



# DCRB Report

SPRING 2008

## A Message from the Chairman of the Board

During our Board meeting on February 21, 2008, my fellow trustees elected me to serve as their Chairman for another year. I am pleased to serve for a second term and appreciate my colleagues' giving me the opportunity to complete the important initiatives and projects that we started last year. During that meeting, the following trustees were elected to serve as officers for 2008: Judith Marcus, Secretary; Mary Collins, Treasurer; Darrick Ross, Parliamentarian; and George Suter, Sergeant-at-Arms.

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

I am also very pleased to advise you that Mayor Fenty has reappointed Trustee Barbara Davis Blum to serve another term on the Board. Ms. Blum has served as Chair of the Investment Committee over the past seven years, a time during which the Fund has experienced strong returns and significant growth in assets.

Additionally, I announce that the Mayor has appointed Diana K. Bulger and Joseph W. Clark to serve on the Board. Ms. Bulger is Director of Public Relations for the Washington Fairmont Hotel and Mr. Clark is an attorney with the law firm of Jones Day. The other trustees, staff and I are pleased they are joining us and look forward to working with them.

As is evident on pages 2 and 3, the Fund's investment results have continued to exceed our targeted assumed actuarial rate of return of 7.25%. In fact, the Fund achieved a very healthy return of 16.8% during fiscal year 2007. While the economy has recently slowed significantly, the Board promotes investing with a long-term strategy and horizon to weather the market's volatility.

During fiscal year 2007, the Board also focused on the technology we use to provide services to our members. Following the completion of a Technology Road Map last fall, the Board's Benefits Department began a project that will result in transforming our retirement processing from its current manual and paper-based activity into one that is totally electronic.

Over the next year, the Board will continue to focus on maximizing the Fund's investment returns, reducing the turnaround time for providing initial payments to new retirees and survivors, and moving our customer services into the digital age. We will keep you informed of our progress on these important projects as we move forward.

### Chairman's Corner



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

The following cost of living adjustments (COLAs) for retired police officers, firefighters, and teachers and their survivors were effective March 1, 2008 and were included in pension payments issued on April 1.

Police and firefighters hired before Nov. 10, 1996	4.1%
Police and firefighters hired on or after Nov. 10, 1996	3.0%
Teachers hired before Nov. 1, 1996	4.4%
Teachers hired on or after Nov. 1, 1996	3.0%

Members who retired after March 1, 2007 and before March 1, 2008, received 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, 2008.

Police and firefighters who retired before February 15, 1980 receive equalization payments based on pay increases granted to active members and, therefore, do not receive COLAs.

# Fiscal Year 2007 Summary Annual Report

As required by the Retirement Reform Act, the Board is pleased to provide participants and beneficiaries of the District of Columbia Police Officers' and Firefighters' Retirement Plan and the District of Columbia Teachers' Retirement Plan with the following summary report of activities and investment results for the fiscal year that ended on September 30, 2007. The full actuarial valuation and audited financial statements for the Funds for fiscal year 2007 (FY 2007) can be found on the Board's web site at [www.dcrb.dc.gov](http://www.dcrb.dc.gov).

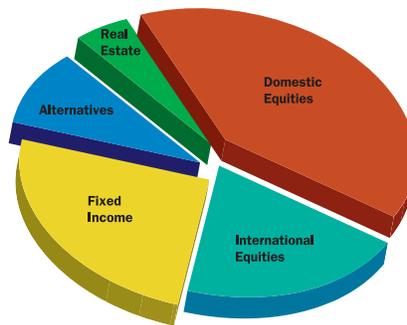
As of September 30, 2007, the Fund's assets equaled \$4.41 billion, an increase of approximately 22% compared with the end of FY 2006, after payment of all benefits and other administrative expenses and obligations. The performance of the Fund exceeded the Board's actuarial assumed rate of return of 7.25% for the 1-year, 3-year, 5-year, and 10-year periods ended September 30, 2007, by approximately 955 basis points, 645 basis points, 655 basis points, and 65 basis points, respectively, on an annualized basis. Since its inception in October 1982, the Fund has earned an annualized return of 10.8%.

Public equity markets continued to perform well during FY 2007, as world stock markets rallied for the fifth straight year. In the U.S., the Russell 3000 Index rose 16.5% during the period. Non-U.S. equity markets outperformed U.S. stocks for the sixth consecutive year, with the MSCI ACWI ex-U.S. Index increasing 30.5% during the 12-month period ended September 30, 2007. Fixed income was again the worst performing asset class during FY 2007, with the Lehman Brothers U.S. Universal Bond Index return-

ing 5.3%. Toward the end of FY 2007, the markets were hit with widening concerns over declining home prices and sub-prime mortgages that had proliferated in recent years. Fortunately, the Fund was only minimally impacted by this credit crisis during FY 2007, as sub-prime mortgages accounted for less than 0.5% of the Fund as of September 30, 2007.

During FY 2007, the Board maintained its strategic asset allocation targets, which had been established in FY 2003. The asset/liability study that was conducted at that time was updated in FY 2005, and asset targets remain as follows:

Asset Class	Target Allocation
Domestic Equities	40%
International Equities	20%
Fixed Income	25%
Alternatives	10%
Real Estate	5%



As of September 30, 2007, all asset classes were within their respective target allocation ranges, with the exception of fixed income and alternatives. It is expected that the fixed income segment, which was less than 1% below the lower end of its target range, will be brought into line within the first few months of FY 2008. Due to the time element involved in reaching full exposure in alternatives, U.S. public equities

will be used as a proxy until the strategy can be fully deployed.

The Board continued to rebalance its investment managers' portfolios during FY 2007 in accordance with the Board's rebalancing policy. Variances from investment style targets were rebalanced as needed in a manner that maintained the overall integrity of the asset class structure.

During FY 2008, the Board intends to continue the implementation of its strategic asset allocation policy. 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, in order to enhance the performance of the Fund.

## 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 2007, the Board once again received a clean opinion from its outside auditor. The following schedules compare the audited FY 2007 financial statements with those of FY 2006.

**STATEMENT OF NET ASSETS** as of September 30, 2007 and 2006 (\$000s)

	Teachers' Retirement Fund		Police Officers' & Firefighters' Retirement Fund	
	2007	2006	2007	2006
Investments & accrued interest	\$1,696,048	\$1,447,628	\$3,185,118	\$2,597,641
Employee contributions receivable	1,419	1,630	1,052	955
District contributions receivable	7,464	7,464	0	0
Fixed assets, net book value	9	30	15	51
Due from District government	0	61	0	109
Due from other agencies	6	0	11	0
Total Assets	1,704,946	1,456,813	3,186,196	2,598,756
Liabilities				
Liabilities under securities lending transactions	166,852	153,727	311,863	274,501
Accounts payable — investment expenses	1,565	1,105	2,926	1,976
Due to Federal government	16,708	15,378	13,955	12,068
Due to District government	2,056	0	3,844	0
Total Liabilities	187,181	170,210	332,588	288,545
Net Assets Held in Trust for Pension Benefits	\$1,517,765	\$1,286,603	\$2,853,608	\$2,310,211

**STATEMENT OF CHANGES IN NET ASSETS** Years Ended September 30, 2007 and 2006 (\$000s)

	Teachers' Retirement Fund		Police Officers' & Firefighters' Retirement Fund	
	2007	2006	2007	2006
Additions				
Contributions:				
District	\$14,600	\$15,500	\$140,100	\$117,500
Employees	26,793	25,807	27,489	25,142
Total Contributions	41,393	41,307	167,589	142,642
Investment Income:				
Net appreciation (depreciation) in fair value of investments	183,224	86,084	335,005	148,175
Interest and dividends, net of interest expense	38,419	37,384	72,403	70,452
Gross earnings on security lending transactions	9,326	7,121	17,438	13,043
Subtotal	230,969	130,589	424,846	\$231,670
Less:				
Investment expenses	4,373	3,685	8,170	7,143
Borrower rebates and agent fees on security lending	8,865	6,790	16,244	12,438
Net investment income	217,731	120,114	400,432	212,089
Total Additions	259,124	161,421	568,021	354,731
Deductions				
Benefit payments	25,801	23,793	20,587	15,795
Administrative expenses	2,161	1,010	4,037	1,817
Total Deductions	27,962	24,803	24,624	17,612
Net Increase (Decrease)	231,162	136,618	543,397	337,119
Net Assets Held in Trust for Pension Benefits:				
October 1 (as previously reported)	1,286,603	1,142,521	2,310,211	1,973,092
Prior period adjustment	0	7,464	0	0
October 1	1,286,603	1,149,985	2,310,211	1,973,092
September 30	\$1,517,765	\$1,286,603	\$2,853,608	\$2,310,211

**Participants as of September 30, 2007**

<b>Active Participants</b>	<b>Teachers</b>		<b>Police Officers</b>		<b>Firefighters</b>	
Number	5,027		3,844		1,706	
Average Age	45.6		39.2		37.5	
Average Service	11.6		12.7		11.5	
Average Pay	\$69,567		\$67,902		\$64,679	
<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	2,192	4,968	598	3,132	210	957
Average Age	64.6	71.8	56.5	63.0	56.9	65.8
Average Benefit	\$9,989	\$39,322	\$12,209	\$48,511	\$16,393	\$57,642
<b>Beneficiaries</b>						
Number	82	452	170	1,295	47	491
Average Age	47.5	69.6	32.3	65.6	30.5	70.0
Average Benefits	\$4,003	\$17,772	\$4,615	\$23,579	\$6,207	\$25,512
<b>Disabled</b>						
Number	90	440	238	1,272	51	493
Average Age	58.2	71.3	45.6	64.1	51.0	69.4
Average Benefit	\$11,314	\$26,780	\$17,313	\$39,918	\$13,133	\$46,513
<b>Terminated Vested</b>						
Number	645	999	61	196	24	38
Average Age	46.0	52.8	42.0	56.2	44.0	49.1
Average Benefit	\$5,279	\$7,861	\$8,514	\$10,652	\$9,601	\$15,292

\* Federal and District payments combined.

**TRUSTEES**

Lyle M. Blanchard  
*Council Appointee*

Barbara Davis Blum  
*Mayoral Appointee*

Diana K. Bulger  
*Mayoral Appointee*

Joseph W. Clark  
*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*

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

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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Washington, DC 20001  
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Eric O. Stanchfield  
*Executive Director*

**Annual Report to Members**

**Inside DCRB Report this month:**



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