



# DCRB Report

SPRING 2004

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## Honoring the Past, Looking to the Future

At the February meeting of the D.C. Retirement Board I was honored to be selected by my fellow Trustees to serve as Chairman of the Board for the year ahead. I began my term by thanking Mary Collins for her two and a half years of leadership in that role, and by thanking all of my colleagues for the time, effort and seriousness that they devote to carrying out their fiduciary duties. The Board elected as the other officers Judith Marcus, Secretary; Shireen Dodson, Treasurer; Brian Lee, Parliamentarian; and George Suter, Sergeant-at-Arms.

### Chairman's Corner



The funds managed by the D.C. Retirement Board come from contributions made by members of the Metropolitan Police Department, D.C. Fire Fighters, D.C. Teachers and the District Government. The twelve member Board is made up of one active and one retired D.C. Police Officer, Firefighter and Teacher, who are elected by these groups, and three appointees each from the Mayor's Office and City Council. Each member of the Board serves a four year term. All of the money that is paid out to its members is solely generated from the income paid into the fund by its members, the returns made on the investments and the money paid into the fund by the District Government. It is my pleasure to have the opportunity to serve the Police Officers, Fire Fighters and Teachers in this capacity.

The Board works through its committees to examine issues and make recommendations to the full Board for adoption. Because it is so central to the Board's mission all Trustees serve on the Investment Committee. The Committee chairmen for the coming year are Investment Committee, Barbara Davis Blum; Operations Committee Shireen Dodson; Emerging Enterprises Committee, Judith Marcus; Benefits Committee George Suter; and Legislative Committee Lyle Blanchard. Lyle Blanchard is the Trustee member of the Fiduciary Committee and Brian Lee and Judith Marcus are the Trustee members of the Securities Litigation Panel.

Congratulations to Mary Collins on her re-election to the Board of Directors of the Council of Institutional Investors at its spring meeting in March. The Council of Institutional Investors is an organization of public, Taft-Hartley, and corporate pension plan sponsors which seeks to address corporate governance issues that affect the investment returns and security of plan assets. Ms. Collins serves as a special liaison for the Board on developments regarding corporate governance at the Council of Institutional Investors, Securities and Exchange Commission, and other pension funds and organizations.

**The mission of the District of Columbia Retirement Board is to invest, control, and manage the assets of the Teachers' Retirement Fund and the Police Officers' and Firefighters' Retirement Fund.**



The D.C. Retirement Funds support benefits earned on or after July 1, 1997. The U.S. Treasury is responsible for benefits earned before that date. As of September 30, 2003 the average District share and total combined District and federal share benefit received by retired (non-disability) members was:

	Total	District Share
Teachers	\$34,687	\$4,244
Police Officers	\$41,938	\$4,787
Firefighters	\$49,564	\$6,745

# Fiscal Year 2003 Annual Report Summary and Schedules

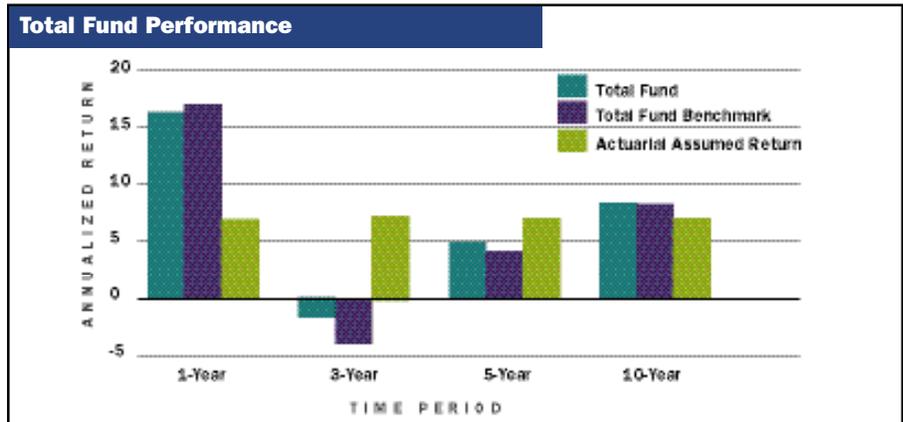
The Board publishes a lengthy and detailed Annual Report each spring. The complete report for the fiscal year that ended on September 30, 2003 is posted to the Board's website, at [www.dcrb.dc.gov](http://www.dcrb.dc.gov). As required by the Retirement Reform Act, the Board is also pleased to provide participants and beneficiaries with the following summary of the Annual Report narrative and schedules.

## Investment Performance Highlights

The D.C. Retirement Board continued to deliver solid long-term investment returns in fiscal year 2003, guided by our commitment to ethics, integrity and the highest investment fiduciary standards. To this end, political agendas are not a factor in the investment decision-making process.

For fiscal year 2003, the D.C. Retirement Board's investment program (or Total Fund) delivered a stellar return of 16.3%, despite the sluggish economic recovery from the recession.

To ensure there are adequate funds available to cover payment of retirement benefits over the life of the plan, the D.C. Retirement Board's investment objective for the Total Fund is to achieve a long-term return of at least 7.25%, the actuarial assumed rate of return target. The Total Fund's long-term performance continued to exceed the investment objective, with the Total Fund returning an annualized 8.3% over the 10-year period ended September 30, 2003. The Total Fund's 1-year, 3-year, 5-year, and 10-year investment performance versus the returns of the Total Fund Benchmark and the Board's actuarial assumed rate of return are shown on the following chart.



For the fiscal year, the net asset value of the Total Fund increased 22% due to solid returns on investments despite cash outflows for pension payments and administrative expenses. At the end of the fiscal year there was \$874.7 million in net assets in the Teachers' Fund and \$1.346 billion in net assets in the Police Officers and Firefighters' Fund.

During the fiscal year, the D.C. Retirement Board approved a number of changes to the investment program. Some of these changes included:

- Adoption of a new asset allocation policy, effective April 1, 2003, replacing the previous asset allocation plan that had

been in effect for more than three years. Asset class targets were revised to better meet future retirement benefits.

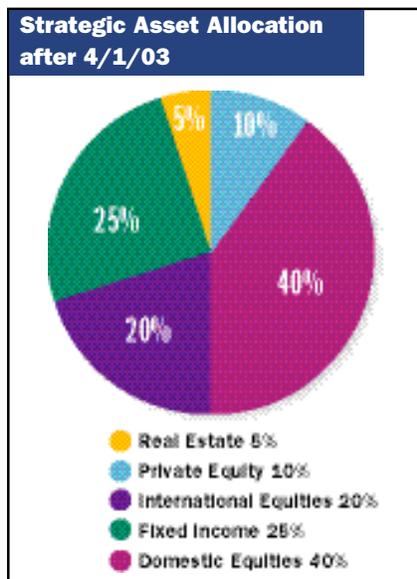
- Adoption of a new real estate asset class, bringing the total asset classes to five across the investment risk-reward spectrum. Reductions in the target allocations for U.S. equities and fixed income and an increase in the allocation for private equity were made to reduce overall volatility and enhance investment returns.

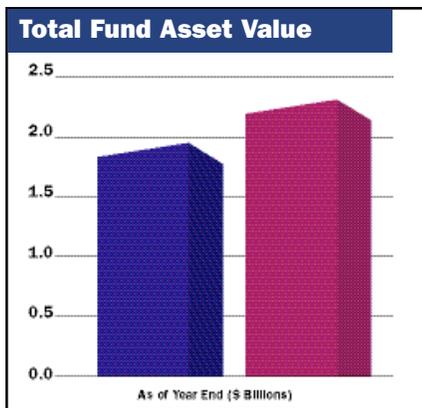
- Completion of a new asset liability study and adoption of a new Rebalancing Plan, allowing actual asset classes to vary within specified ranges from target allocations. During the fiscal year, U.S. and non-U.S. equities were near their target allocations, while fixed income was overweight at the expense of real estate and private equity.

- Enactment of new Watch List procedures, establishing the framework for a formal review process for the Board's investment managers.

- Hiring Sands Capital Management, active large cap growth manager, in the summer of 2003 to improve asset class performance.

- Supporting the Securities and Exchange Commission's continuing implementation of the Sarbanes-Oxley Act of 2002 and many other related reforms.





The Total Fund Benchmark was modified as of April 1, 2003, to reflect the new allocation targets for the various asset classes.

As of September 30, 2003, all asset classes were within their respective target allocation ranges, with the exception of private equity and real estate. Because of the time element involved in reaching full exposure to these two asset classes, U.S. public equities and fixed income will be used as prox-

ies for exposure to private equity and real estate, respectively, until these strategies can be fully implemented.

### Other Highlights

The Board received a clean audit from its outside independent auditors for fiscal 2003. The following schedules show the audited financial statements compared with the prior fiscal year.

### STATEMENTS OF NET ASSETS as of September 30, 2003 and 2002 (in \$000s)

	Teachers' Retirement Fund		Police Officers & Fire Fighters' Retirement Fund	
	2003	2002	2003	2002
<b>ASSETS</b>				
Investments & accrued interest	\$945,684	\$790,725	\$1,453,713	\$1,166,558
Benefit contributions receivable	1,548	1,475	1,312	1,166
Due from District	46	72	0	0
Total Assets	947,278	792,272	1,455,025	1,167,724
<b>LIABILITIES</b>				
Liabilities under securities lending transactions	66,667	54,372	102,367	80,162
Accounts payable - investment expenses	561	490	864	724
Due to Federal government	5,100	3,800	5,800	2,900
Due to District	292	247	449	358
Total liabilities	72,620	58,909	109,480	84,144
Net Assets Held in Trust for Pension Benefits	\$874,658	\$733,363	\$1,345,545	\$1,083,580

### STATEMENTS OF CHANGES IN NET ASSETS Years Ended September 30, 2003 and 2002 (in \$000s)

	Teachers' Retirement Fund		Police Officers & Fire Fighters' Retirement Fund	
	2003	2002	2003	2002
<b>Additions</b>				
Contributions:				
District	\$0	\$0	\$68,900	\$74,600
Employees	26,047	25,374	19,867	19,390
Total contributions	26,047	25,374	88,767	93,990
Investment income:				
Net appreciation (Depreciation) in fair value of investments	101,914	(86,692)	151,584	(129,669)
Interest and dividends, net of interest expense	21,375	22,638	32,209	32,917
Subtotal	123,289	(64,054)	183,793	(96,752)
Less:				
Investment expenses	1,963	1,922	3,003	2,812
Net investment income	121,326	(65,976)	180,790	(99,564)
Total Additions	147,373	(40,602)	269,557	(5,574)
<b>Deductions</b>				
Benefit Payments	5,100	3,800	6,091	3,222
Administrative expenses	978	989	1,501	1,445
Total Deductions	6,078	4,789	7,592	4,667
Net Increase (Decrease)	141,295	(45,391)	261,965	(10,241)
Net Assets Held in Trust for Pension Benefits:				
October 1	733,363	778,754	1,083,580	1,093,821
September 30	\$874,658	\$733,363	\$1,345,545	\$1,083,580

## Endnotes

### Longevity Service Amendment Enacted for Police Officers

The D.C. Council has enacted legislation amending the longevity provisions for retirement benefits for police officers. DC Law 15-125, the Police and Firemen's Longevity Service Amendment Act of 2004, provides that longevity pay attributable to all creditable service, such as qualified military, federal government, and other DC government service, is to be included as base pay when calculating retirement benefits for police officers who have 25 years or more of total service. Under

previous law passed in 2000 longevity pay was included in base pay when calculating retirement benefits only if all 25 years of creditable service were served in the Metropolitan Police Department.

### Trustee Elections

This fall the Board will conduct elections for three Trustees representing retired police officers, active firefighters, and active teachers. Look for candidate information in the mail in early September from the American Arbitration Association.

### Useful Numbers

D. C. Public Schools Personnel Office	<b>202-442-4080</b>
Metropolitan Police Department Personnel Office	<b>202-727-4286</b>
Department of Fire and Emergency Medical Services Personnel Office	<b>202-673-3335</b>
Office of Pay and Retirement Services	<b>202-727-5851 or 1-800-638-6182</b>
Office of D.C. Pensions, U.S. Treasury	<b>202-622-0800</b>

### TRUSTEES

Lyle Blanchard  
*Council Appointee*

Barbara Davis Blum  
*Mayoral Appointee*

Mary A. Collins  
*Elected Active Teacher*

Shireen L. Dodson  
*Treasurer*  
*Council Appointee*

Brian K. Lee  
*Parliamentarian*  
*Elected Active Firefighter*

Judith C. Marcus  
*Secretary*  
*Elected Retired Teacher*

Michael J. McNally  
*Elected Retired Firefighter*

Joan Parrott-Fonseca  
*Mayoral Appointee*

Darrick O. Ross  
*Chairman*  
*Elected Active Police Officer*

William H. Simons  
*Mayoral Appointee*

George R. Suter  
*Sergeant-At-Arms*  
*Elected Retired Police Officer*

[Vacant]  
*Council Appointee*

N. Anthony Calhoun  
*Ex Officio, Non-Voting*

### STAFF

Betty Ann Kane  
*Executive Director*

William Carr  
*Investment Analyst*

Bruce Gamble  
*General Counsel*

Florence Jones  
*Investment Assistant*

Sheila Morgan-Johnson  
*Chief Investment Officer*

Wendy Newkirk  
*Executive Assistant*

Rhonda O'Neal  
*Senior Accountant*

Denice Patterson  
*Receptionist*

Michael Slavin  
*Director of Operations*

Alicia Traynham  
*Accounting Technician*

Valerie Wilkins  
*Office Manager*

### D.C. Retirement Board

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**Inside DCRB Report this month:  
Annual Report to Participants  
and Beneficiaries**



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