INVESTMENT POLICY STATEMENT

Approved by the Board of Trustees

Adopted: November 19, 2015
Revised: May 19, 2022

		Page
I.	**Introduction**	**2**
II.	**Statement of Purpose of Investment Policy.**	**3**
III.	**Investment Policy and Objectives**	**3**
	A. Return Objectives	
	B. Risk Objectives	
IV.	**Roles and Responsibilities**	**4**
	A. Key Roles in the Investment Process	
	B. Tables of Roles and Responsibilities	
V.	**Asset Allocation**	**7**
	A. Policy Targets and Ranges	
	B. Rebalancing	
VI.	**Investment Program Structure**	**8**
	A. Investment Constraints	
	B. Permissible Asset Classes	
	C. Expected Returns, Risks, and Correlations for Permissible Asset Classes	
VII.	**Investment Manager Evaluations**	**9**
VIII.	**Investment Cost**	**10**
IX.	**Disclosure of Information**	**10**
X.	**Corporate Governance Standards**	**11**
XI.	**Separate Documents Related to this Policy Statement**	**11**

Appendix A: Board Delegation of Authority to the Executive Director
Appendix B: Board Delegation of Authority to Chief Investment Officer
Appendix C: Permissible Asset Classes

XII.	**Procedures for Amending this Policy Statement**	**11**

District of Columbia Retirement Board

Investment Policy Statement

I. Introduction

The Board is an independent agency of the District of Columbia created by Congress in 1979 under the Retirement Reform Act ("Reform Act," Pub. L. 96-122, *codified at* D.C. Code §§ 1-701 *et seq*.) The Board was given exclusive authority and discretion to manage and control the following retirement funds (the "Funds"):

- The Police Officers and Fire Fighters' Retirement Fund (D.C. Code § 1-712)
- The Teachers' Retirement Fund (D.C. Code § 1-713)

The Reform Act was modified in 1997 with the National Capital Revitalization and Self-Government Improvement Act ("Revitalization Act," Title XI of Pub. L. 105-33, as amended). Under the Revitalization Act, as of June 30, 1997 (the "Freeze Date"), the District of Columbia assumed financial responsibility for retirement benefits for teachers, police officers, and fire fighters based on service accrued after the Freeze Date ("District Benefit Payments") and the U.S. Department of the Treasury assumed financial responsibility for retirement benefits accrued on or before the Freeze Date ("Federal Benefit Payments"). The District subsequently established "Replacement Plans" for the District Benefit Payments in the 1998 Police Officers, Fire Fighters, and Teachers Retirement Benefit Replacement Plan Act ("Replacement Plan Act")[1] while the Federal Benefit Payments are based on terms of the Retirement Plans as of June 30, 1997 ('Frozen Plans"). The Replacement Plan Act modified certain Board responsibilities established in the Reform Act (D.C. Code §§ 1-901 *et seq*).

The Reform Act was further modified in 2004 when the Board assumed certain benefits administration responsibilities for the Retirement Plans from the District of Columbia in 2005, pursuant to the District of Columbia Retirement Protection Improvement Act of 2004 (Pub. L. 108-489) and the Fiscal Year 2005 Budget Support Act of 2004 (Title I, Subtitle B, "Office of Financial Operations and Systems Reorganization Act of 2004," D.C. Law 15-205). The Board also administers Federal Benefit Payments under the Frozen Plans on behalf of the Federal government.

To date, the majority of participants, survivors and beneficiaries currently receive Federal Benefit Payments exclusively. However, an increasing number of participants have service before and after the Freeze Date, and as such, receive both Federal Benefit Payments and District Benefit Payments (referred to as "Split Benefit Payments"). The smallest population of participants, survivors and beneficiaries receive District Benefit Payments only. The number of participants, survivors and beneficiaries receiving Federal Benefit Payments and Split Benefit Payments will decrease and eventually be reduced to zero as the number of participants,

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[1] The Teachers' and Police Officers and Firefighters' Replacement Retirement Plans (the "Retirement Plans") can be found at D.C. Code §§ 38-2021.01 *et seq* and D.C. Code §§ 5-701 *et seq*.

survivors and beneficiaries who derive benefits from service accrued on or before the Freeze Date declines and District Benefit Payments increase

The twelve-person Board is charged with maintaining the Funds to pay District Benefit Payments, prudently investing the assets of the Funds, and managing them on an actuarially sound basis in accordance with its fiduciary duties. Consistent with its fiduciary role as Trustee of the Funds, one of the Board's essential roles is to establish policies and procedures to ensure that the Funds are appropriately governed and managed.

The assets of the Funds are held in trust for the exclusive benefit of all District Retirement Plan members and their eligible survivors and beneficiaries. The assets of the Funds are commingled for investment purposes and can only be used to pay Retirement Plan benefits and associated reasonable administrative expenses.

Pursuant to D.C. Code § 1-711(g)(1), the Board may delegate the management, acquisition, or disposal of assets of the Funds to one or more investment counsel.

II. Statement of Purpose of Investment Policy

This Investment Policy Statement (the "Investment Policy") outlines the Board's investment philosophy and practices; formalizes the Board's investment objectives and policies; serves as the governing document for the management of the assets of the Funds; and defines the duties and responsibilities of the individuals and entities involved in the investment process. The assets of the Funds are managed with the primary objective of achieving a net investment return with acceptable risk considerations and sufficient liquidity to achieve the fully funded status of the Funds. Therefore, the Board must adopt a long-term plan by which the assets of the Funds will be managed prudently to ensure the level of assets adequately covers the accumulated liabilities of the Funds.

III. Investment Policy and Objectives

The Funds are managed in a discretionary portfolio with specific return and risk objectives.

A. Return Objectives
   1. Achieve a net return that meets or exceeds the actuarial investment return target (net 6.25%[2] nominal return) over long periods of time, to allow for a high likelihood of attaining such a return.
   2. Exceed the annualized return of the Funds' Policy Benchmark.

B. Risk Objectives
   1. Maintain a level of risk commensurate with the expected levels of return and consistent with prudent investment practices.

[2] As of October 1, 2021

2. Maintain an appropriate level of liquidity to ensure timely payment of benefits, and other obligations and expenses of the Funds.
3. Diversify exposure to asset class, manager, industry, geographic and company-specific risks (diversifiable risks) in the aggregate investment portfolio, while acknowledging the risks associated with investing in the capital markets (market risks).

IV. Roles and Responsibilities

A. Key Roles in the Investment Process

1. Board of Trustees: The Trustees establish and maintain broad policies, guidelines and objectives for the assets of the Funds. The Trustees provide oversight and set policy for the Funds consistent with the authority granted under the law. They strive to achieve appropriate and consistent investment results on a cost-effective basis for Plan members and beneficiaries, while avoiding unacceptable risk levels.
2. Executive Director: The Executive Director ("ED") has broad authority to manage the daily operations of the Board, as well as limited, delegated authority to enter, negotiate, modify, and terminate contracts in conjunction with the Chief Investment Officer. *See,* Appendix A: Board Delegation of Authority to the Executive Director.
3. Chief Investment Officer: The Chief Investment Officer ("CIO") has authority to manage the investment staff and investment-related duties, as well as limited, delegated authority to enter, execute, negotiate, implement, modify, and terminate contracts in conjunction with the Executive Director. Appendix B: Board Delegation of Authority to the Chief Investment Officer.
4. Investment Consultants: The Investment Consultants serve as fiduciaries who provide expert knowledge, non-discretionary consulting services and advice on the policies, strategies, and procedures related to the investment program. The Investment Consultants provide an independent third-party perspective and quarterly investment performance evaluation and analysis of the investment program. The Investment Consultants assist the CIO; perform due diligence investigations, identify, and access investment opportunities, recommend specific investments and sound asset allocation structure.
5. Custodian Bank: The Custodian Bank holds and safeguards the assets of the Funds, maintains the official books and records, forwards any proxies relating to securities or other property to the appropriate investment manager or the CIO and processes them as directed, prepares and delivers securities for settlement, temporarily invests cash balances, executes foreign exchange conversions, provides performance reports and serves as an additional layer of risk control in the safekeeping of assets of the Funds by jointly monitoring the portfolio and investment manager guidelines.
6. Investment Managers: Investment Managers invest assets in accordance with their written contracts and guidelines. Generally, Investment Managers execute investment transactions on behalf of the Board in a manner that maximizes the risk-adjusted, investment value of their mandate from the Funds' viewpoint, utilizing

brokers and dealers as they deem appropriate to obtain the best execution capabilities.

7. Actuary: At the request of the Trustees, the Actuary performs an annual valuation on the basis of the entry age normal funding method and in accordance with generally accepted actuarial principles and practices with respect to each separate plan comprising the Funds. In every second year, the Board will request the Actuary to investigate of the economic and demographic experience of the Plans to assess the reasonableness of the actuarial assumptions (Experience Study).

B. Tables of Roles and Responsibilities

1. The tables below summarize the roles and responsibilities of the various parties responsible for management and administration of the Board's investment program. All parties listed below are fiduciaries, except for certain private markets managers.

INVESTMENT POLICY ROLE	BOARD of TRUSTEES	STAFF	INDEPENDENT 3RD PARTY
Determine investment objectives and constraints	Approves	Input/Recommend: CIO	Recommends: Investment Consultants
Conduct strategic asset allocation study, set target rate of return, and select asset allocations mix, and target and ranges	Approves	Input/Recommend: CIO	Recommends: Investment Consultants
Establish alpha risk budget	Approves	Input and Recommend: CIO	Recommends: Investment Consultants
Select benchmarks for performance measurement	Monitors/ Reviews	Input/Recommend: CIO	Input/Recommend: Investment Consultants
Establish and modify investment policies	Approves	Input/Recommend: CIO	Input/Recommend: Investment Consultants
Conducts investment education	Attendance is Required	Input/Recommend: CIO	Input/Recommend: Investment Consultants, Advisors and Experts.
Develops positions on investment-related legislation	Recommends and Approves	Recommends: CIO, ED, General Counsel (GC)	Input: Investment Consultants, Outside Counsel

INVESTMENT IMPLEMENTATION ROLE	BOARD of TRUSTEES	STAFF	INDEPENDENT 3RD PARTY
Selection of Custodian Bank, Investment Consultants and Actuary	Approves	Assists in Evaluation: ED, CIO, GC	Input: Investment Consultants, as needed
New assets, strategies, and products	Approves	Recommends: CIO	Recommends: Investment Consultants
Portfolio and asset class structuring	Approves	Recommends: CIO	Recommends: Investment Consultants
Manager hiring/redemptions/terminations	Approves	Recommends: CIO	Recommends: Investment Consultant
Private market investments annual commitment budget	Approves	Recommends: CIO	Recommends: Investment Consultant
Investment guidelines for investment managers	Receives periodic updates	Negotiates, Implements, Executes: ED and CIO (in consultation GC)	Input: Investment Consultants Reports: Custodian Bank, Investment Consultants Input/Adherence: Investment Managers
Contract negotiation and execution (e.g., initiation, amendments, and recommitments)	Monitors	Negotiates, Executes and Reports: ED and CIO (in consultation with GC)	Input: Investment Consultants and Investment Managers; Outside Counsel
Rebalancing within target allocation ranges and for liquidity management	Monitors	Approves and Reports: CIO	Input: Investment Consultants
Rebalancing outside of target allocation range	Approves	Recommends: CIO	Input: Investment Consultants
INVESTMENT MONITORING AND REPORTING ROLE	**BOARD of TRUSTEES**	**STAFF**	**INDEPENDENT 3RD PARTY**
Investment manager oversight and due diligence	Receives periodic updates	Reports: CIO	Reports: Investment Consultants/Custodian Bank
Evaluation of investment policy decisions (attribution, risk budgeting)	Monitors/Reviews	Reports: CIO	Reports: Investment Consultants

Investment performance evaluation (overall, sector-level, manager-level)	Monitors/Reviews	Reports: CIO	Reports: Investment Consultants/Investment Managers
Peer and benchmark comparison	Monitors/Reviews	Monitors/Reviews: CIO	Reports: Custodian Bank/ Investment Consultants
Annual review of asset classes	Reviews	Reviews: CIO and CFO	Reports: Investment Consultants
Quarterly investment activity (additions, withdrawals, and terminations)	Monitors/Reviews	Reports/Monitors: CIO and CFO	Monitors: Investment Consultants and Custodian Bank

V. Asset Allocation

A. Policy Targets and Ranges

The Trustees will engage the Investment Consultants with assistance from the Actuary, to conduct an asset and liability study (Asset Allocation Study) every 3-5 years from which a strategic asset allocation is established that identifies the percentage of the Funds that are to be invested in each asset class based on an analysis of the liability structure and expected market conditions over an appropriately long horizon.

The desire to maintain the constant strategic mix must be balanced with the cost of portfolio rebalancing. Trustees establish risk tolerance by considering the assets of the Funds' ability to withstand short and intermediate term characteristics (including relative market volatility) of various asset classes, with a focus on balancing risk and expected return as well as liquidity/cash management. The Trustees establish allowable ranges within which an asset allocation can move without explicitly requiring rebalancing transactions. The allowable ranges guide asset class and Investment Manager rebalancing decisions made by the CIO, with input from the Investment Consultants. The current target allocation and rebalancing ranges are listed in the current Asset Allocation Policy.

Private markets (alternatives) target allocations have a long-term investment ramp-up period. Thus, pending capital contributions, specific allocations may be temporarily invested in other assets. The target allocation and allowable ranges of the affected asset classes may be temporarily altered as a result and will be reflected in an *interim benchmark*.

B. Fund Rebalancing

The primary strategic objectives of rebalancing are to mitigate risk and enhance returns while meeting liquidity needs. The tactical risk mitigation objective is to keep the asset allocation within allowable ranges and the overall investment structure of the Funds consistent with strategic targets. Due to market movements, actual asset allocations will inevitably deviate from target allocations. These deviations may cause the Funds to diverge from the Trustee-approved allocations and the corresponding risk and return expectations. This divergence, or tracking error, introduces the possibility that the Funds may not achieve returns expected by the Trustees at prudent risk levels. The CIO, in consultation with the Investment Consultants is authorized to rebalance asset class exposures as necessary and prudent in accordance with the Board's Rebalancing Investment Policy[3] and report any rebalancing activity to the Trustees.

VI. Investment Program Structure

Allocating funds to various types of investments is critical to structuring an optimal diversified portfolio expected to meet the investment objectives. Investments are not restricted by asset class or type and may include any investment deemed prudent by the Trustees. All funds in the investment portfolio are managed by external Investment Managers who serve at the pleasure of the Board. Investment Managers are prohibited from entering into any transactions that are not expressly authorized by this Investment Policy or by specific investment manager guidelines (incorporated by reference into the investment management agreement). Investment Managers must obey all applicable laws and regulations. All Investment Managers and Investment Consultants must disclose any and all economic positions that may conflict with the Board's investment objectives.

Periodically, an investment crisis arises that may require action between regularly scheduled Board meetings, such as an investment management key person may depart unexpectedly, a natural disaster may deny investment professionals access to necessary information, or some other unforeseen emergency situation. The Emergency Response Team is empowered to take necessary action between meetings for subsequent ratification by the Trustees to protect the integrity of the Funds.[4]

A. Investment Constraints

The Trustees desire the assets of the Funds to be invested at all times in accordance with applicable District and federal laws. The Trustees will retain legal counsel when appropriate to review contracts.

1. Time Horizon

The Funds will be managed on a going-concern basis. The assets of the Funds will be invested with a long-term time horizon consistent with the Plan's demographics, its actuarial duration, and the purpose of the assets of the Funds.

2. Liquidity

[3] The Rebalancing Investment Policy was adopted and approved on October 21, 2010, and revised on September 28, 2017.

[4] The Emergency Response Team was formed November 18, 2010.

The Board intends to maintain sufficient liquidity in the Funds to meet anticipated beneficiary payments and administrative expenses.

3. Tax Considerations

The Funds are tax-exempt organizations as described in Section 115 of the Internal Revenue Code ("Code") and the Funds are qualified trusts under Section 401(a) of the Code, thereby all gains and income associated with the assets of the Funds are exempt from federal income tax under Section 501(a) of the Code. Therefore, investments and strategies will be evaluated on a basis that is indifferent to taxable status, except when Unrelated Business Income Tax[5] (UBIT) is a concern.

B. Permissible Asset Classes

Investment in a particular asset class may or may not be consistent with the objectives of the Funds, and the Trustees have specifically indicated in Appendix D those asset classes that may be utilized when investing the assets of the Funds. In addition to the asset class categories, the Trustees decided that:

1. No single investment manager will be allocated more than 30% of the asset value of the Funds.
2. No single active product of an investment manager will be allocated more than 20% of the asset value of the Funds.
3. For private investments, the Funds shall not comprise more than 20% of total fund commitments (including funds committed to parallel vehicles and measured at final closing) to a single private commingled fund.
4. The Board will not make direct investments in the stocks, securities or other obligations of certain companies which are in the business of building or operating private prisons or correctional/detention facilities.

C. Expected Returns, Risks, and Correlations for Permissible Asset Classes

The risk and return behavior of the Funds will be driven primarily by the allocation of investments across asset classes. In determining the appropriate allocation, the expected return and risk behavior of each asset class and the likely interaction of various asset classes in a portfolio must be considered. The current Asset Allocation Policy lists the expected return, volatility, and correlations for each permissible asset class.

VII. Investment Manager Evaluations

[5] Even though an organization is recognized as tax exempt, it still may be liable for tax on its unrelated business income. For most organizations, unrelated business income is income from a trade or business, regularly carried on, that is not substantially related to the tax-exempt purpose of that organization.

The Trustees' time horizon to review performance trends will normally be over a full market cycle, although other time periods may be deemed important. Any extreme or unusual events or trends will be considered when evaluating intermediate and short-term investment results. The Investment Watch List Policy[6] assists the Trustees, CIO, and Investment Consultants in applying consistent criteria to evaluate Investment Managers.

VIII. Investment Costs

The CIO and Investment Consultants will monitor and attempt to control investment costs at every level of the Funds.

A. Professional fees and expenses will be negotiated whenever possible.
B. Where appropriate, passive portfolios will be used for asset allocation and index replication and to minimize investment management fees, risk, and portfolio turnover.
C. If possible, assets will be transferred in-kind during investment manager transitions and restructurings of the assets of the Funds to eliminate unnecessary turnover expenses.
D. Investment Managers of public securities will be instructed to minimize brokerage and execution costs.

IX. Disclosure of Information

The Board is not required to disclose information relating to trade secrets or financial or commercial information that is required to be kept confidential by an Act of Congress or the District of Columbia, or that has been received by the Board on a confidential basis in order to prevent undue injury to the competitive position of any person. In addition, the Board will not release deliberations or tentative or final decisions on investment or other financial matter, the disclosure of which may jeopardize the ability of the Board to implement an investment decision or achieve investment objectives.[7] Accordingly, investment recommendations will not be released to the public until (1) the release of the information would not adversely affect the negotiation for or market price of a security and (2) completion of a proposed purchase or sale of certain assets has been completed or full implementation of the decision of the Board.

A. Policy regarding "top line" information

   Consistent with its investment agreements, the Board may disclose Fund level information in alternative investment funds structured as limited partnerships or similar investment entities include the following data:

   1. Name of Fund
   2. Investment focus of Fund
   3. Vintage Year of Fund

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[6] The Investment Watch List Policy was approved and adopted on November 18, 2010.
[7] See, D.C. Code §§ See D.C. Code §§ 2-575(b)(1), (2), (11) and 1-909.05(e), (f) (2001).

4. Amount of the Board capital commitment to Fund (broken down by Funded and Unfunded Capital Commitments)
5. Total amount of distributions from the Fund to the Board
6. Reported value of the Board's Interest in the Fund
7. Fund-level Internal Rate of Return

B. Policy with regard to "bottom line" information

The Board should not voluntarily disclose "bottom line" information. Bottom line information includes the following data:

1. Name of each portfolio company within a Fund and description of the portfolio company's business
2. Cost of each portfolio company
3. Current value of each portfolio company
4. Specific performance and material events related to a portfolio company

X. Corporate Governance Standards

The Board is committed to improve corporate governance practices of the companies within the Funds by periodically updating its Environmental, Social and Governance Policy, by voting proxies, by responding to regulatory and legislative proposals that affect the asset value of the Funds, and by participating in specific or class action securities litigation.

The Board's staff will seek to develop best practices by fostering relationships with groups working to improve and enhance corporate governance practices, soliciting input from other plan sponsors, and considering best corporate governance practice recommendations from organizations.

XI. Separate Documents Related to this Policy Statement

The following documents are incorporated by reference into this Investment Policy and are appended.

A. Asset Allocation Investment Policy, adopted and approved July 18, 2013, revised November 17, 2016, September 23, 2021
B. Conflict of Interest Guidelines, amended March 2006
C. Investment Committee Charter, adopted and approved July 17, 2014, revised May 18, 2017
D. Derivative Policy and Procedure Addendum, adopted and approved May 16, 2013
E. Environmental, Social, and Governance Policy, adopted and approved November 21, 2013
F. Funding Policy, adopted and approved November 15, 2012, revised June 22, 2017
G. Governance Policy for Alternative Investments, amended January 22, 2015, revised September 28, 2017
H. Investment Policy Statement for Private Credit Investments, adopted and approved May 19, 2022

I. Investment Policy Statement for Private Equity Investments, adopted and approved July 19, 2012, revised September 28, 2017
J. Investment Policy Statement for Real Assets, adopted and approved January 22, 2015, revised September 28, 2017, June 20, 2019, April 22, 2021
K. Rebalancing Investment Policy, adopted and approved October 21, 2010, revised November 17, 2016, September 28, 2017
L. Securities Litigation Policy, amended May 18, 2006
M. Investment Watch List Policy, adopted and approved November 18, 2010, revised June 22, 2017, June 21, 2018
N. Proxy Voting Guidelines, adopted and approved September 15, 2016, revised March 17, 2022

XII. Procedures for Amending this Policy Statement

This Investment Policy may be amended from time to time by a majority vote of the Trustees.

APPENDIX C: PERMISSIBLE ASSET CLASSES

Asset Class
Public Domestic Equity
Public Foreign Developed Market Equity
Public Foreign Emerging Market Equity
Private Equity
US Government Bonds
Investment Grade Bonds
TIPS
High Yield Bonds
Bank Loans
Private Credit / Direct Lending
Foreign Bonds
Emerging Market Debt
Public and Private Real Estate
Infrastructure
Natural Resources

Board Motion Tally			Date: April 22, 2021		
To prohibit DCRB's direct investment in the stocks, securities or other obligations of certain companies which are in the business of building or operating private prisons, correctional/detention facilities.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Clark, Joseph W., Chair	√				
Adams, Janice M.	√				
Blanchard, Lyle M.	√				
Bress, Joseph M.	√				
Collins, Mary A.		√			
Grambo, Geoffrey P.	√				
Gregg, Danny C.	√				
Harris, Tracy S.	√				
Pemberton, Greggory J.					√
Saunders, Nathan A.		√			
Smith, Edward C.		√			