



# DCRB Report

SPRING 2007

## A Message from the New Chairman of the Board

At its February 2007 meeting, the District of Columbia Retirement Board (DCRB) members elected me to serve as Chairman of the Board for the next twelve-month period. I appreciate my colleagues' electing me to this very important leadership post, and I pledge to work with them to chart the Board's strategic course for the next several years. The Board also elected the following trustees to serve as officers during the next year: Judith Marcus, Secretary; Mary Collins, Treasurer; Darrick Ross, Parliamentarian; and George Suter, Sergeant-at-Arms.

### Chairman's Corner



In addition, I named the following trustees to chair Board committees: Barbara Davis Blum, Investment Committee; Mary Collins, Benefits Committee; Judith Marcus, Operations Committee; Lyle Blanchard, Legislative Committee; Shireen Dodson, Emerging Enterprises Committee; and Michael Warren, Strategic Planning and Policy Committee.

Before identifying some of the Board's goals for the coming year, I'd like to thank Shireen Dodson, on behalf of the Board, for her service as Chairman of the Board over this past year.

As you will note in the following pages, the Board was successful in producing investment results last year that continue to exceed the assumed actuarial rate of return for the Funds. In addition, the Benefits Administration function was transitioned to the Board, and we have begun a new pre-retirement counseling services program.

Over the course of the next twelve months, the Board will continue to diversify the Funds' assets, and we will begin a program to review and upgrade our technology to enable us to bring the most up-to-date services to our members. We will keep you apprised of our progress in both of these areas in subsequent editions of this Report.

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.

### COLA

On January 30, 2007, notifications indicating the percentage of annual cost-of-living increases for retirees and beneficiaries were issued by the DC Office of Personnel. These increases, which were included in April annuity payments, are as follows:

- 2.6% Police Officers and Firefighters
- 2.4% Teachers

Members who retired after March 1, 2006 and before March 1, 2007, 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, 2007.

Police officers and firefighters who retired before February 15, 1980 are under equalization rather than COLAs, and receive annuity adjustments based on pay increases granted to active members.

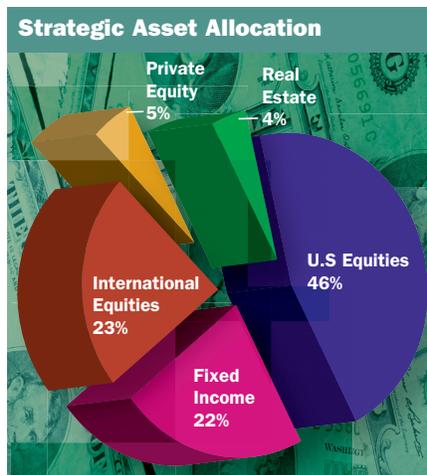
# Fiscal Year 2006 Annual Report Summary and Schedules

As of September 30, 2006, the Funds' assets equaled \$3.62 billion, an increase of approximately 15% from the total asset value at the end of FY 2005. The Funds returned 10.4% during FY 2006. Public equity markets continued to perform well during FY 2006, as world stock markets rallied for the fourth straight year. The performance of the Funds exceeded the assumed actuarial investment rate of return of 7.25% for the 3-year, 5-year, and 10-year periods ended September 30, 2006, by approximately 480 basis points, 130 basis points, and 145 basis points, respectively, on an annualized basis. Since October 1982, the Funds have earned an average annualized return of 10.5%.

The Russell 3000 Index, a broad-based U.S. equity index, rose 10.2% during the fiscal year. Non-U.S. (international) equity markets outperformed U.S. stocks for the fifth consecutive year, with the MSCI Europe, Australia, Far East (EAFE) Index increasing 14.5% during the 12-month period ended September 30, 2006. Private equity investments enjoyed strong performance for the second straight year, with the Cambridge Private Equity Index rising 22.5% for the 1-year period. The domestic investment grade bond market struggled during the 12-month period ending September 30, 2006, finishing with a modest 3.1% return as measured by the Lehman Brothers Aggregate Bond Index. The lackluster performance of the bond market was typically a result of rising levels of core inflation, Federal Reserve Board interest rate hikes aimed to keep inflation at bay, and a yield curve that was sometimes inverted (meaning short-term yields exceeded long-term yields), a phenomenon that is often a precursor of a recession.

During FY 2006, the Board maintained its strategic asset allocation targets as follows:

	Target Allocation	Allowable Range	Allocation as of 9/30/06
U.S. Equities	40%	35%-45%	46%
Fixed Income	25%	20%-30%	22%
International Equities	20%	15%-25%	23%
Private Equity	10%	7%-13%	5%
Real Estate	5%	2%- 8%	4%



As of September 30, 2006, all asset classes were within their respective target allocation ranges, with the exception of private equity and a slight overweight to U.S. equities. Due to the difficulties involved in deploying large amounts of capital expeditiously in the private equity asset class, it may take several years until the Board reaches full exposure to private equity. Thus, U.S. equities will be used as a proxy for exposure to private equity until this strategy can be fully implemented. During FY 2006, the Board took important steps in moving toward its target private equity and real estate allocations.

The Board reviewed the investment structure of its non-U.S. equity segment during FY 2006 and decided to change the segment's benchmark from the MSCI

EAFE Index to the MSCI All Country World ex-US Index in order to reflect the broader scope of international equity markets, including emerging markets. The Board also reviewed the investment structure of its fixed income segment, electing to change the segment's benchmark from the Lehman Brothers Aggregate Bond Index to the Lehman US Universal Index, which includes high yield and emerging market debt.

Going forward in FY 2007, the Board intends to continue the implementation of its strategic asset allocation policy. The Board will also 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 will conduct manager searches, when necessary, to enhance the performance of the Funds.

## 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 2006, the Board once again received a clean opinion from its outside auditor. The following schedules compare the audited FY 2006 financial statements with those of FY 2005.

**STATEMENT OF NET ASSETS** as of September 30, 2006 and 2005 (\$000s)

	Teachers' Retirement Fund		Police Officers' & Firefighters' Retirement Fund	
	2006	2005	2006	2005
Investments & accrued interest	\$1,447,628	\$1,286,924	\$2,597,641	\$2,209,620
Benefit contributions receivable	1,630	945	955	937
Fixed assets, net book value	30	50	51	86
Due from District government	61	0	109	0
Total Assets	1,449,349	1,287,919	2,598,756	2,210,643
Liabilities				
Liabilities under securities lending transactions	153,727	130,647	274,501	224,265
Accounts payable — investment expenses	1,105	921	1,976	1,581
Due to Federal government	15,378	12,314	12,068	9,150
Due to District government	0	1488	0	2,555
Due to Charter Schools	0	28	0	0
Total Liabilities	170,210	145,398	288,545	237,551
Net Assets Held in Trust for Pension Benefits	\$1,279,139	\$1,142,521	\$2,310,211	\$1,973,092

**STATEMENT OF CHANGES IN NET ASSETS** Years Ended September 30, 2006 and 2005 (\$000s)

	Teachers' Retirement Fund		Police Officers' & Firefighters' Retirement Fund	
	2006	2005	2006	2005
Additions				
Contributions:				
District	\$15,500	\$9,200	\$117,500	\$112,100
Employees	25,807	24,778	25,142	23,804
Total Contributions	41,307	33,978	142,642	135,904
Investment Income:				
Net appreciation (depreciation) in fair value of investments	86,084	106,378	148,175	182,608
Interest and dividends, net of interest expense	37,715	34,159	71,057	58,379
Subtotal	123,799	140,537	\$219,232	240,987
Less:				
Investment Expenses	3,685	3,204	7,143	5,472
Net investment income	120,114	137,333	212,089	235,515
Total Additions	161,421	171,311	354,731	371,419
Deductions				
Benefit Payments	23,793	20,869	15,795	13,564
Administrative expenses	1,010	2,210	1,817	3,789
Total Deductions	24,803	23,079	17,612	17,353
Net Increase (Decrease)	136,618	148,232	337,119	354,066
Net Assets Held in Trust for Pension Benefits:				
October 1	1,142,521	994,289	1,973,092	1,619,026
September 30	\$1,279,139	\$1,142,521	\$2,310,211	\$1,973,092

**Participants as of September 30, 2006**

<b>Active Participants</b>	<b>Teachers</b>		<b>Police Officers</b>		<b>Firefighters</b>	
Number	5,088		3,747		1,509	
Average Age	45.9		38.9		38.9	
Average Service	11.9		12.5		12.9	
Average Pay	\$64,369		\$65,001		\$64,508	
<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	2,017	4,907	549	3,135	166	933
Average Age	63.9	71.5	55.5	62.3	55.8	65.2
Average Benefit	\$7,493	\$38,250	\$8,212	\$47,046	\$11,924	\$55,019
<b>Beneficiaries</b>						
Number	71	457	181	1,309	48	491
Average Age	47.9	69.4	31.3	65.2	28.7	69.8
Average Benefits	\$4,442	\$17,483	\$4,045	\$22,781	\$4,413	\$24,638
<b>Disabled</b>						
Number	87	455	217	1,283	46	500
Average Age	57.2	70.7	44.8	63.8	51.2	69.2
Average Benefit	\$7,219	\$26,204	\$17,061	\$38,934	\$11,711	\$45,363
<b>Terminated Vested</b>						
Number	612	981	79	215	15	29
Average Age	45.7	52.6	41.5	54.3	42.1	49.3
Average Benefit	\$4,827	\$7,977	\$8,952	\$11,672	\$5,393	\$11,153

\* Federal and District payments combined.

**TRUSTEES**

Lyle M. Blanchard  
*Council Appointee*

Barbara Davis Blum  
*Mayoral Appointee*

Mary A. Collins  
*Treasurer*  
*Elected Active Teacher*

Shireen L. Dodson  
*Council Appointee*

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

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

Joan Parrott-Fonseca  
*Mayoral Appointee*

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

William H. Simons  
*Mayoral Appointee*

George R. Suter  
*Sergeant-at-Arms*  
*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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www.dcrb.dc.gov

Constance A. Donovan  
*Acting Executive Director*

**Annual Report to Members**

**Inside DCRB Report this month:**



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