is performed by the Operations Committee.) To implement its policies, the Board retains an executive director and other staff who are responsible for the day-to-day management of the District Retirement Funds and the administration of the Plans.

## NOTES TO FINANCIAL STATEMENT

*(In Thousands of Dollars)*

**Other Entities involved in Plan Administration** - The Chancellor of District of Columbia Public Schools together with DCRB are responsible for finding facts, conclusions of law, and decisions regarding involuntary retirement, survivor benefits and annual medical and income reviews related to the Teachers' Plan.

The District of Columbia Police Officers and Firefighters' Retirement and Relief Board makes findings of fact, conclusions of law, and decisions regarding eligibility for retirement and survivor benefits; determines the extent of disability; and conducts annual medical and income reviews related to the Police Officers and Firefighters' Plan. The Board of Police and Fire Surgeons determines medical eligibility for disability retirement.

**Benefit Calculations** - The DCRB Benefits Department receives the retirement orders for retirement benefit calculations for all active plan members found eligible for retirement by the District of Columbia Board of Education or District of Columbia Police Officers and Firefighters' Retirement and Relief Board, and carries out the day-to-day processing of retirement benefits. DCRB also processes employee requests for refunds of contributions and for purchases of service.

**Eligibility for the District of Columbia Teachers Retirement Plan**- Permanent, temporary and probationary teachers, and certain other employees of the District of Columbia public day schools, are automatically enrolled in the Teachers' Retirement Plan on their date of employment. Certain D.C. Public Charter School employees are also eligible to be participants. However, substitute teachers and employees of the Department of School Attendance and Work Permits are not covered.

Title 38, Chapter 20 of the D.C. Official Code (D.C. Code § 38-2001.01 et seq. (2001 Ed.)) establishes benefit provisions which may be amended by the City Council. For employees hired before November 1, 1996, the annuity is equal to the average salary, as defined, multiplied by 1.5% for each of the first five years of service, 1.75% for each of the second five years and 2% for each additional year. For employees

hired on or after November 1, 1996, the annuity is equal to an average salary, as defined, multiplied by 2% for each year of service.

The annuity may be further increased by crediting unused sick leave as of the date of retirement. Participants receiving retirement benefits may receive an annual benefit increase determined by changes in the Consumer Price Index; however, the increase may not exceed 3% for participants hired on or after November 1, 1996. Participants may select from among several survivor options.

Participants who have 5 years of school service (service in the District of Columbia public school system), and who become disabled and can no longer perform their jobs satisfactorily, may be eligible for disability retirement. Such disability retirement benefits are calculated pursuant to a "guaranteed minimum" formula.

Optional retirement is available for teachers who have a minimum of 5 years of school service and who achieve the following age and length of service requirements:

at age 62, with 5 years of service;  
at age 60, with 20 years of service; and  
at age 55, with 30 years of service;

or at any age with 30 years of service, if hired by the school system on or after November 1, 1996.

Employees who are involuntarily separated, other than for cause, and who have 5 years of school service, may be eligible for retirement at any age with 25 years of service or at age 50 with 20 years of service.

The annuity is reduced, if at the time of its commencement, the participant is under the age of 55.

**Eligibility for the District of Columbia Police Officers and Firefighters' Retirement Plan** -

A participant becomes a member when he/she starts work as a police officer or firefighter in the District. Police cadets are not eligible to join the Plan.

## NOTES TO FINANCIAL STATEMENTS

(In thousands of dollars)

Retirement and disability benefit provisions for District of Columbia police officers and firefighters are established by the "Policemen and Firemen's Retirement and Disability Act" (D.C. Code § 5-701 et seq. (2001 Ed.)).

**Members Hired Before February 15, 1980** – Members are eligible for optional retirement with full benefits at any age with 20 years of departmental service, or for deferred retirement after age 55 with five years of departmental service. The annual basic retirement benefit equals 2.5% of average base pay, which is defined as the highest consecutive 12 months of base pay, multiplied by departmental service through 20 years; plus 3% of average base pay multiplied by average base pay times departmental service over 20 years; plus 2.5% of average base pay multiplied by years of creditable service; however, the aggregate annual basic retirement benefit may not exceed 80% of the participant's final annual pay. Members terminated after five years of police or fire service are entitled to a deferred pension beginning at age 55. Benefits are also provided to certain survivors of active, retired, or terminated vested members. Retired members receive the same percent increase in benefits granted to active participants in the schedule rate to which the member would be entitled if in active service.

Members with permanent, service-related disabilities who have less than 26 years and eight months of service receive benefits equal to two-thirds (2/3) of average base pay. Members with 26 years and eight months to 28 years of service receive 2.5% of average base pay multiplied by the number of years of service. Members with more than 28 years of service receive benefits equal to 70% of average base pay.

Members with permanent, nonservice-related disabilities who have between 5 to 20 years of service receive benefits equal to 40% of average base pay; between 20 to 35 years of service receive benefits equal to 2% of average base pay multiplied by the number of years of service during that 15-year period; and more than 35 years of service receive benefits equal to 70% of average base pay.

**Members Hired Between February 15, 1980 and November 10, 1996** – Members are eligible for optional retirement with full benefits at age 50 with at least 25 years of departmental service, or after 55 with five years of departmental service. The annual basic retirement benefit equals 2.5% of average base pay, which is defined as the highest consecutive 36 months of base pay, multiplied by the number of years of creditable service through 25 years; plus 3% of average base pay multiplied by the number of years of departmental service over 25 years; plus 2.5% of average base pay multiplied by the number of years of creditable service; however, the aggregate annual basic retirement benefit may not exceed 80% of final salary. Members separated from the Police or Fire Department after five years of departmental service are entitled to a deferred pension beginning at age 55.

Members with permanent, service-related disabilities receive 70% of base pay multiplied by percentage of disability, with a minimum benefit of 40% of base pay. Members with permanent, nonservice-related disabilities with more than 5 years of service receive 70% of base pay multiplied by percentage of disability, with a minimum benefit of 30% of base pay. Benefits are also provided to certain survivors of active, retired or terminated vested members. Members who retired after February 15, 1980 receive annual benefit increases proportional to changes in the Consumer Price Index.

**Members Hired on or After November 10, 1996** – Members are eligible for retirement at any age, with at least 25 years of departmental service or after age 55 with 5-years of departmental service. The annual basic retirement benefit equals 2.5% of average base pay, which is defined as the highest consecutive 36 months of base pay, multiplied by credited service; however, the aggregate annual basic retirement benefit may not exceed 80% of final pay. Members separated after five years of departmental service are entitled to a deferred pension beginning at age 55. Benefits are also provided to certain survivors of active, retired, or terminated vested members. Members receive annual benefit increases proportional to changes in the Consumer Price Index, but not more than 3%.

NOTES TO FINANCIAL STATEMENT

(In Thousands of Dollars)

Members with permanent, service-related disabilities receive 70% of base pay multiplied by percentage of disability, with a minimum benefit of the 40% of base pay.

Members with permanent, nonservice-related disabilities, with more than five years of service, receive 70% of base pay multiplied by the percentage of disability, with a minimum benefit of 30% of base pay.

**Participant Data** - The number of participating employees for the years ended September 30 was as follows:

Teachers' Retirement Plan	2008	2007
Retirees and beneficiaries receiving benefits (post June 30, 1997)	2,527	2,017
Active plan members	4,821	5,027
Vested terminations	531	999
<b>Total participants</b>	<b>7,879</b>	<b>8,043</b>

Police Officers and Firefighters' Retirement Plan	2008	2007
Retirees and beneficiaries receiving benefits (post June 30, 1997)	1,555	1,125
Active plan members	5,661	5,550
Vested terminations	78	85
	<b>7,294</b>	<b>6,909</b>

**Contributions** – Each Teachers' Retirement Plan member contributes through deductions from the member's gross salary at rates established by D.C. Code. Members contribute 7% (or 8% for teachers hired on or after November 16, 1996) of annual gross salary, net of any amount received with respect to summer school. Each member may also contribute additional amounts not to exceed 10% of the member's annual gross salary toward an annuity that is separate from and, in addition to, any vested pension.

Police Officers and Firefighters' Retirement Plan members contribute by salary deductions at rates established by D.C. Code § 5-706 (2001 Ed.). Members contribute 7% (or 8% for Police Officers and

Firefighters hired on or after November 10, 1996) of annual gross salary, including any differential for special assignment and longevity, but excluding overtime, holiday, or military pay.

The District is required to contribute the amounts necessary to finance the benefits of its employees through annual contributions at actuarially determined amounts in accordance with the provisions of the Replacement Act. The amount of the District contributions for fiscal years 2008 and 2007 were equal to the amounts computed by the Board's independent actuary.

Contribution requirements of the Teachers' Retirement Fund members and the Police Officers and Firefighters' Retirement Fund members are established at D.C. Code § 38-2001.01 et seq. (2001 Ed.) and contribution requirements of the government of the District of Columbia are established at D.C. Code 1-907.02 (2001 Ed.). Administrative costs are paid from the Total Fund's assets.

**Note 3: Summary of Significant Accounting Policies**

**Basis of Accounting** - The financial statements are prepared using the accrual basis of accounting.

Employee contributions are recognized by the Total Fund at the time compensation is paid to Fund members. Employer contributions to the Total Fund are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan's commitment.

**Method Used to Value Investments** - Investments are reported at fair value, and reflect transaction costs, such as brokerage commissions and other costs normally incurred in a sale, if such costs are determinable or estimable. Short-term investments (whose maturities do not exceed 13 months at the time of purchase) are reported at cost, which approximates fair value.

## NOTES TO FINANCIAL STATEMENTS

(In thousands of dollars)

Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange (Spot) rate. Collateralized mortgage obligations are stated at fair value as determined by a third-party source selected by State Street Bank, the custodian of the Total Fund's assets.

The fair value of real estate investments are based on independent appraisals, when available. The fair value of limited partnership interests in real estate or private equity investments are based on management's valuation of estimates and assumptions from information and representations provided by the respective general partners in the absence of readily ascertainable market values.

**Actuarial Data** - The Total Fund uses the Aggregate Actuarial Cost method to determine the annual employer contribution. Any excess of the actuarial present value of projected benefits of the group included in an actuarial valuation over the sum of the actuarial value of assets, plus the actuarial present value of employee contributions, is allocated on a level basis over the earnings or service of the group between the valuation date and assumed exit date.

This allocation is performed for the group as a whole, not as a sum of individual allocations. The portion of the actuarial present value allocated to a valuation year is called the normal cost. The actuarial accrued liability is equal to the actuarial value of assets.

**Use of Estimates in Preparing Financial Statements**

- The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Board to make estimates and assumptions that affect the reported amounts of assets, liabilities, additions and deductions to net assets held in trust for pension benefits and disclosure of contingent assets and liabilities at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

**Investment Expenses** - The District of Columbia Appropriation Act authorized Total Fund earnings to be

used for investment expenses incurred in managing the assets and administering the Total Fund. The total investment expenses incurred by the District of Columbia Teachers' Retirement Fund in 2008 and 2007 were \$4,214 and \$4,373, respectively. The total investment expenses borne by the Police Officers and Firefighters' Retirement Fund were \$8,233 in 2008 and \$8,170 in 2007, respectively.

**New Accounting Pronouncement** - For the year ended June 30, 2008, the Board implemented the provisions of Government Accounting Standards Board Statement No. 50 (GASB 50), *Pension Disclosure – an amendment to GASB Statements No. 25 and 27*. GASB 50 requires disclosures, within the notes to the financial statements, of the funded status of the pension plan and actuarial methods and significant assumption used in the most recent actuarial valuation.

**Reclassifications** - Certain reclassifications have been made to the financial statements as of and for the year ended June 30, 2007 to conform to the presentation provided in the financial statements as of and for the year ended June 30, 2008.

**Note 4: Investments**

The Board is authorized to manage and control the investment of the District Retirement Plans' assets. The Board broadly diversifies the investments of the Total Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so, as required by D.C. Code § 1-741(a)(2)(C), (2001 Ed.).

**Master Trust** - The Board has pooled all of the assets under its management (the Investment Pool), as is authorized by D.C. Code § 1-903(b), (2001 Ed.), with a master custodian under a master trust arrangement (the "Master Trust"). Using an investment pool, each Fund owns an undivided proportionate share of the pool. District and employee contributions are deposited in the respective Fund for which the contribution was made, and benefit payments and employee contribution refunds are withdrawn from the Fund for the Plan in which the recipient participates.

## NOTES TO FINANCIAL STATEMENT

*(In Thousands of Dollars)*

Investment performance results and administrative expenditures are allocated between the two Funds based upon their proportionate equity in the pool.

The fair values of investments in the Investment Pool as of September 30 are as follows:

	2008	2007
Investments held by Board's agent in Board's name:		
Cash and cash equivalents	\$75,115	\$148,521
Equities	2,351,157	3,232,145
Fixed income	714,091	688,062
Real estate	283,936	217,770
Private equity	497,068	271,213
<b>Total</b>	<b>\$3,921,367</b>	<b>\$4,557,711</b>

The District of Columbia Teachers' Retirement Plan's share of the cash, cash equivalents and investments in the Investment Pool was \$1,316,131 and \$1,583,136 at September 2008 and 2007, respectively.

The District of Columbia Police Officers and Firefighters' Plan's share of the cash, cash equivalents and investments in the Investment Pool was \$2,605,236 and \$2,974,678 at September 2008 and 2007, respectively.

**Debt Instruments** – As of September 30, 2008, the Investment Pool held the following debt instruments:

Investment Type	Fair Value	% of	Duration	Rating*
US Treasuries	\$(99,853)	(11.76)%	5.26	AAA
US Agencies	66,852	7.87%	6.41	AA+
Corporate	153,407	18.06%	8.24	A-
MBS	540,044	63.59%	3.8	AAA
ABS	47,980	5.65%	3.69	AA+
High Yield	38,992	4.59%	2.66	B
Emerging Markets	14,411	1.70%	3.15	BB+
Non-US	26,597	3.13%	3.26	AAA
Convertibles	783	0.09%	4.26	A+
Municipal/Other	7,313	0.86%	13.23	AA
Short-term	52,780	6.22%	0.7	AA+
<b>Total</b>	<b>\$849,306</b>	<b>100.00%</b>		

Using quality ratings provided by Standard & Poor's

As of September 30, 2007, the Investment Pool held the following debt instruments:

Investment Type	Fair Value	% of Segment	Duration	Rating*
US Treasuries	\$58,565	6.82%	(3.27)	AAA
US Agencies	69,323	8.08%	5.71	AAA
Corporate	115,038	13.41%	8.81	AAA
MBS	505,555	58.92%	4.25	AAA
ABS	6,371	0.74%	3.97	BBB-
High Yield	49,669	5.79%	4.46	BB-
Emerging Markets	25,783	3.00%	4.88	BBB-
Non-US	(36,338)	(4.23)%	0.36	AA+
Convertibles	541	0.06%	2.97	BB-
Municipal	138	0.02%	48.36	AAA
Short-term	63,410	7.39%	5.45	AA+
<b>Total</b>	<b>\$858,055</b>	<b>100.00%</b>		

Using quality ratings provided by Standard & Poor's

**Interest Rate Risk** – As a general rule, the risk and return of the Board's fixed income segment of the portfolio is compared to the Barclays U.S. Universal Index. To mitigate interest rate risk, the fixed income segment is expected to maintain a weighted average duration (sensitivity to interest rate changes) within +/-2 years of the duration of the Index.

**NOTES TO FINANCIAL STATEMENTS**
*(In thousands of dollars)*

As of September 30, 2008, the Investment Pool held investments that are denominated in a currency other than the United States Dollar, as summarized below:

	Asset Class					Total
	Cash	Equities	Fixed Income	Swaps	Alternative Investments	
Australian Dollar	\$210	\$16,986	\$-	\$706	\$-	\$17,902
Canadian Dollar	143	21,260	8,881	(1,053)	-	29,231
Swiss Franc	160	43,222	-	-	-	43,382
Danish Krone	-	1,709	-	-	-	1,709
Euro	4,809	220,973	6,341	(165)	8,798	240,756
Pound Sterling	948	81,337	2,336	(317)	-	84,304
Hong Kong Dollar	468	27,322	-	-	-	27,790
Japanese Yen	551	117,954	2,817	(30)	-	121,292
South Korean Wan	-	1,399	-	-	-	1,399
Norwegian Krone	542	5,039	-	-	-	5,581
New Taiwan Dollar	1,077	2,571	-	-	-	3,648
New Zealand Dollar	131	151	-	-	-	282
Swedish Krona	3,135	10,082	-	-	-	13,217
Singapore Dollar	177	3,308	-	-	-	3,485
South African Rand	-	-	-	-	-	-
Mexican Peso	2	-	-	-	-	2
Brazilian Real	-	-	1,223	-	-	1,223
<b>Total Foreign</b>	<b>\$12,353</b>	<b>\$553,313</b>	<b>\$21,598</b>	<b>\$(859)</b>	<b>\$8,798</b>	<b>\$595,203</b>

## NOTES TO FINANCIAL STATEMENT

*(In Thousands of Dollars)*

As of September 30, 2007, the Investment Pool held investments that are denominated in a currency other than the United States Dollar, as summarized below:

	Asset Class					Total
	Cash	Equities	Fixed Income	Options	Swaps	
Australian Dollar	\$194	\$25,675	\$-	\$-	\$-	\$25,869
Canadian Dollar	7	25,793	-	-	(574)	25,226
Swiss Franc	17	72,308	-	-	-	72,325
Danish Krone	-	3,971	-	-	-	3,971
Euro	8,833	318,316	3,447	642	(636)	330,602
Pound Sterling	933	127,842	4,283	221	303	133,582
Hong Kong Dollar	223	37,919	-	-	-	38,142
Japanese Yen	841	205,149	6,105	-	-	212,095
South Korean Wan	-	1,538	-	-	-	1,538
Norwegian Krone	34	4,984	-	-	-	5,018
New Zealand Dollar	1	-	-	-	-	1
Swedish Krona	38	13,090	-	-	-	13,128
Singapore Dollar	11	6,619	-	-	-	6,630
South African Rand	-	1,133	-	-	-	1,133
Mexican Peso	7	-	-	-	(64)	(57)
Brazilian Real	-	-	1,537	-	(57)	1,480
<b>Total Foreign</b>	<b>\$11,139</b>	<b>\$844,337</b>	<b>\$15,372</b>	<b>\$863</b>	<b>\$(1,028)</b>	<b>\$870,683</b>

## NOTES TO FINANCIAL STATEMENTS

(In thousands of dollars)

**Credit Risk** – Unless specifically authorized otherwise in writing by the Board, fixed income managers invest in investment grade instruments rated in the top four rating categories by a recognized statistical rating service.

**Foreign Currency Risk** – As a general policy, investment managers with authority to invest in issuers denominated in a foreign currency may reduce exposure to currency risk by systematically hedging foreign currency positions back to U.S. dollars through the forward currency markets. Since the forward exchange rate is seldom equal to the spot exchange rate, forward hedging gains and losses may arise.

**Securities Lending Transactions** – District statutes, and the Board’s policies, permit the Total Fund to participate in securities lending transactions by engaging in a Securities Lending Authorization Agreement, which authorizes the master custodian to lend the Board’s securities to qualified broker-dealers and banks pursuant to a form of loan agreement.

During 2008 and 2007, the master custodian, at the direction of the Board, loaned certain of the Total Fund’s equity and fixed income securities for which it received collateral in the form of United States and foreign currency cash, securities issued or guaranteed by the United States government, the sovereign debt of foreign countries, and irrevocable bank letters of credit. This collateral could not be pledged or sold unless the borrower defaulted on the loan. Borrowers were required to deliver and maintain collateral for each loan in an amount equal to (i) at least 102% of the market value of the loaned security in the United States; or (ii) 105% of the market value of the loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States.

The Board and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool (the “Quality D Fund”). The Quality D

Fund is not required to register under rule 2a-7 of the Investment Company Act of 1940, and accordingly, the master custodian has valued the Total Fund’s investments at fair value for reporting purposes.

The Quality D Fund invests cash collateral from loans of U.S. and non-U.S. equities, U.S. corporate fixed income securities, U.S. Government securities, and the debt of sovereign foreign countries. It had a weighted average maturity of 33.94 days and an average expected maturity of 359.20 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. Investments are restricted to issuers with a short-term credit rating not lower than A1/P1, or long-term ratings not lower than A-/A3, or the equivalent thereof. The Quality D Fund may invest in other investment vehicles managed by the master custodian provided they conform to the Total Fund guidelines.

On September 30, 2008 and 2007, the Board had no credit risk exposure to borrowers.

The cash collateral held, and the market value of securities on loan for the Board, were \$468,963 and \$466,265 respectively, as of September 30, 2008, and \$478,716 and \$463,846, respectively as of September 30, 2007. During 2008 and 2007, the Master Trust’s gross earnings from securities lending transactions totaled \$21,347 and \$26,764, respectively. The income (net of amortization and accretion), the net realized/unrealized gain attributable to discount and premium, and the net increase in net assets resulting from operations totaled \$21,439, \$1,185, and \$22,624 respectively, in 2008, and \$28,643, \$667, and \$29,310, respectively, in 2007. The Total Fund’s share of collateral from securities lending transactions and obligations under securities lending are on page 30 and the Total Fund’s share of securities lending income and expenses are on page 31.

## NOTES TO FINANCIAL STATEMENT

*(In Thousands of Dollars)*

**Derivative Investments** – Derivatives are generally defined as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. Structured financial instruments are also defined as derivatives, such as mortgage-backed securities, asset-backed securities, and floating rate notes. Derivative investments generally contain exposure to credit risk, market risk, and/or legal risk.

Credit risk is the exposure to the default of another party to the transaction (counterparty), or to the creditworthiness of derivative securities, such as mortgage-backed, asset-backed, floating rate, and stripped securities. Market risk is the exposure to changes in the market, such as a change in interest rates, currency exchange rates, or a change in the price or principal value of a security. The Board believes that all contracts entered into are legally permissible in accordance with the policy of the Board.

During 2008 and 2007, the Total Fund, through its investment managers who have policy authority to make investment decisions, invested in various derivative instruments either to increase potential earnings or to hedge against potential losses. These derivatives included asset-backed securities (ABS), collateralized mortgage backed securities (CMOs), mortgage-backed pools and securities, floating rate notes, structured notes, stripped/zero coupon bonds, inflation index bonds, forward mortgage-backed security contracts (TBAs), foreign currency forward and futures contracts, equity index futures, bond futures, bond options, currency options, swaps, swaptions and warrants.

The Total Fund used ABSs, CMOs, mortgage-backed pools and securities, floating rate notes, structured notes, stripped/zero coupon bonds, and TBAs primarily to increase potential returns. ABSs and mortgage-backed pools and securities offer higher potential yields than comparable duration U.S. Treasury notes, but have higher credit and market risks. CMOs also offer higher potential yields than comparable duration U.S. Treasury notes, although the market risks may be higher or lower than comparable mortgage-backed pools. Market risk for asset-backed and mortgage-

backed pools and securities is managed by monitoring the duration of the investments. Credit risk is managed by monitoring credit ratings, the underlying collateral for each security and any related guarantee. These and all other risks mentioned herein are monitored and managed by the Total Fund's external investment managers who purchase such securities and notes on behalf of the Total Fund.

Floating rate notes (securities which pay an interest rate tied to an index) are subject to market risk to the extent of the movement of the underlying index in relation to market rates. A downward movement in the underlying index would negatively impact the interest income received on the security. Upward movements in interest rates do not adversely affect floating rate notes as they do fixed rate notes, allowing floating rate notes to function as a hedge against upward changes in interest rates.

The Total Fund invested in structured notes with step-up coupons that offer higher yields than comparable U.S. Treasury notes in exchange for higher market and/or credit risks. Securities with step-up coupons pay interest according to a pre-set series of interest rates which start at one rate and then step-up to higher rates on specific dates. The Total Fund also invested in stripped/zero coupon bonds, which are purchased at a discount and do not pay any interest.

TBAs (sometimes referred to as "dollar rolls") are used by the Total Fund as an alternative to holding mortgage-backed securities outright to raise the potential yield and to reduce transaction costs. The selected TBAs are used because they are expected to behave in duration and convexity the same as mortgage-backed securities with identical credit, coupon, and maturity features. Credit risk is managed by limiting these transactions to primary dealers. Market risk for this type of security is not significantly different from the market risk for mortgage-backed securities.

**NOTES TO FINANCIAL STATEMENTS**
*(In thousands of dollars)*

Foreign currency forwards, futures contracts and foreign currency options are generally used by the Total Fund for defensive purposes. On occasion, these contracts hedge a portion of the Total Fund's exposure to particular currencies when significant adverse short-term movement in exchange rate levels is expected.

Foreign currency forwards and futures contracts can incur market risk when the maximum potential loss on a particular contract is greater than the value of the underlying investment. Market risks arise due to movements in the foreign exchange rates underlying the contracts used by the Total Fund. Credit risk is managed by limiting transactions to counterparties with short-term credit ratings of A1 or P1 or by trading on organized exchanges. Market risk for currency options is limited to the purchase cost. Credit risk is managed by limiting transactions to counterparties with investment grade ratings or by trading on organized exchanges.

Equity index futures were also used by the Total Fund in order to gain exposure to equity markets in a more efficient and liquid manner than directly investing in all of the underlying equity securities. Equity index futures may incur market risk when the maximum potential loss on a particular contract is greater than the value of the underlying investment. Market risks arise due to movements in the equities markets underlying the contracts used by the Total Fund. The notional amounts of the contracts are not included in the derivatives holdings disclosed. Credit risk is managed by transacting with member firms of the futures exchanges.

Exchange-traded and over-the-counter bond futures and options are used by the Total Fund to gain exposure to fixed income markets in a more efficient and liquid manner than by purchasing the underlying bonds. Market risk for these options is limited to the purchase cost. Credit risk is managed by limiting transactions to counterparties with investment grade ratings, or by trading with member firms of organized exchanges.

Warrants are used by the Total Fund to gain equity exposure and to enhance performance. Warrants are often distributed by issuers to holdings of common stock and bonds, and are held for the same fundamental reasons as the underlying common stock and/or bond holdings. Market risk is limited to the purchase cost. Credit risk is similar to the underlying equity and/or bond holdings. All such risks are monitored and managed by the Total Fund's external investment managers who have full discretion over such investment decisions, subject to the Board's investment policies.

The Investment Pool also holds derivative instruments indirectly by participating in pooled, commingled, or short-term funds that hold derivatives. Information regarding any risks associated with these holdings is not generally available. The Investment Pool included the following derivative investments, at fair value, As of September 30:

	<b>2008</b>	<b>2007</b>
Mortgage-backed security pool and securities	\$291,833	\$197,649
Collateralized mortgage obligations	48,573	81,638
Asset-backed securities	20,983	52,520
Structured and inflation indexed bonds	14,181	31,156
Interest rate swaps	(2,625)	4,266
Total return swaps, net	-	17
Options	(1,142)	442
<b>Total</b>	<b>\$371,803</b>	<b>\$367,688</b>

**NOTES TO FINANCIAL STATEMENT**

*(In Thousands of Dollars)*

**NOTE 5: COMMITMENTS**

As of September 30, 2008, the Investment Pool entered into investment funding commitments related to alternative investments to fund an additional \$192 million at a future date.

**NOTE 6: SUBSEQUENT EVENT - DECLINES IN INVESTMENT VALUES**

During the year ended September 30, 2008, financial markets as a whole have incurred significant declines in value. Subsequent to year end, the Total Fund's investment portfolio has also incurred a significant decline in the values reported in the accompanying financial statements. However, because the values of individual investments fluctuate with market conditions, the amount of investment losses that the Total Fund will recognize in its future financial statements, if any, cannot be determined.

As of October 1, 2007 (the date of the most recent actuarial valuation), the Teachers' Plan's funded status was as follows:

<b>District of Columbia Teachers' Retirement Fund</b>						
<b>Actuarial Valuation Date October 1</b>	<b>Actuarial Value of Assets (AVA)</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Ratio of AVA to AAL</b>	<b>Annual Covered Payroll</b>	<b>UAAL as a % Of Annual Covered Payroll</b>
2007	\$1,396,000	\$1,251,300	(\$144,700)	111.6%	\$338,800	(42.71%)

As of October 1, 2007 (the date of the most recent actuarial valuation), the Police Officers and Firefighters' Plan's funded status was as follows:

<b>Police Officers and Firefighters Retirement Fund</b>						
<b>Actuarial Valuation Date October 1</b>	<b>Actuarial Value of Assets (AVA)</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Ratio of AVA to AAL</b>	<b>Annual Covered Payroll</b>	<b>UAAL as a % Of Annual Covered Payroll</b>
2007	\$2,672,900	\$2,647,300	(\$25,600)	101.0%	\$329,600	(7.77%)

**NOTE 7: ACTUARIAL INFORMATION**

The actuarial funding method used is the Aggregate Actuarial Cost Method. Under this method, the District must contribute the level percent of pay that, combined with the actuarial value of assets, expected earnings and future employee contributions, will pay for the benefits of current participants by the time the current workforce is expected to leave Plan employment. This method does not separately amortize unfunded actuarial accrued liabilities. Effective for the valuation as of October 1, 2007, the Fund is required to use the Entry Age Normal actuarial cost method as required by GASB Statement Number 50.

**NOTES TO FINANCIAL STATEMENTS**
*(In thousands of dollars)*

Fiscal year 2008 employer contributions required, and contributions made, are as follows:

<b>Fund</b>	<b>Based on Actuarial Valuation Date October 1,</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
Teachers'	2006	\$6,000	100.0%
Police and Firefighters'	2006	\$137,000	100.0%

See Required Supplementary Information (RSI) on page 29 for a 6-year schedule of employer contributions.

The funding progress and employer contribution information presented above and the employer contribution information in the RSI schedule were determined as part of the actuarial valuations at the date indicated. Additional information as of the latest actuarial valuation for the Fund follows:

	<b>Fiscal Year 2008</b>
Valuation date	October 1, 2007
Actuarial cost method for contributions	Aggregate
Actuarial method for accrued liabilities	Entry Age Normal
Amortization method	Not applicable
Remaining amortization period	Not applicable
Asset valuation method	Actuarial value: 1/3 excess earnings subtracted from expected actuarial value
<b>Actuarial Assumptions:</b>	
Investment rate of return	7.50%
Projected salary increase	5.4-9.00%
Inflation rate	5.00%
Cost-of-living adjustments (COLAs)	5.00%
COLAs for Post November 10, 1996 hires	Limited to 3.00%

This information is an integral part of the accompanying financial statements.

**NOTE 8: CONTRIBUTION RECEIVABLE –  
DISTRICT OF COLUMBIA**

During the fiscal year 2007, the Board's actuary was engaged by the District of Columbia Public Schools to review active participant data to verify eligibility. The actuary noted a number of participants who should have been enrolled in the Plan, but instead were enrolled in the District's defined contribution plan. The actuary also noted a number of participants who were making contributions at inappropriate rates, and those who should not have been enrolled in the Plan.

The actuary used the Entry Age Normal method to estimate the amount receivable from the District of Columbia for these administrative errors. The actuarial impact is estimated to be approximately \$7,464. The District of Columbia has accrued for this amount in its government-wide financial statements as of September 30, 2008. The Board and the District of Columbia are in the process of determining a short-term payment schedule to satisfy this liability.

**FINANCIAL SECTION****REQUIRED SUPPLEMENTARY INFORMATION***Schedule of Funding Status (In millions of dollars)*

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>EAN Actuarial Liability</b>	<b>Unfunded Actuarial Liability</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>Unfunded Liability as a Percent of Payroll</b>
10/01/2003	\$2,345.6	N/A	N/A	N/A	N/A	N/A
10/01/2004	2,644.1	N/A	N/A	N/A	N/A	N/A
10/01/2005	3,038.2	N/A	N/A	N/A	N/A	N/A
10/1/2006	3,482.6	\$3,565.0	\$82.4	97.7%	\$673.4	12.2%
10/1/2007	4,068.9	3,898.6	(170.3)	104.4%	771.2	(22.1%)
10/1/2008	4,379.7	4,276.8	(102.9)	102.4%	781.2	(13.2%)

The District of Columbia Retirement Board uses the Aggregate Actuarial Cost method, which does not result in the calculation of an unfunded accrued liability. Recently implemented GASB Statement No. 50 requires Funds using the aggregate method to disclose funding status information based on Entry Age Normal calculations. The numbers shown have been determined based on this actuarial cost method.

**REQUIRED SUPPLEMENTARY INFORMATION**  
*Schedule of Employer Contributions (In thousands of dollars)*

	<b>Annual Required Contributions</b>		<b>Percentage Contributions</b>	
	<b>Police Officers and Firefighters' Fund</b>	<b>Teachers' Fund</b>	<b>Police Officers and Firefighters' Fund</b>	<b>Teachers' Fund</b>
2003	\$68,900	\$0	100%	100%
2004	96,700	2,900	100%	100%
2005	112,100	9,200	100%	100%
2006	117,500	16,500	100%	100%
2007	140,100	14,600	100%	100%
2008	137,000	6,000	100%	100%

**SUPPLEMENTARY INFORMATION**
*Schedule of Administrative Expenses*

	<u>2008</u>	<u>2007</u>
<b>Personnel Services</b>		
Salaries	\$2,757,520	\$2,314,202
Fringe Benefits	504,836	417,026
Total Personnel Services	3,262,356	2,731,228
<b>General</b>		
Office Supplies	130,619	117,832
Telephone	32,673	20,603
Rent	1,282,134	1,196,975
Office Support	101,728	184,963
Travel	89,320	96,054
Printing	56,551	40,579
Insurance	119,921	57,259
Postage	54,721	36,163
Dues and Membership	17,007	15,228
Furniture and Equipment	99,779	72,501
Total General	1,984,452	1,838,157
<b>Professional Services</b>		
Legal Counsel	341,083	199,219
Auditing Services	98,053	54,371
Actuarial Services	100,197	78,084
Investment Advisors and Consultants	12,392,908	12,923,669
Contracts	2,459,859	3,006,310
Consultants	303,785	97,353
Total Professional services	15,695,886	16,359,005
<b>Total Administrative Expenses</b>	<b>\$20,942,694</b>	<b>\$20,928,390</b>

## SUPPLEMENTARY INFORMATION

*Schedule of Investment Expenses*

	<b>2008</b>	<b>2007</b>
Investment Managers*	\$11,422,429	\$11,581,664
Investment Consultants	494,500	380,516
Investment Custodian	485,384	957,515
Brokerage Commissions	3,354,781	1,792,319
<b>Total Investment Expenses</b>	<b>\$15,757,094</b>	<b>\$14,712,014</b>

\*Fees paid to traditional investment managers only; traditional investment managers are those that invest primarily in public equity and fixed income securities.

**FINANCIAL SECTION**
**SUPPLEMENTARY INFORMATION**
*Schedule of Payments to Consultants*

<b>Professional/Consultant</b>	<b>Nature of Service</b>	<b>2008</b>	<b>2007</b>
<b>Administrative Consultants</b>			
Richard H. Koppes	Legal Counsel	\$-	\$5,000
Groom Law Group	Legal Counsel	121,911	114,606
Morgan, Lewis & Brokious	Legal Counsel	119,173	79,612
Marc A. Rigrodsky	Legal Counsel	100,000	
Thompson, Cobb, Bazilio & Associates	Financial Audit	98,053	54,371
EFI Actuaries	Actuarial Services	100,197	78,084
U.S. Treasury Office of D.C. Pensions	Re-imburement for STAR costs	1,195,397	2,864,244
Carlson Dettman	Classification & Compensation Update	37,375	-
PRM Consulting	Human resource consulting	500	2,000
Survey Research Associates	Human resource consulting	17,500	-
JGV Consulting	Business and management consulting	-	14,610
ING Financial Services	Financial Services	-	160
NGEN, LLC	Information technology consulting	96,586	63,322
SourceCorp	Information technology consulting	-	41,082
The Segal Company	Benefits, compensation and human resources consulting	-	105,000
CostTrend Consulting	Contract and Accounting Systems Consulting	81,381	82,743
MTG Management Consultants LLC	Information technology consulting	366,696	18,433
Bolton Partners	Actuarial, benefits and investment consulting	5,000	-
DC Net	City-wide fiber optic network	52,021	-
Gabriel, Roeder, Smith & Co	Actuarial and Benefit Consulting	38,000	-
Freestate Electrical Company	Electrical Systems Consulting	7,787	-
Newlin LLC	Accounting Consulting	22,604	-
Thomas R. Anderson	Strategic Planning	109,425	-
Document Systems Inc	Information technology consulting	633,009	-
Four Points Technology	Information technology consulting	8,660	-
Micro-Tel	Information technology consulting	1,140	-
DLT Solutions	Information technology consulting	28,064	-
Phoenix Graphics	Graphic Design for publications	41,300	-
Total Administrative Consultants		3,281,778	3,523,266
<b>Investment Consulting</b>			
Watson Wyatt & Company	Traditional Investment Consulting	329,500	275,000
Plexus Group	Traditional Investment Consulting	25,000	20,000
The Townsend Group	Traditional Investment Consulting	140,000	85,516
Total Investment Consulting		494,500	380,516
<b>Total Consulting</b>		<b>\$3,776,278</b>	<b>\$3,903,782</b>



Comprehensive Annual Financial Report  
For the Fiscal Year Ended September 30, 2008

# Investments Section

## Investment Section

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March 31, 2009

On behalf of the entire DCRB investments team, I am pleased to present the *Investments Section* of the *DCRB Comprehensive Annual Financial Report* for the fiscal year ending September 30, 2008.

The District of Columbia Retirement Board (the “Board”), manages and controls the assets of the defined benefit plans for the District of Columbia Police Officers, Firefighters and Teachers held in the Teachers’ Retirement Fund and the Police Officers and Firefighters’ Retirement Fund (the “Total Fund”). The Board is charged by law with the responsibility for the investment of these assets.

The Board retains the services of investment advisors to manage individual investment portfolios. These professional investment managers acknowledge in writing their fiduciary responsibilities and possess the necessary specialized research facilities and skills. Each investment manager is accorded full discretion, within general and specific investment manager policy guidelines, limits, and restrictions, to select and time purchase and sale transactions and to diversify assets appropriately.

### **Investment Objectives and Policies**

The Board seeks long-term investment returns in excess of the actuarial investment rate of return assumption at a level of risk commensurate with the expected levels of return and consistent with sound and responsible investment practices. The Board’s assumed actuarial investment rate is 7.50%, net of investment management fees and administrative expenses. In addition to meeting the 7.50% nominal return over the long term, the Total Fund’s return objective is to exceed the annualized total return of the Board’s strategic asset allocation policy benchmark (the “Total Fund Benchmark”). As of September 30, 2008, the Total Fund Benchmark consisted of the following:

<b>Asset Class</b>	<b>Performance Benchmark</b>	<b>Weight</b>
U.S. Equities	Russell 3000 Index	40%
Non-U.S. Equities	MSCI ACWI ex-U.S. Index	20%
Fixed Income	Barclays U.S. Universal Index	25%
Private Equity	Cambridge Private Equity Index	10%
Real Estate	NCREIF Index	5%

Proxies are a significant and valuable tool in corporate governance. The Board's equity investment managers must promptly vote and monitor proxies and related actions in a manner consistent with the Board's proxy voting guidelines. Each investment manager is required to exercise all voting rights consistent with its fiduciary duties.

### FY 2008 Market Overview

Public equity markets declined significantly during FY 2008, as world stock markets produced negative returns for the first time in six years. Concerns over declining housing prices, the worsening credit crisis, and the slowing economy intensified during the year. In the U.S., the Russell 3000 Index dropped -21.5% during the period. Non-U.S. equity markets declined even more significantly than U.S. stocks, with the MSCI ACWI ex-US Index decreasing -30.3% during the 12-month period ended September 30, 2008. Fixed income performed relatively well in FY 2008 compared with other asset classes, as investors flocked to the safety of U.S. Treasury securities, with the Barclays U.S. Universal Bond Index returning 2.3%.

### Investment Results

The Total Fund returned -16.9% during FY 2008, underperforming the Asset Allocation Benchmark<sup>1</sup> by 280 basis points (-16.9% versus -14.1%). The Total Fund's underperformance relative to the Asset Allocation Benchmark for FY 2008 can be attributed primarily to the performance of the domestic equity segment, as this segment underperformed its benchmark, the Russell 3000 Index, a broad-based U.S. equity index, by 200 basis points (-23.5% vs. -21.5%). In addition, other asset class segments also underperformed their respective benchmarks, including international equity,

fixed income, and real estate. However, the alternatives segment (private equity and hedge fund) delivered positive returns during the year, providing diversification benefits to the Total Fund in a difficult market environment.

As of September 30, 2008, the Total Fund's assets equaled \$3.73 billion, a decrease of approximately 15% from the total asset value at the end of FY 2007, after payment of all benefits and administrative expenses and obligations. Over the long-term, the Total Fund has slightly underperformed the Total Fund Benchmark<sup>2</sup> with the Total Fund returning an annualized 5.7% for the 10-year period ended September 30, 2008, versus 6.3% for the Total Fund Benchmark. However, it should be noted that the performance of the Total Fund exceeded the Board's actuarial assumed rate of return for the 26-year period from its inception in October 1982 through September 30, 2008, by approximately 230 basis points. Since its inception, the Total Fund has earned an annualized return of 9.54%.

Presented in the table on the following page are the gross returns for the Total Fund and for each asset class segment for multiple time periods ended September 30, 2008. These results have been calculated by the Board's custodial bank, State Street Bank and Trust Company, and are time-weighted returns computed in conformance with the CFA Institute's Global Investment Performance Standards (GIPS). Applicable benchmark returns also are presented below each asset class.

<sup>1</sup> **The Asset Allocation Benchmark** is a composite of each segment's benchmark weighted according to the current asset allocation. This Benchmark is preferred for shorter-term performance comparisons due to the 2003 increase in the Total Fund's strategic target allocations to alternative asset classes (private equity and real estate) and the difficulty of investing large amounts of capital in these asset classes in an expeditious manner.

<sup>2</sup> **Total Fund Benchmark:** From 4/1/06 to present: 40% Russell 3000 Index, 20% MSCI ACWI ex-U.S. Index, 25% Barclays U.S. Universal Bond Index, 10% Cambridge Private Equity, 5% NCREIF. Prior to 4/1/06: 40% Russell 3000 Index, 20% MSCI EAFE Index, 25% Lehman Aggregate Bond Index, 10% Cambridge Private Equity, 5% NCREIF. Total Fund Benchmark changed multiple times prior to 4/1/03 as well.

**Gross Annualized Returns for the Periods Indicated, as of September 30, 2008**

	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
<b>Total Fund</b>	<b>-16.9%</b>	<b>2.3%</b>	<b>6.4%</b>	<b>5.7%</b>
Actuarial Assumed Rate of Return	7.5%	7.3%	7.3%	7.3%
Total Fund Benchmark*	-13.9%	4.2%	8.3%	6.3%
<b>U.S. Equity Segment</b>	<b>-23.5%</b>	<b>-0.6%</b>	<b>5.2%</b>	<b>4.4%</b>
Russell 3000 Index	-21.5%	0.3%	5.7%	3.8%
<b>Non-U.S. Equity Segment</b>	<b>-30.8%</b>	<b>2.1%</b>	<b>9.6%</b>	<b>6.1%</b>
Non-U.S. Equity Benchmark**	-30.3%	2.5%	10.6%	5.4%
<b>Fixed Income Segment</b>	<b>-1.3%</b>	<b>2.8%</b>	<b>3.6%</b>	<b>5.5%</b>
Fixed Income Benchmark***	2.3%	3.8%	3.6%	5.1%
<b>Alternative Investments Segment</b>	<b>1.0%</b>	<b>10.2%</b>	<b>10.8%</b>	<b>3.2%</b>
Russell 3000 Index + 500 bps	-18.5%	3.3%	8.7%	6.8%
<b>Real Estate Segment</b>	<b>-0.8%</b>	<b>11.1%</b>	<b>11.7%</b>	<b>5.6%</b>
Real Estate Benchmark****	1.7%	11.9%	14.4%	12.3%
<b>Cash Segment</b>	<b>4.2%</b>	<b>4.7%</b>	<b>3.6%</b>	<b>3.8%</b>
3-month Treasury Bills	2.5%	4.0%	3.1%	3.4%

\* The Total Fund Benchmark currently is a composite of 40% Russell 3000, 20% MSCI ACWI xUS, 25% Barclays Universal, 10% Cambridge Private Equity, 5% NCREIF  
*From 3/31/03 to 3/31/06:* 40% Russell 3000, 20% MSCI EAFE, 25% LB Aggregate, 10% Cambridge Private Equity, 5% NCREIF  
*From 6/30/99 to 3/31/03:* 43.7% Russell 3000, 20% MSCI EAFE, 30.3% LB Aggregate, 5% Cambridge Private Equity, 1% 90-day T-Bills  
*From 1/1/97 to 6/30/99:* 45% Russell 3000, 18% MSCI EAFE, 2% IFC Global, 17.5% LB Aggregate, 7.5% Salomon World Govt. Bond, 5% Salomon High Yield, 1.5% NCREIF, 3.5% Venture Cap 100  
*From 10/01/96 to 12/31/96:* 45% S&P 500, 20% MSCI EAFE, 22.5% LB Aggregate, 7.5% Salomon World Govt. Bond Index, 2.5% NCREIF, 2.5% Venture Cap 100

\*\* The Non-U.S. Equity Benchmark currently is the MSCI ACWI ex-US Index. Prior to 4/1/06, it was the MSCI EAFE Index.

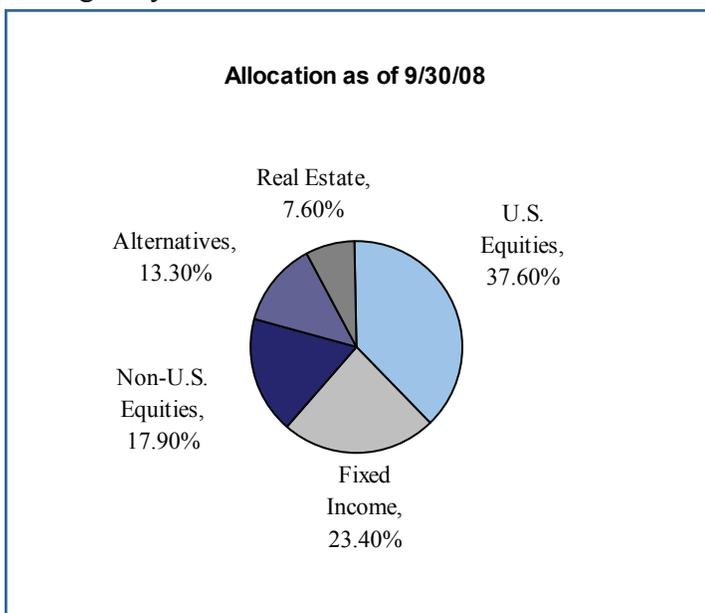
\*\*\* The Fixed Income Benchmark currently is the Barclays U.S. Universal Index. Prior to 4/1/06, it was the Lehman Brothers Aggregate Index.

\*\*\*\* The Real Estate Benchmark is comprised of 80% NCREIF Index and 20% Dow Jones / Wilshire RESI Index

During FY 2008, the Board maintained its strategic asset allocation targets, which had been established in FY 2003 following an asset/liability study conducted by the Board’s general investment consultant, Watson Wyatt Investment Consulting. This study was updated by Watson Wyatt in FY 2005, and asset class targets remain as follows:

Asset Class	Target Allocation	Allowable Range	Allocation as of 9/30/08
U.S. Equities	40%	35-45%	37.6%
Fixed Income	25%	20-30%	23.4%
Non-U.S. Equities	20%	15-25%	17.9%
Alternatives	10%	7-13%	13.3%
Real Estate	5%	2-8%	7.6%

As of September 30, 2008, all asset classes were within their respective target allocation ranges, with the exception of alternatives. The alternatives segment was just slightly above its target allocation range at 13.3% at the end of FY 2008. This overweight position was primarily due to: (1) the significant decline in the public equity segments, particularly at the end of FY 2008, and (2) the additional funding of Bridgewater, the Board’s multi-strategy hedge fund manager, during the year.



**Report on Investment Activity**

During FY 2008, the Board took important steps toward enhancing the diversification of the investments in the Total Fund. Within the fixed income segment, the Board selected and provided initial funding for two infrastructure investment managers, Babcock & Brown and Macquarie. Infrastructure investing focuses on essential physical infrastructure such as toll roads, bridges, airports, and utilities which are accessible to most citizens and provide a steady stream of income. Within the private equity segment, the Board committed to invest in a large buyout fund (an investment fund that invests in privately-held companies typically through the use of leverage), Warburg Pincus Private Equity X, and made an initial investment in the fund. Within the real estate segment, the Board made an investment in an international real estate fund, Carlyle Europe III. All of these investments are expected to enhance the risk-adjusted returns of the Total Fund over the long-term.

The Board also made a few changes to its roster of investment managers during the fiscal year. Within the U.S. equity segment, the Board conducted a search for a large cap value manager to replace Edgar Lomax, selecting Sound Shore Management. Sound Shore was funded in July 2008. Within the international equity segment, the Board funded Goldman Sachs, a new core international equity manager, replacing Capital Guardian, in April 2008.

The Board continued to rebalance its managers’ portfolios during FY 2008 in accordance with the Board’s rebalancing policy. Variances from investment style targets were rebalanced as needed in a manner that maintained the overall integrity of the asset class structure but was not disruptive to the managers.

Among other investment-related developments, the Board began complying with the provisions of a new District of Columbia law entitled “Prohibition of the Investment of Public Funds in Certain Companies Doing Business with the Government of Sudan Act of 2007,” which became effective on February 2, 2008. Among other things, this law requires that the Board divest from certain companies that do business with the government of Sudan, and the Board regularly monitors the Total Fund’s investments to ensure compliance with this law. As of this writing, the D.C. Council is considering similar divestment legislation related to Iran. In addition, the Board engaged a cost consultant, CEM Benchmarking, in FY 2008, to examine the Board’s investment-related costs. CEM’s analysis concluded that the Board’s investment-related costs, which were approximately 71 basis points in calendar 2007, were normal when compared with the

costs of pension funds of similar size and asset mix. The Board also changed its actuarial assumed rate of return during FY 2008, increasing it from 7.25% to 7.50%.

Going forward in FY 2009, the Board intends to continue the implementation of its strategic asset allocation policy. The Board will continue to review the investment structure of its asset class segments and carefully monitor the performance of its investment managers. As appropriate, the Board will make adjustments to its investment structure within each asset class and conduct manager searches, when necessary, to enhance the performance of the Total Fund. In addition, the Board plans to undertake an asset-liability study during FY 2009 to establish long-term strategic asset allocation targets that are appropriate for the Board’s liability structure.

**List of Top 10 Public Equity Holdings  
As of September 30, 2008**

Rank	Security Description	Shares	Market Value
1	EXXON MOBIL CORP	273,979	\$21,277,209
2	GENERAL ELEC CO	703,935	\$17,950,343
3	GOOGLE INC	43,214	\$17,308,071
4	BNP PARIBAS	157,097	\$14,581,632
5	PFIZER INC	763,610	\$14,080,968
6	APPLE INC	122,984	\$13,978,361
7	SCHLUMBERGER LTD	163,608	\$12,776,149
8	TOTAL SA	213,490	\$12,768,838
9	MICROSOFT CORP	449,302	\$11,991,870
10	AMAZON COM INC	164,484	\$11,967,856

**List of Top 10 Fixed Income Holdings  
As of September 30, 2008**

Rank	Security Name	Rating	Par Value	Interest Rate	Maturity Date	Market Value
1	FNMA TBA OCT 30 SINGLE FAM	AAA	\$156,800,000	6.00	12/1/2099	\$158,686,492
2	GNMA I TBA OCT 30 SINGLE FAM	AAA	\$37,900,000	6.00	12/1/2099	\$38,415,205
3	FHLMC TBA OCT 30 GOLD SINGLE	AAA	\$11,600,000	5.50	12/1/2099	\$11,526,594
4	UNITED STATES TREAS BDS	AAA	\$9,151,118	3.63	4/15/2028	\$10,463,016
5	CANADA HSG TR NO 1	AAA	\$9,400,000	3.95	6/15/2013	\$8,881,196
6	GOLDMAN SACHS GROUP INC	AA-	\$10,100,000	6.25	9/1/2017	\$8,409,157
7	FNMA TBA OCT 30 SINGLE FAM	AAA	\$6,300,000	5.50	12/1/2099	\$6,274,406
8	SMALL BUSINESS ADMIN	AAA	\$6,407,030	4.72	2/1/2024	\$6,188,806
9	FEDERAL NATL MTG ASSN DISC NTS	AAA	\$6,102,000	0.01	12/15/2008	\$6,084,766
10	FEDERAL HOME LN MTG CORP	AAA	\$5,920,000	4.88	6/13/2018	\$5,976,558

**Schedule of Fees and Commissions**

For FY 2008, the following fees and commissions were paid:

<b>Expense Category</b>	<b>Amount (\$)</b>	<b>% of Total Fund (in basis points)</b>
Investment Managers*	\$11,422,429	31 bps
Investment Consultants	\$494,500	1 bps
Investment Custodian	\$485,384	1 bps
Brokerage Commissions	\$3,354,781	9 bps

\* Fees paid to traditional investment managers only; traditional investment managers are those that invest primarily in public equity and fixed income securities.

<b>Investment Summary As of September 30, 2008</b>		
<b>Asset Class</b>	<b>Mkt Value \$(000)</b>	<b>% of Fund</b>
U.S. Equity	\$1,405,324	37.6%
Non-U.S. Equity	666,701	17.9%
Fixed Income	873,614	23.4%
Alternative Investments	497,069	13.3%
Real Estate	283,991	7.6%
Cash	7,938	0.2%
<b>Total</b>	<b>\$3,734,637</b>	<b>100.0%</b>

Respectfully Submitted,

Sheila Morgan-Johnson  
Chief Investment Officer  
District of Columbia Retirement Board



Comprehensive Annual Financial Report  
For the Fiscal Year Ended September 30, 2008

# Actuarial Section

## Actuarial Section

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## ACTUARY'S CERTIFICATION LETTER



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### Actuarial Certification

February 6, 2009

Board Members  
District of Columbia Retirement Board  
900 7th Street NW, Suite 200 Washington, DC 20001

Re: Actuarial Certification of October 1, 2008 Valuation for D.C. Retirement Board

EFI Actuaries, under contract with the District of Columbia Retirement Board (DCRB), performed actuarial valuations of the D.C. Police Officers and Fire Fighters' Retirement Plan and the D.C. Teachers' Retirement Plan as of October 1, 2008. The date of the most recent valuation prior to this was October 1, 2007. Valuations are conducted annually for DCRB. In this study, we relied on participant and financial data supplied by DCRB staff, the D.C. Office of Pay and Retirement Services, and the U.S. Department of the Treasury. We examined such data for reasonableness and consistency.

Actuarial funding is based on the Aggregate Cost Method. Under this method, the District must contribute the level percent of pay that – combined with the actuarial value of assets, expected investment earnings, and future employee contributions – will pay for the benefits of the current participants by the time the current workforce leaves employment.

The funding objective of the Plan is to establish contribution rates that, over time, are likely to remain as a relatively level percentage of payroll. For actuarial valuation purposes, Plan assets are determined at Actuarial Value, recognizing one-seventh of the difference between the expected actuarial value and the actual end of year market value of assets. The purpose of this is to smooth contributions, allowing investment gains and losses to offset each other over time.

We selected demographic actuarial assumptions to be appropriate for Plan funding. We performed an analysis of the Plan's experience for the years 2002 through 2006 to establish the validity of these assumptions. The assumptions, approved by the Board and used in the most recent valuation produce results that, in the

EFI\* Actuaries • EFI Asset/Liability Management Services, Inc.  
*The nation's leader in plan-specific, interactive asset allocation optimization counseling*  
Washington, DC • New York • Seattle • Philadelphia • San Francisco

\*Ed Friend, Inc.

**ACTUARY'S CERTIFICATION LETTER**

aggregate, reasonably approximate the anticipated future experience of the Plan. The next experience analysis is expected to cover the years 2006 through 2009.

Our firm has prepared all of the schedules contained within the actuarial report. The Schedule of Funding Progress and Schedule of Contributions also contain historical information for years prior to our tenure with DCRB. We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, the assumptions and methods used for funding purposes meet the parameters of the Governmental Accounting Standards Board Statement No. 25.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Gregory M. Stump". The signature is written in a cursive, somewhat stylized font.

Gregory M. Stump, FSA, EA

**Required Actuarial Certification Under District of Columbia Code §1-907  
for Fiscal Year 2010 (\$ Millions)**

Certification	Code Section	Teachers	Police	Fire	Police/Fire Combined	Total District
<b>FY 2010 Normal Contribution Rate</b>	1-907.03(a)(3)(A)	0.0%	28.5%	28.6%	28.5%	15.4%
<b>Estimated FY 2010 Covered Payroll</b>	NA	\$376.2	\$316.1	\$125.8	\$441.9	\$818.4
<b>FY 2010 District Payment before 1-907.02(c)</b>	NA	\$0.0	\$90.1	\$36.0	\$126.1	\$126.1
<b>FY 2008 Shortfall/Overpayment</b>	1-907.02(c)	\$0.0	\$4.3	\$1.9	\$6.2	\$6.2
<b>FY 2010 District Payment</b>	NA	\$0.0	\$94.4	\$37.9	\$132.3	\$132.3
<b>Present Value of Future Benefits</b>	1-907.03(a)(3)(B)	\$1,599.9	3,294.2	\$1,463.2	\$4,757.4	\$6,357.3
<b>Current Value of Assets</b>	1-907.03(a)(3)(C)	\$1,253.5	\$1,790.7	\$690.5	\$2,481.2	\$3,734.7
<b>Actuarial Value of Assets</b>	1-907.03(a)(3)(D)	\$1,447.6	\$2,112.9	\$819.2	\$2,932.1	\$4,379.7

Actuarial Assumptions

The non-economic assumptions used for this valuation represent the actuary's best estimates of the future experience for the plans. Upon review of recommended economic assumptions, the Board elected to choose an inflation assumption slightly more conservative than the actuary's recommended rate.

Contribution Adjustment for Teachers Corrections<sup>1</sup>

	Teachers	Police	Fire	Police/Fire Combined	Total District
<b>FY 2010 District Payment from Above</b>	\$0.0	\$94.4	\$37.9	\$132.3	\$132.3
<b>Additional Payment for Teachers Corrections (see attachment)</b>	\$3.0	\$0.0	0.0	\$0.0	\$3.0
<b>Total Payment for FY2010</b>	\$3.0	\$94.4	\$37.9	\$132.3	\$135.3



1/16/2009

Gregory M. Stump, F.S.A., E.A. (Date)

<sup>1</sup> Correction for DC. Public Schools' teacher pension plan coding errors, which resulted in improper amounts of employee and employer contributions.

**SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS**

**Actuarial Funding Method**

The funding method required by the Replacement Plan Act is commonly known as the Aggregate funding method. Under this method, the District must contribute the level percent of pay that – combined with the actuarial value of assets, expected investment earnings, and future employee contributions – will pay for the benefits of the current participants by the time the current workforce leaves employment.

**Actuarial Assumptions**

The demographic assumptions used for this valuation were developed during the experience study which covers the period from October 1, 2002 through September 30, 2006.

**Valuation Date**

All assets and liabilities are computed as of October 1, 2008. Demographic information was collected as of June 30, 2008.

**Rate of Return**

The annual rate of return on all Fund assets is assumed to be 7.00%, net of all expenses. For the prior valuation, the assumed return was 7.50%, net of expenses.

**Cost of Living**

The cost of living as measured by the Consumer Price Index (CPI) will increase at the rate of 4.25% per year<sup>1</sup>. For the prior valuation, the rate was assumed to be 5.0%.

**Increases in Pay**

Assumed pay increases for active members consist of increases due to cost-of-living adjustments and promotions and increases due to longevity and retention incentives. Cost-of-living increases are assumed to result in a general wage increase of 4.75% for all employees. Sample rates for the increases due to promotions are given in the table below.

Service	Teachers	Police	Fire
0	4.0%	5.0%	2.5%
5	4.0%	3.6%	2.5%
10	3.0%	2.6%	2.5%
15	0.5%	2.3%	2.5%
20	0.2%	2.5%	2.5%
30	0.2%	0.5%	2.5%

**Increases in Pay**

Allowances have also been made for special increases in Compensation prior to termination or retirement. For police officers, an additional increase of 5% is given for the Base Retention Differential after 20 years of service. Police officers are assumed to receive a longevity increase of 5% of step 1 pay after 15 years of service, and additional increases of 5% after 20, 25, and 30 years of service. Longevity pay increases are not included in officers’ pensionable compensation unless the member has at least 25 years of service. Firefighters are assumed to receive retention incentives of 5%, 10%, 15%, and 20% applied to individual base pay after 15, 20, 25, and 30 years of service, respectively.

**Active and Retiree Mortality**

Rates of mortality for retired teachers are given by the 1994 Uninsured Pension (UP94) Tables (sex distinct) with generational improvement using Projection Scale AA, projected to the valuation date.

Rates of mortality for retired police officers and Firefighters are given by the 1994 Uninsured Pension (UP94) Tables (sex distinct) with generational improvement using Projection Scale AA, with a two-year

<sup>1</sup> The Board elected to use an inflation assumption that is slightly more conservative than the actuary’s recommendation.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

age set forward for retirees and a three-year age set forward for active members.

**Disabled Member Mortality**

Rates of mortality among disabled members are specified for male and female members; separate tables are used for teachers and for public safety disabled members. Sample rates are as follows:

Age	Teachers		Police/Fire	
	Male	Female	Male	Female
30	2.4000%	2.4000%	0.9033%	0.5616%
40	2.4000%	2.4000%	0.9033%	0.5616%
50	2.4545%	2.4000%	0.9033%	0.5616%
60	2.5190%	2.4000%	1.3029%	0.8310%
70	3.8006%	2.4000%	2.6405%	1.7147%
80	7.2111%	4.1413%	6.4974%	4.2282%
90	13.1554%	10.0013%	15.6801%	12.2128%

**Service Retirement**

Retirement is assumed to occur in accordance with the tables below.

Age	Teachers	
	Normal Retirement	Involuntary Retirement
50 -54	10%	0.50%
55	35%	8%
56-59	25%	8%
60-62	25%	N/A
63-70	20%	N/A
71-74	25%	N/A
75+	100%	N/A

Age	Police	Service	Fire
40-49	15%	25-29	12%
50-59	22%	30-34	25%
60+	100%	35+	35% until age 60, then 100%

It is assumed that 50% of police members will retire after 31 years of service.

**Disability**

Separate rates of disability are assumed among teachers, police officers and firefighters. For police officers and Firefighters, it is assumed that 75% of the disabilities are due to accidents in the line of duty. Below are sample rates:

Age	Police		Fire	Teachers
	Male	Female		
25	0.2192%	0.4383%	0.1447%	0.0300%
30	0.2875%	0.5750%	0.1898%	0.0572%
35	0.4250%	0.8500%	0.2805%	0.0932%
40	0.6250%	1.2500%	0.4125%	0.1292%
45	0.9817%	1.9633%	0.6479%	0.2040%
50	1.6250%	3.2500%	1.0725%	0.3212%
55	2.8875%	5.7750%	1.9058%	0.5520%
60	4.1250%	8.2500%	2.7225%	0.5700%

**Withdrawal**

Separate rates of withdrawal are assumed among teachers, police officers, and Firefighters. Withdrawal rates are not applied to Members eligible for service retirement.

Age	Police			
	<3 Years Service	<3 Years Service	3+ Years Service	3+ Years Service
	Male	Female	Male	Female
20-29	10.00%	8.00%	6.00%	2.50%
30-34	10.00%	8.00%	3.50%	2.00%
35-39	10.00%	8.00%	2.00%	2.00%
40-44	10.00%	8.00%	1.75%	1.75%
45-49	10.00%	8.00%	1.50%	1.50%
50-54	10.00%	8.00%	1.25%	1.25%
55-59	10.00%	8.00%	1.00%	1.00%
60+	10.00%	8.00%	0.00%	0.00%

Age	Police		Fire	Teachers
	Male	Female		
25	0.2192%	0.4383%	0.1447%	0.0300%
30	0.2875%	0.5750%	0.1898%	0.0572%
35	0.4250%	0.8500%	0.2805%	0.0932%
40	0.6250%	1.2500%	0.4125%	0.1292%
45	0.9817%	1.9633%	0.6479%	0.2040%
50	1.6250%	3.2500%	1.0725%	0.3212%
55	2.8875%	5.7750%	1.9058%	0.5520%
60	4.1250%	8.2500%	2.7225%	0.5700%

**SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS**

Age	Teachers		
	0-3 Years	4-9 Years	10+ Years Service
20-24	25.00%	18.00%	N/A
25-29	23.50%	16.00%	N/A
30-34	22.00%	14.00%	3.50%
35-39	20.50%	12.00%	3.50%
40-44	19.00%	10.00%	3.50%
45-49	17.50%	8.00%	3.50%
50-54	16.00%	8.00%	3.50%
55-59	14.50%	8.00%	3.50%
60-64	13.00%	8.00%	3.50%
65+	0.00%	0.00%	0.00%

For all members with less than 5 years of service, terminations are assumed to result in the withdrawal of contributions, with no further benefits payable. For those terminated with at least 5 years of service, 20% of police/fire members and 65% of teachers are assumed to receive a deferred vested benefit, with the remaining members assumed to receive a refund of accumulated contributions.

**Family Composition**

64% of teachers and 80% of police officers and fire-fighters are assumed to be married. Male spouses are assumed to be three years older than female spouses. Active employees are assumed to have one dependent child aged 10. To value the pre-retirement death benefit for Police Officers and Fire Fighters, the benefit form for all retirements (normal or disabled) is assumed to be a 67.8% Joint and Survivor annuity for all participants (based on 40% of average pay survivor benefits). One-fourth of all police officer and fire-fighter active deaths are assumed to occur in the line of duty.

**Actuarial Value of Plan Assets**

The actuarial value of District assets is a modified market-related value. The actuarial value of assets method approved by the Board is defined as the expected actuarial value of assets (assuming the Plan’s actuarial rate of return) plus 1/7 of the difference between the expected actuarial value and actual market value of assets. Previously, this fraction was 1/3.

There is then a final adjustment made for the effect of the adjustment pursuant to D.C. Code §1-907.02(c). This adjustment is explained and developed in Section 3.5. The detailed calculation of the actuarial value of District assets is shown in Section 2.2.

**Participant Data**

Data on active and inactive members and their beneficiaries as of the valuation date was supplied via electronic media by the D.C. Office of Pay and Retirement Services and the U.S. Department of the Treasury, on electronic media. As is usual in studies of this type, member data was neither verified nor audited, but was reviewed for reasonableness.

Certain assumptions were made with respect to information provided by the District of Columbia:

- Data for charter school teachers with Plan benefits is not available. To account for this group, active liabilities and payroll were increased by 1.5%
- The data is incomplete with respect to former members who have a deferred vested benefit. Thus, benefits for these individuals are estimated based on their service and pay history as available.
- Benefit service has been determined based on employee contribution history.
- Benefit splits between Federal and District responsibility have been estimated for terminated vested participants with missing benefit amounts based on employee contribution history.
- It is assumed that all fire and police members with prior military service will purchase this service. To account for this, an average amount of prior service of 0.4 years, based on a prior study, is assumed for all police and fire members which determined this to be the average amount of military service for Plan members.

**SCHEDULE OF PARTICIPANT DATA**

*(As of July 1, 2008)*

<b>Active Participants</b>	<b>Teachers</b>	<b>Police Officers</b>	<b>Firefighters</b>
Number	4,821	3,928	1,733
Average Age	46.9	39.6	37.5
Average Service	12.6	13.1	11.5
Average Pay	\$70,227	\$71,311	\$64,602

<b>Inactive Participants</b>	<b>Teachers</b>		<b>Police Officers</b>		<b>Firefighters</b>	
<b>Service Retired</b>	District	Total*	District	Total*	District	Total*
Number	2,216	4,912	636	3,144	251	989
Average Age	65.5	72.5	57.2	63.9	57.2	66.2
Average Benefit	\$10,489	\$41,089	\$13,869	\$51,462	\$19,221	\$60,991
<b>Beneficiaries</b>						
Number	76	431	142	1,150	40	437
Average Age	50.4	70.4	29.2	67.2	27.6	71.9
Average Benefit	\$4,299	\$18,554	\$6,055	\$25,885	\$9,429	\$27,718
<b>Disabled</b>						
Number	99	428	241	1,229	54	474
Average Age	59.3	71.6	46.6	64.5	51.4	69.7
Average Benefit	\$12,383	\$28,118	\$18,176	\$41,509	\$13,981	\$47,552
<b>Terminated Vested</b>						
Number	538	876	51	61	16	17
Average Age	48.1	54.9	43.7	47.1	44.6	45.1
Average Benefit	\$5,447	\$8,429	\$10,822	\$19,881	\$7,899	\$16,858

\* Federal and District payments combined.

**SCHEDULE OF ACTIVE MEMBER VALUATION DATA**

<b>District of Columbia Teachers' Retirement Plan</b>				
<b>Valuation Date</b>	<b>Number</b>	<b>Annual Payroll</b>	<b>Annual Average Pay</b>	<b>% increase in Average Pay</b>
July 1, 2008	4,821	\$359,100,000	\$70,227	0.82%
October 1, 2007	5,027	249,900,000	69,656	8.21%
October 1, 2006	5,088	322,300,000	64,369	6.79%
October 1, 2005	5,707	325,800,000	60,274	-0.52%
October 1, 2004	5,564	338,900,000	60,587	10.51%
October 1, 2003	6,145	339,200,000	54,823	4.82%

<b>Police Officers Portion of The District of Columbia Police Officers and Firefighters Retirement Plan</b>				
<b>Valuation Date</b>	<b>Number</b>	<b>Annual Payroll</b>	<b>Annual Average Pay</b>	<b>% increase in Average Pay</b>
July 1, 2008	3,928	\$301,700,000	\$71,311	5.02%
October 1, 2007	3,844	261,000,000	67,902	4.46%
October 1, 2006	3,747	250,600,000	65,001	4.79%
October 1, 2005	3,741	245,400,000	62,028	8.91%
October 1, 2004	3,726	206,900,000	56,952	-0.34%
October 1, 2003	3,654	202,700,000	57,147	6.62%

<b>Firefighters' Portion of The District of Columbia Police Officers and Firefighters Retirement Plan</b>				
<b>Valuation Date</b>	<b>Number</b>	<b>Annual Payroll</b>	<b>Annual Average Pay</b>	<b>% increase in</b>
July 1, 2008	1,733	\$120,000,000	\$64,602	-0.12%
October 1, 2007	1,706	110,300,000	64,679	-1.27%
October 1, 2006	1,509	100,400,000	65,508	6.93%
October 1, 2005	1,481	93,900,900	61,261	5.29%
October 1, 2004	1,460	81,100,000	58,185	1.43%
October 1, 2003	1,317	72,000,000	57,365	5.84%

Data for this study was collected as of June 30, 2008, three months before the valuation date. Demographic experience from July 1 through September 30, 2008 is therefore not reflected herein, but will be recognized during the next valuation. We have determined that this does not have a material impact on fiscal year 2010 contribution rates.

**SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS**  
*District of Columbia Teachers' Retirement Plan*

	<b>Actives</b>	<b>Non-Vested Terminations Due Refunds</b>	<b>Vested Terminations</b>	<b>Disabled</b>	<b>Retired</b>	<b>Beneficiaries</b>	<b>Total Participants</b>
October 1, 2002	<b>6,558</b>	<b>0</b>	<b>0</b>	<b>493</b>	<b>4,396</b>	<b>445</b>	<b>11,892</b>
New Entrants	611	-	-	-	-	-	611
Rehires	38	-	-	-	-	-	38
Disabilities	(18)	-	-	19	(1)	-	0
Retirements	(290)	-	-	-	290	-	0
Vested Terminations	(124)	-	124	-	-	-	0
Died, With Beneficiaries' Benefit Payable	(3)	-	-	(2)	(23)	28	0
Died, Without Beneficiary, and Other Terminations	(433)	429	-	(20)	(103)	-	(127)
Transfers	-	-	-	-	-	-	0
Refund of Contributions	(193)	-	-	-	-	-	(193)
Beneficiary Deaths	-	-	-	-	-	(22)	(22)
Domestic Relations Orders	-	-	-	-	-	1	1
Data Corrections	(1)	1	-	1	13	9	23
October 1, 2003	<b>6,145</b>	<b>430</b>	<b>124</b>	<b>491</b>	<b>4,572</b>	<b>461</b>	<b>12,223</b>

	<b>Actives</b>	<b>Non-Vested Terminations Due Refunds</b>	<b>Vested Terminations</b>	<b>Disabled</b>	<b>Retired</b>	<b>Beneficiaries</b>	<b>Total Participants</b>
October 1, 2003	<b>6,145</b>	<b>430</b>	<b>124</b>	<b>491</b>	<b>4,572</b>	<b>461</b>	<b>12,223</b>
New Entrants	511	-	-	-	-	-	511
Rehires	19	(2)	(14)	-	-	-	3
Disabilities	(6)	(1)	-	7	-	-	0
Retirements	(356)	-	(1)	-	357	-	0
Vested Terminations	(70)	(3)	73	-	-	-	0
Died, With Beneficiaries' Benefit Payable	(5)	-	(1)	(1)	(18)	25	0
Died, Without Beneficiary, and Other Terminations	(479)	478	-	(22)	(124)	-	(147)
Transfers	-	-	-	-	-	-	0
Refund of Contributions	(195)	(31)	(3)	-	-	-	(229)
Beneficiary Deaths	-	-	-	-	-	(33)	(33)
Domestic Relations Orders	-	-	-	-	-	-	0
Data Corrections/Not Reported	-	2,924	13	-	15	1	2,953
October 1, 2004	<b>5,564</b>	<b>3,795</b>	<b>191</b>	<b>475</b>	<b>4,802</b>	<b>454</b>	<b>15,281</b>

**ACTUARIAL SECTION**
**SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS**  
*District of Columbia Teachers' Retirement Plan*

	<b>Actives</b>	<b>Non-Vested Terminations Due Refunds</b>	<b>Vested Terminations</b>	<b>Disabled</b>	<b>Retired</b>	<b>Beneficiaries</b>	<b>Total Participants</b>
October 1, 2004	<b>5,564</b>	<b>3,795</b>	<b>191</b>	<b>475</b>	<b>4,802</b>	<b>454</b>	<b>15,281</b>
New Entrants	639	-	-	-	-	-	639
Rehires	247	(176)	(19)	-	-	-	52
Disabilities	(13)	(2)	(1)	15	-	-	(1)
Retirements	(187)	(12)	(18)	-	217	-	0
Vested Terminations	(117)	(166)	283	-	-	-	0
Died, With Beneficiaries' Benefit Payable	(1)	-	-	(3)	(17)	22	1
Died, Without Beneficiary, and Other Terminations	-	-	-	-	-	-	0
Transfers	(264)	264	-	(22)	(126)	-	(148)
Refund of Contributions	(164)	(163)	(70)	-	-	-	(397)
Beneficiary Deaths	-	-	-	-	-	(17)	(17)
Domestic Relations Orders	-	-	-	-	-	-	0
Data Corrections/Not Reported	3	(270)	392	1	10	2	138
October 1, 2005	<b>5,707*</b>	<b>3,270</b>	<b>758</b>	<b>466</b>	<b>4,886</b>	<b>461</b>	<b>15,548</b>

\* Includes 445 members assumed to be on leave of absence.

	<b>Actives</b>	<b>Non-Vested Terminations Due Refunds</b>	<b>Vested Terminations</b>	<b>Disabled</b>	<b>Retired</b>	<b>Beneficiaries</b>	<b>Total Participants</b>
October 1, 2005	<b>5,707</b>	<b>3,270</b>	<b>758</b>	<b>466</b>	<b>4,886</b>	<b>461</b>	<b>15,548</b>
New Entrants	583	-	-	-	-	-	583
Rehires	48	(21)	(5)	-	(1)	-	21
Disabilities	(8)	-	-	8	-	-	0
Retirements	(176)	-	(6)	-	182	-	0
Vested Terminations	(276)	-	276	-	-	-	0
Died, With Beneficiaries' Benefit Payable	(5)	-	-	-	(14)	19	0
Died, Without Beneficiary, and Other Terminations	(681)	674	(1)	(20)	(148)	-	(176)
Transfers	-	-	-	-	-	-	0
Refund of Contributions	(104)	(86)	(39)	-	-	-	(229)
Beneficiary Deaths	-	-	-	-	-	(33)	(33)
Domestic Relations Orders	-	-	-	-	-	1	1
Data Corrections/Not Reported	-	17	(2)	1	2	9	27
October 1, 2006	<b>5,088*</b>	<b>3,854</b>	<b>981</b>	<b>455</b>	<b>4,907</b>	<b>457</b>	<b>15,742</b>

\* Includes members assumed to be on leave of absence.

**SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS**  
*District of Columbia Teachers' Retirement Plan*

	<b>Actives</b>	<b>Non-Vested Terminations Due Refunds</b>	<b>Vested Terminations</b>	<b>Disabled</b>	<b>Retired</b>	<b>Beneficiaries</b>	<b>Total Participants</b>
October 1, 2006	<b>5,088</b>	<b>3,854</b>	<b>981</b>	<b>455</b>	<b>4,907</b>	<b>457</b>	<b>15,742</b>
New Entrants	578	-	-	-	-	-	578
Rehires	102	(49)	(22)	-	-	-	31
Disabilities	(4)	-	(3)	7	-	-	0
Retirements	(182)	-	(25)	-	207	-	0
Vested Terminations	(175)	-	175	-	-	-	0
Died, With Beneficiaries' Benefit Payable	(6)	-	-	(3)	(15)	25	1
Died, Without Beneficiary, and Other Terminations	(299)	296	(3)	(19)	(133)	-	(158)
Transfers	-	-	-	-	-	-	0
Refund of Contributions	(83)	(229)	(82)	-	-	-	(394)
Beneficiary Deaths	-	-	-	-	-	(35)	(35)
Domestic Relations Orders	-	-	-	-	-	-	0
Data Corrections/Not Reported	8	(10)	(22)	-	2	5	(17)
October 1, 2007	<b>5,027*</b>	<b>3,862</b>	<b>999</b>	<b>440</b>	<b>4,968</b>	<b>452</b>	<b>15,748</b>

	<b>Actives</b>	<b>Non-Vested Terminations Due Refunds</b>	<b>Vested Terminations</b>	<b>Disabled</b>	<b>Retired</b>	<b>Beneficiaries</b>	<b>Total Participants</b>
October 1, 2007	<b>5,027</b>	<b>3,862</b>	<b>999</b>	<b>440</b>	<b>4,968</b>	<b>445</b>	<b>15,741</b>
New Entrants	112	-	-	-	-	-	112
Rehires	103	(51)	(31)	-	(2)	-	19
Disabilities	(5)	-	(2)	7	-	-	0
Retirements	(34)	-	(16)	-	50	-	0
Vested Terminations	(78)	-	78	-	-	-	0
Died, With Beneficiaries' Benefit Payable	-	-	-	(1)	(4)	5	0
Died, Without Beneficiary, and Other Terminations	(215)	206	(4)	(22)	(104)	-	(139)
Transfers	-	-	-	-	-	-	0
Refund of Contributions	(88)	(260)	(148)	-	-	-	(496)
Beneficiary Deaths	-	-	-	-	-	(22)	(22)
Domestic Relations Orders	-	-	-	-	-	-	0
Data Corrections/Not Reported	(1)	35	-	4	4	3	45
October 1, 2008	<b>4,821*</b>	<b>3,792</b>	<b>876</b>	<b>428</b>	<b>4,912</b>	<b>431</b>	<b>15,260</b>

**ACTUARIAL SECTION**
**SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS**  
*Police Officers' portion of the District of Columbia Police Officers and Firefighters' Retirement Plan*

	Actives	Non-Vested Terminations Due Refunds	Vested Terminations	Disabled	Retired	Beneficiaries	Total Participants
October 1, 2002	<b>3,543</b>	<b>0</b>	<b>0</b>	<b>1,343</b>	<b>3,145</b>	<b>1,222</b>	<b>9,253</b>
New Entrants	173	-	-	-	-	-	173
Rehires	62	-	-	-	-	-	62
Disabilities	(20)	-	-	20	-	-	0
Retirements	(32)	-	-	-	32	-	0
Vested Terminations	-	-	-	-	-	-	0
Died, With Beneficiaries' Benefit Payable	(5)	-	-	(22)	(32)	67	8
Died, Without Beneficiary, and Other Terminations	(23)	23	-	(27)	(6)	-	(56)
Transfers	(2)	-	-	-	-	-	(2)
Refund of Contributions	(41)	-	-	-	-	-	(18)
Beneficiary Deaths	-	-	-	-	-	(64)	(64)
Domestic Relations Orders	-	-	-	-	-	12	12
Data Corrections	(1)	-	-	1	3	19	22
October 1, 2003	<b>3,654</b>	<b>23</b>	<b>0</b>	<b>1,315</b>	<b>3,142</b>	<b>1,256</b>	<b>9,390</b>

	Actives	Non-Vested Terminations Due Refunds	Vested Terminations	Disabled	Retired	Beneficiaries	Total Participants
October 1, 2003	<b>3,654</b>	<b>23</b>	<b>0</b>	<b>1,315</b>	<b>3,142</b>	<b>1,256</b>	<b>9,390</b>
New Entrants	296	-	-	-	-	-	296
Rehires	12	(1)	-	-	-	-	11
Disabilities	(21)	-	-	21	-	-	0
Retirements	(57)	-	-	-	57	-	0
Vested Terminations	(22)	-	22	-	-	-	0
Died, With Beneficiaries' Bene- fit Payable	(3)	-	-	(32)	(22)	69	12
Died, Without Beneficiary, and Other Terminations	(58)	58	-	(28)	(30)	-	(58)
Transfers	-	-	-	-	-	-	0
Refund of Contributions	(74)	(6)	-	-	-	-	(80)
Beneficiary Deaths	-	-	-	-	-	(58)	(58)
Domestic Relations Orders	-	-	-	-	-	9	9
Data Corrections/Not Reported	(1)	572	1	2	2	(4)	572
October 1, 2004	<b>3,726</b>	<b>646</b>	<b>23</b>	<b>1,278</b>	<b>3,149</b>	<b>1,272</b>	<b>10,094</b>

**SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS**  
*Police Officers' portion of the District of Columbia Police Officers and Firefighters' Retirement Plan*

	<b>Actives</b>	<b>Non-Vested Terminations Due Refunds</b>	<b>Vested Terminations</b>	<b>Disabled</b>	<b>Retired</b>	<b>Beneficiaries</b>	<b>Total Participants</b>
October 1, 2004	<b>3,726</b>	<b>646</b>	<b>23</b>	<b>1,278</b>	<b>3,149</b>	<b>1,272</b>	<b>10,094</b>
New Entrants	255	-	-	-	-	-	255
Rehires	13	(2)	(1)	-	-	-	10
Disabilities	(20)	-	(2)	22	(1)	-	(1)
Retirements	(43)	(1)	-	-	44	-	0
Vested Terminations	(41)	(24)	65	-	-	-	0
Died, With Beneficiaries' Benefit Payable	-	-	-	(22)	(20)	42	0
Died, Without Beneficiary, and Other Terminations	-	-	-	-	-	-	0
Transfers	(58)	58	-	(21)	(20)	-	(41)
Refund of Contributions	(92)	(32)	(15)	-	-	-	(139)
Beneficiary Deaths	-	-	-	-	-	(71)	(71)
Domestic Relations Orders	-	-	-	-	-	10	10
Data Corrections/Not Reported	1	(116)	143	1	1	10	40
October 1, 2005	<b>3,741</b>	<b>529</b>	<b>213</b>	<b>1,258</b>	<b>3,153</b>	<b>1,263</b>	<b>10,157</b>

	<b>Actives</b>	<b>Non-Vested Terminations Due Refunds</b>	<b>Vested Terminations</b>	<b>Disabled</b>	<b>Retired</b>	<b>Beneficiaries</b>	<b>Total Participants</b>
October 1, 2005	<b>3,741</b>	<b>529</b>	<b>213</b>	<b>1,258</b>	<b>3,153</b>	<b>1,263</b>	<b>10,157</b>
New Entrants	218	-	-	-	-	-	218
Rehires	9	(2)	-	-	-	-	7
Disabilities	(55)	-	-	55	-	-	0
Retirements	(28)	-	-	-	28	-	0
Vested Terminations	(26)	-	26	-	-	-	0
Died, With Beneficiaries' Benefit Payable	(2)	-	(2)	(16)	(21)	46	5
Died, Without Beneficiary, and Other Terminations	(53)	51	(2)	(24)	(24)	-	(52)
Transfers	-	-	-	-	-	-	0
Refund of Contributions	(58)	(17)	(20)	-	-	-	(95)
Beneficiary Deaths	-	-	-	-	-	(59)	(59)
Domestic Relations Orders	-	-	-	-	-	11	11
Data Corrections/Not Reported	1	20	-	10	(1)	48	78
October 1, 2006	<b>3,747</b>	<b>581</b>	<b>215</b>	<b>1,283</b>	<b>3,135</b>	<b>1,309</b>	<b>10,270</b>

**ACTUARIAL SECTION**
**SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS**  
*Police Officers' portion of the District of Columbia Police Officers and Firefighters' Retirement Plan*

	Actives	Non-Vested Terminations Due Refunds	Vested Terminations	Disabled	Retired	Beneficiaries	Total Participants
October 1, 2006	<b>581</b>	<b>215</b>	<b>1,283</b>	<b>3,135</b>	<b>1,309</b>	<b>10,270</b>	
New Entrants	251	-	-	-	-	-	251
Rehires	28	(9)	(5)	-	-	-	14
Disabilities	(21)	-	(1)	22	-	-	0
Retirements	(36)	-	(1)	-	37	-	0
Vested Terminations	(11)	-	11	-	-	-	0
Died, With Beneficiaries' Benefit Payable	(4)	-	-	(16)	(17)	42	5
Died, Without Beneficiary, and Other Terminations	(37)	34	(1)	(16)	(25)	-	(45)
Transfers	-	-	-	-	-	-	0
Refund of Contributions	(73)	(24)	(23)	-	-	-	(120)
Beneficiary Deaths	-	-	-	-	-	(81)	(81)
Domestic Relations Orders	-	-	-	-	-	6	6
Data Corrections/Not Reported	-	6	1	(1)	2	19	27
October 1, 2007	<b>3,844</b>	<b>588</b>	<b>196</b>	<b>1,272</b>	<b>3,132</b>	<b>1,295</b>	<b>10,327</b>

	Actives	Non-Vested Terminations Due Refunds	Vested Terminations	Disabled	Retired	Beneficiaries	Total Participants
October 1, 2007	<b>3,844</b>	<b>588</b>	<b>196</b>	<b>1,272</b>	<b>3,132</b>	<b>1,142</b>	<b>10,174</b>
New Entrants	192	-	-	-	-	-	192
Rehires	24	(3)	(9)	-	(3)	-	9
Disabilities	(2)	-	-	2	-	-	0
Retirements	(43)	-	(1)	-	44	-	0
Vested Terminations	(12)	-	12	-	-	-	0
Died, With Beneficiaries' Benefit Payable	(2)	-	-	(24)	(20)	47	1
Died, Without Beneficiary, and Other Terminations	(32)	31	-	(24)	(8)	-	(33)
Transfers	-	-	-	-	-	-	0
Refund of Contributions	(41)	(374)	(138)	-	-	-	(553)
Beneficiary Deaths	-	-	-	-	-	(52)	(52)
Domestic Relations Orders	-	-	-	-	-	-	0
Data Corrections/Not Reported	-	3	1	3	(1)	13	19
October 1, 2008	<b>3,928</b>	<b>245</b>	<b>61</b>	<b>1,229</b>	<b>3,144</b>	<b>1,150</b>	<b>9,757</b>

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**ACTUARIAL SECTION****SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS**  
*Firefighters' portion of the District of Columbia Police Officers and Firefighters' Retirement Plan*

	<b>Actives</b>	<b>Non-Vested Terminations Due Refunds</b>	<b>Vested Terminations</b>	<b>Disabled</b>	<b>Retired</b>	<b>Beneficiaries</b>	<b>Total Participants</b>
October 1, 2002	<b>1,273</b>	<b>0</b>	<b>0</b>	<b>571</b>	<b>916</b>	<b>492</b>	<b>3,252</b>
New Entrants	98	-	-	-	-	-	98
Rehires	1	-	-	-	-	-	1
Disabilities	(1)	-	-	1	-	-	0
Retirements	(24)	-	-	-	24	-	0
Vested Terminations	(1)	-	1	-	-	-	0
Died, With Beneficiaries' Benefit Payable	(2)	-	-	(5)	(13)	20	0
Died, Without Beneficiary, and Other Terminations	(23)	23	-	(12)	(3)	-	(15)
Transfers	2	-	-	-	-	-	2
Refund of Contributions	(6)	-	-	-	-	-	(6)
Beneficiary Deaths	-	-	-	-	-	(28)	(28)
Domestic Relations Orders	-	-	-	-	-	2	2
Data Corrections	-	-	-	-	-	6	6
October 1, 2003	<b>1,317</b>	<b>23</b>	<b>1</b>	<b>555</b>	<b>924</b>	<b>492</b>	<b>3,312</b>

	<b>Actives</b>	<b>Non-Vested Terminations Due Refunds</b>	<b>Vested Terminations</b>	<b>Disabled</b>	<b>Retired</b>	<b>Beneficiaries</b>	<b>Total Participants</b>
October 1, 2003	<b>1,317</b>	<b>23</b>	<b>1</b>	<b>555</b>	<b>924</b>	<b>492</b>	<b>3,312</b>
New Entrants	190	-	-	-	-	-	190
Rehires	-	-	-	-	-	-	0
Disabilities	(1)	-	-	1	-	-	0
Retirements	(26)	-	-	-	26	-	0
Vested Terminations	(1)	-	1	-	-	-	0
Died, With Beneficiaries' Benefit Payable	(1)	-	-	(10)	(10)	24	3
Died, Without Beneficiary, and Other Terminations	(12)	12	-	(14)	(14)	-	(28)
Transfers	-	-	-	-	-	-	0
Refund of Contributions	(6)	(6)	-	-	-	-	(12)
Beneficiary Deaths	-	-	-	-	-	(22)	(22)
Domestic Relations Orders	-	-	-	-	-	4	4
Data Corrections/Not Reported	-	181	-	-	-	(3)	178
October 1, 2004	<b>1,460</b>	<b>210</b>	<b>2</b>	<b>532</b>	<b>926</b>	<b>495</b>	<b>3,625</b>

**SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS**  
*Firefighters' portion of the District of Columbia Police Officers and Firefighters' Retirement Plan*

	Actives	Non-Vested Terminations Due Refunds	Vested Terminations	Disabled	Retired	Beneficiaries	Total Participants
October 1, 2004	<b>1,460</b>	<b>210</b>	<b>2</b>	<b>532</b>	<b>926</b>	<b>495</b>	<b>3,625</b>
New Entrants	49	-	-	-	-	-	49
Rehires	8	(5)	-	-	-	-	3
Disabilities	(4)	-	-	4	-	-	0
Retirements	(16)	-	-	-	16	-	0
Vested Terminations	(2)	-	2	-	-	-	0
Died, With Beneficiaries' Benefit Payable	-	-	-	(9)	(7)	16	0
Died, Without Beneficiary, and Other Terminations	-	-	-	-	-	-	0
Transfers	(7)	7	-	(13)	(5)	-	(18)
Refund of Contributions	(9)	(5)	(2)	-	-	-	(16)
Beneficiary Deaths	-	-	-	-	-	(36)	(36)
Domestic Relations Orders	-	-	-	-	-	3	3
Data Corrections/Not Reported	2	(19)	23	-	2	-	8
October 1, 2005	<b>1,481</b>	<b>188</b>	<b>25</b>	<b>514</b>	<b>932</b>	<b>478</b>	<b>3,618</b>

	Actives	Non-Vested Terminations Due Refunds	Vested Terminations	Disabled	Retired	Beneficiaries	Total Participants
October 1, 2005	<b>1,481</b>	<b>188</b>	<b>25</b>	<b>514</b>	<b>932</b>	<b>478</b>	<b>3,618</b>
New Entrants	82	-	-	-	-	-	82
Rehires	3	(1)	-	-	-	-	2
Disabilities	(4)	-	-	4	-	-	0
Retirements	(19)	-	(1)	-	20	-	0
Vested Terminations	(5)	-	5	-	-	-	0
Died, With Beneficiaries' Benefit Payable	(2)	-	-	(13)	(13)	30	2
Died, Without Beneficiary, and Other Terminations	(23)	23	-	(5)	(6)	-	(11)
Transfers	-	-	-	-	-	-	0
Refund of Contributions	(4)	(1)	-	-	-	-	(5)
Beneficiary Deaths	-	-	-	-	-	(28)	(28)
Domestic Relations Orders	-	-	-	-	-	1	1
Data Corrections/Not Reported	-	1	-	-	-	10	11
October 1, 2006	<b>1,509</b>	<b>210</b>	<b>29</b>	<b>500</b>	<b>933</b>	<b>491</b>	<b>3,672</b>

**ACTUARIAL SECTION**
**SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS**  
*Firefighters' portion of the District of Columbia Police Officers and Firefighters' Retirement Plan*

	Actives	Non-Vested Terminations Due Refunds	Vested Terminations	Disabled	Retired	Beneficiaries	Total Participants
October 1, 2006	<b>1,509</b>	<b>210</b>	<b>29</b>	<b>500</b>	<b>933</b>	<b>491</b>	<b>3,672</b>
New Entrants	273	-	-	-	-	-	273
Rehires	1	-	(1)	-	-	-	0
Disabilities	(6)	-	-	6	-	-	0
Retirements	(34)	-	-	-	34	-	0
Vested Terminations	(14)	-	14	-	-	-	0
Died, With Beneficiaries' Benefit Payable	(1)	-	-	(7)	(9)	17	0
Died, Without Beneficiary, and Other Terminations	(13)	13	-	(6)	(1)	-	(7)
Transfers	-	-	-	-	-	-	0
Refund of Contributions	(9)	(13)	(4)	-	-	-	(26)
Beneficiary Deaths	-	-	-	-	-	(22)	(22)
Domestic Relations Orders	-	-	-	-	-	2	2
Data Corrections/Not Reported	-	1	-	-	-	3	4
October 1, 2007	<b>1,706</b>	<b>211</b>	<b>38</b>	<b>493</b>	<b>957</b>	<b>491</b>	<b>3,896</b>

	Actives	Non-Vested Terminations Due Refunds	Vested Terminations	Disabled	Retired	Beneficiaries	Total Participants
October 1, 2007	<b>1,706</b>	<b>211</b>	<b>38</b>	<b>493</b>	<b>957</b>	<b>446</b>	<b>3,851</b>
New Entrants	101	-	-	-	-	-	101
Rehires	5	(4)	-	-	-	-	1
Disabilities	(3)	-	-	3	-	-	0
Retirements	(41)	-	(1)	-	42	-	0
Vested Terminations	(3)	-	3	-	-	-	0
Died, With Beneficiaries' Benefit Payable	(2)	-	(1)	(10)	(3)	17	1
Died, Without Beneficiary, and Other Terminations	(20)	19	-	(12)	(7)	-	(20)
Transfers	-	-	-	-	-	-	0
Refund of Contributions	(9)	(166)	(22)	-	-	-	(197)
Beneficiary Deaths	-	-	-	-	-	(25)	(25)
Domestic Relations Orders	-	-	-	-	-	-	0
Data Corrections/Not Reported	(1)	-	-	-	-	(1)	(2)
October 1, 2008	<b>1,733</b>	<b>60</b>	<b>17</b>	<b>474</b>	<b>989</b>	<b>437</b>	<b>3,710</b>

**SOLVENCY TEST**

Valuation Date	Actuarial Accrued Liability				Valuation Assets	Portion of Accrued Liabilities Covered by Assets		
	Active Member Contributions	Inactive Members	Active Members	Total		Active Member Contributions	Retirees and Beneficiaries	Active Members
10/1/2006	\$273,886,843	\$624,109,859	\$2,667,040,773	\$3,565,037,475	\$3,621,500,000	100%	100%	100%
10/1/2007	\$303,059,191	\$805,474,837	\$2,790,093,046	\$3,898,627,074	\$4,405,200,000	100%	100%	100%
10/1/2008	\$332,833,566	\$851,489,426	\$3,092,491,329	\$4,276,814,321	\$3,734,700,000	100%	100%	82%

Information for prior to 10/1/2006 does not exist as no accrued liability was required to be determined for funding or disclosure purposes before this date.

**ACTUARIAL SECTION**
**ANALYSIS OF FINANCIAL EXPERIENCE**

District of Columbia Teachers' Retirement Plan (In millions of dollars)

		Continuing Members Only					
		Prior Year Results	Demographic Experience	Salary Experience	New Entrants	Investment Experience	With Changes in Assumptions and Methods
(1)	Present Value of Future District Benefits	\$1,509.9	\$1,625.9	\$1,559.3	\$1,576.5	\$1,576.5	\$1,560.0
(2)	Actuarial Value of Assets	1,396.0	1,480.3	1,480.3	1,480.3	1447.6	1,447.6
(3)	Present Value of Future Employee Contributions	198.8	194.5	182.2	188.4	188.4	191.2
(4)	Present Value of Future Normal Costs (not less than \$0)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
(5)	Present Value Future Payroll	2,708.7	2,654.3	2,487.5	2,568.8	2,568.8	2,600.3
(6)	Normal Contribution Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(7)	Projected Payroll	\$393.3	\$390.1	\$366.4	\$378.0	\$378.0	\$376.2
(8)	Projected Contribution before Adjustments	\$0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
	Change in Contribution Rate		0.0%	0.0%	0.0%	0.0%	0.0%
	Change in Contribution Amount		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

**ANALYSIS OF FINANCIAL EXPERIENCE**

District of Columbia Police Officers and Firefighters' Retirement Plan (In millions of dollars)

		Continuing Members Only					
		Prior Year Results	Demographic Experience	Salary Experience	New Entrants	Investment Experience	With Changes in Assumptions and Methods
(1)	Present Value of Future District Benefits	\$4,265.2	\$4,578.1	\$4,488.2	\$4,623.1	\$4,623.1	\$4,757.4
(2)	Actuarial Value of Assets	2,672.9	3,001.5	3,001.5	3,001.5	2,833.0	2,932.1
(3)	Present Value of Future Employee Contributions	350.9	351.7	343.3	366.5	366.5	373.4
(4)	Present Value of Future Normal Costs	\$1,241.4	\$1,224.9	\$1,143.4	\$1,255.1	\$1,423.6	\$1,451.9
(5)	Present Value Future Payroll	4,821.1	4,822.5	4,708.7	5,009.6	5,009.6	5,090.1
(6)	Normal Contribution Rate	25.8%	25.4%	24.3%	25.1%	28.4%	28.5%
(7)	Projected Payroll	\$416.4	\$435.1	\$425.8	\$444.0	\$444.0	\$441.9
(8)	Projected Contribution before Adjustments	\$106.9	\$110.0	\$103.3	\$111.1	\$126.5	\$126.1
	Change in Contribution Rate		(0.4%)	(1.1%)	0.8%	3.3%	0.1%
	Change in Contribution Amount		\$3.1	(\$6.7)	\$7.8	\$15.4	(\$0.4)

**ACCRUED LIABILITIES UNDER THE ENTRY AGE NORMAL METHOD**

The Governmental Accounting Standards Board (GASB) has recently announced issuance of Statement No. 50, which amends Statements 25 and 27. The revisions require that plan sponsors that use the aggregate actuarial cost method disclose the funded status and present a multiyear schedule of funding progress using the entry age actuarial cost method as a surrogate. This is because the Aggregate method does not explicitly define an accrued liability.

The table below shows the present value of the future District benefits, as well as the value of the District benefits accrued based on past service computed under the Entry Age Normal method, which assigns total liabilities to past service (accrued liabilities), current service (normal cost), and future service (future normal costs). The actuarial assumptions (demographic and economic) used for the calculations in the table below are the same as were used to determine the required contributions.

(\$ millions)	<b>Present Value of Future District Benefits as of October 1, 2008</b>			
	<b>Teachers</b>	<b>Police</b>	<b>Fire</b>	<b>Total</b>
Active Present Value of Future District Benefits	\$1,177.1	\$2,983.6	\$1,345.1	\$5,505.8
Inactive Present Value of Future District Benefits				
Retirees	362.9	167.2	91.9	622.0
Disabled Employees	22.8	122.2	19.0	164.0
Beneficiaries	4.8	14.6	5.8	25.2
Terminated	32.3	6.6	1.4	40.3
Total Inactive	422.8	310.6	118.1	851.5
Total Present Value of Future District Benefits	\$1,599.9	\$3,294.2	\$1,463.2	\$6,357.3
	<b>Accrued Liabilities for District Benefits as of October 1, 2008</b>			
Active Accrued Liability	\$915.2	\$1,858.8	\$651.3	\$3,425.3
Inactive Accrued Liability	422.8	310.6	118.1	851.5
Total Accrued Liability (AL)	\$ 1,338.0	\$2,169.4	\$ 769.4	\$4,276.8
Actuarial Value of Assets (AVA)	\$1,447.6	\$2,112.9	\$819.2	\$4,379.7
Market Value of Assets (MVA)	\$1,253.5	\$1,790.7	\$690.5	\$3,734.7
AVA Funding Ratio (AVA/AL)	108.2%	97.4%	106.5%	102.4%
MVA Funding Ratio (MVA/AL)	93.7%	82.5%	89.7%	87.3%

**SUMMARY OF PLANS' PROVISION**  
*District of Columbia Teachers' Retirement Plan*

## District of Columbia Teachers' Retirement Plan

### **Eligibility**

Permanent, temporary, and probationary teachers for the District of Columbia public day schools become members automatically on their date of employment. Other employees covered by the Retirement of Public School Teachers Act – including librarians, principals, and counselors – also become members on their date of employment. Substitute teachers and employees of the Department of School Attendance and Work Permits are not covered. Some former D.C. teachers working at charter schools are eligible to remain in the Program.

### **Member Contributions**

Members hired before November 1, 1996 are required to contribute 7% of annual pay. Members hired on or after November 1, 1996 contribute 8% of annual pay. Members can also make voluntary post-tax contributions of up to 10% of annual pay toward an annuity in addition to any vested pension. Interest is not credited to a member's accumulated contributions.

### **Service**

#### **School Service**

One year of school service is granted for each year of employment with the D.C. public day schools.

#### **Credited Service**

Service granted or purchased in addition to school service is called credited service.

#### **Average Pay**

Average Pay is equal to the highest 36 consecutive months of pay, divided by three.

### **Voluntary Retirement**

#### **Eligibility**

Participants hired before November 1, 1996, may retire when they reach:

- Age 62, with 5 years of school service;
- Age 60, with 20 years of total service, including 5 years of school service; or

- Age 55, with 30 years of total service, including 5 years of school service.

Participants hired on or after November 1, 1996, may retire when they reach:

- Age 62, with 5 years of school service;
- Age 60, with 20 years of total service, including 5 years of school service; or
- At any age, with 30 years of total service, including 5 years of school service.

### **Benefit Amount**

For participants hired before November 1, 1996, the benefit formula is:

- 1.5% of Average Pay times service up to 5 years, plus
- 1.75% of Average Pay times service between 5 and 10 years, plus
- 2.0% of Average Pay times service over 10 years.

For participants hired on or after November 1, 1996, the benefit formula is:

- 2.0% of Average Pay times service.

For all participants, there is a minimum benefit of 1.0% of Average Pay plus \$25 for each year of service

### **Involuntary Retirement**

#### **Eligibility**

Participant may be involuntarily for reasons other than misconduct or delinquency, (e.g., reduction in force) if they have:

- 25 years of total service, including 5 years of school service; or
- They are at least age 50 and with 20 years of total service, including 5 years of school service.

### **Benefit Amount**

The voluntary Retirement benefit is reduced 1/6% per month (2% per year), for each month a participant's retirement date precedes age 55 .

**SUMMARY OF PLANS' PROVISION***District of Columbia Teachers' Retirement Plan***Disability Retirement Benefit*****Eligibility***

Participants may retire on disability if they have 5 years of school service and they are determined to have a physical or mental disability that prevents the member from performing their job.

***Benefit Amount***

The Voluntary Retirement benefit is subject to a minimum of the lesser of 40% of Average Pay or the benefit that the member would receive projecting service to age 60.

**Lump Sum Death Benefit*****Eligibility***

Participants are eligible for a lump sum death benefit if they die before completing 18 months of school service or they die without an eligible surviving spouse, child, or parent.

***Benefit Amount***

The lump sum amount constitutes a refund of a member contributions, without interest.

**Installment Benefit Payable upon Death – Spouse Only*****Eligibility***

If a participant dies before retirement, and has been married for at least two years or has a child by the marriage, the surviving spouse is eligible for an annuity benefit.

***Benefit Amount***

The annuity payable to the surviving spouse is equal to 55% of the Voluntary Retirement benefit subject to the minimums specified in the Disability Retirement Benefit.

**Annuity Benefit Payable upon Death – Spouse and Dependent Children*****Eligibility***

The annuity for a surviving spouse is described above. For the children who are unmarried and under 18, 22 and full-time student, or any child dependent because of a disability incurred before age 18, annuities are also payable under the plan. Death does not have to occur before retirement for the children's benefits.

***Benefit Amount***

The surviving spouse's benefit is computed as described above. A benefit per child (payable until the children are no longer eligible) is equal to the smallest of:

- 60% of Average Pay divided by the number of eligible children;
- \$5,772\* (if hired before January 1, 1980), \$5,580\* (if hired between January 1, 1980 and October 31, 1996), or \$5,532\* (if hired on or after November 1, 1996) per child; or \$17,316\* (if hired before January 1, 1980), \$16,740\* (if hired between January 1, 1980 and October 31, 1996), or \$16,596\* (if hired on or after November 1, 1996) divided by the number of children.

**Annuity Benefit Payable upon Death – Dependent Children Only*****Eligibility***

Eligibility is the same as the children's benefit described.

***Benefit Amount***

The benefit is paid per child (payable until the children are no longer eligible), and is the smallest of:

- 75% of Average Pay divided by the number of eligible children;
- \$7,044\* (if hired before January 1, 1980), \$6,792\* (if hired between January 1, 1980 and October 31, 1996), or \$6,708\* (if hired on or after November 1, 1996) per child; or

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\* Survivor benefit amounts are as of March, 2007, and are subject to annual inflation adjustments.

**SUMMARY OF PLANS' PROVISION**  
*District of Columbia Teachers' Retirement Plan*

- \$21,132\* (if hired before January 1, 1980), \$20,376\* (if hired between January 1, 1980 and October 31, 1996), or \$20,124\* (if hired on or after November 1, 1996) divided by the number of children.

**Annuity Benefit Payable upon Death – Surviving Parents Only**

***Eligibility***

If the participant dies before retirement, has no eligible spouse or children, the parents receive at least one-half of their total income from the participant, the parents are eligible for an annuity benefit.

***Benefit Amount***

The benefit for eligible parents is computed the same as the spousal.

**Deferred Vested Benefit**

***Eligibility***

The participant must have 5 years of school service to be eligible for a deferred annuity.

***Benefit Amount***

The benefit is calculated the same as the Voluntary Retirement Benefit and is payable beginning at age 62.

**Form of Payment Options**

***Normal Form of Payment***

The normal form is an Unreduced Annuity.

***Reduced Annuity with a Maximum Survivor Annuity (to Spouse)***

The original benefit is reduced by 2.5% of the annual benefit up to \$3,600, plus 10% of any amount over \$3,600. The spouse will receive 55% of Unreduced Annuity.

***Reduced Annuity with a Partial Survivor Annuity (to Spouse)***

This option is an annuity with a benefit payable to the spouse from \$1 up to any amount less than 55% of the

Unreduced Annuity. The original benefit is reduced by dividing the amount of the survivor's annuity by 55%, then reducing the original benefit by 2.5% of this amount up to \$3,600, plus 10% of any amount over \$3,600.

***Reduced Annuity with a Survivor Annuity to a Person with an Insurable Interest***

This option is a joint and 55% survivor annuity with the original benefit reduced 10% plus an additional 5% for each full 5 years, (up to 25 years), that the survivor is younger than the participant, with a total reduction of 40% for any survivor who is 25 or more years younger.

***Reduced Annuity with a Life Benefit***

Under this option benefits are reduced to purchase life insurance.

**Cost-of-Living Adjustments**

Participants may receive an increase each March based on the annual change in the Consumer Price Index (all items – U.S. City average) from December to December. The annual increase is limited to 3.0% for members hired on or after November 1, 1996.

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\* Survivor benefit amounts are as of March, 2007, and are subject to annual inflation adjustments.

**SUMMARY OF PLANS' PROVISION***District of Columbia Police Officers and Firefighters' Retirement Plan***District of Columbia Police Officers and Firefighters' Retirement Plan****Membership*****Eligibility***

All police officers and firefighters of the District of Columbia automatically become members on their date of employment. Police Cadets are not eligible.

***Member Contributions***

Members hired before November 10, 1996 are required to contribute 7% of annual salary, including any differential for special assignment, but excluding overtime, longevity, holiday, or military pay. Members hired on or after November 10, 1996 contribute 8% of annual salary, including any differential for special assignment, but excluding overtime, holiday, or military pay. Interest is not credited to each member's accumulated contributions.

**Service*****Departmental Service***

Each full year and additional months of employment with either the Metropolitan Police Force or the D.C. Fire Department.

***Credited Service***

Service granted or purchased in addition to departmental service is called credited service.

***Average Pay***

For participants hired before February 15, 1980, basic pay is the highest 12 consecutive months. For those hired on or after February 15, 1980, basic pay is the highest 36 consecutive months divided by three.

***Longevity Pay (Police Only)***

Members who complete 25 years of active service prior to retirement are entitled to an additional 15% of their basic compensation. Members who complete 30 years of active service are entitled to an additional 20% of their basic pay.

**Normal Retirement Benefit*****Eligibility***

Participants hired before November 10, 1996,:

- Age 60, with 5 years if departmental service or
- Age 50, with 25 years of departmental service; or
- At any age, with 20 years of service (only if hired before February 15, 1980.)

Participants hired on or after November 10, 1996, are eligible to retire at:

- Age 60, with five years of departmental service;
- At any age, with 25 years of service.

***Benefit Amount***

For participants hired before November 10, 1996, the benefit amount is:

- 2.5% of Average Pay times departmental service up to 25 years (20 years if hired before February 15, 1980), plus
- 3.0% of Average Pay times departmental service over 25 years (or 20 years if hired before February 15, 1980), plus
- 2.5% of Average Pay times credited service.

For participants hired on or after November 10, 1996, the benefit amount is:

- 2.5% of Average Pay times total service.

For all participants, there is a maximum benefit of 80% of Average Pay.

**Service-Related Disability Retirement Benefit*****Eligibility***

This benefit is payable if disabled is as a result of an illness or injury incurred in the line of duty.

***Benefit Amount***

For participants hired before February 15, 1980, the benefit is 2.5% of Average Pay times total years of service, subject to a minimum benefit of 66-2/3% of Average Pay and subject to a maximum benefit

**SUMMARY OF PLANS' PROVISION**  
*District of Columbia Police Officers and Firefighters' Retirement Plan*

of 70% of Average Pay. For participants hired on or after February 15, 1980, the benefit is 70% of final pay times the percentage of disability, subject to a minimum benefit of 40% of final pay.

**Non-Service-Related Disability Retirement Benefit**

***Eligibility***

For non-service-related disabilities, the participant must have completed 5 years of departmental service and a physical or mental disability that prevents the member from performing his/her job.

***Benefit Amount***

For participants hired before February 15, 1980, the benefit is 2.0% of Average Pay times total years of service, subject to a minimum benefit of 40% of average pay and subject to a maximum benefit of 70% of average pay.

For participants hired on or after February 15, 1980, the benefit is 70% of final pay times percentage of disability, subject to a minimum benefit of 30% of final pay.

**Lump Sum Death Benefit**

***Eligibility***

To be eligible for this benefit, the participant's death must have occurred in the line of duty, and must not have resulted from willful misconduct, an intention to bring about his/her own death, or drunkenness.

***Benefit Amount***

The amount of the benefit is \$50,000.

**Annuity Benefit Payable upon Death – Spouse Only, Member's Death Not in Line of Duty after December 29, 1993**

***Eligibility***

The benefit is payable at death and, if retired, the participant was married to the spouse for at least one year or has a child by the marriage.

***Benefit Amount***

The benefit is 40% of the greater of Average Pay and the salary for step 6 salary class 1 of the D.C. Police and Fireman's Salary Act in effect, adjusted for cost-of-living increases if death occurs after retirement.

The benefit cannot exceed the rate of pay at death (or retirement if death occurs after retirement.)

**Annuity Benefit Payable upon Death – Spouse Only, Member dies in the Line of Duty after December 29, 1993**

***Eligibility***

The benefit is payable if the participant dies in the line of duty).

***Benefit Amount***

The benefit amount is equal to 100% of final pay.

**Annuity Benefit Payable upon Death – Spouse and Dependent Children**

***Eligibility***

The benefit payable to the spouse is as described above. Children are eligible if they are unmarried and under 18, 22 if full-time student, or any dependent because of a disability incurred before age 18. Death does not have to occur before retirement for the children's benefits to be payable.

***Benefit Amount***

The spouse benefit is as described above. Provided death does not occur in the line of duty, a benefit per child (payable until the children are no longer eligible) equal to the smallest of:

- 60% of Average Pay divided by the number of eligible children;
- \$3,396\*; or
- \$10,188\* divided by the number of children

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\* Survivor benefit amounts are as of March, 2007, and are subject to annual inflation adjustments.

**SUMMARY OF PLANS' PROVISION***District of Columbia Police Officers and Firefighters' Retirement Plan***Annuity Benefit Payable upon Death – Dependent Children Only*****Eligibility***

Eligibility is the same as the children's benefit described above.

***Benefit Amount***

The benefit amount per child is 75% of Average Pay divided by the number of eligible children, adjusted for cost-of-living increases.

**Refund of Contributions*****Eligibility***

A refund of participant contributions is payable if the participant dies before retirement and has no eligible spouse or children.

***Benefit Amount***

All Member contributions will be refunded to a named, or statutorily-designated, beneficiary.

**Deferred Vested Benefit*****Eligibility***

The participant must have completed 5 years of departmental service.

***Benefit Amount***

The benefit is equal to the Normal Retirement Benefit beginning at age 55.

**Form of Payment Options*****Normal Form of Payment***

The normal benefit is a Single Life Annuity.

***Additional Survivor Benefit***

If an additional survivor benefit is selected, the original benefit is reduced 10%. This 10% amount is reduced by 5% for each full 5 years the survivor is younger (but not more than 40%) and is added to the survivor's benefit.

**Cost-of-Living Adjustments**

Employees (not beneficiaries) who retired prior to February 15, 1980, receive equalization pay, which is defined as the percentage increase given to active employees, as salary increases. All other retired participants and their survivors may receive an increase each March based on the annual change in the Consumer Price Index (All Urban Consumers) from December to December. The annual increase is limited to a maximum of 3% for members hired on or after November 10, 1996.



Comprehensive Annual Financial Report  
For the Fiscal Year Ended September 30, 2008

# Statistical Section

## Statistical Section

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The *Statistical Section* incorporates information from DCRB's internal sources, the Independent Auditors Report, and the Actuarial Valuation, for the last ten years ended September 30, 2008. The historical and statistical data presented is considered useful in evaluating how the condition of the plans have changed over time.

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Average Benefit by type

Participant Data

Schedule of Retired Members by Benefit Type

**STATISTICAL SECTION****SCHEDULE OF CHANGES IN NET ASSETS***(In thousands of dollars)***District of Columbia Teachers' Retirement Fund**

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
<b>Additions</b>				
Contributions:				
District Government	\$18,600	\$10,700	\$200	\$0
District employees	21,537	23,646	24,047	25,374
<b>Total Contributions</b>	<b>40,137</b>	<b>34,346</b>	<b>24,247</b>	<b>25,374</b>
Total net investment income/(loss)	127,174	100,751	(104,536)	(65,976)
Other income	-	-	-	-
<b>Total Additions</b>	<b>167,311</b>	<b>135,097</b>	<b>(80,289)</b>	<b>(40,602)</b>
<b>Deductions</b>				
Benefit payments	700	1,600	2,600	3,800
Administrative expenses*	N/A	N/A	822	989
<b>Total Deductions</b>	<b>700</b>	<b>1,600</b>	<b>3,422</b>	<b>4,789</b>
<b>Changes in Net Assets</b>	<b>166,611</b>	<b>133,497</b>	<b>(83,711)</b>	<b>(45,391)</b>
<b>Net assets held in trust for pension benefits, beginning of year</b>	<b>562,357</b>	<b>728,968</b>	<b>862,465</b>	<b>778,754</b>
<b>Net assets held in trust for pension benefits, end of year</b>	<b>\$728,968</b>	<b>\$862,465</b>	<b>\$778,754</b>	<b>\$733,363</b>

\* Administrative Expenses were included in Benefit Payments during Fiscal Year 1999 and 2000.

**SCHEDULE OF CHANGES IN NET ASSETS**
*(In thousands of dollars)*

<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
\$0	\$0	\$9,200	\$15,500	\$14,600	\$6,000
26,047	26,283	24,778	25,807	26,793	25,919
26,047	26,283	33,978	41,307	41,393	31,919
121,326	102,890	137,333	120,114	217,731	(259,309)
-	-	-	-	740	990
147,373	129,173	171,311	161,421	259,864	(226,400)
5,100	8,600	20,869	23,793	25,801	30,692
978	942	2,210	1,010	2,901	2,919
6,078	9,542	23,079	24,803	28,702	33,611
141,295	119,631	148,232	136,618	231,162	(260,011)
733,363	874,658	994,289	1,142,521	1,286,603	1,517,765
\$874,658	\$994,289	\$1,142,521	\$1,279,139	\$1,517,765	\$1,257,754

**STATISTICAL SECTION****SCHEDULE OF CHANGES IN NET ASSETS***(In thousands of dollars)***District of Columbia Police Officers and Firefighters' Fund**

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
<b>Additions</b>				
Contributions:				
District Government	\$35,100	\$39,900	\$49,000	\$74,600
District employees	15,736	16,285	16,832	19,390
<b>Total Contributions</b>	<b>50,836</b>	<b>56,185</b>	<b>65,832</b>	<b>93,990</b>
<b>Total net investment income/(loss)</b>	<b>107,640</b>	<b>140,920</b>	<b>(147,023)</b>	<b>(99,564)</b>
<b>Other income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Additions</b>	<b>158,476</b>	<b>197,105</b>	<b>(81,191)</b>	<b>(5,574)</b>
<b>Deductions</b>				
Benefit payments	1,600	2,200	2,838	3,222
Administrative expenses*	N/A	N/A	1,161	1,445
<b>Total Deductions</b>	<b>1,600</b>	<b>2,200</b>	<b>3,999</b>	<b>4,667</b>
<b>Changes in Net Assets</b>	<b>156,876</b>	<b>194,905</b>	<b>(85,190)</b>	<b>(10,241)</b>
<b>Net assets held in trust for pension benefits, beginning of year</b>	<b>827,230</b>	<b>984,106</b>	<b>1,179,011</b>	<b>1,093,821</b>
<b>Net assets held in trust for pension benefits, end of year</b>	<b>\$984,106</b>	<b>\$1,179,011</b>	<b>\$1,093,821</b>	<b>\$1,083,580</b>

\* Administrative Expenses were included in Benefit Payments during Fiscal Year 1999 and 2000.

**SCHEDULE OF CHANGES IN NET ASSETS**
*(In thousands of dollars)*

<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
\$68,900	\$96,700	\$112,100	\$117,500	\$140,100	\$137,000
19,867	20,847	23,804	25,142	27,489	31,718
88,767	117,547	135,904	142,642	167,589	168,718
180,790	165,374	235,515	212,089	400,433	(516,438)
-	-	-	-	1,383	1,952
269,557	282,921	371,419	354,731	569,406	(345,768)
6,091	7,903	13,564	15,795	20,587	25,364
1,501	1,537	3,789	1,817	5,421	5,750
7,592	9,440	17,353	17,612	26,008	31,114
261,965	273,481	354,066	337,119	543,397	(376,882)
1,083,580	1,345,545	1,619,026	1,973,092	2,310,211	2,853,608
\$1,345,545	\$1,619,026	\$1,973,092	\$2,310,211	2,853,608	\$2,476,726

**STATISTICAL SECTION****SCHEDULE OF INVESTMENT EXPENSES**

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Investment Consultants:				
Traditional	295,500	\$314,250	\$288,000	\$289,833
Real Estate	125,000	145,833	100,000	125,000
Traditional Investment Advisors	7,222,276	1,288,447	4,260,893	4,526,156
Investment Custodian	537,999	100,000	503,908	465,160
<b>Total Investment Expenses</b>	<b>\$8,180,776</b>	<b>\$1,848,530</b>	<b>\$5,152,801</b>	<b>\$5,406,149</b>

**SCHEDULE OF INVESTMENT EXPENSES**

<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
\$289,833	\$259,583	\$280,000	\$291,667	\$295,000	\$354,500
125,000	79,167	58,333	56,250	85,516	140,000
4,526,156	6,017,494	7,950,600	10,010,063	11,585,638	11,423,810
465,160	540,307	726,099	822,081	957,515	474,599
<b>\$5,406,149</b>	<b>\$6,896,551</b>	<b>\$9,015,032</b>	<b>\$11,180,061</b>	<b>\$12,923,669</b>	<b>\$12,392,908</b>

**STATISTICAL SECTION****SCHEDULE OF ADMINISTRATIVE EXPENSES**

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
<b>Personnel services</b>				
Salaries	\$545,889	\$180,437	\$873,249	\$1,045,971
Fringe Benefits	89,714	22,177	107,568	147,123
Total Personnel Services	635,604	202,615	980,818	1,193,094
<b>General</b>				
Office Supplies	93,135	49,125	73,585	97,326
Telephone	1,043	6,689	976	6,239
Rent	258,846	343,816	211,504	215,599
Office Support	11,032	265	332	38,336
Travel	49,848	51,812	55,161	75,791
Printing	6,395	6,577	17,065	16,859
Insurance	109,934	0	1,547	153,627
Postage	5,524	7,103	13,156	25,075
Dues and Membership	6,959	12,944	8,594	11,010
Furniture and Equipment	8,710	11,239	27,339	66,268
Total General	551,425	489,570	409,257	706,130
<b>Professional services</b>				
Legal Counsel	26,275	27,651	45,693	22,864
Auditing Services	88,387	98,132	45,825	46,182
Actuarial Services	81,374	67,500	30,375	25,225
Investment Advisors and Consultants	7,760,276	1,388,447	4,764,801	5,381,333
Contracts	0	0	29,186	34,447
Consultants	427,020	460,283	441,696	37,000
Total Professional services	8,383,332	2,042,015	5,357,576	5,547,051
<b>Total Administrative Expenses</b>	<b>\$9,570,361</b>	<b>\$2,734,199</b>	<b>\$6,747,651</b>	<b>\$7,446,274</b>

**SCHEDULE OF ADMINISTRATIVE EXPENSES**

<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
\$1,045,971	\$1,138,702	\$1,348,189	\$2,386,718	\$2,314,202	\$2,757,520
147,123	160,101	206,533	380,237	417,026	504,836
1,193,094	1,298,803	1,554,722	2,766,955	2,731,228	3,262,356
97,326	95,279	143,955	101,676	117,832	130,619
6,239	6,659	15,569	33,771	20,603	32,673
215,599	224,863	183,249	1,012,781	1,196,975	1,282,134
38,336	37,494	9,584	214,813	184,963	101,728
75,791	87,641	111,396	87,815	96,054	89,320
16,859	13,977	33,297	56,167	40,579	56,551
153,627	161,377	114,746	117,213	57,259	119,921
25,075	23,860	33,926	46,516	36,163	54,721
11,010	10,545	12,280	13,270	15,228	17,007
66,268	15,404	790,062	200,286	72,501	99,779
706,130	677,098	1,448,064	1,884,308	1,838,157	1,984,452
22,864	33,473	242,182	208,123	199,219	341,083
46,182	46,182	48,532	51,620	54,371	98,053
25,225	51,661	46,799	46,149	78,084	100,197
5,381,333	6,896,551	9,015,032	11,180,061	12,923,669	12,392,908
49,447	33,540	136,346	1,386,669	3,006,310	2,459,859
22,000	0	296,518	34,671	97,353	303,785
5,547,051	7,061,407	9,785,409	12,907,293	16,359,005	15,695,886
<b>\$7,446,274</b>	<b>\$9,037,309</b>	<b>\$12,788,195</b>	<b>\$17,558,556</b>	<b>\$20,928,390</b>	<b>\$20,942,694</b>

**STATISTICAL SECTION****SCHEDULE OF REVENUE BY SOURCE***(In thousands of dollars)***District of Columbia Teachers' Retirement Fund:**

<b>Fiscal Year</b>	<b>Employee Contributions</b>	<b>Employer Contributions</b>	<b>Securities Lending, Interest, Dividend and Other Income</b>	<b>Net Appreciation (Depreciation) in Fair Value of Investments</b>	<b>Securities Lending, Investment, and Administrative Expenses</b>	<b>Total</b>
1999	\$24,537	\$18,600	\$26,573	\$105,295	\$-4,694	\$167,311
2000	23,646	10,700	28,896	78,536	-6,681	135,097
2001	24,047	200	31,112	-129,875	-6,595	-81,111
2002	25,374	-	24,242	-86,692	-4,515	-41,591
2003	26,047	-	22,074	101,914	-3,640	146,395
2004	26,283	-	25,580	80,836	-4,468	128,231
2005	24,778	9,200	37,254	106,378	-8,509	169,101
2006	25,807	15,500	44,505	86,084	-11,485	160,411
2007	26,793	14,600	48,485	183,224	-16,139	256,963
2008	\$25,919	\$6,000	\$45,423	(\$294,079)	(\$12,582)	(\$229,319)

**District of Columbia Police Officers and Firefighters' Retirement Fund**

<b>Fiscal Year</b>	<b>Employee Contributions</b>	<b>Employer Contributions</b>	<b>Securities Lending, Interest, Dividend and Other Income</b>	<b>Net Appreciation (Depreciation) in Fair Value of Investments</b>	<b>Securities Lending, Investment, and Administrative Expenses</b>	<b>Total</b>
1999	\$15,736	\$35,100	\$29,765	\$84,694	\$-6,819	\$158,476
2000	16,285	35,100	39,243	110,614	-8,937	197,105
2001	16,832	39,900	44,214	-182,944	-9,454	-82,352
2002	19,390	74,600	35,226	-129,669	-6,566	-7,019
2003	19,867	68,900	33,247	151,584	-5,542	268,056
2004	20,847	96,700	41,696	129,427	-7,286	281,384
2005	23,804	112,100	65,368	182,608	-16,250	367,630
2006	25,142	117,500	83,495	148,175	-21,398	352,914
2007	27,489	140,100	91,224	335,006	-29,835	563,984
2008	\$31,718	\$137,000	\$90,333	(\$585,796)	(\$24,773)	(\$351,518)

**SCHEDULE OF EXPENSES BY TYPE**  
*(In thousands of dollars)*

<b>District of Columbia Teachers' Retirement Fund:</b>			
<b>Fiscal Year</b>	<b>Benefits</b>	<b>Refunds</b>	<b>Total</b>
1999	\$700	-	\$700
2000	1,600	-	1,600
2001	2,600	-	2,600
2002	3,800	-	3,800
2003	5,100	-	5,100
2004	8,600	-	8,600
2005	12,400	8,469	20,869
2006	15,900	7,893	23,793
2007	21,733	4,068	25,801
2008	\$25,238	\$5,454	\$30,692

<b>District of Columbia Police Officers and Firefighters' Retirement Fund:</b>			
<b>Fiscal Year</b>	<b>Benefits</b>	<b>Refunds</b>	<b>Total</b>
1999	\$1,600	-	\$1,600
2000	2,200	-	2,200
2001	2,838	-	2,838
2002	3,222	-	3,222
2003	6,091	-	6,091
2004	7,903	-	7,903
2005	9,580	-	13,564
2006	13,000	2,795	15,795
2007	18,766	1,821	20,587
2008	\$23,746	\$1,618	\$25,364

The Revitalization Act of 1997 made significant changes to the administration of the Fund. Therefore, comparisons of pre-Revitalization Act information to post-Revitalization Act information may not be meaningful.

**STATISTICAL SECTION****SCHEDULE OF ANNUAL SALARIES AND BENEFITS***(In millions of dollars)*

<b>Fiscal Year</b>	<b>Annual Salaries of Active Members</b>			<b>Annual Retirement Benefits for Retirees &amp; Benefi-</b>		
	<b>Teachers</b>	<b>Police Officers and Fire Fighters</b>	<b>Total</b>	<b>Teachers</b>	<b>Police Officers and Fire Fighters</b>	<b>Total</b>
1999	\$275.30	\$ 221.30	\$ 496.60	\$ 0.70	\$ 1.60	\$ 2.30
2000	320.00	233.60	553.60	1.90	2.20	4.10
2001	334.20	231.00	565.20	2.90	2.30	5.20
2002	240.90	252.90	493.80	4.50	3.20	7.70
2003	339.20	274.70	613.90	7.10	6.80	13.90
2004	338.90	287.90	626.80	11.30	8.00	19.30
2005	325.80	339.30	665.10	14.30	10.00	24.30
2006	322.30	351.00	673.30	15.90	13.00	28.90
2007	349.00	371.30	720.30	23.90	19.30	43.20
2008	359.10	421.80	780.90	25.00	22.20	47.20

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

*(In millions of dollars)*

<b>Year Ending</b>	<b>Teachers' Retirement Fund</b>		<b>Police Officers and Firefighters' Retirement Fund</b>		<b>Total Fund</b>	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
9/30/1999	\$12.8	145%	\$35.1	100%	\$47.9	112%
9/30/2000	10.7	100%	39.9	100%	50.6	100%
9/30/2001	6.6	100%	47.0	100%	53.6	100%
9/30/2002	1.0	100%	61.4	100%	62.4	100%
9/30/2003	-	100%	69.8	100%	69.8	100%
9/30/2004	2.9	100%	95.5	100%	98.4	100%
9/30/2005	10.2	100%	106.2	100%	116.4	100%
9/30/2006	15.7	100%	116.7	100%	132.4	100%
9/30/2007	15.7	100%	130.3	100%	146.0	100%
9/30/2008	\$6.0	100%	\$137.0	100%	\$143.0	100%

**STATISTICAL SECTION**
**SCHEDULE OF AVERAGE BENEFIT BY TYPE**
**District of Columbia Teachers' Retirement Fund**  
 (Combined Federal and District)

Fiscal Year	Retired		Beneficiaries		Disabled		Terminated		Total
	Count	Benefit	Count	Benefit	Count	Benefit	Count	Benefit	Count
1999	4,134	\$31,440	425	\$13,507	539	\$22,656	N/A	N/A	5,098
2000	4,201	32,235	425	14,138	528	23,135	-	-	5,154
2001	4,820	33,247	427	15,382	507	23,872	-	-	5,754
2002	4,396	33,742	445	15,739	493	24,078	-	-	5,334
2003	4,572	34,687	461	16,363	491	24,501	124	14,865	5,648
2004	4,802	25,497	454	16,514	475	24,891	191	16,168	5,922
2005	4,886	36,901	461	16,994	466	25,545	758	78,818	6,571
2006	4,907	38,250	457	17,843	455	26,204	981	7,977	6,800
2007	4,968	39,322	452	17,772	440	26,780	999	7,861	6,859
2008	4,912	41,089	431	18,554	428	28,118	876	8,429	6,647

**District of Columbia Police Officers and Firefighters' Retirement Fund**  
 (Combined Federal and District)

Fiscal Year	Retired		Beneficiaries		Disabled		Terminated		Total
	Count	Benefit	Count	Benefit	Count	Benefit	Count	Benefit	Count
1999	3,907	\$79,773	1,655	\$38,159	2,052	\$71,187	N/A	N/A	7,614
2000	3,986	82,527	1,695	38,919	1,999	72,056	-	-	7,680
2001	4,052	85,334	1,671	40,822	1,959	72,553	-	-	7,682
2002	4,061	88,169	1,714	41,492	1,914	77,579	-	-	7,689
2003	4,066	91,502	1,748	43,314	1,870	78,096	-	-	7,684
2004	4,075	93,990	1,767	44,231	1,810	78,979	25	46,324	7,677
2005	4,085	98,087	1,741	45,964	1,772	82,177	238	23,992	7,836
2006	4,068	102,065	1,800	47,419	1,783	84,297	244	22,825	7,895
2007	4,089	106,153	1,786	49,092	1,765	86,431	234	25,944	7,874
2008	4,133	112,453	1,587	53,603	1,703	89,061	78	36,739	7,501

**SCHEDULE OF PARTICIPANT DATA**

Fiscal Year	Active			Retired Members, Beneficiaries, Disabled and Terminated Vested			Total
	Teachers	Police Officers and Firefighters	Subtotal	Teachers	Police Officers and Firefighters	Subtotal	
1999	6,046	4,715	10,761	5,123	7,614	12,737	23,498
2000	6,397	4,836	11,233	5,154	7,680	12,834	24,067
2001	6,703	4,920	11,623	5,754	7,682	13,436	25,059
2002	6,558	4,816	11,374	5,334	7,689	13,023	24,397
2003	6,145	4,971	11,116	5,648	7,684	13,332	24,448
2004	5,564	5,186	10,750	5,922	7,677	13,599	24,349
2005	5,707	5,222	10,929	6,571	7,836	14,407	25,336
2006	5,088	5,256	10,344	6,800	7,895	14,695	25,039
2007	5,027	5,550	10,577	6,859	7,874	14,733	25,310
2008	4,821	5,661	10,482	6,647	7,501	14,148	24,630

**STATISTICAL SECTION**
**SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT AND OPTIONS SELECTED**
**District of Columbia Teachers' Retirement Plan**

Amount of	Number of Benefit	Type of Retirement						
		A	B	C	D	E	F	G
1 - 250	30	19	0	0	0	9	2	0
251 - 500	96	55	1	0	0	15	25	0
501 - 750	114	70	1	0	2	21	17	3
751 - 1000	90	58	4	0	4	13	10	1
1001 - 1250	117	57	0	0	2	24	32	2
1251 - 1500	120	65	1	0	2	34	17	1
1501 - 1750	137	93	2	0	4	30	6	2
1751 - 2000	235	178	8	0	9	33	6	1
2001 - 3000	1271	973	160	0	45	81	12	0
3001 - 4000	2395	2224	145	0	14	12	0	0
4001 - 5000	1037	994	39	0	3	1	0	0
5001 - 6000	257	249	7	0	0	1	0	0
6001 - 7000	56	52	3	0	0	1	0	0
7001 - 8000	21	20	1	0	0	0	0	0
8001 - 9000	1	1	0	0	0	0	0	0
9001 - 10,000	4	4	0	0	0	0	0	0
over 10,000	0	0	0	0	0	0	0	0
<b>Total</b>	<b>5,981</b>	<b>5,112</b>	<b>372</b>	<b>-</b>	<b>85</b>	<b>275</b>	<b>127</b>	<b>10</b>

**Type of Retirement**
**A** Voluntary (normal) retirement

**B** Involuntary (early) retirement

**C** Disability (Line of Duty)

**D** Disability (Not work related)

**E** Survivor of Retired Teacher

**F** Survivor of Active Teacher

**G** Ex-spouse (QDRO)

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT AND OPTION SELECTED

District of Columbia Teachers' Retirement Plan					
Amount of Monthly Benefits	Option Selected				
	1	2	3	4	5
1 - 250	19	11	0	0	0
251 - 500	52	47	0	0	0
501 - 750	68	44	0	0	0
751 - 1000	53	36	0	1	1
1001 - 1250	48	68	0	0	0
1251 - 1500	52	67	0	2	0
1501 - 1750	89	46	0	0	1
1751 - 2000	135	99	0	0	0
2001 - 3000	949	315	0	0	7
3001 - 4000	1885	506	0	2	2
4001 - 5000	832	201	0	0	4
5001 - 6000	207	50	0	0	0
6001 - 7000	48	8	0	0	0
7001 - 8000	19	2	0	0	0
8001 - 9000	0	1	0	0	0
9001 - 10,000	3	1	0	0	0
over 10,000	0	0	0	0	0
<b>Total</b>	<b>4,459</b>	<b>1,502</b>	<b>-</b>	<b>5</b>	<b>15</b>

**Option Selected**  
**1** Unreduced Annuity (single life)  
**2** Reduced Annuity with Survivor Option  
**3** Reduced Annuity with Life Insurance Benefit  
**4** Reduced Annuity with Insurable Interest  
**5** Lump Sum

**STATISTICAL SECTION**
**SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT AND OPTIONS SELECTED**
**District of Columbia Police Officers and Firefighters' Retirement Plan**

Amount of Monthly Benefits	Number of Benefit Recipients	Type of Retirement					
		A	B	C	D	E	F
1 - 250	15	0	0	0	11	0	4
251 - 500	102	2	0	0	90	3	7
501 - 750	36	5	1	0	7	0	23
751 - 1000	26	1	0	0	4	0	21
1001 - 1250	42	3	1	0	3	0	35
1251 - 1500	46	12	6	0	2	0	26
1501 - 1750	168	25	31	5	80	0	27
1751 - 2000	369	71	36	12	225	2	23
2001 - 3000	1762	584	159	32	961	0	26
3001 - 4000	2323	1513	683	12	107	4	4
4001 - 5000	1329	1000	299	2	24	3	1
5001 - 6000	698	608	84	0	5	1	0
6001 - 7000	306	277	26	0	2	1	0
7001 - 8000	141	135	6	0	0	0	0
8001 - 9000	64	60	4	0	0	0	0
9001 - 10,000	40	39	1	0	0	0	0
over 10,000	64	61	3	0	0	0	0
<b>Total</b>	<b>7,531</b>	<b>4,396</b>	<b>1,340</b>	<b>63</b>	<b>1,521</b>	<b>14</b>	<b>197</b>

**Type of Retirement**
**A** Optional Retirement

**B** Disability (Line of Duty)

**C** Disability (Not work related)

**D** Survivor of Retired Member

**E** Survivor of Active Member

**F** Ex-spouse (QDRO)

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT AND OPTION SELECTED

District of Columbia Police Officers and Firefighters' Retirement Plan

Amount of Monthly Benefits	Option Selected	
	1	2
1 - 250	15	0
251 - 500	102	0
501 - 750	36	0
751 - 1000	26	0
1001 - 1250	42	0
1251 - 1500	46	0
1501 - 1750	168	0
1751 - 2000	368	1
2001 - 3000	1762	0
3001 - 4000	2320	3
4001 - 5000	1329	0
5001 - 6000	695	3
6001 - 7000	306	0
7001 - 8000	141	0
8001 - 9000	64	0
9001 - 10,000	40	0
over 10,000	64	0
<b>Total</b>	<b>7,524</b>	<b>7</b>

**Option Selected**

**1** Regular Retirement (automatic survivor benefit)

**2** Regular Retirement with Additional Survivor Benefit

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Comprehensive Annual Financial Report  
For the Fiscal Year Ended September 30, 2008

# Additional Disclosures

## **Additional Disclosures Required by the District of Columbia City Council**

- 113 Names and Addresses of the Board of Trustees
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## NAMES AND ADDRESSES OF THE BOARD OF TRUSTEES

Lyle M. Blanchard  
Greenstein Delorme & Luchs  
1620 L Street, NW, Suite 900  
Washington, D.C. 20036

Barbara Davis Blum  
District of Columbia Retirement Board  
900 7<sup>th</sup> Street, NW, Second Floor  
Washington, D.C. 20001

Diana K. Bulger  
District of Columbia Retirement Board  
900 7<sup>th</sup> Street, NW, Second Floor  
Washington, D.C. 20001

Joseph W. Clark  
District of Columbia Retirement Board  
900 7<sup>th</sup> Street, NW, Second Floor  
Washington, D.C. 20001

Mary A. Collins  
Washington Teachers Union  
1717 K Street, NW, Suite 902  
Washington, D.C. 20036

Shireen L. Dodson  
District of Columbia Retirement Board  
900 7<sup>th</sup> Street, NW, Second Floor  
Washington, D.C. 20001

Brian K. Lee  
Office of Fire Chief  
1923 Vermont Avenue, NW  
Washington, D.C. 20001

Lasana K. Mack  
Office of Finance and Treasury  
1275 K Street, NW Suite 6000  
Washington, D.C. 20005

Judith C. Marcus  
District of Columbia Retirement Board  
900 7<sup>th</sup> Street, NW, Second Floor  
Washington, D.C. 20001

Darrick O. Ross  
Metropolitan Police Dept.  
1700 Rhode Island Ave., NE  
Washington, D.C. 20018-1844

George R. Suter  
District of Columbia Retirement Board  
900 7<sup>th</sup> Street, NW, Second Floor  
Washington, D.C. 20001

Thomas N. Tippet  
District of Columbia Retirement Board  
900 7<sup>th</sup> Street, NW, Second Floor  
Washington, D.C. 20001

Michael J. Warren  
District of Columbia Retirement Board  
900 7<sup>th</sup> Street, NW, Second Floor  
Washington, D.C. 20001

**ADDITIONAL DISCLOSURES****SCHEDULE OF TRUSTEE ACTIVITIES SPONSORED BY SERVICE PROVIDERS****Barbara D. Blum:**

<b>Date</b>	<b>Service Provider</b>	<b>Activity</b>	<b>Purpose of Activity</b>
02/20/08	Various	Meeting	Preparation for Investment Committee
06/22/08 – 06/25/08	Institute for Fiduciary Education	Conference	Attended Market Makers 2008 conference

**Mary A. Collins:**

<b>Date</b>	<b>Service Provider</b>	<b>Activity</b>	<b>Purpose of Activity</b>
11/13/07	ING	Lunch Meeting	Discussion of products offered
12/09/07	Morgan Stanley	Reception	Networking
12/10/07	Barclay Global	Dinner Presentation	Market conditions for indexing
04/09/08	Bank of New York	Dinner	Educational overview of services
04/10/08	Chicago Partners	Dinner	Education on market trends
04/28/08 – 04/29/08	Information Management Network	Conference	Moderator at the conference
09/06/08	Mesirow	Dinner Meeting	Market update of products

**Brian K. Lee:**

<b>Date</b>	<b>Service Provider</b>	<b>Activity</b>	<b>Purpose of Activity</b>
12/01/07 – 12/05/07	Information Management Network	Registration fee waived	Index Funds Education

**Judith C. Marcus:**

<b>Date</b>	<b>Service Provider</b>	<b>Activity</b>	<b>Purpose of Activity</b>
12/10/07 – 12/11/07	Various	Attended Public Funds Conference	Participated as panelist in one session; attended other educational sessions
04/16/08	Opal Financial Group	Attended Alternative Investing East conference	Participated as a speaker at the conference
05/05/08	South Texas Money Management	Dinner	Discuss market strategy
07/14/08 – 07/15/08	Institute for International Research	Attended Summit on Real Asset Investment	Participated as a speaker at the conference

CUSTODIAL BANK FINANCIAL STATEMENTS

STATE STREET CORPORATION  
 SELECTED CONSOLIDATED REPORTED FINANCIAL INFORMATION  
 December 31, 2008

	Quarters Ended			Years Ended		
	December 31, 2008	December 31, 2007	% Change	December 31, 2008	December 31, 2007 <sup>(1)</sup>	% Change
(Dollars in millions, except per share amounts)						
<b>Fee Revenue:</b>						
Servicing fees	\$842	\$967	(13)%	\$3,745	\$3,388	11%
Management fees	209	297	(30)	1,028	1,141	(10)
Trading services	418	352	19	1,467	1,152	27
Securities finance	329	256	29	1,230	681	81
Processing fees and other	83	55	51	277	271	2
Total fee revenue	1,881	1,927	(2)	7,747	6,633	17
<b>Net Interest Revenue:</b>						
Interest revenue	1,427	1,454	(2)	4,879	5,212	(6)
Interest expense	584	898	(35)	2,229	3,482	(36)
Net interest revenue	843	556	52	2,650	1,730	53
Provision for loan losses	-	-	-	-	-	-
Net interest revenue after provision for loan losses	843	556	52	2,650	1,730	53
Gains (Losses) related to investment securities, net	(51)	(4)	-	(54)	(27)	-
Gain on sale of CitiStreet interest, net of exit and other associated costs	-	-	-	350	-	-
Total revenue	2,673	2,479	7.8	10,693	8,336	28.3
<b>Expenses:</b>						
Salaries and employee benefits	698	793	(12)	3,842	3,256	18
Information systems and communications	163	148	10	633	546	16
Transaction processing services	145	184	(21)	644	619	4
Occupancy	124	107	16	465	408	14
Provision for legal exposure	-	600	-	-	600	-
Provision for investment account infusion	450	-	-	450	-	-
Restructuring costs	306	-	-	306	-	-
Merger and integration costs	27	57	(53)	115	198	(42)
Other	398	284	40	1,396	806	73
Total expenses	2,311	2,173	6.4	7,851	6,433	22.0
Income before income tax expense	362	306	18	2,842	1,903	49
Income tax expense	106	83	-	1,031	642	-
Net income	\$256	\$223	15	\$1,811	\$1,261	44
Net income available to common shareholders	\$234	\$223	5	\$1,789	\$1,261	42
<b>Earnings Per Common Share:</b>						
Basic	\$.55	\$.58	(5)	\$4.33	\$3.50	24
Diluted	.54	.57	(5)	4.30	3.45	25
<b>Average Common Shares Outstanding (in thousands):</b>						
Basic	431,042	385,200	-	413,182	360,675	-
Diluted	431,902	392,200	-	16,100	365,488	-
<b>Cash Dividends Declared Per Common Share</b>	<b>\$.24</b>	<b>\$.23</b>		<b>\$.95</b>	<b>\$.88</b>	
<b>Return on Common Equity</b>	<b>\$8.4</b>	<b>7.7%</b>		<b>\$14.8</b>	<b>%13.4</b>	

<sup>(1)</sup> Year ended December 31, 2007 includes results of acquired Investors Financial business for the quarters ended September 30 and December 31, 2007.

**ADDITIONAL DISCLOSURES****CUSTODIAL BANK FINANCIAL STATEMENTS**

OTHER SELECTED CONSOLIDATED FINANCIAL INFORMATION		
	As Of	
(Dollars in millions, except per share amounts or where otherwise noted)	December 31, 2008	December 31, 2007 <sup>(1)</sup>
Assets under custody (in trillions)	\$12.04	\$15.30
Assets under management (in trillions)	1.44	1.98
Total assets	\$173,631	\$142,543
Investment securities <sup>(2)</sup>	76,017	74,559
Total deposits	112,225	95,789
Long-term debt	4,419	3,636
Total shareholders' equity	12,774	11,299
Closing price per share of common stock	\$39.33	\$81.20

Consolidated Selected Financial Information was prepared in accordance with accounting principles generally accepted in the United States.

<sup>(1)</sup> Year ended December 31, 2007 includes results of acquired Investors Financial business for the quarters ended September 30 and December 31, 2007.

<sup>(2)</sup> December 31, 2008 includes \$6,087 of securities held to maturity purchased under the Boston Federal Reserve Bank's asset-backed commercial paper money market liquidity facility.

## CUSTODIAL BANK FINANCIAL STATEMENTS

STATE STREET CORPORATION CONSOLIDATED STATEMENT OF CONDITION			
(Dollars in millions, except per share amounts)	December 31, 2008	September 30, 2008	December 31, 2007
<b>Assets</b>			
Cash and due from banks	\$3,181	\$56,145	\$4,041
Interest-bearing deposits with banks	55,733	20,548	6,271
Securities purchased under resale agreements	1,635	9,598	19,133
Federal funds sold	-	1,500	4,540
Trading account assets	815	6,332	589
Investment securities available for sale	54,163	68,881	70,326
Investment securities held to maturity purchased under money market liquidity facility	6,087	76,660	-
Investment securities held to maturity	15,767	3,945	4,233
Loans and leases (net of allowance of \$18)	9,113	17,430	15,784
Premises and equipment	2,011	1,987	1,894
Accrued income receivable	1,738	1,915	2,096
Goodwill	4,527	4,516	4,567
Other intangible assets	1,851	1,890	1,990
Other assets	17,010	14,217	7,079
Total assets	<u>\$173,631</u>	<u>\$285,564</u>	<u>\$142,543</u>
<b>Liabilities</b>			
Deposits:			
Noninterest-bearing	\$ 32,785	\$ 70,033	\$ 15,039
Interest-bearing -- U.S.	4,558	9,988	14,790
Interest-bearing -- Non-U.S.	74,882	70,848	65,960
Total deposits	<u>112,225</u>	<u>150,869</u>	<u>95,789</u>
Securities sold under repurchase agreements	11,154	17,274	14,646
Federal funds purchased	1,082	1,984	425
Short-term borrowings under money market liquidity facility	6,042	76,627	-
Other short-term borrowings	11,555	4,289	5,557
Accrued taxes and other expenses	408	2,443	4,392
Other liabilities	13,972	14,908	6,799
Long-term debt	4,419	4,106	3,636
Total liabilities	<u>160,857</u>	<u>272,500</u>	<u>131,244</u>
<b>Shareholders' Equity</b>			
Preferred stock, no par: authorized 3,500,000; issued 20,000 shares	1,883	-	-
Common stock, \$1 par: authorized 750,000,000 shares; issued 431,976,032, 431,950,903 and 398,366,326 shares	432	432	398
Surplus	6,992	6,793	4,630
Retained earnings	9,135	9,002	7,745
Accumulated other comprehensive loss	(5,650)	(3,146)	(575)
Treasury stock (at cost 418,354, 404,943 and 12,081,863 shares)	(18)	(17)	(899)
Total shareholders' equity	<u>12,774</u>	<u>13,064</u>	<u>11,299</u>
Total liabilities and shareholders' equity	<u>\$173,631</u>	<u>\$285,564</u>	<u>\$142,543</u>

**CUSTODIAL BANK FINANCIAL STATEMENTS**

STATE STREET CORPORATION							
ASSETS UNDER CUSTODY AND MANAGEMENT							
As of Period End							
(Dollars in billions)							
	Years Ended December 31,					Change	Compound
	2004	2005	2006	2007	2008	07-08	Annual
							04-08
<b><u>Assets Under Custody</u></b>							
By Product Classification:							
Mutual Funds	\$3,088	\$3,442	\$,738	\$4,803	<b>\$3,896</b>	(19)%	6 %
Collective Funds	911	1,001	1,665	3,199	<b>2,173</b>	(32)	
Pension Products	3,254	3,358	3,713	3,960	<b>2,784</b>	(30)	(4)
Insurance and Other Products	<u>2,244</u>	<u>2,320</u>	<u>2,738</u>	<u>3,337</u>	<b>3,188</b>	(4)	
<b>Total Assets Under Custody</b>	<b><u>\$9,497</u></b>	<b><u>\$10,121</u></b>	<b><u>\$11,854</u></b>	<b><u>\$15,299</u></b>	<b><u>\$12,041</u></b>	(21)	
By Servicing Location:							
U.S.	\$7,268	\$7,773	\$8,962	\$11,792	<b>\$9,506</b>	(19)%	7%
Non U.S.	<u>2,229</u>	<u>2,348</u>	<u>2,892</u>	<u>3,507</u>	<b>2,535</b>	(28)	
<b>Total Assets Under Custody</b>	<b><u>\$9,497</u></b>	<b><u>\$10,121</u></b>	<b><u>\$11,854</u></b>	<b><u>\$15,299</u></b>	<b><u>\$12,041</u></b>	(21)	
<b><u>Assets Under Management</u></b>							
Equities :							
Passive	\$600	\$625	\$691	\$803	<b>\$576</b>	(28)%	
Active and Other	122	147	181	206	<b>91</b>	(56)	(7)
Company Stock/ESOP	<u>77</u>	<u>76</u>	<u>85</u>	<u>79</u>	<b>39</b>	(51)	(16)
Total Equities	799	848	957	1,088	<b>706</b>	(35)	(3)
Fixed income							
Passive	106	128	180	218	<b>238</b>	9 %	22%
Active	35	28	34	41	<b>32</b>	(22)	(2)
Cash and Money market	<u>414</u>	<u>437</u>	<u>578</u>	<u>632</u>	<b>468</b>	(26)	
Total Fixed Income and Cash	<u>555</u>	<u>593</u>	<u>792</u>	<u>891</u>	<b>738</b>	(17)	
<b>Total Assets Under Management</b>	<b>\$1,354</b>	<b>\$1,441</b>	<b>\$1,749</b>	<b>\$1,979</b>	<b>\$1,444</b>	(27)	2

**SCHEDULE OF REPORTABLE TRANSACTIONS  
D.C. Code § 1-903.06(b)(3), (2001 Ed.)**

Description	Interest	Maturity	Activity	Cost of Asset	Current Value	Gains/(Losses)
<u>Interest Bearing Cash</u>			2,673	\$3,186,851,289	\$3,186,851,289	\$0
Total Interest Bearing Cash			2,673	\$3,186,851,289	\$3,186,851,289	\$0
<u>U.S. Government Securities</u>						
FNMA	5.00%	12/1/2099	28	\$263,624,104	\$266,905,477	\$3,281,373
FNMA	5.00%	12/1/2099	27	\$253,524,461	\$253,539,613	\$15,152
FNMA	5.00%	12/1/2099	34	\$492,488,968	\$490,835,265	(\$1,653,703)
FNMA	5.00%	12/1/2099	20	\$278,972,094	\$283,232,969	\$4,260,875
FNMA	5.50%	12/1/2099	21	\$794,496,500	\$794,796,307	\$299,807
FNMA	5.50%	12/1/2099	43	\$593,741,844	\$596,269,102	\$2,527,258
FNMA	5.50%	12/1/2099	27	\$682,798,023	\$684,237,701	\$1,439,678
FNMA	5.50%	12/1/2099	26	\$766,556,031	\$768,606,714	\$2,050,683
FNMA	5.50%	12/1/2099	32	\$568,633,141	\$566,497,958	(\$2,135,183)
FNMA	5.50%	12/1/2099	21	\$546,258,031	\$548,797,621	\$2,539,590
FNMA	5.50%	12/1/2099	27	\$446,412,484	\$446,137,800	(\$274,684)
FNMA	6.00%	12/1/2099	19	\$290,070,252	\$289,884,332	(\$185,920)
FNMA	6.00%	12/1/2099	16	\$224,385,360	\$224,429,094	\$43,734
FNMA	6.00%	12/1/2099	16	\$324,478,547	\$323,480,774	(\$997,773)
FNMA	6.00%	12/1/2099	19	\$331,141,562	\$331,867,539	\$725,977
FNMA	6.00%	12/1/2099	22	\$456,030,390	\$456,035,507	\$5,117
FNMA	6.00%	12/1/2099	10	\$312,948,750	\$312,955,557	\$6,807
GNMA	6.00%	12/1/2099	12	\$267,351,406	\$267,571,797	\$220,391
GNMA	6.00%	12/1/2099	6	\$258,970,000	\$258,878,125	(\$91,875)
GNMA	6.00%	12/1/2099	8	\$260,178,750	\$259,776,445	(\$402,305)
GNMA	6.00%	12/1/2099	26	\$520,514,453	\$520,286,758	(\$227,695)
GNMA	6.00%	12/1/2099	7	\$315,170,000	\$314,561,250	(\$608,750)
US Treasury NTS	4.75%	8/15/2017	40	\$416,000,151	\$415,227,678	(\$772,473)
US Treasury N/B	2.50%	3/31/2013	16	\$467,027,831	\$467,950,071	\$922,240
Total U.S. Government Securities			523	\$10,131,773,133	\$10,142,761,454	\$10,988,321
<u>Corporate Debt Instruments - All other</u>						
Interest Rate Swap	5.00%	9/17/2010	2	\$227,136,434	\$229,116,001	\$1,979,567
Interest Rate Swap	1.00%	9/17/2010	2	\$231,310,448	\$229,863,939	(\$1,446,509)
Interest Rate Swap	5.35%	3/14/2010	3	\$209,408,360	\$209,459,066	\$50,706
Interest Rate Swap	1.00%	3/14/2010	3	\$208,443,522	\$208,925,942	\$482,420
Total Corporate Debt Instruments- All Other			10	\$876,298,764	\$877,364,948	\$1,066,184
<u>Corporate Stock - Common</u>						
Bridgewater Pure Alpha Fund I			2	\$200,000,000	\$206,757,267	\$6,757,267
Total Corporate Stock - Common			2	\$200,000,000	\$206,757,267	\$6,757,267
<u>Other</u>						
Interest Rate Swap			9	\$295,800,000	\$298,170,058	\$2,370,058
Interest Rate Swap			9	\$296,169,850	\$298,776,156	\$2,606,306
Total Other				\$591,969,850	\$596,946,214	\$4,976,364
<u>Registered Investment Company</u>						
Pimco FDS PAC Investment Management			7	\$227,615,460	\$229,170,237	\$1,554,777
Total Registered Investment Company			7	\$227,615,460	\$229,170,237	\$1,554,777
Total Reportable Transactions			3,233	\$15,214,508,496	\$15,239,851,409	\$25,342,913
Total Non-Reportable Transactions			21613	\$22,239,143,161	\$22,389,468,308	\$150,325,147

**ADDITIONAL DISCLOSURES**
**SCHEDULE OF TRANSACTIONS WITH PARTIES IN INTEREST**

Vendor/Name	Invoice Amount	Description of Services
Barbara Davis Blum	\$ 9,986	Trustee
Diane K. Bulger	2,237	Trustee
Lyle Blanchard	6,251	Trustee
Shireen L. Dodson	9,989	Trustee
Michael J. Warren	9,958	Trustee
Joseph W. Clark	3,462	Trustee
Mary A. Collins	5,485	Trustee
Judith C. Marcus	9,974	Trustee
George R. Suter	9,958	Trustee
Darrick O. Ross	9,989	Trustee
Brian K. Lee	9,989	Trustee
Thomas N. Tippet	9,928	Trustee
Alliance Index Fund	28,793	Service Provider
Edgar Lomax Company	304,697	Service Provider
Western Asset Company	402,220	Service Provider
PIMCO	568,025	Service Provider
Capital Guardian	877,334	Service Provider
Sands Capital Management Company	351,351	Service Provider
Brown Capital Management Company	9,806	Service Provider
Thompson, Siegel, & Walmsley, Inc.	387,190	Service Provider
McKinley Capital management, Inc.	357,869	Service Provider
LSV Asset Management	640,386	Service Provider
Gryphon Internation Investment Corp	601,294	Service Provider
EACM Advisors, LLC	451,531	Service Provider
Thompson, Siegel, & Walmsley, Inc.	326,443	Service Provider
LSV Emerging Markets Equity Fund	170,996	Service Provider
Western Index Plus	139,717	Service Provider
Mazama Capital Management	367,601	Service Provider
State Street Global Advisors	400,111	Service Provider
Allied Network Solutions	8,607	Service Provider
American Arbitration Association	11,198	Service Provider
Americom Telephone Systems, Inc.	6,761	Service Provider
AON Risk Services, Inc. of Washington	113,088	Service Provider
Balmar Printing	28,739	Service Provider
BCE Corporation of Rockville	12,885	Service Provider
Bolton Partners	5,000	Service Provider
Buch Construction, Inc.	25,823	Service Provider
Cannon Usa, Inc.	17,423	Service Provider
Cost Trend Consulting, Inc.	81,381	Service Provider
DC NET	47,200	Service Provider
U.S. Treasury	926,608	Service Provider
DLT Solutions	28,064	Service Provider
Document Systems, Inc	633,009	Service Provider
Dutchmill Caterers	7,332	Service Provider
Ed Friend, Inc.	100,197	Service Provider
Evestment Alliance, LLC.	13,500	Service Provider
Four Point Technology	8,660	Service Provider
Freestate Electric Company	7,787	Service Provider
Gabrieal, Roeder, Smith & Company	38,000	Service Provider
Groom Law Group, Chartered	121,911	Service Provider
HBP, Inc.	23,242	Service Provider
INTERPARK	14,310	Service Provider
Joe Ragan's Coffee, LTD.	10,274	Service Provider
Kastle Systems	9,388	Service Provider

**SCHEDULE OF TRANSACTIONS WITH PARTIES IN INTEREST**

<b>Vendor/Name</b>	<b>Invoice Amount</b>	<b>Description of Services</b>
Kinball International Marketing	24,169	Service Provider
Marc A. Rigrodsky	100,000	Service Provider
Morgan, Lewis, Bockius, LLP	119,173	Service Provider
MTG Mangement Consultants, LLC	366,697	Service Provider
Newlin, LLC	22,604	Service Provider
NGEN, LLC	96,586	Service Provider
Palmer Legal Staffing	15,142	Service Provider
Phoenix Graphics	41,300	Service Provider
Plexus Group, Inc.	25,000	Service Provider
Robert Half International, Inc.	14,950	Service Provider
Survey Research Associates	54,875	Service Provider
The Hartford Insurance Company	6,833	Service Provider
The John Akridge Companies	1,282,133	Service Provider
The Townsend Group	140,000	Service Provider
Thomas R. Anderson	109,425	Service Provider
Thompson, Cobb, Bazilio & Associates	98,053	Service Provider
Verizon Federal	22,021	Service Provider
Verizon Wireless	9,649	Service Provider
Watson Wyatt Investment Consultants	329,500	Service Provider
Wilshire Associates, Inc.	36,000	Service Provider
Grand Total	\$ 11,697,066	

**ADDITIONAL DISCLOSURES**
**FUND RETURN DATA**

Total Plan/Assets Structure and Performance Periods Ending September 30, 2008									
Asset Allocation			Ending Market Value (millions)	% Returns					
Target	Current			3 Months	YTD	1 Year	3 Years	5 Years	10 Years
100.0%	100.0%	<b>Total Fund</b>	\$3,734.6	-9.9	-16.3	-16.9	2.3	6.4	5.7
		<b>Total Fund (net)</b>		-9.9	-16	-17.2	1.9	6.1	5.4
		<i>Total Fund Benchmark</i>		-8.2	-13.5	-13.9	4.2	8.3	6.3
		<i>Asset Allocation Benchmark</i>		-7.5	-13.4	-14.1	4	7.6	-
		<i>Actuarial Assumption</i>		1.8	5.6	7.5	7.3	7.3	7.3
40.0%	37.6%	<b>Domestic Equity Segment</b>	\$1,405.3	-11.1	-21.1	-23.5	-0.6	5.2	4.4
		<i>Domestic Equity Index</i>		-8.7	-18.8	-21.5	0.3	5.7	3.8
20.0%	17.9%	<b>International Equity Segment</b>	\$66.9	-20.6	-30.2	-30.8	2.1	9.6	6.1
		<i>Custom MSCI ACWI xUS Index</i>		-21.9	-29.9	-30.3	2.5	10.6	5.4
25.0%	23.4%	<b>Fixed Income Segment</b>	\$873.6	-4.1	-3.8	-1.3	2.8	3.6	5.5
		<i>Custom LB Universal Index</i>		-1.2	-0.3	2.3	3.8	3.6	5.1
5.0%	7.6%	<b>Real Estate*</b>	\$284.0	1.7	-1.5	-0.8	11.1	11.7	5.6
		<i>Real Estate Index</i>		0.8	2	1.7	11.9	14.4	12.3
		<i>NCREIF Property Index</i>		-0.2	2	5.3	13.2	14.2	11.8
10.0%	13.3%	<b>Alternatives</b>	\$497.1	-5.2	-0.8	1	10.2	10.8	3.2
		<i>Russell 3000 + 500 bps</i>		-8	-16.6	-18.5	3.3	8.7	6.8
		<b>Cash Segment</b>	\$7.7	0.6	2.9	4.2	4.7	3.6	3.8
0.0%	0.2%	<i>3-mo Treasury Bill Index</i>		0.4	1.5	2.5	4	3.1	3.4

\*For the few years prior to 2005, the segment consisted primarily of cash and equivalents.

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