A Message from the Chairman of the Board

I am honored to be the newly elected Chairman of the District of Columbia Retirement Board (DCRB). I was first appointed to the Board by the District of Columbia Council in 2005 and am proud to serve the teachers, police officers, and firefighters of the District of Columbia. Please join me in thanking the outgoing Chairman of the Board, Darrick O. Ross, for his two terms of service. At the February Board of Trustees meeting, the Board also elected the following trustees to serve as officers: Joseph M. Bress, Board Secretary; Lyle M. Blanchard, Treasurer; Judith C. Marcus, Parliamentarian; and Diana K. Bulger, Sergeant-at-Arms.

DCRB’s overall goal is to provide excellent services to our members from their date of hire, throughout their lifetime and their survivors’ lifetimes, while safeguarding the integrity of the Trust. Over the past year, DCRB has been proud to improve performance in the following areas:

Communications with Plan members:
Last fall, DCRB began the implementation of a multi-year communications plan, to enhance our ability to interact with you — the Plan members — by distributing our member newsletter electronically. In the future, DCRB plans to adopt a standardized communication portfolio, including: electronic, user-friendly forms for members, a more interactive website, and improvements in the 
readability of and access to DCRB’s reports.

Automation of Benefits Administration Operations:
During fiscal year 2010, DCRB scanned, imaged, and indexed over 290,000 retirement documents. This completed the entire scanning project, which resulted in the imaging of 3.7 million documents over the past two years. The digitization of these retirement documents will not only protect these important documents, but it will also allow DCRB’s Benefits Staff to provide you with improved customer service.

Continuing to Control Costs:
DCRB has recently taken steps to continue to control costs through the re-negotiation of investment management fees. Our goal is to ensure that our costs are in line with our peers and benchmarks for similar plans across the country. We will continue to negotiate fee reductions whenever possible.

Reduce Investment Risk:
The Board recently approved a new asset allocation policy that exhibits a slightly higher expected return and lower expected risk relative to the former policy. From a risk-budgeting perspective, the new asset allocation policy is intended to result in a more balanced risk allocation and may help to reduce overall Fund volatility.

I look forward to keeping you informed as we continue to improve and expand our services to you.
Fiscal Year 2010 Investment Update

Global Market Review
Markets continued to trend upwards during the first two quarters of fiscal year 2010 (“FY 2010”), following a strong market rally during the second half of FY 2009. A fiscal year runs from October 1 to September 30, so FY 2010 ran from October 1, 2009, to September 30, 2010. The third quarter of FY 2010 saw a sharp reversal, with investors becoming worried about the sustainability of the global recovery, particularly in light of a sovereign debt crisis in Greece and other troubled European economies. However, equity markets rose again during the fourth quarter of FY 2010, as investors’ fears of a further economic slowdown receded in anticipation of new monetary stimulus provided by the Federal Reserve.

Over the course of FY 2010, U.S. equity markets (Russell 3000 Index) increased 11.0%. Non-U.S. equity markets (MSCI All Country World ex U.S. Index) rose 8.4%, partially aided by the appreciation of non-U.S. dollar currencies. Within the non-U.S. equity segment, emerging markets once again outperformed developed markets, generating a positive return of 20.2% vs. 3.3% (in U.S. dollar terms). U.S. bond markets (Barclays Capital U.S. Universal Bond Index) appreciated 8.9%.

Performance Update
At the end of fiscal year FY 2010, the combined assets of the Police Officers’, Firefighters’ and the Teachers’ retirement funds (“the Funds”) were valued at $4.24 billion, a $500 million increase from a year earlier. This increase was primarily driven by a continuing recovery in global financial markets following the crisis of 2008/09. During FY 2010, the Funds generated a return of 10.0% (net of fees), significantly exceeding the actuarial return target of 7.0%. Since its inception in 1982, the Funds’ annualized net return exceeded the actuarial return target by approximately 1.0% per year.

Asset Allocation Update
In June 2010, DCRB hired Meketa Investment Group, an independent investment consulting firm based in Westwood, Massachusetts, to replace TowersWatson as the general investment consultant. As one of its initial projects, Meketa worked closely with DCRB to evaluate the Funds’ existing strategic asset allocation policy. In February 2011, Meketa recommended, and DCRB approved, a number of changes to the policy, which are outlined in the chart on this page. The two primary changes are: 1) a re-balancing of the Funds’ public equities portfolio to increase exposure to growing markets outside the U.S., and 2) a re-allocation of assets from public equities to alternative investments to reduce the Funds’ return volatility and further enhance diversification.

Looking Ahead
The primary task for fiscal year 2011 is the implementation of the recently approved asset allocation changes. This will include a thorough review of the existing investment manager line-up, particularly in the U.S. public equities asset class. In addition, DCRB is currently conducting a search for an alternative investments/real assets consultant, which should be completed in late spring 2011.

Terms to Know:
Annualized net returns: A return for a multi-year (or less than one year) period that is stated as an average annual return, net of investment management fees.
Barclays Capital U.S. Universal Bond Index: An index that measures the performance of U.S. dollar denominated, taxable bonds that are rated either investment-grade or below investment-grade.
Developed Markets: A sector within international stocks made up of countries where the government and economy are more soundly established. According to MSCI, a leading capital market index provider, developed markets account for approximately 86% of the global public equity market.
Emerging Markets: A sector within international stocks made up of developing countries, such as Kenya and China, where economic and political conditions may be more volatile. According to MSCI, emerging markets account for approximately 14% of the global public equity market.
MSCI All Country World Index ex U.S.: An index that measures the performance of the developed (excluding the U.S.) and emerging market countries.
Russell 3000 Index: An index that measures the 3,000 largest U.S. Companies based on size (total market capitalization) and represents approximately 98% of the U.S. equity public market.

2010 Fiscal Year Awards
For the second year in a row, DCRB received the two following awards:

The Public Pension Coordinating Council (PPCC) 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.

The Government Finance Officers Association’s Certificate of Achievement for Excellence in Financial Reporting for our Fiscal Year 2009 Comprehensive Annual Financial Report (CAFR). This certificate is the highest form of recognition in the area of governmental accounting and financial reporting. Please go to www.dcrb.dc.gov and click on the Reports section to view and download DCRB’s CAFR and other agency documents.
Financial Statements
For Fiscal Year 2010, the Board once again received a clean opinion from its external auditor. The following schedules compare the audited FY 2010 financial statements with those of FY 2009.

Statement of Net Assets as of September 30, 2010, and September 30, 2009 ($000s).

<table>
<thead>
<tr>
<th></th>
<th>Teachers' Retirement Fund</th>
<th>Police Officers and Firefighters' Retirement Fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and short-term investments</td>
<td>$69,514</td>
<td>$155,106</td>
<td>$224,620</td>
</tr>
<tr>
<td>Receivables</td>
<td>75,261</td>
<td>153,870</td>
<td>229,131</td>
</tr>
<tr>
<td>Investments at fair value</td>
<td>1,291,887</td>
<td>2,882,591</td>
<td>4,174,478</td>
</tr>
<tr>
<td>Collateral from securities lending</td>
<td>162,369</td>
<td>352,834</td>
<td>515,203</td>
</tr>
<tr>
<td>Capital assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>11</td>
<td>16</td>
</tr>
<tr>
<td>Total assets</td>
<td>1,599,036</td>
<td>3,544,412</td>
<td>5,143,448</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Teachers' Retirement Fund</th>
<th>Police Officers and Firefighters' Retirement Fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other payables</td>
<td>1,926</td>
<td>4,246</td>
<td>6,172</td>
</tr>
<tr>
<td>Investment commitments payable</td>
<td>115,898</td>
<td>258,604</td>
<td>374,502</td>
</tr>
<tr>
<td>Obligations under securities lending</td>
<td>163,742</td>
<td>355,820</td>
<td>519,562</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>281,566</td>
<td>618,670</td>
<td>900,236</td>
</tr>
</tbody>
</table>

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS

Employer contributions | $0 | $132,300 |
Employee contributions  | 29,940 | 31,607 | 61,547 | 24,907 | 29,900 | 54,807 |
Net investment income/(loss) | 123,756 | 270,277 | 396,033 | (37,875) | (58,228) | (96,103) |
Other Income | 695 | 1,555 | 2,250 | 793 | 1,680 | 2,473 |
Total additions | 156,391 | 435,739 | 592,130 | (12,175) | 79,352 | 67,177 |

Benefit payments | 37,611 | 27,872 | 65,483 | 33,532 | 24,569 | 58,101 |
Refunds | 3,374 | 1,974 | 5,348 | 5,316 | 1,611 | 6,927 |
Administrative expenses | 2,327 | 5,145 | 7,472 | 2,340 | 4,904 | 7,244 |
Total deductions | 43,312 | 34,991 | 78,303 | 41,188 | 31,084 | 72,272 |

Change in net assets | 113,079 | 400,748 | 513,827 | (53,363) | 48,268 | (5,095) |

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR

1,204,391 | 2,524,994 | 3,729,385 |

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR

$1,317,470 | $2,925,742 | $4,243,212 |

Net Assets Held in Trust
For Pension Benefits, Beginning of Year | $1,204,391 | 2,524,994 | 3,729,385 |

Net Assets Held in Trust
For Pension Benefits, End of Year | $1,317,470 | $2,925,742 | $4,243,212 |

Employer Contributions | $0 | $132,300 |
Employee Contributions | 29,940 | 31,607 | 61,547 | 24,907 | 29,900 | 54,807 |
Net Investment Income/(Loss) | 123,756 | 270,277 | 396,033 | (37,875) | (58,228) | (96,103) |
Other Income | 695 | 1,555 | 2,250 | 793 | 1,680 | 2,473 |
Total Additions | 156,391 | 435,739 | 592,130 | (12,175) | 79,352 | 67,177 |
Benefit Payments | 37,611 | 27,872 | 65,483 | 33,532 | 24,569 | 58,101 |
Refunds | 3,374 | 1,974 | 5,348 | 5,316 | 1,611 | 6,927 |
Administrative Expenses | 2,327 | 5,145 | 7,472 | 2,340 | 4,904 | 7,244 |
Total Deductions | 43,312 | 34,991 | 78,303 | 41,188 | 31,084 | 72,272 |
Change in Net Assets | 113,079 | 400,748 | 513,827 | (53,363) | 48,268 | (5,095) |

Net Assets Held in Trust
For Pension Benefits, Beginning of Year | $1,204,391 | 2,524,994 | 3,729,385 |

Net Assets Held in Trust
For Pension Benefits, End of Year | $1,317,470 | $2,925,742 | $4,243,212 |
Member Services Center Can Assist You!

DCRB’s Member Services Center is a great resource for Plan members. Whether you need a copy of a form or would like to schedule an appointment to discuss your benefits with a Member Services Representative, the Member Services Center is ready to assist you. To allow our employees to serve you quickly and efficiently, please schedule an appointment by phone or email. By indicating your issue and providing us with your contact information, our specialists can tailor our services to your needs.

**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

---

**Useful Numbers**

D.C. Retirement Board  
900 7th Street, NW  
Second Floor  
Washington, DC 20001  
Voice (202) 442-3200  
Fax (202) 566-5000  
www.dcrb.dc.gov

**Trustees**

- Lyle M. Blanchard  
  Treasurer  
  Council Appointee
- Barbara Davis Blum  
  Mayoral Appointee
- Joseph M. Bress  
  Secretary  
  Council Appointee
- Diana K. Bulger  
  Sergeant-at-Arms  
  Mayoral Appointee
- Joseph W. Clark  
  Mayoral Appointee
- Deborah Hensley  
  Elected Active Teacher
- Judith C. Marcus  
  Parliamentarian  
  Elected Retired Teacher
- Darrick O. Ross  
  Elected Active Police Officer
- Edward C. Smith  
  Elected Active Firefighter
- George R. Suter  
  Elected Retired Police Officer
- Thomas N. Tippett  
  Elected Retired Firefighter
- Michael J. Warren  
  Chairman  
  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

---

**COLA Notices to Members**

The DC Human Resources Office announced the following cost-of-living increases for police officer, firefighter, and teacher retirees and their survivors for 2011:

- Police and firefighters hired before November 10, 1996: 1.5%
- Police and firefighters hired on or after November 10, 1996: 1.5%
- Teachers hired before November 1, 1996: 1.7%
- Teachers hired on or after November 1, 1996: 1.7%

These increases were effective March 1, 2011, and were included in pension payments that were issued on April 1, 2011.

Members who retired after March 1, 2010, and before March 1, 2011, are entitled to a prorated COLA equal to ⅙ 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, 2011.

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.