



DCRB Report

SPRING 2010

A Message from the Chairman of the Board

Chairman's Corner



Darrick O. Ross

I am pleased to serve a second term as Chairman of the District of Columbia Retirement Board (DCRB). At its meeting on February 25, 2010, the Board elected the following trustees to serve as officers for the coming year: George Suter, Secretary; Joseph Clark, Treasurer; Judith Marcus, Parliamentarian; and Lyle Blanchard, Sergeant-at-Arms. In addition, I appointed the following trustees to serve as Chairs of the Board's standing committees: George Suter, Benefits Committee; Barbara Blum, Investment Committee; Joseph Clark, Operations Committee; Lyle Blanchard, Legislative Committee; and Michael Warren, Strategic Planning Committee. Additionally, I would like to congratulate Judith Marcus for her reelection as the representative for retired teachers on the Board.

During 2009, DCRB's Executive Director, Eric Stanchfield, was elected as president of the National Association of the State Retirement Administrators (NASRA). This is a position that has been held by "State" Administrators, and Eric is the first administrator from the District of Columbia to hold this post. Congratulations to Eric.

Since my message to you last fall, the financial markets have continued to rebound and have restored a substantial portion of the decline of the previous year. I am happy to

report that our Plans remain well-funded. The Board continues to monitor the various sectors of our economy and to rebalance the Funds where necessary to retain our strategic target allocations. We remain alert to investment opportunities as they present themselves.

In 2009, DCRB continued its preparations to acquire its own pension information system. Aligned with our strategic plan, this new system will allow us to not only improve our benefits service levels to retired members, but it will also proactively support our active members with their retirement planning. To prepare for the implementation of our new system, DCRB's staff has been working to transform our current, mostly manual, business processes to a new and automated operation.

On behalf of the staff at DCRB, I want to thank you for the many compliments acknowledging the value of the new benefit calculator we released in September 2009. During the month of March 2010 alone, we logged over 900 visits to the calculator. We will continue to upgrade our website and expand our online presence throughout 2010, so visit us at www.dcrb.dc.gov for updates, news, information, and more.

Each future newsletter will report the progress we are making to evolve our operations at DCRB to a full-service pension system.

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.

Participants as of September 30, 2009

Active Participants	Teachers	Police Officers	Firefighters
Number	4,601	4,014	1,774
Inactive Participants			
Retirees	Total*	Total*	Total*
Number	5,167	3,156	974
Survivors			
Number	423	1,179	463
Disabled			
Number	416	1,186	463
Terminated Vested			
Number	938	83	30

* Federal and District participants combined.

Fiscal Year 2009 Investment Summary

As of September 30, 2009, the combined assets of the Police Officers’ and Firefighters’ Retirement Fund and the Teachers’ Retirement Fund (the “Fund”) was valued at \$3.74 billion, which is approximately equal to the net asset value of the Fund at the end of FY 2008 (\$3.73 billion). This is a significant improvement over the unprecedented decline we experienced last year. While the Fund had a slightly negative return of -2.2% during FY 2009, the long term performance of the Fund exceeded the current actuarial investment return target of 7% for the 27-year period from its inception in October 1982 through September 30, 2009, by approximately 2.1%. During the life of DCRB’s Trust, the Fund has earned an annualized return of 9.1%.

The public equity markets declined significantly during the first half of FY 2009, but world stock markets rallied during the second half of the fiscal year, with U.S. total market indices increasing more than 60% from their March 2009 lows. For FY 2009, the Russell 3000 Index (an index that measures the performance of the 3,000 largest U.S. companies based on total market capitalization and represents approximately 98% of the investable U.S. equity market) dropped 6.4%. Meanwhile, non-U.S. equity markets had a positive 1-year return, partially due to the decline of the U.S. dollar, with the Morgan Stanley Capital International All-Country World ex-US Index (an index that measures the equity market performance in the global developed and emerging market countries) up 5.9%. The fixed-income markets again performed relatively well in FY 2009 compared with other asset classes,

with the Barclays Capital U.S. Universal Bond Index (an index composed of dollar denominated debt securities) returning 10.9%.

During FY 2009, DCRB maintained its strategic asset allocation targets, which are as follows:

Asset Class	Target Allocation	Target Allocation Range
Domestic Equities	40%	35-45%
International Equities	20%	15-25%
Fixed Income	25%	20-30%
Private Equity	10%	7-13%
Real Estate	5%	2-8%

As of September 30, 2009, 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 2009. This overweight position was primarily due to (1) the funding of prior commitments made to private equity investments during the year and (2) the strong performance of DCRB’s multi-strategy hedge fund manager over the 1-year period.

Because most major asset classes lost significant value in 2008, DCRB wanted to assess the financial health of both the District of Columbia Police Officers’ and Firefighters’ Retirement Plan and the District of Columbia Teachers’ Retirement Plan (the “Plans”). As a result, the Board commissioned an independent investment con-

sultant, Ennis Knupp, to conduct an asset liability study during FY 2009. The study examined the projected financial behavior of the Plans after the economic meltdown. Ennis Knupp concluded that the current asset allocation structure is reasonable and that the portfolio is well diversified. They recommended some fine tuning of the allocation to gain incremental efficiencies. The DCRB Board and staff are currently reviewing the consultant’s recommendations.

Among other investment-related developments, DCRB, upon the recommendation of its independent actuary, lowered the actuarial long-term rate of return target to a conservative 7.0% from 7.5%. The current national average is 8.0%. Many public pension funds are reviewing their actuarial assumptions and weighing the merits of lowering their return target.

Going forward in FY 2010, DCRB will make adjustments to its investment structure within each asset class and conduct manager searches, when necessary, in order to enhance the performance of the Fund. Also in FY 2010, DCRB will begin to implement the provisions of a new District of Columbia law that requires divestment from certain companies doing business with the government of Iran. In addition, DCRB launched a search for a general investment consultant through the Board’s RFP process, and a selection has been made.

DCRB received the following awards during Fiscal Year 2009:

The Public Pension Coordinating Council Recognition for Funding, which is based on DCRB’s comprehensive benefit program, funding adequacy, annual actuarial valuation, unqualified audit opinion, written investment policies, fiduciary standards, and effective member communications, and, **The Government Finance Officers Association’s Certificate of Achievement for Excellence in Financial Reporting** for our Fiscal Year 2008 Comprehensive Annual Financial Report. This certificate is the highest form of recognition in the area of governmental accounting and financial reporting.

Awards

Financial Statements

For FY 2009, the Board once again received a clean opinion from its outside auditor. The following schedules compare the audited FY 2009 financial statements with those of FY 2008. Please note: the reporting format has been changed slightly to better reflect the format of our current financial statements.

Statement of Net Assets as of September 30, 2009 and 2008 (\$000s).

	2009			2008		
	Teachers' Retirement Fund	Police Officers and Firefighters' Retirement Fund	Total	Teachers' Retirement Fund	Police Officers and Firefighters' Retirement Fund	Total
Assets						
Cash and short-term investments	\$ 72,758	\$ 153,357	\$ 226,115	\$ 25,211	\$49,904	\$ 75,115
Receivables	49,897	86,624	136,521	156,781	293,530	450,311
Investments at fair value	1,185,722	2,499,224	3,684,946	1,290,920	2,555,332	3,846,252
Collateral from securities lending	153,109	317,698	470,807	157,359	311,603	468,962
Capital assets	7	15	22	14	26	40
Total assets	<u>1,461,493</u>	<u>3,056,918</u>	<u>4,518,411</u>	<u>1,630,285</u>	<u>3,210,395</u>	<u>4,840,680</u>
Liabilities						
Other payables	6,527	8,914	15,441	5,449	6,927	12,376
Investment commitments payable	93,719	197,538	291,257	209,723	415,139	624,862
Obligations under securities lending	156,856	325,472	482,328	157,359	311,603	468,962
Total liabilities	<u>257,102</u>	<u>531,924</u>	<u>789,026</u>	<u>372,531</u>	<u>733,669</u>	<u>1,106,200</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS						
	<u>\$1,204,391</u>	<u>\$2,524,994</u>	<u>\$3,729,385</u>	<u>\$1,257,754</u>	<u>\$2,476,726</u>	<u>\$3,734,480</u>
Employer contributions						
Employer contributions	\$ -	\$ 106,000	\$ 106,000	\$ 6,000	\$ 137,000	\$ 143,000
Employee contributions	24,907	29,900	54,807	25,919	31,718	57,637
Net investment income/(loss)	(37,875)	(58,228)	(96,103)	(260,482)	(518,748)	(779,230)
Other Income	793	1,680	2,473	990	1,952	2,942
Total additions	<u>(12,175)</u>	<u>79,352</u>	<u>67,177</u>	<u>(227,573)</u>	<u>(348,078)</u>	<u>(575,651)</u>
Benefit payments						
Benefit payments	33,532	24,569	58,101	25,239	23,745	48,984
Refunds	5,316	1,611	6,927	5,453	1,619	7,072
Administrative expenses	2,340	4,904	7,244	1,746	3,440	5,186
Total deductions	<u>41,188</u>	<u>31,084</u>	<u>72,272</u>	<u>32,438</u>	<u>28,804</u>	<u>61,242</u>
Change in net assets	<u>(53,363)</u>	<u>48,268</u>	<u>(5,095)</u>	<u>(260,011)</u>	<u>(376,882)</u>	<u>(636,893)</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR						
	<u>1,257,754</u>	<u>2,476,726</u>	<u>3,734,480</u>	<u>1,517,765</u>	<u>2,853,608</u>	<u>4,371,373</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR						
	<u>\$1,204,391</u>	<u>\$2,524,994</u>	<u>\$3,729,385</u>	<u>\$1,257,754</u>	<u>\$2,476,726</u>	<u>\$3,734,480</u>

COLAs

The DC Human Resources Office announced the following cost-of-living increases for police officer, firefighter, and teacher retirees and their survivors for 2010:

Police and firefighters hired before November 10, 1996	2.7%
Police and firefighters hired on or after November 10, 1996	2.7%
Teachers hired before November 1, 1996	3.4%
Teachers hired on or after November 1, 1996	3.0%

These increases were effective March 1, 2010, and were included in pension payments that were issued on April 1, 2010. Members who retired after March 1, 2009, and before March 1, 2010, are entitled to a prorated COLA equal to 1/12th 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, 2010.

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.

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) 343-3272
(toll free) (866) 456-3272
TTY (800) 877-8339
Fax: (202) 566-5001
Email: dcrb.benefits@dc.gov

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

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Executive Director

**FY 2009 Investment Summary
and Financial Statements**

Inside this DCRB Report:



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