



# DCRB Report

SPRING 2009

## A Message from the Chairman of the Board

At the Board's February meeting, I was honored to be elected as Chairman for the coming year. The Board also elected the following trustees to serve as officers: George Suter, Secretary; Joseph Clark, Treasurer; Judith Marcus, Parliamentarian; and Lyle Blanchard, Sergeant-at-Arms. In addition, I appointed the following trustees Chairs of the Board's standing committees: George Suter, Benefits Committee; Barbara Davis Blum, Investment Committee; Joseph Clark, Operations Committee; Lyle Blanchard, Legislative Committee; Michael Warren, Strategic Planning Committee; and Judith Marcus, Fiduciary Committee.

This year, there have also been a few changes in the composition of the Board. Two long-serving trustees have left the Board following the expiration of their terms of office. We would like to recognize Brian Lee, who was elected to the Board by active firefighters from 2000 through 2008 and also served as Chairman of the Board over the past two

years, and Mary Collins, who was elected to the Board by active teachers from 1997 through 2008 and served as Board Chairman, as well as Chair of several of the committees. We thank them both for their service to the Board and for their many accomplishments over the years.

We also welcomed three new trustees. Edward Smith was elected by active firefighters, Deborah Hensley was elected by active teachers, and Joseph Bress was appointed by the Council of the District of Columbia.

Other Board members and DCRB's staff look forward to working with these new trustees.

With the global economic difficulties, and the agency's technology transformation underway, this is a critical time for the Board. My colleagues on the Board and I pledge to do our best to assure that both the District of Columbia Police Officers and Firefighters' Retirement Plan and the District of Columbia Teachers' Retirement Plan (the "Plans") remain well funded, and that DCRB continues to provide quality services to our members.

As you will note in the articles that follow, as with other systems, the Funds that support the Plans decreased 16.9% over the fiscal year ending September 30, 2008. Despite this setback, the Funds remain well funded, and retirees will continue to receive their pension payments on the first business day of every month, just as in the past.

On the Benefits Administration front, DCRB's Benefits Department has just completed a project in which the contents of all retirement folders were scanned. These digitized documents are now protected from loss or destruction, and DCRB staff can access them more easily when you call with questions. During FY 2009, DCRB will review systems options related to incorporating data into our operations for active Plan members. Developing an online benefits calculator will be a top priority, and additional enhancements will be phased in over time. We will provide you with information on these projects in future newsletters.

### Chairman's Corner



Darrick O. Ross

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.

### COLAs

In March, DC Human Resources announced a 2009 Cost-of-Living Adjustment (COLA) of 0.1% for police officer and firefighter retirees and their survivors.

This increase was effective March 1, 2009 and was included in pension payments issued on April 1, 2009. Members who retired after March 1, 2008 and before March 1, 2009, received a prorated COLA equal to 1/2 of the above increase for each month or partial month (for a maximum of 12 months) for which their annuity was effective prior to March 1, 2009.

Police and firefighter retirees who retired before February 15, 1980 (Tier 1) receive equalization payments based on pay increases granted to active members and, therefore, do not receive COLAs.

Since the CPI used to determine COLAs for teachers decreased between December 2007 and December 2008, teachers will receive no COLA for 2009.

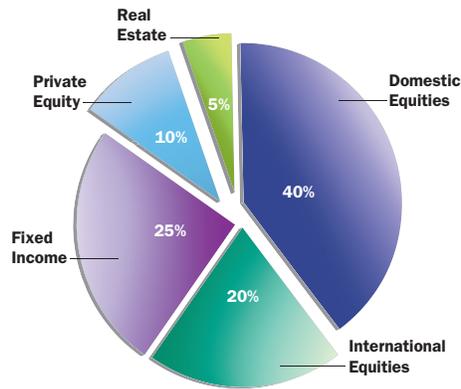
# Fiscal Year 2008 Investment Summary

As of September 30, 2008, the Fund's assets were \$3.73 billion, a decrease of approximately 15% from the end of FY 2007, after payment of all benefits and other administrative expenses and obligations. While the Fund had a difficult year in FY 2008, returning -16.9%, it is important to note that the performance of the Fund exceeded the Board's long-term actuarial assumed rate of return for the 26-year period from its inception in October 1982 through September 30, 2008, by approximately 2.3%. Since its inception, the Fund has earned an annualized return of 9.54%.

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 during FY 2008, with the MSCI ACWI ex-US Index decreasing 30.3%. 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 Lehman Brothers U.S. Universal Bond Index returning 2.3%.

During FY 2008, the Board maintained its strategic asset allocation targets, which were established in FY 2003 and updated in FY 2005 following an asset-liability study conducted by the Board's investment consultant, Watson

Wyatt. The asset class targets remain as follows:



As of September 30, 2008, all asset classes were within their respective target allocation ranges, with the exception of private equity. The private equity, or 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 the significant decline in the public equity segments, and additional commitments to the alternatives segment.

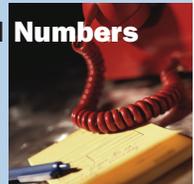
During FY 2008, the Board took important steps toward enhancing the diversification of the investments in the Fund, including commitments to two infrastructure funds, which focus on essential physical infrastructure such as toll roads, bridges, airports, and utilities, which provide a steady stream of income.

Among other investment-related developments in FY 2008, the Board began complying with provisions of a new District of Columbia law that requires that the Board divest from certain companies that do business with the government of Sudan. In addition, a cost consultant engaged by the Board concluded that the Board's investment-related costs,

which were approximately 71 basis points in calendar year 2007, were normal when compared with the costs of pension funds of a similar size and asset mix.

In FY 2009, 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 Fund. In addition, the Board will undertake an asset-liability study to determine optimal asset mixes for the Board's total projected liabilities.

## Useful Numbers



D.C. Public Schools Human Resources Office  
**(202) 442-4080**

Metropolitan Police Department Human Resources Office  
**(202) 727-4286**

Department of Fire and Emergency Medical Services Human Resources Office  
**(202) 673-6443**

Police and Fire Retirement and Relief Board  
**(202) 442-9622**

DCRB Member Services Center  
**(202) 343-DCRB**  
**(toll free) (866) 456-3272**  
**TTY (800) 877-8339**  
**Fax: (202) 566-5001**  
**Email: [dcrb.benefits@dc.gov](mailto:dcrb.benefits@dc.gov)**

## Financial Statements

For FY 2008, the Board once again received a clean opinion from its outside auditor. The following schedules compare the audited FY 2008 financial statements with those of FY 2007.

### STATEMENT OF NET ASSETS as of September 30, 2008 and 2007 (\$000s)

	Teachers' Retirement Fund		Police Officers' & Firefighters' Retirement Fund	
	2008	2007	2008	2007
Investments & accrued interest	\$1,620,541	\$1,860,760	\$3,207,921	\$3,494,609
Employee contributions receivable	1,160	1,419	1,338	1,052
District contributions receivable	7,464	7,464	0	0
Due from Federal Government	560	394	1,099	729
Due from District government	540	0	0	0
Due from other agencies	6	6	11	11
Capital Assets Net	14	9	26	15
Total Assets	1,630,285	1,870,052	3,210,395	3,496,416
Liabilities				
Liabilities under securities lending transactions	157,359	166,852	311,603	311,863
Accounts payable — investment expenses	1,964	1,959	3,873	2,926
Due to Federal government	3,115	16,708	2,321	14,684
Due to District government	370	2,056	733	3,844
Investment Commitments Payable	209,723	164,712	415,139	309,491
Total Liabilities	372,531	352,287	733,669	642,808
Net Assets Held in Trust for Pension Benefits	\$1,257,754	\$1,517,765	\$2,476,726	\$2,853,608

### STATEMENT OF CHANGES IN NET ASSETS Years Ended September 30, 2008 and 2007 (\$000s)

	Teachers' Retirement Fund		Police Officers' & Firefighters' Retirement Fund	
	2008	2007	2008	2007
Additions				
Contributions:				
District	\$6,000	\$14,600	\$137,000	\$140,100
Employees	25,919	26,793	31,718	27,489
Total Contributions	31,919	41,393	168,718	167,589
Investment Income:				
Net appreciation (depreciation) in fair value of investments	(294,079)	183,224	(585,796)	335,006
Interest and dividends, net of interest expense	37,270	38,419	74,197	72,403
Gross earnings on security lending transactions	7,163	9,326	14,184	17,438
Subtotal	(249,646)	230,969	(497,415)	424,847
Less:				
Investment expenses	4,214	4,373	8,233	8,170
Borrower rebates and agent fees on security lending	5,449	8,865	10,790	16,244
Net investment income	(259,309)	217,731	(516,438)	400,433
Other Income	990	740	1,952	1,383
Total Additions	(226,400)	259,864	(345,768)	569,405
Deductions				
Benefit payments	30,692	25,801	25,364	20,587
Administrative expenses	2,919	2,901	5,750	5,421
Total Deductions	33,611	28,702	31,114	26,008
Net Increase (Decrease)	(260,011)	231,162	(376,882)	543,397
Net Assets Held in Trust for Pension Benefits:				
October 1 (as previously reported)	1,517,765	1,286,603	2,853,608	2,310,211
September 30	\$1,257,754	\$1,517,765	\$2,476,726	\$2,853,608

**Participants as of September 30, 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>Service Retired</b>	<b>District</b>	<b>Total*</b>	<b>District</b>	<b>Total*</b>	<b>District</b>	<b>Total*</b>
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.

**TRUSTEES**

Lyle M. Blanchard  
Sergeant-at-Arms  
Council Appointee

Barbara Davis Blum  
Mayoral Appointee

Joseph M. Bress  
Council Appointee

Diana K. Bulger  
Mayoral Appointee

Joseph W. Clark  
Treasurer  
Mayoral Appointee

Deborah Hensley  
Elected Active Teacher

Judith C. Marcus  
Parliamentarian  
Elected Retired Teacher

Darrick O. Ross  
Chairman  
Elected Active Police Officer

Edward C. Smith  
Elected Active Firefighter

George R. Suter  
Secretary  
Elected Retired Police Officer

Thomas N. Tippet  
Elected Retired Firefighter

Michael J. Warren  
Council Appointee

Lasana K. Mack  
Ex Officio, Non Voting

**D.C. Retirement Board**

900 7th Street, NW  
Second Floor  
Washington, DC 20001  
Voice (202) 343-3200  
Fax (202) 566-5000  
www.dcrb.dc.gov

Eric O. Stanchfield  
Executive Director

Joan M. Passerino  
Chief Benefits Officer and Editor

**Annual Report to Members**

**Inside DCRB Report this month:**



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

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