District of Columbia Retirement Board

a Pension Trust Fund of the District of Columbia

Comprehensive Annual Financial Report

For the fiscal years ended September 30, 2013 and 2012

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For the fiscal years ended September 30, 2013 and 2012

Prepared by the District of Columbia Retirement Board's Finance Department
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March 31, 2013

Board of Trustees
District of Columbia Retirement Board
900 7th Street N.W.
2nd Floor,
Washington, D.C. 20001

Eric O. Stanchfield,
Executive Director

Dear Board Members:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the District of Columbia Retirement Board (DCRB or the Board) for the fiscal years ending September 30, 2013 and 2012.

During the fiscal year ending September 30, 2013, DCRB completed 34 years of service and continued its mission to prudently invest the assets of the pension plans of the police officers, firefighters, and teachers of the District of Columbia, while providing those employees with retirement services. Our on-going objective is to provide services to our members from their date of hire, throughout their lifetime and their survivors' lifetimes, while safeguarding the integrity of the Trust.

DCRB has exclusive authority and discretion to manage the assets of the District of Columbia Teacher's Retirement Plan and the District of Columbia Police Officers and Firefighters' Retirement Plan (collectively referred to as the Plans) and to provide participants with retirement services. Our goal is to provide these services to our members from their date of hire, throughout their lifetime and their survivors' lifetime, and to safeguard the integrity of the District of Columbia Police Officers and Firefighters' Retirement Fund and the District of Columbia Teachers' Retirement Fund (collectively referred to as the Fund).

Fiscal Year 2013 Initiatives

From a strategic perspective, DCRB continues to move forward with a focus on achieving five overarching goals. These goals include:

1. Expand and improve benefits administration capabilities while assuring benefits are paid to our members timely and accurately.
2. Prudently invest Fund assets to provide long-term sustainable risk-adjusted returns.
3. Refine the organizational structure to meet agency responsibilities.
4. Foster member and stakeholder trust through enhanced communications.
5. Safeguard the integrity of the Fund.

Using these five goals as a guide, we implemented a number of initiatives during fiscal year 2013 to accomplish our mission and to prepare the organization for future challenges.

Benefits Administration

In fiscal year 2013, we made progress in two critical projects aimed at expanding and improving benefits administration. These projects—Data Reclamation and Business Process Reengineering (BPR) — help ensure that our members will benefit from business processes that reflect industry best practices.

LETTER OF TRANSMITTAL (Continued)

Data Reclamation

Currently, pension-related information is housed in various District agencies on paper records or in legacy information technology systems and is certified and provided to DCRB once a member submits a retirement application. Through the exemplary collaboration we have received from the District of Columbia Public Schools (DCPS), the Metropolitan Police Department (MPD), the Fire and Emergency Medical Services Department (FEMS), the Office of the Chief Technology Officer (OCTO), the Office of Pay and Retirement Services (OPRS), and the District of Columbia Department of Human Resources (DCHR), we continued a Data Reclamation Project to collect and review the accuracy of active employee data to assure the timely processing of initial pension payments. This effort will enable us to create a database of certified data that will significantly reduce the turnaround time currently required to pay initial pension payments and will ultimately enable the production of annual benefit statements for active members.

We continued to make improvements to the management of annuitant information by applying new security features, cleansing the database and integrating information from the United States Department of the Treasury's System to Administer Retirement (STAR) and the District's PeopleSoft System and adding new viewing capabilities.

The end result of this collaborative effort will be a future- state pension information system where pension-related information is housed in a single secure location, and where pension records are managed electronically.

Business Process Reengineering

DCRB's Benefits Department completed a Business Process Reengineering (BPR) Project aimed toward transforming its current paper-based processes into those required for an automated, digital environment. The BPR project reconfigured workflows to improve accuracy and promote greater efficiency to ultimately produce a faster turnaround of pension transactions.

Organizational Structure

In fiscal year 2013, we completed a number of information technology projects focused on security and infrastructure availability, including updating our disaster recovery plan and implementing an alternate disaster recovery site. This site includes the offsite replication of DCRB's information technology services to ensure continuity of operations.

During this past fiscal year, we also developed policies and best practices to protect the sensitive member information managed by DCRB. Security of data is a constant concern for us. We have installed various data security measures to prevent data loss and to keep sensitive, personally identifiable information from leaving the agency. Additionally, we conduct annual cyber security training for all employees and contractors.

Finally, we continued the practice of conducting background checks and fingerprinting for all new DCRB employees and contractors. We provided annual training for staff and Board members on ethics and fiduciary principles, and we issued guidelines to all staff and contractors.

Communications

We continued reaching out to members and the public through multiple communication methods in order to educate them on member issues and the performance of the Fund. The bi-annual DCRB newsletter was distributed to our members via e-mail and hard copy, we initiated a project to correct undeliverable mail to reduce costs associated with paper, printing, and postage, while at the same time reaching more members. In 2013, we also mailed new summary plan descriptions to all members, which are also available for download on our website. In addition, through our website we maintained updated news items, a retirement calculator for active members and access to user-friendly annual financial statements, Board meeting minutes, and useful member forms.

LETTER OF TRANSMITTAL (Continued)

Financial Stability
In keeping with best practices, our Board continues to monitor anticipated retirement costs through the annual valuation process conducted by our independent actuary. We ensured that DCRB's financial reporting is in accordance with legal requirements and industry standards by undergoing an audit conducted by an independent firm. We also received an unqualified opinion from our auditors.

Asset Allocation
We continued to adjust DCRB's strategic asset allocation so that the Fund performance will be less reliant upon the returns of public equity markets to achieve the actuarial target.

D.C. Council Oversight
We provided testimony to the Committee of Government Operations and the Committee of the Judiciary regarding DCRB's performance and the proposed fiscal year 2014 budget.

Financial Highlights
As fiduciaries, our duty is to maintain an adequate funding level to assure the payment of the pension benefits to our members. In order to do this, the Fund must be well funded, receive the appropriate contributions, and adopt a successful long-term investment strategy.

Funded Status
As of September 30, 2013, the Fund's assets were valued at $5.79 billion, an increase of approximately 11.7% in the total asset value from the end of fiscal year 2012. As of October 1, 2013, the Plan's funded ratio was 103.6%, based on the Entry Age Normal (EAN) method.

Retirement Contributions
The Replacement Plan Act established the method for calculating the employer's (District of Columbia) annual contribution to the retirement Fund. The Board's independent actuary must determine the level of covered payroll, expressed as a percentage of payroll ("normal contribution rate") for each participant group. In fiscal year 2013, $102.7 million in employer contributions and $58.7 million in employee contributions were deposited into the Fund.

Investments
During fiscal year 2013, the Fund posted a return of 11.3%. Since inception on October 1982, the Fund has generated an annualized return of 9.2%, surpassing the actuarial return target 6.5%. A complete discussion of DCRB's investment returns, activities, and asset allocation strategy are more fully explained in the Investment Section, beginning on page 61.

Benefit Payments and Refunds
As of September 30, 2013, the Plans had 16,658 total participants, of whom 5,631 were retirees and beneficiaries receiving benefits, 9,889 were active members, and 1,138 were inactive (term-vested) members. In addition, DCRB provides retirement services to 8,500 members of the frozen federal plans. During the fiscal year, $99.8 million in pension benefits and $7.2 million in refunds were paid from the Fund. DCRB's annual benefit payments increased from fiscal year 2012 due to the expected increase in District service retirements and a corresponding decline in federal service retirements, and is estimated to continue increasing in the future.

Retirement Benefits Payable to the U.S. Treasury
During fiscal year 2013, $30.9 million was paid to the U.S. Treasury based on a project to reconcile the District's portion of annuitant benefit payments made between October 1, 1997 and December 31, 2007. See Note 7: Retirement Benefits Payable to U.S. Treasury for an expanded discussion on this payable.

Administrative Expenses
DCRB's administrative expenses for the fiscal year were $18.6 million. The detail for these expenses can be found in the Financial Section on page 57.

The Management's Discussion and Analysis, beginning on page 24, has a more in-depth discussion of DCRB's funded status as well as a complete analysis of the additions and deductions to the Plan's net position.

LETTER OF TRANSMITTAL (Continued)

Management Responsibility for Financial Reporting

The responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with DCRB management. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the Plan Net Position and the Changes in Net Position; and that all disclosures necessary to enable the reader to gain the maximum understanding of the financial activities of the Fund have been included.

The accounting records of DCRB are maintained by DCRB staff. Pension payment information is contained within STAR. DCRB payroll is processed through the District of Columbia's People Soft System.

The independent auditors' report were issued by the public accounting firm of CliftonLarsonAllen LLP, the selection of which was approved by the DCRB Board of Trustees. This report on the Plans is presented in the Financial Section of the CAFR.

The actuarial certification and related schedules included in the CAFR were provided by Cavanaugh Macdonald Consulting, LLC, the selection of which was approved by the DCRB Board of Trustees. The valuation results are presented in the Actuarial Section of this CAFR.

The Fund's Trustee Bank, State Street Bank and Trust Company, records and reports all investment and cash management transactions, and the Board exercises close review and controls over those records and transactions.

The Management's Discussion and Analysis provides a narrative introduction and overview of DCRB's financial statements. It is contained within the Financial Section and serves to supplement the Introductory Section of the Comprehensive Annual Financial Report, as well as financial statements, notes and supplementary information within the Financial Section. Additional disclosures that are specifically required by statute are also included in the report.

DCRB management is responsible for maintaining internal accounting controls to provide reasonable assurance that transactions are properly authorized and recorded on an accrual basis in accordance with the generally accepted accounting principles (GAAP) and that financial statements conform with Governmental Accounting Standards Board (GASB) and American Institue of Certified Public Accountants (AICPA) reporting standards and Government Finance Officers Association (GFOA) guidelines. Consideration is given to the adequacy of internal accounting controls for systems under the control of DCRB and systems that are shared with other governmental offices or service providers. DCRB requires that its service providers undergo an annual service organization control report (SOC 1 report, formerly SAS70) review by independent public accountants, and that government offices whose systems are used by DCRB are subjected to an annual audit. These controls are designed to provide reasonable assurance regarding the safekeeping of assets and the reliability of financial records.

We believe the internal controls in effect during the fiscal year ended September 30, 2013 adequately safeguarded the Fund's assets and provided reasonable assurance regarding the proper recording of financial transactions. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that the valuation of costs and benefits requires estimates and judgment by management.

LETTER OF TRANSMITTAL (Continued)

Awards

The GFOA Awarded the Certificate of Achievement for Excellence in Financial Reporting to DCRB for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2012. This was the 4th consecutive year we received this award. In order to be awarded a Certificate of Achievement, DCRB must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

We were also among the public retirement systems that received the Public Pension Coordinating Council's (PPCC) Public Pension Standards 2012 Award in recognition of meeting professional standards for plan design and administration. The PPCC is a national confederation of state retirement associations whose standards are widely recognized benchmarks for public pension systems in the areas of plan design, funding, actuarial and financial audits, as well as member communications.

Trustee Changes

The Board has undergone some changes over the past few months. Trustee James E. Bunn passed away while serving the participants and beneficiaries in August 2013. Mr. Bunn was in the midst of serving a new term after being appointed by the Mayor in 2012, having served on the Board previously as a Council Appointee from 1991 through 1995. Trustee George R. Suter resigned from the Board after serving as the Retired Police Officer Representative since January 1997. While on the Board, Mr. Suter served as Chair of the Benefits Committee for more than ten years. In the wake of Mr. Suter's departure, the Board conducted a special election to seat Trustee Gary W. Hankins as the new Retired Police Officer Representative.

In Closing. . .

I am pleased to report that the Trust is in excellent shape. Our Board, in consultation with its independent actuary, has maintained conservative investment assumptions, the Plans are adequately funded, and we pay members timely. We have an excellent board and an experienced team to manage our initiatives.

I would like to express my appreciation to the U.S. Treasury's Office of D.C. Pensions, the District of Columbia City Council, the D.C. Office of Financial and Operations Systems, the D.C. Office of Budget and Planning, all other D.C. Government Offices that support the Board, and the DCRB trustees, staff, consultants and service providers for their tireless efforts to assure the financial soundness and successful operation of the District of Columbia Retirement Board.

If you have any questions regarding this CAFR of the District of Columbia Retirement Board for the fiscal year ending September 30, 2013, please direct them to my office at any time.

Respectfully submitted,

Eric O. Stanchfield,
Executive Director

About DCRB

History

DCRB is an independent agency of the District of Columbia government that was created by Congress in 1979 under the Retirement Reform Act (Reform Act). Prior to the Reform Act, eligibility and benefit rules and financing arrangements for the Plans were authorized by acts of Congress and administered by the Federal Government. Benefits were paid monthly from the general revenues of the U.S. Department of the Treasury (Treasury) on a "pay-as-you-go" basis when workers retired, not on a prefunded basis using actuarial assumptions and methods.

In 1997, with the passage of the National Capital Revitalization and Self-Government Improvement Act (the Revitalization Act), the Federal Government assumed responsibility for the unfunded pension liabilities for retirement benefits earned as of June 30, 1997.

In 1998, the District of Columbia passed the Police Officers, Firefighters and Teachers Retirement Benefit Replacement Plan Act (the Replacement Plan Act) which established retirement plans for pension benefits accrued after June 30, 1997.

With the passage of the District's Office of Financial Operations and Systems Reorganization Act of 2004, DCRB assumed certain benefits administration responsibilities for the Plans from OPRS. Those responsibilities included recordkeeping, related administrative tasks, and the payment of benefits for participants hired on or after July 1, 1997, who earned benefits under the District Plans. DCRB also assumed the same administrative responsibilities for participants hired prior to July 1, 1997 and whose benefit costs are the responsibility of the Treasury.

Profile of the Plans

The District of Columbia Police Officers and Firefighters' Retirement Plan provides retirement, service related disability, non-service-related disability, and death benefits. All police officers and firefighters of the District of Columbia automatically become members on their date of employment. Police cadets are not eligible.

The District of Columbia Teachers' Retirement Plan provides retirement, disability retirement, and death benefits. Permanent, temporary, part-time and probationary teachers for the District of Columbia public day schools become members automatically on their date of employment. Other employees covered include school librarians, principals, and counselors. Former District of Columbia teachers working at charter schools may be eligible to remain in the Plan.

In order to minimize administrative expenses while providing a broad range of investment options that are economically feasible, the assets of the Plans are comingled for investment purposes. The investment returns of the Fund are calculated based on the fair value of the assets. The Board seeks long-term investment returns in excess of the actuarial investment rate of return assumption at a level of risk commensurate with the expected levels of returns and consistent with sound and responsible investment practices. The Board, working closely with investment consultants and with input from its actuary, selects the optimal asset allocation policy which best reflects the risk tolerance and investment goals for the Fund.

The asset allocation policy is implemented through the careful screening and selection of investment managers that have an audited favorable long-term track record, a disciplined investment process, and reasonable investment management fees.

The Fund also seeks to outperform the Policy Benchmark, computed as the weighted average index return of the strategic asset allocation on page 61.

About DCRB (Continued)

Upon assuming responsibility for administering the Plans in October 2005, DCRB established a Member Services Center that is available to all active Plan members and retirees, calculates benefit payments, and works closely with the U.S. Treasury's Office of D.C. Pensions (ODCP) to implement system changes resulting from software upgrades or legislation affecting Plan provisions. DCRB produces Plan communications that include periodic newsletters and Summary Plan Descriptions as prescribed by statute. ODCP maintains the retirement information system that calculates benefits, issues monthly benefit payments to retirees and survivors, and handles all payment-related activities, including tax withholdings and premiums for health and life insurance coverage.

By statute, the Board of Trustees is responsible for establishing DCRB's annual budget. The budget relies on monies derived from the Fund's investment earnings, and employer and employee contributions. In addition, DCRB receives reimbursements as the third-party plan administrator for the frozen plans covering members whose pension benefits are financed by U.S. Department of the Treasury. The District Council provides oversight of the budget process, and pursuant to Section 1-711 (f) of the District of Columbia Code, "may establish the amount of funds which will be allocated to the Board for administrative expenses, but may not specify the purposes for which such funds may be expended or the amounts which may be expended for the various activities."

ORGANIZATIONAL STRUCTURE

Board of Trustees

Eric Stanchfield,
Executive Director

- **Thomas Anderson,** *Chief Financial Officer*
- **Sheila Morgan-Johnson,** *Chief Investment Officer and Chief Operating Officer*
- **Joan Passerino,** *Chief Benefits Officer*
- **Erie Sampson,** *General Counsel*
- **Daniel Hernandez,** *Director of Policy, Program Development, and Evaluation*

Auditor:
CliftonLarsonAllen, LLP

Actuary:
Cavanaugh Mcdonald Consulting, LLC

Investment Advisors:
Cliffwater, LLC
Meketa Investment Group
Zeno Consulting Group, LLC

BOARD OF TRUSTEES

The 12 member DCRB Board of Trustees consists of 6 individuals elected by their participant groups (2 each by active and retired police officers, firefighters and teachers), 3 appointed by the Mayor, and 3 appointed by the City Council. The D.C. Chief Financial Officer, or his or her designee, sits on the Board as an ex-officio, non-voting Trustee.

Lyle M. Blanchard
Treasurer
Council Appointee
Term:
01/28/2013-01/27/2017

Joseph M. Bress
Chairman
Council Appointee
Term:
01/28/2012 - 01/27/2016

Diana K. Bulger
Sergeant-at-Arms
Mayoral Appointee
Term:
01/28/2010 - 01/27/2014

James E. Bunn

Mayoral Appointee
Term:
03/20/2012 - 08/01/2013

Barbara Davis Blum

Mayoral Appointee
Term:
01/28/2012 - 01/27/2016

Nathan Saunders

Elected Active Teacher
Term:
01/28/2013 - 01/27/2017

Judith C. Marcus

Elected Retired Teacher
Term:
01/28/2010 - 01/27/2014

Darrick O. Ross

Elected Active Police
Term:
01/28/2011 - 01/27/2015

BOARD OF TRUSTEES (Continued)

Edward C. Smith

Elected Active Firefighter
Term:
01/28/2013 - 01/27/2017

George R. Suter

Elected Retired Police
Term:
01/28/2013 - 06/18/2013

Thomas N. Tippett
Parliamentarian
Elected Retired Firefighter
Term:
01/28/2012 - 01/27/2016

Michael J. Warren
Secretary
Council Appointee
Term:
01/28/2011 - 01/27/2015

Jeffery E. Barnett

Designee of the
D.C. Chief
Financial Officer

AWARDS

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

District of Columbia Retirement Board

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO

AWARDS (Continued)

Public Pension Coordinating Council

Recognition Award for Funding

2012

Presented to

District of Columbia Retirement Board

In recognition of meeting professional standards for
plan funding asset forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Independent Auditors' Report

Board of Trustees
District of Columbia Teachers' Retirement Fund and the
District of Columbia Police Officers and Firefighters' Retirement Fund

Report on Financial Statements
We have audited the accompanying combining statements of net position of the District of Columbia Teachers' Retirement Fund and the District of Columbia Police Officers and Firefighters' Retirement Fund, Pension Trust Funds of the Government of the District of Columbia (the District), as of September 30, 2013 and 2012, and the related combining statements of changes in net position for the years then ended, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITORS' REPORT (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District of Columbia Teachers' Retirement Fund and the District of Columbia Police Officers and Firefighters' Retirement Fund as of September 30, 2013 and 2012, and the respective changes in their financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, these financial statements only present the District of Columbia Teachers' Retirement Fund and the District of Columbia Police Officers and Firefighters' Retirement Fund and do not purport to, and do not, present the financial position of the Government of the District of Columbia as of September 30, 2013 and 2012, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting Principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress and employer contributions, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management and the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the District of Columbia Teachers' Retirement Fund and the District of Columbia Police Officers and Firefighters' Retirement Fund financial statements. The supplementary information, including the schedules of administrative expenses, investment expenses, and payments to consultants, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.

INDEPENDENT AUDITORS' REPORT (Continued)

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, including the schedules of administrative expenses, investment expenses, and payments to consultants, as listed in the table of contents, is fairly stated, in all material respects, in relation to the financial statements as a whole.

The introductory, investment, actuarial and statistical sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 6, 2014 on our consideration of the District of Columbia Teachers' Retirement Fund and the District of Columbia Police Officers and Firefighters' Retirement Fund internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District of Columbia Teachers' Retirement Fund and the District of Columbia Police Officers and Firefighters' Retirement Fund internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
January 6, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis provides an overview of the financial activities of the District of Columbia Teachers' Retirement Fund ("TRF") and Police Officers and Firefighters' Retirement Fund ("POFRF"), for the fiscal years ended September 30, 2013 and 2012, which collectively will be referred to as the "District Retirement Funds" or the "Fund." This discussion and analysis should be read in conjunction with the financial statements, the notes to the financial statements, the required supplementary information and the supplementary information provided in this report.

The District of Columbia Retirement Board (the "Board" or "DCRB") is an independent agency of the District of Columbia government. The Board is responsible for managing the assets of the District Retirement Funds. As authorized by DC Code, the Board pools the assets of the TRF and the POFRF into a single investment portfolio. The Board allocates the investment returns and expenses, and the administrative expenses of the Board, between the two District Retirement Funds in proportion to their respective net assets. The Board maintains financial records of contributions, purchases of service, benefit payments, refunds, investment earnings, investment expenses and administrative expenses.

Effective October 1, 2005, the Board entered into a Memorandum of Understanding ("MOU") with the District of Columbia and the United States Department of the Treasury (the "U.S. Treasury") to administer the pension benefits under the TRF and the POFRF for all retirees, survivors and beneficiaries that are the financial responsibility of the District of Columbia (service earned on and after July 1, 1997) and the Federal Government (service through June 30, 1997).

In addition to the Board's administrative duties, the U.S. Treasury also provides certain administrative services related to the administration of pension benefits under the District of Columbia Police Officers and Firefighters' Plan and the District of Columbia Teachers' Retirement Plan (the "Plans"). The administrative costs incurred while administering the pension benefits are shared by DCRB and the U.S. Treasury in accordance with an MOU that is agreed to annually between the two parties.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS AND SCHEDULES

The following discussion and analysis are intended to serve as an introduction to DCRB's financial statements. The basic financial statements include:

The Combining Statements of Net Position is a point-in-time snapshot of plan fund balances at fiscal year end. It reports the assets available to pay future benefits to retirees, and any liabilities that are owed as of the statement date. The resulting Net Position (Assets – Liabilities = Net Position) represents the value of assets held in trust for pension benefits net of liabilities owed as of the financial statement date.

The Combining Statements of Changes in Net Position displays the effect of financial transactions that occurred during the fiscal year, where Additions – Deductions = Net Increase (or Net Decrease) in Net Position. This increase (or decrease) in Net Position reflects the change in the value of Net Position Held in Trust for Pension Benefits.

The Notes to Financial Statements contain disclosures and discussions which support the data presented in the financial statements. The notes present information about the creation and administration of the Fund, significant accounting policies, and investments. The notes are an integral part of the financial statements and should be considered in conjunction with any review of the financial statements.

The Required Supplementary Information includes the schedule of funding progress and the schedule of employer contributions for the last 6 fiscal years. The schedule of funding progress includes actuarial information about the status of the defined benefit pension plans from an ongoing, long-term perspective, and the progress made in accumulating sufficient assets to pay pension benefits under these plans when due. The Actuarial Value of Assets in excess of the Actuarial Accrued Liabilities indicates that sufficient assets exist to fund the future defined pension benefits of the current members and benefit recipients. Actuarial Accrued Liabilities in excess of the Actuarial Value of Assets reflect an Unfunded Actuarial Accrued Liability (the "UAAL"). The UAAL represents the value, in current dollars, that would need to be accumulated to fund the pensions of all active and retired members as of the date represented in the schedule. The schedule of employer contributions presents historical trend information regarding the value of total annual contributions required to be paid by employers for the employees participating in these Plans, and the actual performance of employers in meeting this requirement. The information contained in this schedule reflects the required contributions that are based on the actuary's certification which is approved by the Board.

The Supplementary Information includes additional information on the District Retirement Funds including a schedule of administrative expenses, investment expenses and payments to consultants.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL HIGHLIGHTS

The TRF financial highlights for fiscal year 2013 are:

- Net Position held in trust for pension benefits as of September 30, 2013 was $1.6 billion, an annual increase of $0.1 billion or 7.9%.
- The investment income net of investment expenses for fiscal year 2013 was $168.1 million, a gain of 11.2%.
- The Fund's share of administrative expenditures for fiscal year 2013 was $3.6 million, equivalent to 22 basis points of assets under management.
- The Board's funding objective is to meet long-term pension benefit obligations. As of October 1, 2012, the date of the latest actuarial valuation, the TRF's funded ratio based on the actuarial value of assets was 94.4%. In general, this means that for each dollar's worth of future pension liability, the TRF has accumulated $0.94 to meet that obligation. The Plan's funded ratio decreased 7.5% over the prior year due primarily to investments losses in 2008 and 2009 which are smoothed into the calculation of the unfunded accrued liability for 2012. As of October 1, 2011, the actuarial valuation indicated a funded ratio of 101.9% for the TRF.
- Revenues (additions to Plan net position) for fiscal year 2013 were $203.4 million, which consists of member contributions of $28.1 million, employer contributions of $6.4 million, net income from investment activities of $168.1 million, and other income totaling $0.8 million. Additions to the Plan net position for fiscal year 2012 totaled $219.3 million, comprised of $28.6 million in employee contributions, $190.0 million in net income from investment activities, and $0.7 million in other income. The District of Columbia government did not make an employer contribution to the TRF for fiscal year 2012 because of its well-funded status.
- Expenses (deductions from Plan net position) increased $28.0 million from $56.5 million during fiscal year 2012 to $84.6 million in fiscal year 2013, or 49.6%. This increase relates primarily to retirement benefits payable to the U.S. Treasury which totaled $21.5 million for fiscal year 2013. See *Note 7: Retirement Benefits Payable to the U.S. Treasury* for an expanded discussion on this payable. Additionally, pension benefit payments increased $6.0 million or 12.5% from 2012 to 2013. Refunds of member contributions decreased $(0.3) million from $5.5 million in fiscal year 2012 to $5.2 million in fiscal year 2013 and administrative expenses in fiscal year 2013 increased $0.7 million compared to the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The POFRF financial highlights for fiscal year 2013 are:

- Net position held in trust for pension benefits as of September 30, 2013 was $4.2 billion, an annual increase of $0.5 billion or 13.2%.
- The investment income net of investment expenses for fiscal year 2013 was $423.6 million, a gain of 11.5%.
- The Fund's share of administrative expenditures for fiscal year 2013 was $8.9 million, equivalent to 21 basis points of assets under management.
- The Board's funding objective is to meet long-term pension benefit obligations. As of October 1, 2012, the date of the latest actuarial valuation, the POFRF's funded ratio was 110.1%. In general, this means that for each dollar's worth of future pension liability, the POFRF has accumulated approximately $1.10 to meet that obligation. This actuarial report indicated that if future activity proceeded according to assumptions, the POFRF has accumulated sufficient assets to pay all pension liabilities for active members and retirees. The Plan's funded ratio increased 1.5% over the prior year. As of October 1, 2011, the actuarial valuation indicated a funded ratio of 108.6%.
- Revenues (additions to Plan net position) for fiscal year 2013 were $552.5 million, which consists of member contributions of $30.6 million, employer contributions of $96.3 million, net income from investment activities of $423.6 million, and $2.0 million in other income. Additions to the Plan net position for fiscal year 2012 totaled $601.6 million, comprised of $30.4 million in employee contributions, $116.7 million of employer contributions, $452.9 million in a net income from investment activities, and $1.6 million in other income.
- Expenses (deductions from Plan net position) increased $18.7 million from $47.2 million during fiscal year 2012 to $65.9 million in fiscal year 2013, or 39.7%. This increase consisted primarily of retirement benefits payable to the U.S. Treasury which totaled $9.4 million for fiscal year 2013. See *Note 7: Retirement Benefits Payable to the U.S. Treasury* for an expanded discussion on this payable. Additionally, pension benefit payments increased $6.7 million from $38.9 million in fiscal year 2012 to $45.7 million in fiscal year 2013. Refunds of member contributions increased $0.5 million from $1.5 million in fiscal year 2012 to $2.0 million in fiscal year 2013 and administrative expenses increased $2.2 million compared to the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

SUMMARY OF FINANCIAL INFORMATION

The following Condensed Statement of Net Position and Changes in Net Position presents financial information, with dollar amounts in the thousands, for the combined TRF and POFRF and compares fiscal years 2013, 2012, and 2011.

Condensed and Combined Statements of Net Position

	2013	2012	2011	Amount Increase (Decrease) from 2012 to 2013	Percent Increase/ (Decrease) from 2012 to 2013
Assets					
Cash and short-term investments	$ 96,058	$ 74,516	$ 149,759	$ 21,542	28.9%
Receivables	99,673	149,288	153,613	(49,615)	-33.2%
Investments at fair value	5,775,078	5,165,012	4,491,663	610,066	11.8%
Collateral from securities lending	83,478	96,652	416,288	(13,174)	-13.6%
Capital assets	-	3	9	(3)	-100.0%
Total assets	6,054,287	5,485,471	5,211,332	568,816	10.4%
Liabilities					
Other payables	2,608	4,658	6,165	(2,050)	-44.0%
Retirement benefits payable to U.S. Treasury	30,894	-	-	30,894	100.0%
Investment commitments payable	145,811	197,676	317,892	(51,865)	-26.2%
Obligations under securities lending	84,142	97,797	419,096	(13,655)	-14.0%
Total liabilities	263,455	300,131	743,153	(36,676)	-12.2%
Net position	$ 5,790,832	$ 5,185,340	$ 4,468,179	$ 605,492	11.7%

Condensed and Combined Statements of Changes in Net Position

	2013	2012	2011	Amount Increase (Decrease) from 2012 to 2013	Percent Increase/ (Decrease) from 2012 to 2013
Employer contributions	$ 102,721	$ 116,700	$ 127,200	$ (13,979)	-12.0%
Employee contributions	58,710	59,037	58,213	(327)	-0.6%
Net investment income	591,698	642,883	126,337	(51,185)	-8.0%
Other Income	2,843	2,256	2,051	587	26.0%
Total additions	755,972	820,876	313,801	(64,904)	-7.9%
Benefit payments	99,836	87,069	73,298	12,767	14.7%
Retirement benefits payable to U.S. Treasury (See Note 7)	30,894	-	-	30,894	100.0%
Refunds	7,210	7,048	5,973	162	2.3%
Administrative expenses	12,540	9,598	9,563	2,942	30.7%
Total deductions	150,480	103,715	88,834	46,765	45.1%
Net change in net position	$ 605,492	$ 717,161	$ 224,967	$ (111,669)	-15.6%

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

ANALYSIS OF FINANCIAL INFORMATION

DCRB's funding objective is to meet long-term benefit obligations with net investment income and contributions. Accordingly, the collection of employer and member contributions and the income generated from investment activities provide the reserves needed to finance future retirement benefits. The discussion below provides an analysis of the current year's financial activities in relation to the current member population and relevant economic conditions for the combined TRF and POFRF.

Additions to Net Position (Revenues)

As noted, the reserves needed to finance retirement benefits are accumulated primarily through the collection of member and employer contributions, and through investment income (net of investment expenses). Revenues for the year ended September 30, 2013, totaled $756.0 million, which included $591.7 million of net income on investments and $161.4 million of contributions. For fiscal year 2012, revenues totaled $820.9 million, which included $642.9 million of net investment income and $175.7 million of contributions. Total revenues for fiscal year 2013 decreased by $(64.9) million compared to the prior year, mainly due to the lower investment returns in fiscal year 2013.

Employee contributions decreased slightly from $59.0 million in fiscal year 2012 to $58.7 million in fiscal year 2013. Employee contributions include amounts paid by members for future retirement benefits.

Employer contributions decreased $14.0 million from $116.7 million in fiscal year 2012 to $102.7 million in fiscal year 2013. The fiscal year 2013 employer contribution is derived from the contribution rate calculated in the actuary's report for the period ended October 1, 2011 multiplied by covered payroll and adjusted for differences caused by the contribution being calculated 2 years in arrears. This adjustment is required by the DC Code.

Other income totaled $2.8 million in fiscal year 2013, reflecting a $0.6 million increase from the $2.3 million received in fiscal year 2012. Other income consists mainly of reimbursements of administrative expenses from the U.S. Treasury.

Deductions from Net Position (Expenses)

The statutory mandate of DCRB is to provide retirement, survivor and disability benefits to qualified members and their survivors. The costs of such programs include recurring benefit payments, elective refunds of contributions to employees who terminate employment, and the cost of administering the District Retirement Funds.

Expenses for the year ended September 30, 2013 totaled $150.5 million, an increase of 45.1% over fiscal year 2012. In fiscal year 2012, expenses increased by 16.8% when compared to fiscal year 2011, from $88.8 million in 2011 to $103.7 million in fiscal year 2012. Pension benefits paid on behalf of current retirees, survivors and beneficiaries comprise approximately 66% to 83% of the expenses reported in each of these years and accounted for a significant portion of the increases.

Benefit payments for fiscal year 2013 increased by $12.8 million over the fiscal year 2012 level, or 14.7%. This increase reflects the combination of a net growth of 5.0% in the number of retirees and survivors receiving benefits, coupled with COLA adjustments and an overall increase in the final average salary for new retirees and the changing demographics of the retiree population. Pension benefits for fiscal year 2012 reflect similar increases, rising $13.8 million, or 18.8%, over fiscal year 2011 levels.

Retirement benefits payable to the U.S. Treasury totaled $30.9 million for fiscal year 2013. See *Note 7: Retirement Benefits Payable to U.S. Treasury* for an expanded discussion on this payable.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Refunds of member accounts are at the discretion of the member, and vary from year to year. In fiscal year 2013, members elected refunds totaling $7.2 million, which represents an increase of $0.2 million or 2.3% from fiscal year 2012. Refunds issued in fiscal year 2012 totaled $7.0 million representing a $1.0 million increase over the 2011 level of $6.0 million.

Administrative expenses for fiscal year 2013 and 2012 totaled $12.5 million and $9.6 million, respectively. The $2.9 million increase in 2013 is primarily attributable to costs associated with information technology modernization and data reclamation.

Funding Status

As previously noted, the District Retirement Funds' net investment income for the year ended September 30, 2013 represented a gain of $591.7 million, or 11.4%. DCRB is a well-funded yet immature system as a result of the 1999 asset split with the U.S. Treasury in which the U.S. Treasury assumed responsibility for all benefit obligations prior to July 1, 1997. As with all immature systems, a higher percentage of benefits are funded by current contributions. As the system matures, investment income will provide a greater percentage of the funds necessary to pay retirement benefits. Therefore, the long-term rate of investment return is critical to DCRB's long-term funding status.

To fully understand the funding status of a retirement system, it is often advisable to view actuarial data in conjunction with financial data. The actuarial value of assets used to calculate funded status is not based on year-end fair value (market value) as of the valuation date. Market gains and losses for actuarial funding purposes are smoothed over a rolling seven year period. This smoothing of gains and losses mitigates the need to constantly increase or lower contributions because volatile market conditions can be recognized (smoothed in) over several years.

The reality of actuarial smoothing techniques is that the fair value (market value) of assets may be significantly different from funding value (actuarial value) of assets at a given point in time. This means that in periods of extended market decline, the fair value of assets will usually be less than the funding, or actuarial value of assets. This is the case with DCRB during the current market downturn which began in 2008. Conversely, during periods of extended market gains, where the actual rate of return exceeds the assumed rate of return, the fair value of assets will usually be greater than the funding, or actuarial value of assets.

At October 1, 2012, the date of the latest actuarial valuation, the actuarial value of assets set aside to pay defined benefit pension benefits was $1.59 billion for the TRF and $3.80 billion for the POFRF for a total of $5.39 billion. The fair value of these defined benefit assets at September 30, 2012 included on the financial statements of DCRB was $1.50 billion for the TRF and $3.68 billion for the POFRF for a total of $5.19 billion. Therefore, when viewing the actuarial funding status, the market value of assets would provide a less favorable funding position to the actuarial value of assets as of the October 1, 2012 valuation. Again, it is important to note that during years when the actual rate of return on investments significantly exceeds the assumed rate of return on investment, the actuarial value of assets can be less than the market value of pension assets, making the funding status seem less favorable than the actual market values would have indicated.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS SUMMARY

Net position may serve over time as a useful indication of DCRB's financial position. At the close of fiscal years 2013 and 2012, the net position of DCRB totaled $5.8 billion and $5.2 billion, respectively. The net position is available to meet DCRB's ongoing obligations to Plan participants and their survivors and beneficiaries. DCRB has weathered the financial market fluctuations over the past five years and remains a well-funded Plan with a funding status as of October 1, 2012, the date of the most recent actuarial valuation, of 104.9% for the District Retirement Funds.

ADDITIONAL INFORMATION

These financial statements present the finances of the District Retirement Funds in accordance with accounting principles generally accepted in the United States of America. Questions about these financial statements or other inquiries should be addressed to the Executive Director, District of Columbia Retirement Board, 900 7th Street, NW, 2nd Floor, Washington, DC 20001.

COMBINING STATEMENTS OF NET POSITION
As of September 30, 2013 and 2012
(Dollar amounts in thousands)

	2013			2012		
	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	$ 26,826	$ 69,232	$ 96,058	$ 19,628	$ 54,888	$ 74,516
Receivables:						
Federal Government	339	831	1,170	482	1,124	1,606
Investment sales proceeds	25,271	64,249	89,520	39,966	97,746	137,712
Interest & dividends	1,525	3,878	5,403	1,926	4,712	6,638
Employee contributions	1,718	1,862	3,580	1,601	1,731	3,332
Total receivables	28,853	70,820	99,673	43,975	105,313	149,288
Investments at fair value:						
Domestic equity	387,487	985,128	1,372,615	364,603	891,714	1,256,317
International equity	500,701	1,272,960	1,773,661	456,448	1,116,340	1,572,788
Fixed income	456,696	1,161,082	1,617,778	406,189	993,514	1,399,703
Real estate	100,533	255,591	356,124	73,605	180,016	253,621
Private equity	184,877	470,023	654,900	198,123	484,460	682,583
Total investments at fair value	1,630,294	4,144,784	5,775,078	1,498,968	3,666,044	5,165,012
Collateral from securities lending transactions at fair value	23,566	59,912	83,478	28,050	68,602	96,652
Capital assets, net	-	-	-	1	2	3
Total assets	1,709,539	4,344,748	6,054,287	1,590,622	3,894,849	5,485,471
LIABILITIES						
Accounts payable and other liabilities	556	1,397	1,953	616	1,479	2,095
Retirement benefits payable to U.S. Treasury	21,503	9,391	30,894	-	-	-
Due to Federal Government	78	190	268	153	356	509
Due to District of Columbia Government	112	275	387	616	1,438	2,054
Investment commitments payable	41,162	104,649	145,811	57,369	140,307	197,676
Obligations under securities lending	23,753	60,389	84,142	28,382	69,415	97,797
Total liabilities	87,164	176,291	263,455	87,136	212,995	300,131
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	$ 1,622,375	$ 4,168,457	$ 5,790,832	$ 1,503,486	$ 3,681,854	$ 5,185,340

The accompanying notes are an integral part of these financial statements.

COMBINING STATEMENTS OF CHANGES IN NET POSITION
For the years ending September 30, 2013 and 2012
(Dollar amounts in thousands)

	2013			2012		
	Teachers' Retirement Fund	Police Officers and Firefighters' Retirement Fund	Total	Teachers' Retirement Fund	Police Officers and Firefighters' Retirement Fund	Total
ADDITIONS						
Contributions:						
District Government	$ 6,407	$ 96,314	$ 102,721	$ -	$ 116,700	$ 116,700
District employees	28,129	30,581	58,710	28,639	30,398	59,037
Total contributions	34,536	126,895	161,431	28,639	147,098	175,737
Investment income:						
Net appreciation in fair value of investments	155,749	392,333	548,082	170,932	406,677	577,609
Interest and dividends	14,411	36,238	50,649	21,316	51,422	72,738
Total gross investment income	170,160	428,571	598,731	192,248	458,099	650,347
Less:						
Investment expenses	2,186	5,352	7,538	2,707	6,315	9,022
Net investment income	167,974	423,219	591,193	189,541	451,784	641,325
Securities lending income	199	502	702	630	1,498	2,128
Less: securities lending expense	56	140	196	169	401	570
Net securities lending income	143	362	505	461	1,097	1,558
Total net investment income	168,117	423,581	591,698	190,002	452,881	642,883
Other income	796	2,047	2,843	672	1,584	2,256
Total additions	203,449	552,523	755,972	219,313	601,563	820,876
DEDUCTIONS						
Benefit payments	54,180	45,656	99,836	48,145	38,924	87,069
Retirement benefits payable to U.S. Treasury	21,503	9,391	30,894	-	-	-
Refunds	5,250	1,960	7,210	5,514	1,534	7,048
Administrative expenses	3,627	8,913	12,540	2,880	6,718	9,598
Total deductions	84,560	65,920	150,480	56,539	47,176	103,715
Change in Net Position	118,889	486,603	605,492	162,774	554,387	717,161
NET POSITION HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR	1,503,486	3,681,854	5,185,340	1,340,712	3,127,467	4,468,179
NET POSITION HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR	$ 1,622,375	$ 4,168,457	$ 5,790,832	$ 1,503,486	$ 3,681,854	$ 5,185,340

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION

The District of Columbia Teachers' Retirement Fund and the District of Columbia Police Officers and Firefighters' Retirement Fund were established in 1979 by the District of Columbia Retirement Reform Act (the Reform Act, Pub. L. 96-122, D. C. Code § 1-701 et seq.). The Fund holds in trust the assets available to pay pension benefits to teachers, police officers and firefighters of the District of Columbia Government. The Reform Act also established the District of Columbia Retirement Board.

The National Capital Revitalization and Self-Government Improvement Act of 1997 ("the Revitalization Act", Title XI of the Balanced Budget Act of 1997, Pub. L. 105-33) transferred significant assets and liabilities of the District Retirement Funds to the Federal Government. The Revitalization Act transferred to the Federal Government the liability for retirement benefits for employee service credit earned prior to July 1, 1997, by participants of the District Retirement Funds. The assets transferred to the Federal Government were intended to partially fund this liability.

On September 18, 1998, the Council of the District of Columbia (the "Council") enacted the Police Officers, Firefighters, and Teachers Retirement Benefit Replacement Plan Act of 1998 ("the Replacement Act"). The Replacement Act established the pension Plans for employee service earned after June 30, 1997, and provided for full funding of these benefits on an actuarially sound basis.

The Board is an independent agency of the District of Columbia government (the "District") that is responsible for managing the assets of the TRF and the POFRF. Although the assets of these funds are commingled for investment purposes, each fund's assets may only be used for the payment of benefits to the participants of that fund and certain administrative expenses.

The District Retirement Funds are included in the District's Comprehensive Annual Financial Report as a pension trust fund.

NOTE 2: FUND ADMINISTRATION AND DESCRIPTION

District of Columbia Retirement Board **–** The Board consists of 12 trustees, three appointed by the Mayor of the District, three appointed by the Council of the District, and six elected by the active and retired participants. Included are one active and one retired representative each from the police officers, firefighters, and teachers. Each of the six representatives of Plan participants is elected by the respective groups of active and retired employees. In addition, the District's Chief Financial Officer or his designee serves as a non-voting, ex-officio trustee.

Since its inception, the Board has operated under a committee system which provides a two-tiered process for fiduciary review and analysis. In this manner, the Board, consistent with its fiduciary duties, reviews all issues brought before it. The Board has six standing committees: Benefits, Strategic Planning, Fiduciary, Investments, Legislative, and Operations. (The functions usually associated with an Audit Committee are performed by the Operations Committee.) To implement its policies, the Board retains an executive director and other staff who are responsible for the day-to-day management of the District Retirement Funds and the administration of the benefits paid from the Funds.

Police Officers and Fire Fighters' Retirement Fund

Other Entities involved in Plan Administration **–** The District of Columbia Police Officers and Firefighters' Retirement and Relief Board makes findings of fact, conclusions of law, and decisions regarding eligibility for retirement and survivor benefits, determines the extent of disability, and conducts annual medical reviews. The Police and Fire Clinic determines medical eligibility for disability retirement.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2: FUND ADMINISTRATION AND DESCRIPTION (CONTINUED)

Benefits Calculation – DCRB's Benefits Department receives the retirement orders for retirement benefit calculations for all active Plan members found eligible for retirement by the District of Columbia Police Officers and Firefighters' Retirement and Relief Board, and carries out the day-to-day processing of retirement benefits. DCRB also processes employee requests for refunds of contributions and purchases of service. Effective 2013, DCRB began conducting annual disability income reviews.

Eligibility **–** A participant becomes a member when he/she begins work as a police officer or firefighter in the District. Cadets are not eligible to join the Fund.

Retirement and disability benefit provisions for District of Columbia police officers and firefighters are established by the "Policemen and Firemen's Retirement and Disability Act" (D.C. Code § 5-701 et seq. (2001 Ed.)).

Members Hired Before February 15, 1980 – Members are eligible for optional retirement with full benefits at any age with 20 years of departmental service, or for deferred retirement at age 55 with five years of departmental service. The annual basic retirement benefit equals 2.5% of average base pay, which is defined as the highest average consecutive 12 months of base pay, multiplied by departmental service through 20 years; plus 3% of average base pay multiplied by average base pay times departmental service over 20 years; plus 2.5% of average base pay multiplied by years of other creditable service; however, the aggregate annual basic retirement benefit may not exceed 80% of the member's average base pay. Members terminated after five years of police or fire service are entitled to a deferred pension beginning at age 55. Benefits are also provided to certain survivors of active, retired, or terminated vested members. Retirement benefits are increased by the same percentage in base pay granted to active participants.

Members with a service-related disability receive a disability retirement benefit of 2.5% of average base pay multiplied by the number of years of creditable service. A minimum annual disability retirement benefit of 66 2/3% of average base pay and a maximum annual disability retirement benefit of 70% of average base pay apply.

Members with a non-service related disability and at least five years of departmental service receive a disability retirement benefit of 2% of average base pay multiplied by the number of years of creditable service. A minimum annual disability retirement benefit of 40% of average base pay and a maximum annual disability retirement benefit of 70% of average base pay apply.

Members Hired On or After February 15, 1980 and Before November 10, 1996 **–** Members are eligible for optional retirement with full benefits at age 50 with at least 25 years of departmental service, or after age 55 with five years of departmental service. The annual basic retirement benefit equals 2.5% of average base pay, which is defined as the highest average consecutive 36 months of base pay, multiplied by the number of years of creditable service through 25 years; plus 3% of average base pay multiplied by the number of years of departmental service over 25 years; plus 2.5% of average base pay multiplied by the number of years of other creditable service; however, the aggregate annual basic retirement benefit may not exceed 80% of the member's average base pay. Members separated from the Police or Fire Department after five years of departmental service are entitled to a deferred pension beginning at age 55.

Benefits are also provided to certain survivors of active, retired or terminated vested members. Members who retired after February 15, 1980 receive annual benefit increases proportional to changes in the Consumer Price Index.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2: FUND ADMINISTRATION AND DESCRIPTION (CONTINUED)

Members Hired on or After November 10, 1996 – Members are eligible for retirement at any age, with at least 25 years of departmental service or after age 55 with five years of departmental service. The annual basic retirement benefit equals 2.5% of average base pay, which is defined as the highest average consecutive 36 months of base pay, multiplied by creditable service; however, the aggregate annual basic retirement benefit may not exceed 80% of the average base pay. Members separated after five years of departmental service are entitled to a deferred pension beginning at age 55. Benefits are also provided to certain survivors of active, retired, or terminated vested members. Members receive annual benefit increases proportional to changes in the Consumer Price Index, however, the increase is capped at 3%.

Members with a service-related disability receive a disability retirement benefit of 70% of base pay multiplied by the percentage of disability. A minimum annual disability retirement benefit of 40% of base pay applies.

Members with a non-service related disability and at least five years of departmental service receive a disability retirement benefit of 70% of base pay multiplied by the percentage of disability. A minimum annual disability retirement benefit of 30% of base pay applies.

Prior to reaching age 50, a disability retirement benefit will be reduced or terminated if outside earnings exceed a certain limit.

<u>Teachers' Retirement Fund</u>

Other Entities involved in Plan Administration – The District of Columbia Public School's (the "DCPS") Office of Human Resources makes decisions regarding voluntary and involuntary retirement, survivor benefits, and annual medical and income reviews.

Benefits Calculation – DCRB's Benefits Department receives the approved retirement applications for all active Plan members found eligible for retirement by the DCPS Office of Human Resources, and carries out the day-to-day processing of retirement benefits. DCRB also processes employee requests for refunds of contributions and purchases of service.

Eligibility – Permanent, temporary, part-time and probationary teachers and certain other employees of the District of Columbia public day schools are automatically enrolled in the Teachers' Retirement Fund on their date of employment. Certain D.C. Public Charter School employees are also eligible to be participants. However, substitute teachers and employees of the Department of School Attendance and Work Permits are not covered.

Title 38, Chapter 20 of the D.C. Official Code (D.C. Code § 38-2021.01 et seq. (2001 Ed.)) establishes benefit provisions which may be amended by the District City Council. For employees hired before November 1, 1996, the annual retirement benefit is the average salary, as defined, multiplied by 1.5% for each of the first five years of service, plus 1.75% for each of the second five years; plus 2% for each additional year over 10 years. For employees hired on or after November 1, 1996, the annual retirement benefit is the average salary, as defined, multiplied by 2% for each year of service. The average salary is the highest average consecutive 36 months of pay.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2: FUND ADMINISTRATION AND DESCRIPTION (CONTINUED)

The annuity may be further increased by crediting unused sick leave as of the date of retirement. Participants receiving retirement benefits receive an annual benefit increase proportional to changes in the Consumer Price Index; however, the annual increase may not exceed 3% for participants hired on or after November 1, 1996. Participants may select from among several survivor options.

Participants who have 5 years of school service (by working for the District of Columbia public school system), and who become disabled and can no longer perform their jobs satisfactorily, may be eligible for disability retirement. Such disability retirement benefits are calculated in the same manner as a retirement benefit, however, a minimum disability benefit applies.

Voluntary retirement is available for teachers who have a minimum of 5 years of school service and who achieve the following age and length of service requirements:

- at age 62 with 5 years of service;
- at age 60 with 20 years of service; and
- at age 55 with 30 years of service; if hired before November 1, 1996; or
- at any age with 30 years of service, if hired by the school system on or after November 1, 1996.

Employees who are involuntarily separated other than for cause and who have 5 years of school service, may be eligible for retirement at any age with 25 years of service or at age 50 with 20 years of service.

An involuntary retirement benefit is reduced if at the time of its commencement the participant is under the age of 55.

Participant Data

The number of participating employees for the years ended September 30 was as follows:

TRF	2013	2012
Retirees and survivors receiving benefits (post June 30, 1997)	3,448	3,285
Active plan members	4,379	4,495
Vested terminations	912	920
Total participants	8,739	8,700

POFRF	2013	2012
Retirees and survivors receiving benefits (post June 30, 1997)	2,183	2,039
Active plan members	5,510	5,510
Vested terminations	226	185
Total participants	7,919	7,734

Contributions

Fund members contribute by salary deductions at rates established by D.C. Code § 5-706 (2001 Ed.). Members contribute 7% (or 8% for Teachers and Police Officers and Firefighters hired on or after November 1, 1996 and November 10, 1996, respectively) of annual gross salary, including any differential for special assignment and longevity, but excluding overtime, holiday, or military pay.

The District is required to contribute the amounts necessary to finance the Plan benefits of its members through annual contributions at actuarially determined amounts in accordance with the provisions of the Replacement Act. The amount of the District contributions for fiscal years 2013 and 2012 were equal to the amounts computed, if any, by the Board's independent actuary.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2: FUND ADMINISTRATION AND DESCRIPTION (CONTINUED)

Contribution requirements of members are established by D.C. Code § 5-706 and requirements for District of Columbia government contributions to the Fund are established at D.C. Code § 1-907.02 (2001 Ed.), which may be amended by the City Council. Administrative costs are paid from investment earnings.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements are prepared using the accrual basis of accounting. Employee contributions are recognized by the District Retirement Funds at the time compensation is paid to fund members. Employer contributions to the District Retirement Funds are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the retirement plan's commitment.

GASB Statement 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, requires that the two District Retirement Funds, be shown separately in the Combining Financial Statements as they are legally separate plans. To meet this requirement, plan assets and liabilities, where possible, were specifically identified to a fund. Assets and liabilities that were not specifically identifiable to a fund were allocated based on the net position of each individual fund.

GASB Statement 50, *Pension Disclosures*, established the standards for enhancing footnote disclosures for pension plans consistent with standards under GASB Statements 43 and 45.

GASB Statement 51, *Accounting and Financial Reporting for Intangible Assets*, provides authoritative guidance related to the accounting and financial reporting of intangible assets, including internally developed software. GASB Statement 51 was effective for periods beginning after June 15, 2009. As of September 30, 2013 the District Retirement Funds do not have any intangible assets that are required to be reported in accordance with GASB Statement 51.

GASB Statement 53, *Accounting and Financial Reporting for Derivative Instruments*, established the standards for recognizing, measuring, and disclosing information regarding derivative instruments and transactions. GASB Statement 53 was implemented for the year ended September 30, 2010.

GASB Statement 59, *Financial Instruments Omnibus*, updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. GASB 59 was implemented for the year ended September 30, 2011.

GASB Statement 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions (an amendment of GASB Statement No. 53)*, improves financial reporting by state and local governments by clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty's credit support provider, is replaced. Management has evaluated GASB Statement No. 64 and determined the amendments made to GASB 53 through this statement do not have an impact on the District Retirement Funds' financial statements.

Implementation of New Accounting Pronouncements - GASB Statement 63 introduces and defines elements of deferred inflows and outflows as an acquisition or consumption of net assets that is applicable to a future reporting period and the term net position is defined as the difference between assets and deferred outflows less liabilities and deferred inflows. The Plan implemented the standard in 2013. However, because the Plan does not currently have deferred inflow or outflow transactions the implementation is reflected as a change of the term "Net Assets" to "Net Position" in the Financial Statements.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Income Tax Status – The District Retirement Funds are qualified plans under section 401(a) of the Internal Revenue Code and are exempt from federal income taxes under section 501(a).

Method Used to Value Investments **–** Investments are reported at fair value. Fair value is the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale. All investments, with the exception of real assets, hedge funds, and private equity, are valued based on closing market prices or broker quotes. Securities not having a quoted market price have been valued based on yields currently available on comparable securities of issuers with similar credit ratings.

The fair value of investments in real assets, hedge funds or private equity, in the absence of a readily ascertainable market value, are based on management's valuation of estimates and assumptions from information and representations provided by the respective general partners.

Actuarial Data – The District Retirement Funds used the Aggregate Actuarial Cost method to determine the annual employer contribution for all Plan years through fiscal year 2012 (including the employer contribution amount for fiscal year 2013). The "Actuarial Method Amendment Act of 2012" changed the funding method from the Aggregate Actuarial Cost Method to the Entry Age Normal Cost Method as of October 1, 2012. As a result, the calculation used to determine employer contributions for fiscal years 2014 and beyond are based on the Entry Age Normal Cost Method, not the Aggregate Actuarial Cost Method. Any excess of the actuarial present value of projected benefits of the group included in an actuarial valuation over the sum of the actuarial value of assets plus the actuarial present value of employee contributions is allocated on a level basis over the earnings or service of the group between the valuation date and assumed exit date.

This allocation is performed for the group as a whole, not as a sum of individual allocations. The portion of the actuarial present value allocated to a valuation year is called the normal cost. The actuarial accrued liability is equal to the actuarial value of assets.

Use of Estimates in Preparing Financial Statements – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Board to make estimates and assumptions that affect the reported amounts of assets, liabilities, additions and deductions to net position held in trust for pension benefits and disclosure of contingent assets and liabilities at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

Investment Expenses **–** The District of Columbia Appropriation Act authorized Fund earnings to be used for investment expenses incurred in managing the assets and administering the Fund. The total investment expenses borne by the District Retirement Funds was $7,538,045 in 2013 and $9,022,880 in 2012. A significant number of the alternative investment managers provide account valuations net of management expenses. Those expenses are netted against investment income and because they are not readily separable, amounts are recorded and reported net of management expenses in the net appreciation (depreciation) in the fair value of investments.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4: INVESTMENTS

The Board is authorized to manage and control the investment of the District Retirement Funds' assets. The Board broadly diversifies the investments of the District Retirement Funds so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so, as required by D.C. Code § 1-741(a)(2)(C), (2001 Ed.).

Master Trust **–** The Board has pooled all of the assets under its management (the "Investment Pool"), as is authorized by D.C. Code § 1-903(b), (2001 Ed.), with a master custodian under a master trust arrangement (the "Master Trust"). Using an investment pool, each Fund owns an undivided proportionate share of the pool.

District and employee contributions are deposited in the respective Retirement Fund for which the contribution was made, and benefit payments and employee contribution refunds are withdrawn from the Fund in which the recipient participates. Investment performance and administrative expenditures are allocated between the two Funds based upon their proportionate equity in the pool.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4: INVESTMENTS (CONTINUED)

The fair values of investments of the Investment Pool as of September 30 are as follows:

(Dollars in thousands)	2013	2012
Cash and short-term investments	$ 96,058	$ 74,516
Investments at fair value:		
Domestic equity	1,372,615	1,256,317
International equity	1,773,661	1,572,788
Fixed income	1,617,778	1,399,703
Real estate	356,124	253,621
Private equity	654,900	682,583
Total investments at fair value	5,775,078	5,165,012
Total	$ 5,871,136	$ 5,239,528

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4: INVESTMENTS (CONTINUED)

Debt Instruments – As of September 30, 2013, the Investment Pool held the following debt instruments:

(Dollars in thousands)

Investment Type	Fair Value	% of Segment	Duration	Rating*
US Agency	$ 26,395	1.63%	4.30	AA
Asset Backed	4,794	0.30%	1.86	AA
Bank Loans	81,451	5.03%	5.92	NR
CMBS	812	0.05%	0.67	AAA
CMO	9,907	0.61%	7.51	AAA
Corporate (Investment grade and non-investment grade)	327,275	20.23%	4.92	BBB-
Euro	679	0.04%	0.66	BB+
Foreign (Developed markets and emerging markets)	296,174	18.31%	5.23	A
Mortgage Pass-Through	222,258	13.74%	4.57	AA+
Municipal	15,066	0.93%	9.92	AA
Unclassified	20,493	1.27%	6.77	NR
US Treasury	587,426	36.31%	6.44	AA+
Yankee	15,491	0.96%	4.87	AA
Other	9,557	0.59%	N/A	NR
Total Fixed Income	$ 1,617,778	100.00%		

* Using quality ratings provided by Standard & Poor's

As of September 30, 2012, the Investment Pool held the following debt instruments:

(Dollars in thousands)

Investment Type	Fair Value	% of Segment	Duration	Rating*
US Agency	$ 10,294	0.74%	5.72	AA+
Asset Backed	16,307	1.17%	1.42	AA-
CMBS	7,023	0.50%	2.32	A+
CMO	16,227	1.16%	3.48	AA+
Corporate	187,318	13.38%	3.55	BB
Foreign	12,454	0.89%	5.78	CCC
Mortgage Pass-Through	65,738	4.70%	1.75	AA+
Municipal	9,421	0.67%	10.22	AA+
US Treasury	113,794	8.13%	8.38	AA+
Yankee	37,958	2.70%	4.71	A
High Yield and Emerging Debt	62,950	4.50%	N/A	NR
Infrastructure Funds	101,300	7.24%	N/A	NR
US Tips Index Fund	165,149	11.80%	N/A	NR
US Debt Index Fund	587,320	41.96%	N/A	NR
Other	6,450	0.46%	N/A	NR
Total Fixed Income	$ 1,399,703	100.00%		

* Using quality ratings provided by Standard & Poor's.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4: INVESTMENTS (CONTINUED)

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, an investment with a longer maturity will have a greater sensitivity to fair value changes that are related to market interest rates. The Board monitors the interest rate risk inherent in its portfolio by measuring the weighted average duration of its portfolio. Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. As a general rule, the risk and return of the Board's fixed income segment of the portfolio is compared to the Barclays Capital US Universal Index. To mitigate interest rate risk, the fixed income segment is expected to maintain a weighted average duration (sensitivity to interest rate changes) within +/-2 years of the duration of this Index.

Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Unless specifically authorized otherwise in writing by the Board, fixed income managers invest in investment grade instruments rated in the top four rating categories by a recognized statistical rating service.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. As a general policy, investment managers with authority to invest in issuers denominated in a foreign currency may reduce exposure to currency risk by systematically hedging foreign currency positions back to U.S. dollars through the forward currency markets. Since the forward exchange rate is seldom equal to the spot exchange rate, forward hedging gains and losses may arise.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4: INVESTMENTS (CONTINUED)

As of September 30, 2013, the Investment Pool held investments that were denominated in a currency other than the United States Dollar, as summarized below:

(Dollars in thousands)	Asset Class					
	Cash	Equities	Fixed Income	Private Equity	Swaps	Total
Australian Dollar	$ 1	$ 1,134	$ -	$ -	$ 87	$ 1,222
Brazilian Real	-	-	-	-	(493)	(493)
Canadian Dollar	207	-	2,159	-	21	2,387
Euro	7,287	54,663	11,153	26,836	(95)	99,844
Hong Kong Dollar	-	6,848	-	-	-	6,848
Japanese Yen	101	31,300	-	-	(68)	31,333
New Zealand Dollar	-	-	-	-	-	-
Pound Sterling	-	4,722	1,516	-	-	6,238
Singapore Dollar	-	-	-	-	-	-
South Korean Won	-	1,265	-	-	-	1,265
Swedish Krona	-	6,763	-	-	-	6,763
Swiss Franc	-	10,057	-	-	-	10,057
Total Foreign	$ 7,596	$ 116,752	$ 14,828	$ 26,836	$ (548)	$ 165,464

As of September 30, 2012, the Investment Pool held investments that were denominated in a currency other than the United States Dollar, as summarized below:

(Dollars in thousands)	Asset Class					
	Cash	Equities	Fixed Income	Private Equity	Swaps	Total
Australian Dollar	$ 334	$ -	$ -	$ -	$ 125	$ 459
Canadian Dollar	(36)	8	4,105	-	66	4,143
Swiss Franc	-	7,851	-	-	-	7,851
Danish Krone	-	-	-	-	-	-
Euro	216	45,323	14,723	23,882	223	84,367
Pound Sterling	1	4,865	5,491	-	-	10,357
Hong Kong Dollar	-	6,763	-	-	-	6,763
Israeli Shekel	-	-	-	-	-	-
Japanese Yen	-	21,188	-	-	-	21,188
South Korean Won	-	2,595	-	-	-	2,595
Norwegian Krone	-	-	-	-	-	-
New Zealand Dollar	-	-	-	-	-	-
Swedish Krona	-	5,015	-	-	-	5,015
Singapore Dollar	1,319	-	-	-	-	1,319
Mexican Peso	-	-	-	-	-	-
Brazilian Real	-	-	-	-	-	-
Total Foreign	$ 1,834	$ 93,608	$ 24,319	$ 23,882	$ 414	$ 144,057

NOTE 4: INVESTMENTS (CONTINUED)

Securities Lending Transactions – The Board's policies permit the District Retirement Funds to participate in securities lending transactions by relying on a Securities Lending Authorization Agreement, which authorizes the master custodian to lend the Board's securities to qualified broker-dealers and banks pursuant to a form of loan agreement.

During 2013 and 2012, the master custodian, at the direction of the Board, loaned certain of the District Retirement Funds' public equity and fixed income securities for which it received collateral in the form of United States and foreign currency cash, securities issued or guaranteed by the United States government, the sovereign debt of foreign countries and irrevocable bank letters of credit. This collateral could not be pledged or sold unless the borrower defaulted on the loan. Borrowers were required to deliver and maintain collateral for each loan in an amount equal to (i) at least 102% of the market value of the loaned security in the United States; or (ii) 105% of the market value of the loaned securities in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States.

The Board and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool (the Quality D Fund). The Quality D Fund does not meet the requirements of the Securities and Exchange Commission Rule 2a-7 of the Investment Company Act of 1940, and accordingly, the master custodian has valued the Fund's investments at fair value for reporting purposes.

The Quality D Fund is not registered with the Securities and Exchange Commission. The master custodian, and consequently the investment vehicles it sponsors (including the Quality D Fund), are subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of the Funds' assets in the Quality D Fund is not the same as the value of the District Retirement Funds' shares.

There was no involuntary participation in an external investment pool by the Quality D Fund and there was no income from one fund that was assigned to another fund by the master custodian during 2013 or 2012.

During 2013 and 2012, the Board did not restrict the amount of the loans that the master custodian made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon and there were no losses resulting from a default of the borrowers or the master custodian during 2013 and 2012.

The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in the Quality D Fund which is comprised of a liquidity pool and a duration pool. As of September 30, 2013 the liquidity pool had an average duration of 40.98 days and an average weighted final maturity of 99.74 days for USD collateral. As of this date the duration pool had an average duration of 41.43 days and an average weighted final maturity of 1,996.16 days for USD collateral. Because the securities lending transactions were terminable at will their duration did not generally match the duration of the investments made with the cash collateral received from the borrower. Investments in the liquidity pool are restricted to issuers with a short-term credit rating not lower than A1/P1, or long-term ratings not lower than A-/A3, or the equivalent thereof.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4: INVESTMENTS (CONTINUED)

In addition, investments have a remaining final maturity of no more than 18 months. The liquidity pool will have a dollar-weighted average maturity of no more than 75 calendar days and a dollar-weighted average maturity to final not to exceed 180 calendar days. The Quality D Fund may invest up to 10% of its assets at the time of purchase in other investment vehicles managed by the investment management division of the master custodian provided they conform to fund guidelines. On September 30, 2013 and 2012, the Board had no credit risk exposure to borrowers.

As of September 30, 2013 the fair value of securities on loan was $83,900,215. Associated collateral totaling $84,142,627 was comprised of cash which was invested in the Quality D Fund. As of September 30, 2013 the invested cash collateral had a fair value of $83,477,900.

As of September 30, 2012 the fair value of securities on loan was $95,057,592. Associated collateral totaling $97,796,676 was comprised of cash which was invested in the Quality D Fund. As of September 30, 2012 the invested cash collateral had a fair value of $96,652,455.

During the fiscal year ended September 30, 2013 and 2012, market value of the shares in the Quality D Fund purchased with cash collateral by the lending agent was less than the cost, resulting in unrealized losses of $664,727 and $1,144,221, respectively.

Net security lending income is composed of three components: gross income, broker rebates, and agent fees. Gross income is equal to earnings on cash collateral received in a security lending transaction. A broker rebate is the cost of using that cash collateral. Agent fees represent the fees paid to the agent for administering the lending program. Net security lending income is equal to gross income less broker rebates and agent fees. Security lending income for fiscal year 2013 and 2012 was recorded on a cash basis which approximated the accrual basis. The Fund's share of securities lending income and expense are on page 33.

Derivative Investments – Derivatives are generally defined as contracts in which the value depends on, or derives from, the value of an underlying asset, reference rate, or index. Derivative investments generally contain exposure to credit risk, market risk, and/or legal risk. Credit risk is the exposure to the default of another party to the transaction (counterparty). Market risk is the exposure to changes in the market, such as a change in interest rates, currency exchange rates, or a change in the price or principal value of a security. The Board believes that all contracts entered into are legally permissible in accordance with the policy of the Board.

During 2013 and 2012, the District Retirement Funds, in accordance with the policy of the Board, and through the District Retirement Funds' investment managers who have full discretion over investment decisions, invested in various derivative instruments either to increase potential earnings or to hedge against potential losses. See page 49 and 50 for a list of the derivatives aggregated by type and see below for a description of these derivatives.

TBAs (sometimes referred to as "dollar rolls") are used by the District Retirement Funds as an alternative to holding mortgage-backed securities outright to raise the potential yield and to reduce transaction costs. The selected TBAs are used because they are expected to behave the same in duration and convexity as mortgage-backed securities with identical credit, coupon and maturity features. Credit risk is managed by limiting these transactions to primary dealers.

Market risk for this type of security is not significantly different from the market risk for mortgage-backed securities.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4: INVESTMENTS (CONTINUED)

Foreign currency forwards, futures contracts and foreign currency options are generally used by the District Retirement Funds for defensive purposes. These contracts hedge a portion of the District Retirement Funds' exposure to particular currencies on occasion when significant adverse short-term movement in exchange rate levels is expected.

Foreign currency forward and futures contracts can pose market risk when the maximum potential loss on a particular contract is greater than the value of the underlying investment. Market risks arise due to movements in the foreign exchange rates underlying the contracts used by the District Retirement Funds. Credit risk is managed by limiting transactions to counterparties with short-term credit ratings of Al or Pl or by trading on organized exchanges. Market risk for currency options is limited to the purchase cost. Credit risk for currency options is also managed by limiting transactions to counterparties with investment-grade ratings or by trading on organized exchanges.

Equity index futures were also used by the District Retirement Funds in order to gain exposure to equity markets in a more efficient and liquid manner than directly investing in all of the underlying equity securities. Equity index futures may pose market risk when the maximum potential loss on a particular contract is greater than the value of the underlying investment. Market risks arise due to movements in the equities markets underlying the contracts used by the District Retirement Funds. The notional amounts of the contracts are not included in the derivatives holdings disclosed. Credit risk is managed by dealing with member firms of the futures exchanges.

Exchange-traded and over-the-counter bond futures and options are used by the District Retirement Funds to gain exposure to fixed income markets in a more efficient and liquid manner than by purchasing the underlying bonds. Market risk for these futures and options is limited to purchase cost. Credit risk is managed by limiting transactions to counterparties with investment-grade ratings or by trading with member firms of organized exchanges.

Warrants are used by the District Retirement Funds to gain equity exposure and to enhance performance. Warrants are often distributed by issuers to holdings of common stock and bonds, and are held for the same fundamental reasons as the original common stock and/or bond holdings. Rights are a security that gives the holder the entitlement to purchase new shares issued by a corporation at a predetermined price in proportion to the number of shares already owned.

Market risk for warrants and rights is limited to the purchase cost. Credit risk for warrants and rights is similar to the underlying equity and/or bond holdings. Again, all such risks are monitored and managed by the District Retirement Funds' external investment managers who have full discretion over such investment decisions.

Swaps represent an agreement between two or more parties to exchange a sequence of cash flows during a predetermined timeframe. The District Retirement Funds utilize swaps for several different reasons: to manage interest rate fluctuations, to protect against a borrower default, and to gain market exposure without having to actually own the asset.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4: INVESTMENTS (CONTINUED)

The District Retirement Funds may manage credit exposure through the use of credit default swaps. A credit default swap ("CDS") is a contract whereby the credit risk associated with an investment is transferred by entering into an agreement with another party who, in exchange for periodic fees, agrees to make payments in the event of a default or other predetermined credit event. One of the main advantages of a CDS is that it allows for exposure to credit risk while limiting exposure to other risks such as interest rate and currency risk.

The District Retirement Funds also hold derivative instruments indirectly by participating in pooled, commingled, or short-term funds that hold derivatives. Information regarding any risks associated with these holdings is not generally available.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4: INVESTMENTS (CONTINUED)

The following is a list of derivatives aggregated by type as of September 30, 2013:

	Changes in Fair Value (4)		Fair Value at September 30, 2013		
Investment Derrivatives	Classification	Amount (1)	Classification	Amount (2)	Notional (3)
Credit Default Swaps Bought	Investment Revenue	$ (847,227)	Swaps	$ 646,094	36,312,001
Credit Default Swaps Written	Investment Revenue	(6,243)	Swaps	226,944	13,500,000
Fixed Income Futures Long	Investment Revenue	121,240	Futures	-	33,250,000
Fixed Income Futures Short	Investment Revenue	(4,429)	Futures	-	(11,080,444)
Fixed Income Options Bought	Investment Revenue	(11,021)	Options	303,713	2,100,000
Fixed Income Options Written	Investment Revenue	501,464	Options	(334,689)	(42,609,714)
Foreign Currency Options Bought	Investment Revenue	(21,941)	Options	-	-
Foreign Currency Options Written	Investment Revenue	49,376	Options	-	-
Futures Options Bought	Investment Revenue	4,062	Options	-	-
Futures Options Written	Investment Revenue	21,263	Options	-	-
FX Forwards	Investment Revenue	(226,234)	Long Term Instruments	(67,600)	46,440,388
Pay Fixed Interest Rate Swaps	Investment Revenue	1,619,308	Swaps	1,233,514	26,891,720
Receive Fixed Interest Rate Swaps	Investment Revenue	(748,031)	Swaps	(385,288)	27,595,263
Rights	Investment Revenue	222,624	Common Stock	-	-
Warrants	Investment Revenue	(31,114)	Common Stock	13	2,142
Grand Totals		$ 643,097		$ 1,622,701	

(1) Negative values (in brackets) refer to losses
(2) Negative values refer to liabilities
(3) Notional may be a dollar amount or size of underlying for futures and options, negative values refer to short positions
(4) Excludes futures margin payments

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4: INVESTMENTS (CONTINUED)

The following is a list of derivatives aggregated by type as of September 30, 2012:

	Changes in Fair Value (4)		Fair Value at September 30, 2012		
Type of Derivative	Classification	Amount (1)	Classification	Amount (2)	Notional (3)
Credit Default Swaps Bought	Investment Inc.	$ (1,735,586)	Swaps	$ 1,462,445	39,777,152
Credit Default Swaps Written	Investment Inc.	(31,103)	Swaps	715,675	39,981,575
Fixed Income Futures Long	Investment Inc.	1,481,667	Futures	-	26,800,000
Fixed Income Futures Short	Investment Inc.	(1,965,093)	Futures	-	(16,968,448)
Fixed Income Options Bought	Investment Inc.	70,635	Options	356,353	19,700,000
Fixed Income Options Written	Investment Inc.	1,626,545	Options	(897,464)	(70,300,000)
Foreign Currency Futures Long	Investment Inc.	(8,210)	Futures	-	-
Foreign Currency Futures Short	Investment Inc.	(2,598)	Futures	-	-
Foreign Currency Options Bought	Investment Inc.	103,928	Options	96,007	6,046,548
Foreign Currency Options Written	Investment Inc.	13,831	Options	-	-
Futures Options Bought	Investment Inc.	(79,416)	Options	2,250	3,000
Futures Options Written	Investment Inc.	233,744	Options	-	-
FX Forwards	Investment Inc.	792,412	LT Instruments	(559,634)	53,613,725
Pay Fixed Interest Rate Swaps	Investment Inc.	(2,842,418)	Swaps	(497,508)	23,100,000
Rec'd Fixed Interest Rate Swaps	Investment Inc.	1,659,898	Swaps	384,536	16,454,745
Rights	Investment Inc.	(1,529)	Common Stock	-	-
Warrants	Investment Inc.	1,593	Common Stock	84	66,540
Grand Totals		$ (681,700)		$ 1,062,744	

(1) Negative values (in brackets) refer to losses
(2) Negative values refer to liabilities
(3) Notional may be a dollar amount or size of underlying for futures and options, negative values refer to short positions
(4) Excl. futures margin payments

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5: COMMITMENTS

As of September 30, 2013, the District Retirement Funds have entered into investment funding commitments related to alternative investments to fund an additional $209,652,376 million at some future date.

NOTE 6: ACTUARIAL INFORMATION

The actuarial funding method used to calculate the employer contributions received in 2012 was the Aggregate Actuarial Cost Method. Under this method, the District must contribute the level percent of pay that – combined with the actuarial value of assets, expected earnings, and future employee contributions, will pay for the benefits of the current participants by the time the current workforce leaves employment. This method does not separately amortize unfunded actuarial accrued liabilities. Effective for the October 1, 2007, valuation date the District Retirement Funds were required by GASB 50 to use the Entry Age Normal Actuarial Cost Method to determine the accrued liabilities for disclosure purposes.

The funded status of each Plan, under the Entry Age Normal Actuarial Cost Method as of October 1, 2012, the most recent actuarial valuation date, is as follows:

(Dollars in thousands)

Plan	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Ratio of AVA to AAL	Annual Covered Payroll	UAAL as a % of Annual Covered Payroll
Teachers	$ 1,585,626	$ 1,680,548	$ 94,922	94.4%	$ 381,235	24.90%
Fire & Police	3,804,853	3,456,976	(347,877)	110.1%	414,877	-83.85%

The funded status of each Plan, under the Entry Age Normal Actuarial Cost Method as of October 1, 2011 is as follows:

(Dollars in thousands)

Plan	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Ratio of AVA to AAL	Annual Covered Payroll	UAAL as a % of Annual Covered Payroll
Teachers	$ 1,573,654	$ 1,544,864	$ (28,790)	101.9%	$ 384,455	-7.49%
Fire & Police	3,593,716	3,309,825	(283,891)	108.6%	421,221	-67.40%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6: ACTUARIAL INFORMATION (CONTINUED)

Fiscal year 2013 employer contributions required under the Aggregate Actuarial Cost Method and contributions made are as follows:

(Dollars in thousands)	Based on Actuarial Valuation Date October 1	Annual Required Contribution	Percentage Contributed
Teachers	2011	$ 6,407	100.0%
Fire and Police	2011	96,314	100.0%

Fiscal year 2012 employer contributions required under the Aggregate Actuarial Cost Method and contributions made are as follows:

(Dollars in thousands)	Based on Actuarial Valuation Date October 1	Annual Required Contribution	Percentage Contributed
Teachers	2010	$ -	N/A
Fire and Police	2010	116,664	100.0%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6: ACTUARIAL INFORMATION (CONTINUED)

The calculation of the actuarial value of assets includes a smoothing of investment gains and losses over a seven year period. For the year ended September 30, 2013 and 2012, the District Retirement Funds experienced an investment gain of 11.4% and 14.4%, respectively. The difference between these investment gains and the assumed rate of 6.50% will be recognized over the next seven years and will have an impact on the funding ratio in the future.

See Required Supplementary Information (RSI) on page 56 for a 6-year schedule of employer contributions.

The funding progress and employer contribution information presented above and the employer contribution information in the RSI schedule were determined as part of the actuarial valuations at the date indicated. As discussed in *Note 3: Summary of Significant Accounting Policies*, the "Actuarial Method Amendment Act of 2012" changed the funding method from the Aggregate Actuarial Cost Method to the Entry Age Normal Cost Method as of October 1, 2012. As a result, the calculation used to determine employer contributions for fiscal year 2014 and beyond are based on the Entry Age Normal Cost Method, not the Aggregate Actuarial Cost Method. The following is additional information for the District Retirement Funds as of the valuation date October 1:

	2012	**2011**
Actuarial cost method for contributions	Entry Age Normal	Aggregate
Actuarial cost method for accrued liabilities	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar Closed	Not applicable
Remaining amortization period	20 years	Not applicable
Asset valuation method	7 year smoothed market return	7 year smoothed market return
Actuarial assumptions:		
Investment rate of return	6.50%	7.00%
Projected salary increases:		
Police Officers and Fire Fighters	4.75-9.25%	5.25-9.75%
Teachers	4.45-8.25%	4.95-8.75%
Includes inflation at	3.50%	4.25%
Cost-of-living adjustments (COLAs)	3.50%	4.25%
COLAs for Post November 10, 1996 hires	Limited to 3.00%	Limited to 3.00%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7: RETIREMENT BENEFITS PAYABLE TO U.S. TREASURY

During 2013, the U.S. Treasury completed a reconciliation project that compared the estimated District benefit payments received by the U.S. Treasury for the District's portion of annuitant benefit payments made between October 1, 1997 and December 31, 2007 to the amount of total District benefit payments actually disbursed by the U.S. Treasury for the same period. The reconciliation results were audited by the independent auditing firm of Lani Eko & Company, CPAs who issued an unmodified ("clean") audit opinion on the reconciliation.

This reconciliation of District benefit payments was conducted in accordance with various Memoranda of Understanding and letters of agreement between the U.S. Treasury, the District of Columbia government and DCRB. The methodology for calculating the District's portion of annuitant benefit payments was governed by the Balanced Budget Act of 1997, as amended, and the U.S. Treasury's regulations published in Subpart C of 31 CFR Part 29, Split Benefit Regulations.

Under provisions detailed in the Balance Budget Act of 1997, the U.S. Treasury assumed financial responsibility for a specific population of annuitants for both the Teachers and Police Officers and Firefighters' retirement Plans. Generally, the U.S. Treasury assumed the liability for retirement benefits earned through June 30, 1997 (the "split" date) and the District assumed the liability for service earned thereafter. To account for these shared or split benefit payments, the U.S. Treasury developed and implemented a software system to calculate the respective split benefit payment liabilities. Until the time that the system was fully implemented, December 31, 2007, the District made estimated payments to cover their portion of the annuitants' benefits payments during this interim period.

The total benefit payments paid during this interim period totaled $791,864,131 and the District's adjusted portion totaled $175,259,446. The amount of estimated payments provided by DCRB to the U.S. Treasury for this same period totaled $144,365,632, leaving an amount due to the U.S. Treasury of $30,893,814. The U.S. Treasury invoiced the District for this amount on June 20, 2013 and in accordance with a letter of agreement between the parties, the payment is due to the U.S. Treasury by June 20, 2014. DCRB has accrued this liability as of September 30, 2013 on the Statement of Net Position under Retirement benefits payable to the U.S. Treasury. In addition, the expense has been recorded in fiscal year 2013 and is reflected in the Statement of Changes in Net Position. The portion of the liability and expense attributed to the Teachers' Retirement Fund is $21,503,251 and the portion attributed to the Police Officers and Firefighters' Fund is $9,390,563.

Required Supplementary Information
SCHEDULE OF FUNDING PROGRESS
(Dollar amounts in thousands)

Until September 30, 2011, the District of Columbia Retirement Board used the Aggregate Actuarial Cost Method, which does not result in the calculation of an unfunded accrued liability. GASB Statement No. 50 requires funds using the Aggregate method to disclose funding status information based on Entry Age Normal calculations. Accordingly, the numbers shown have been determined based on the Entry Age Normal Cost Method.

Actuarial Valuation Date	Actuarial Value of Assets	EAN Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percent of Payroll
10/1/2007	$4,068.9	$3,898.6	($170.3)	104.4%	$771.2	-22.1%
10/1/2008	4,379.7	4,276.8	(102.9)	102.4%	781.2	-13.2%
10/1/2009	4,493.4	4,332.4	(161.0)	103.7%	772.7	-20.8%
10/1/2010	4,989.8	4,495.1	(494.7)	111.0%	761.4	-65.0%
10/1/2011	5,167.4	4,854.7	(312.7)	106.4%	805.7	-38.8%
10/1/2012	5,390.5	5,137.5	(253.0)	104.9%	796.1	-31.8%

Required Supplementary Information
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Dollar amounts in thousands)

TEACHERS' RETIREMENT FUND

Fiscal Year	Annual Required Contributions	Percentage Contributions
2013	$6,407	100%
2012	-	100%
2011	-	100%
2010	-	100%
2009	-	100%
2008	14,600	100%

POLICE OFFICERS AND FIRE FIGHTERS' RETIREMENT FUND

Fiscal Year	Annual Required Contributions	Percentage Contributions
2013	$96,314	100%
2012	116,700	100%
2011	127,200	100%
2010	132,300	100%
2009	106,000	100%
2008	137,000	100%

Supplementary Information

SCHEDULE OF ADMINISTRATIVE EXPENSES

	2013	2012
Personnel Services		
Salaries	$ 3,955,243	$ 4,113,863
Fringe benefits	1,135,431	953,613
Total personnel services	5,090,674	5,067,476
Non-personnel services		
Professional services:		
Legal counsel	1,172,520	292,089
Auditing services	75,940	71,160
Actuarial services	145,531	152,590
Investment advisors and consultants	6,586,544	7,753,310
Consultants and contracts	4,074,744	3,069,219
Office supplies	187,114	156,612
Telephone	50,320	48,484
Rent	1,513,248	1,465,447
Office support	-	1,236
Travel	189,490	148,224
Printing	91,396	33,002
Insurance	113,691	121,311
Postage	137,543	29,103
Dues and membership	28,071	26,482
Depreciation	3,164	6,328
Furniture and equipment	618,653	179,372
Total non-personnel services	14,987,969	13,553,969
Total administrative expenses	20,078,643	18,621,445
Investment expenses	(7,538,044)	(9,022,880)
Net administrative expenses	$ 12,540,598	$ 9,598,565

Supplementary Information
SCHEDULE OF INVESTMENT EXPENSES

	2013	2012
Investment managers*	$ 5,498,505	$ 7,115,929
Investment administrative expense	933,637	1,010,770
Investment consultants	974,522	685,742
Investment custodian	131,380	210,439
Total investment expenses	$ 7,538,044	$ 9,022,880

* Fees paid to traditional investment managers only; traditional investment managers are those that invest primarily in public equity and fixed income securities. A signficant number of alternative investments are presented net of expenses. Management expenses are netted against investment income and because they are not readily separable from specific investment income as of the financial statement reporting date, amounts are recorded and reported net of management expenses and therefore are not included on this schedule.

Supplementary Information

SCHEDULE OF PAYMENTS TO CONSULTANTS

Professional/Consultant	Nature of Service	2013	2012
Administrative Consultants			
D.C. Office of the Chief Technology Officer	Information technology consulting	$ 1,386,082	188,500
U.S. Treasury Office of D.C. Pensions	Benefit payment processing	940,705	1,145,809
Morgan, Lewis & Brokius	Legal counsel	404,297	204,126
DLT Solutions, Inc.	Information technology consulting	303,011	-
Valsatech	Information technology consulting	231,815	-
Groom Law Group	Legal counsel	159,029	87,963
Tony Phan	Information technology consulting	155,680	116,410
NGEN, LLC	Information technology consulting	149,477	207,054
Cavanaugh Macdonald Consulting	Actuarial services	142,031	161,424
Linea Solutions, Inc.	Business process re-engineering	127,456	47,771
AON Consulting	Insurance consulting	113,691	113,028
Newlin LLC	Accounting & audit consulting	98,708	51,450
Document Access Systems	Information technology consulting	91,280	180,180
Clifton Larsen Allen	Financial audit	91,000	71,160
Gartner, Inc.	Information technology consulting	83,010	66,410
Telecommunications Development Corporation	Information technology consulting	75,760	-
Mobomo, LLC	Information technology consulting	74,875	27,150
American Arbitration Association	Arbitration services	57,561	-
CEM Benchmarking, Inc.	Define Benefit Investment Cost Effective Analysis	50,000	-
Equinix, Inc.	Information technology consulting	44,906	-
RSM McGladrey, Inc.	Financial system implementation consulting	30,958	36,221
D.C. Department of Human Resources	Information technology consulting	27,660	-
Capital Document Solutions	Information technology consulting	26,948	-
Managed Frameworks, LLC	Information technology consulting	20,086	-
True Ballot, Inc	Board elections	20,000	9,844
Christina Lipscombe	Information technology consulting	18,900	-
Steven T. Van Rees, Sr.	Procurement consulting	17,716	-
Intuitive Technology Group, LLC	Information technology consulting	17,240	-
National Associates, Inc.	Information technology consulting	15,990	-
Worldwide Staffing Exchange	Information technology consulting	15,680	-
Kofax, Inc.	Information technology consulting	15,438	-
Midtown Personnel Inc.	Information technology consulting	14,284	-
EDAC Systems, Inc.	Information technology consulting	12,684	60,986
ZixCorp Systems, Inc.	Information technology consulting	11,564	11,564
Ectam, LLC	Information technology consulting	10,080	-
Avitecture	Information technology consulting	7,995	19,231
Robert Half International, Inc.	Information technology consulting	5,620	117,637
Randstad Technologies	Information technology consulting	-	102,770
L.R. Wechsler, LTD	Information technology consulting	-	89,830
NetX Information Systems, Inc.	Information technology consulting	-	44,461
Icore Networks, Inc.	Telephone implementation consulting	-	5,284
HBP, Inc.	Graphic design for publications	-	3,935
Total administrative consultants		5,069,217	3,170,198
Investment Consulting			
Cliffwater, LLC	Traditional investment consulting	707,855	390,742
Meketa Investment Group	Traditional investment consulting	241,667	270,000
Zeno Consulting Group, LLC	Traditional investment consulting	25,000	25,000
Total investment consultants		974,522	685,742
Total payments to consultants		$ 6,043,739	$ 3,855,940

INVESTMENT SECTION

REPORT ON INVESTMENT ACTIVITY

Prepared by Sheila Morgan-Johnson, Chief Investment Officer

I. Introduction

The District of Columbia Retirement Board (the "Board"), a defined benefit plan, manages and controls the assets of the Teachers' Retirement Fund and the Police Officers' and Firefighters' Retirement Fund (the "Fund"). The Board is charged by law with responsibility for the investment of these assets.

The Board retains the services of independent investment consultants who possess specialized experience and resources in asset allocation, investment strategy and investment manager selection. The Board's traditional investment managers acknowledge their fiduciary responsibility in writing. Investment managers are accorded full discretion within general and specific investment manager policy guidelines.

II. Investment Objectives and Policies

The Board targets investment returns that meet or exceed the actuarial investment return target at a level of risk commensurate with the target return and consistent with prudent investment practices. The current actuarial investment return target is 6.5%, net of investment management fees and administrative expenses. In addition to meeting or exceeding the actuarial return target over the long-term, a secondary return objective is to exceed the annualized total return of the Board's strategic asset allocation benchmark (the "Policy Benchmark").

Strategic Asset Allocation as of September 30, 2013:

As a long-term investor, the Board believes that it can generate the highest risk-adjusted returns through a diversified portfolio with an emphasis on equity investments. Although equities are generally more volatile than other asset classes in the short-term, if properly diversified, they are expected to yield higher total returns in the long-term. In addition, while the Board generally believes in the value of active management, it has pursued lower cost passive investment strategies (e.g., index funds) in more efficient markets where active managers have a lower likelihood of generating excess returns.

III. FY 2013 Global Market Review

Global markets continued their recovery during fiscal year 2013. After a flat fourth quarter of 2012, U.S. markets rallied nearly 11% during the first quarter of 2013 following the resolution of the doomsday fiscal cliff scenario. Non-U.S. developed markets saw a 5% gain during the first quarter 2013 after being up nearly 7% during the final quarter of 2012. Markets continued their rise during the second quarter of 2013 until Chairman Bernanke's testimony in late May raised fears that the Fed might soon reduce its quantitative easing measures. U.S. stocks and bonds had a wild ride in June as investors switched to a "risk-off" position and U.S. Treasury yields started to rise significantly for the first time in over two years. Non-U.S. developed markets, in contrast, had a fairly calm quarter. Global markets continued to perform well in the third quarter 2013, despite ongoing monetary, fiscal and political concerns. The U.S. market was up 5.2% and the non-U.S. developed markets gained 11.6%.

Asset Class	Performance Benchmark	Weight
Fixed Income	Fixed Income Benchmark	25%
U.S. Equities	Russell 3000 Index	22%
International Developed Markets Equities	MSCI World Index ex-U.S. (net)	20%
Emerging Markets Equities	MSCI Emerging Markets Index (net)	8%
Absolute Return	1-Month LIBOR	10%
Private Equity	Cambridge Associates U.S. Private Equity Index (lag)	8%
Real Assets	CPI-U + 700 bps	7%

REPORT ON INVESTMENT ACTIVITY

Over the course of fiscal year 2013, the Russell 3000 Index, an index that measures the performance of the 3,000 largest U.S. companies and that represents approximately 98% of the U.S. equity market, increased 21.6%. International developed equity markets, as measured by the MSCI World ex U.S. Index, rose 21.4% in U.S. dollar terms. Emerging markets equities, as measured by the MSCI Emerging Markets Index, underperformed international developed markets during the period, generating +1.0% in U.S. dollar terms. The Barclays Capital U.S. Universal Index, a broad measure of U.S. fixed income markets, fell 1.0%, driven by a rise in Treasury yields.

IV. FY 2013 Investment Results

As of September 30, 2013, the Fund's net position was $5.8 billion after the payment of all benefits and all other administrative expenses, an increase of approximately $600 million compared to the end of FY 2012. The Fund generated a gross return of 11.3%, outperforming the Total Fund Benchmark by 1% and the actuarial return target by nearly 5% for the fiscal year, driven by a moderate overweight to U.S. equities and underweight to absolute return strategies. Manager selection in U.S. equities, non-U.S. developed equities, and U.S. fixed income markets also added to relative performance. The Fund's managers in these asset classes significantly outperformed their passive benchmarks. Over the long-term, the Fund underperformed the Total Fund Benchmark but exceeded the actuarial return target of 6.5%, returning an annualized 9.2% since October 1982.

Exhibit 1 shows the gross returns for the Fund and each asset class over the one, three, five, and ten-year time periods ending September 30, 2013. The returns were calculated by the Board's custodian bank, State Street, and are time-weighted returns computed in conformance with the CFA Institute's Global Investment Performance Standards (GIPS). Benchmark returns are presented below each asset class for relative performance comparison purposes.

REPORT ON INVESTMENT ACTIVITY

Exhibit 1
Investment Performance (Gross of Fees) for Periods Ending September 30, 2013

Asset Class	1-Year	3-Year	5-Year	10-Year
Total Fund	**11.3%**	**9.5%**	**7.2%**	**6.8%**
Total Fund Benchmark[1]	*10.3%*	*8.7%*	*7.2%*	*7.6%*
Cash and Cash Equivalents	**0.8%**	**0.4%**	**0.5%**	**2.1%**
3-month U.S. Treasury Bills	*0.1%*	*0.1%*	*0.2%*	*1.7%*
Fixed Income	**-0.6%**	**3.9%**	**6.6%**	**5.1%**
Fixed Income Benchmark[2]	*-1.0%*	*3.4%*	*5.9%*	*4.7%*
U.S. Equities	**22.2%**	**17.2%**	**11.1%**	**8.1%**
Russell 3000 Index	*21.6%*	*16.8%*	*10.6%*	*8.1%*
International Developed Markets Equities	**22.4%**	**7.9%**	**8.4%**	**8.9%**
MSCI World Index ex U.S.(net)	*21.5%*	*7.6%*	*7.3%*	*8.9%*
Emerging Markets Equities	**1.5%**			
MSCI Emerging Markets Index (net)	*1.0%*			
Absolute Return	**2.8%**	**8.9%**	**11.8%**	
1-Month LIBOR	*0.2%*	*0.2%*	*0.3%*	
Private Equity	**13.0%**	**13.3%**	**5.9%**	**8.6%**
Cambridge Associates U.S. Private Equity Index	*16.3%*	*15.6%*	*7.9%*	*15.3%*
Real Assets	**8.5%**			
CPI + 7%	*8.3%*			

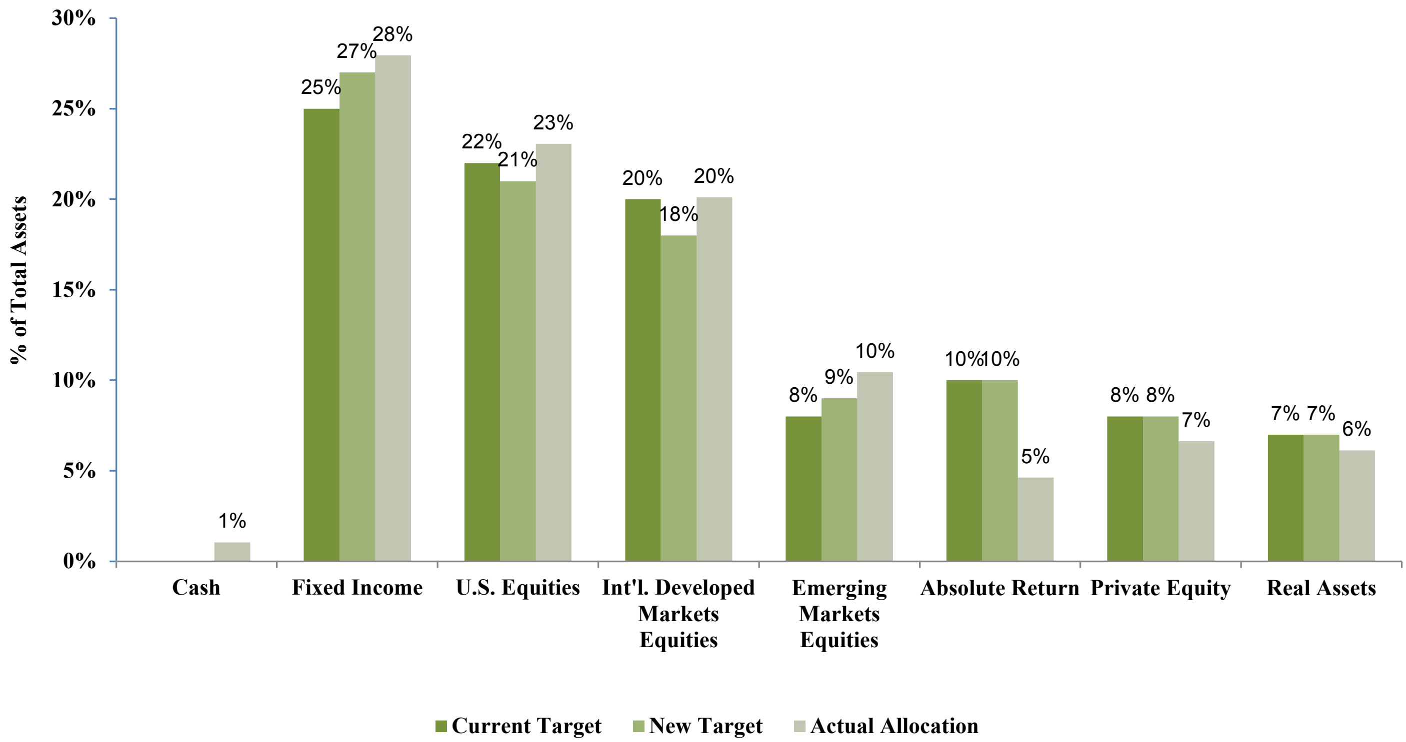
[1] The Total Fund Benchmark is a composite of 22% Russell 3000 Index, 20% MSCI World Index ex U.S. (net), 8% MSCI Emerging Markets (net); 25% Fixed Income Benchmark, 10% 1-Month LIBOR, 8% Cambridge Associates U.S. Private Equity Index, 7% CPI + 7%. **From 9/1/11 to 6/30/12**, 22% Russell 3000 Index, 20% MSCI World Index ex U.S. (net), 8% MSCI Emerging Markets (net); 27% Barclays Capital U.S. Universal Bond Index, 8% Cambridge Associates U.S. Private Equity Index, 10% 1-Month LIBOR, 4% NCREIF ODCE Index, 1% Wilshire U.S. Real Estate Securities Index. **From 4/1/06 to 8/31/11:** 40% Russell 3000 Index, 20% MSCI All Country World Index ex U.S., 25% Barclays Capital U.S. Universal Bond Index, 6% Cambridge Associates U.S. Private Equity Index, 4% 1-Month LIBOR, 4% NCREIF ODCE Index, 1% Wilshire U.S. Real Estate Securities Index. **From 4/1/03 to 3/31/06:** 40% Russell 3000 Index, 20% MSCI EAFE Index, 25% Lehman Brothers Aggregate Bond Index, 10% Cambridge Associates U.S. Private Equity Index, 5% NCREIF Property Index. **From 6/30/99 to 3/31/03:** 43.7% Russell 3000 Index, 20% MSCI EAFE Index, 30.3% Lehman Brothers Aggregate Bond Index, 5% Cambridge Associates U.S. Private Equity Index, 1% 3-month U.S. Treasury Bills.

[2] The Fixed Income Benchmark is a composite of 60% BC U.S. Aggregate Index, 12% BC U.S. TIPS Index, 12% BC U.S. High-Yield Index, 8% BC Global Aggregate ex U.S. Index, 8% JPM GBI-EM Global Diversified Index. **From 4/1/06 to 3/31/12**, BC U.S. Universal Index. **From Inception to 3/31/06**, BC U.S. Aggregate Index.

Note: All returns are time-weighted.

REPORT ON INVESTMENT ACTIVITY

Exhibit 2 - Actual and Target Asset Allocations as of September 30, 2013



V. Asset Allocation

In July 2013, the Board reviewed the Fund's strategic asset allocation in collaboration with Meketa Investment Group (Meketa), its general investment consultant, and approved a few minor changes. The old targets, new targets and actual allocations as of September 30, 2013, are shown in Exhibit 2.

As of September 30, 2013, all of the Fund's asset classes were within their respective target allocation ranges.

VI. Other Updates

In November 2012, the Board lowered the Fund's actuarial return assumption from 7.0% to 6.5%. The decision was made to further strengthen the Fund's ability to meet its future obligations to members.

The investment staff worked with Meketa to implement allocations to two new asset classes, developed international markets small-cap equities and non-U.S. fixed income. In addition, the Board approved a new dedicated allocation to senior bank loans.

REPORT ON INVESTMENT ACTIVITY

Within the alternative investment program, the Board made several new commitments to private equity and private real asset funds with the assistance of its specialist consultant, Cliffwater. The Board will continue such commitments in FY 2014, if it can source and access compelling investment opportunities.

In FY 2014, the Board plans to implement the Environment, Social and Governance (ESG) Policy approved in late 2013. In addition, it may consider changes to the current asset allocation and investment manager structure, as warranted based on the market environment and manager-specific events.

VII. Report on Investment Activity

During FY 2013, the Board voted to renew its contract with Zeno Consulting Group, an independent transaction cost analysis (TCA) and transition management consulting firm. Zeno will continue to provide TCA for the Board's public equity trades and will expand its coverage to include fixed income and FX transactions.

During the fiscal year, the Board also implemented the following traditional investment manager changes:

Termination

- BlackRock - *Core Plus Fixed Income*

Additions

- Copper Rock Capital Management – *Int'l. Developed Markets Small Cap Equities*
- Mondrian Investment Partners – *Non-U.S. Fixed Income*

REPORT ON INVESTMENT ACTIVITY

VIII. List of Largest Holdings

Top 10 Fixed Income Holdings

Rank	Security Name	Moody's Quality Rating	Par Value	Interest Rate	Maturity Date	Market Value
1	US TREASURY N/B	Aaa	$35,700,000	1.75%	05/15/2022	$33,811,827
2	BWU002SB9 IRS USD R V 03MLIBOR	Aaa	17,700,000	0.25%	06/19/2023	17,700,000
3	US TREASURY N/B	Aaa	15,200,000	1.50%	08/31/2018	15,300,928
4	US TREASURY N/B	Aaa	15,700,000	1.00%	11/30/2019	14,975,131
5	FNMA TBA 3.5 NOV 30YR SINGLE	Aaa	14,000,000	3.50%	12/01/2099	14,205,660
6	BWPC535X9 CDS EUR R V 03MEVENT	A-*	9,900,000	1.00%	06/20/2017	13,401,142
7	SWU023FY9 IRS BRL R F 8.16000	Baa2	28,600,000	8.16%	01/02/2015	12,610,377
8	HARBINGER GROUP INC	B2	9,690,000	7.88%	07/15/2019	10,029,150
9	FEDERAL NATL MTG ASSN	Aaa	8,000,000	3.50%	12/01/2099	8,413,760
10	FORESIGHT ENERGY LL/CORP	Caa1	8,250,000	7.88%	08/15/2021	8,250,000

* Indicates utilization of the fixed income manager’s internal rating, as no rating was available from Moody’s, S&P or Fitch.

Top 10 Public Equity Holdings

Rank	Security Name	Shares	Market Value
1	VISA INC CLASS A SHARES	51,000	$9,746,100
2	AMAZON.COM INC	29,000	9,066,560
3	SALESFORCE.COM INC	174,000	9,032,340
4	GOOGLE INC CL A	10,100	8,846,691
5	PRICELINE.COM INC	6,500	6,571,175
6	FACEBOOK INC A	126,000	6,330,240
7	NUANCE COMMUNICATIONS INC	306,150	5,723,474
8	CHIPOTLE MEXICAN GRILL INC	12,500	5,358,750
9	FRESENIUS SE + CO KGAA	42,732	5,311,255
10	NIKE INC CL B	72,000	5,230,080

A complete list of portfolio holdings is available upon request.

VIII. Schedule of Fees and Commissions

During fiscal year 2013, the Board paid the following fees and commissions:

Expense Category	Amount	% of Fund
Investment Managers*	$5,498,505	0.095%
Investment Consultants	974,522	0.017%
Investment Custodian	131,380	0.002%
Brokerage Commissions**	89,058	0.002%
Total	**$6,693,465**	**0.115%**

* Includes fees paid to traditional investment managers only. Traditional investment managers are those that invest primarily in public equity and fixed income securities.

** Includes separate account relationships only.

IX. Investment Summary

Asset Class	Market Value	% of Fund
Cash and Cash Equivalents	$ 61,116,007	1.1%
Fixed Income	1,625,378,569	27.9%
U.S. Equities	1,341,324,470	23.1%
International Developed Markets Equities	1,169,578,259	20.1%
Emerging Markets Equities	607,929,719	10.5%
Absolute Return	268,895,612	4.6%
Private Equity	385,820,420	6.6%
Real Assets	356,104,391	6.1%
Total	**$5,816,147,447**	**100.0%**

ACTUARIAL SECTION

INDEPENDENT ACTUARY'S CERTIFICATION LETTER

Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

December 10, 2013

The Board of Trustees
District of Columbia Retirement Board
900 7th Street, NW, 2nd Floor
Washington, DC 20001

Dear Trustees:

We are pleased to submit the results of the annual actuarial valuations of the District of Columbia Retirement Board Teachers' Retirement Plan and Police Officers' & Firefighters' Retirement Plan, prepared as of October 1, 2013.

The purpose of this report is to provide a summary of the funded status of each Plan as of October 1, 2013, to recommend rates of contribution to be paid by the District in the 2015 fiscal year and to provide accounting information under Governmental Accounting Standards Board Statements No. 25 and 27 (GASB 25 and 27). While not verifying the data at source, the actuary performed tests for consistency and reasonability.

The promised benefits are included in the actuarially calculated contribution rates which are developed using the entry age normal cost method. Seven-year smoothed market value of assets is used for actuarial valuation purposes. The assumptions recommended by the actuary and adopted by the Board are reasonably related to the experience under the Fund and to reasonable expectations of anticipated experience under the Fund and meet the parameters for the disclosures under GASB 25 and 27.

The funding policy adopted by the Board in 2012 includes the following funding goals:

- To maintain an increasing or stable ratio of Plan assets to accrued liabilities and reach a 100 percent minimum funded ratio;
- To develop a pattern of stable or declining contribution rates when expressed as a percentage of member payroll as measured by valuations prepared in accordance with the principles of practice prescribed by the Actuarial Standards Board, with a minimum employer contribution equal to the lesser of the normal cost determined under the Entry Age Normal funding method or the current active member contribution rate.

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INDEPENDENT ACTUARY'S CERTIFICATION LETTER (Continued)

December 10, 2013
The Board of Trustees

The funding policy not only states the overall funding goals and benchmarks for the Plan, but sets the methods and assumptions. The level dollar amortization period was set to 20 years in 2012 and will decline one year each year until a funded ratio of 100 percent is reached. Therefore, the amortization period this year is 19 years.

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

The Table of Contents, which immediately follows, outlines the material contained in the report.

Respectfully submitted,

Thomas J. Cavanaugh, FSA, FCA, EA, MAAA
Chief Executive Officer

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Senior Actuary

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OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS

(DEMOGRAPHIC ASSUMPTIONS ADOPTED ON OCTOBER 20, 2011)

(ECONOMIC ASSUMPTIONS ADOPTED ON NOVEMBER 15, 2012)

VALUATION DATE: All assets and liabilities are computed as of October 1, 2013. Demographic information was collected as of June 30, 2013.

INVESTMENT RATE OF RETURN: 6.50% per annum, compounded annually (net of investment expenses).

INFLATION ASSUMPTION: 3.50% per annum.

PAYROLL GROWTH ASSUMPTION: 4.25% per annum.

PERCENT MARRIED: 64% of Teachers are assumed to be married and 80% of Police Officers and Firefighters are assumed to be married, with the wife 3 years younger than the husband. Active members are assumed to have one dependent child aged 10.

ACTUARIAL METHOD: Entry Age Normal Cost Method.

ASSETS: The method of valuing assets is intended to recognize a "smoothed" market value of assets. Under this method, the difference between actual return on market value from investment experience and the expected return on market value is recognized over a seven-year period. The actuarial value of assets is constrained to an 80% to 120% corridor around market value of assets. In addition, there is an adjustment made for the effect of the adjustment pursuant to D.C. Code §1-907.02(c).

WITHDRAWAL ASSUMPTION: For Teachers, it was assumed that 35% of the vested members who terminate elect to withdraw their contributions while the remaining 65% elect to leave their contributions in the plan in order to be eligible for a benefit at their retirement date. For Police Officers and Firefighters, it was assumed that 80% of the vested members who terminate elect to withdraw their contributions while the remaining 20% elect to leave their contributions in the plan.

OTHER ASSUMPTIONS: To value the pre-retirement death benefit for Police Officers and Firefighters, the benefit form for all retirements (normal or disabled) is assumed to be a 67.8% Joint and Survivor annuity for all participants (based on 40% of average pay survivor benefits). One-fourth of all Police Officer and Firefighter active deaths are assumed to occur in the line of duty.

COST OF LIVING ADJUSTMENT: The cost of living as measured by the Consumer Price Index (CPI) will increase at the rate of 3.5% per year.

MILITARY SERVICE: All Police and Fire members assumed to have 0.40 years of military service at retirement.

ADMINISTRATIVE EXPENSES: Budgeted administrative expenses of 1.20% of payroll are added to the normal cost rate.

OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS (Continued)

TEACHERS

SALARY INCREASES: Representative values of the assumed annual rates of future salary increases are as follows and include inflation at 4.25% per annum:

	Pay Increase Assumptions for an Individual Member		
Years of Service	Merit & Seniority	Inflation & Productivity (Economy)	Total Increase (Next Year)
5	4.00%	4.25%	8.25%
10	3.00	4.25	7.25
15	0.50	4.25	4.75
20	0.20	4.25	4.45
25	0.20	4.25	4.45
30	0.20	4.25	4.45
35	0.20	4.25	4.45

SEPARATIONS FROM ACTIVE SERVICE: Representative values of the assumed annual rates of withdrawal, service retirement, and disability are shown in the following tables:

Percent of Members Separating Within the Next Year

	Withdrawal			Service Retirement		
Sample Ages	0 to 3 yrs of service	4 to 9 yrs of service	10 & up yrs of service	Under 30 yrs service	30 & up yrs service	Disability Retirement
20	25.0%	20.0%	0.00%			0.03%
25	23.5	20.0	0.00			0.03
30	22.0	16.0	3.75			0.05
35	20.5	14.0	3.75			0.07
40	19.0	12.0	3.75			0.09
45	17.5	10.0	3.75			0.15
50	16.0	10.0	3.75	2.5%	2.5%	0.22
55	14.5	10.0	3.75	6.0	33.0	0.32
60	13.0	10.0	3.75	27.0	25.0	0.40
62	0.0	0.0	0.00	25.0	25.0	
65				20.0	25.0	
70				30.0	30.0	
71				25.0	40.0	
75				100.0	100.0	

MORTALITY: The RP-2000 Combined Mortality Table projected with Scale AA to 2015, set back 3 years for females is used for healthy active members, retirees, and beneficiaries. The RP-2000 Disabled Mortality Table set back 1 year for males and set back 5 years for females is used for disabled retirees. Mortality improvement is anticipated under these assumptions as recent mortality experience shows actual deaths are approximately 7-8% greater for healthy lives and 9% greater for disabled lives than expected under the selected tables.

OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS (Continued)

POLICE OFFICERS

SALARY INCREASES: Police Officers are assumed to receive a longevity increase of 5%, 10%, 15%, and 20% applied to individual base pay after 15, 20, 25, and 30 years of service. These are approximated by increases of 3.5% to final average salary. Representative values of the assumed annual rates of future salary increases before longevity increases are as follows and include inflation at 4.25% per annum:

Pay Increase Assumptions for an Individual Member

Years of Service	Merit & Seniority	Inflation & Productivity (Economy)	Total Increase (Next Year)
5	3.56%	4.25%	7.81%
10	2.58	4.25	6.83
15	2.31	4.25	6.56
20	2.50	4.25	6.75
25	1.10	4.25	5.35
30	0.50	4.25	4.75
35	0.00	4.25	4.25

SEPARATIONS FROM ACTIVE SERVICE: Representative values of the assumed annual rates of withdrawal, service retirement, and disability are shown in the following tables:

Percent of Members Separating Within the Next Year

Sample Ages	Withdrawal (3 years of service & up)[1]		Disability Retirement[2]		Years of Service	Service Retirement[3]
	Males	Females	Males	Females		
20	6.00%	2.50%	0.02%	0.04%	20	12.5%
25	6.00	2.50	0.05	0.08	25	22.0
30	4.25	3.50	0.10	0.12	30	15.0
35	2.50	2.00	0.22	0.28	35	20.0
40	1.75	1.50	0.25	0.40	40	20.0
45	1.25	1.25	0.30	0.62		
50	1.25	1.25	0.40	0.70		
55	1.25	1.25	0.60	0.75		
60	0.00	0.00	0.80	0.90		

[1] Members of any age with less than 3 years of service have a 10% withdrawal assumption.

[2] It is assumed that 75% of the disabilities are due to accidents in the line of duty and the "percent of disability" is assumed to be 100%.

[3] 100% of active members are assumed to retire at age 65, regardless of service.

MORTALITY: The RP-2000 Combined Mortality Table projected with Scale AA to 2015 set forward 1 year for females is used for healthy active members, retirees and beneficiaries. The following disability mortality table is used for disabled retirees.

Disabled Retiree Mortality

Sample Ages	Males	Females
20	0.80%	0.50%
30	0.80	0.50
40	0.80	0.50
50	0.80	0.50
60	1.16	0.74
70	2.35	1.55
80	5.78	3.76
90	13.95	10.87
100	51.48	49.93

Mortality improvement is anticipated under these assumptions as recent mortality experience shows actual deaths are approximately 7% greater for healthy lives and 6% greater for disabled lives than expected under the selected tables.

OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS (Continued)

FIREFIGHTERS

SALARY INCREASES: Firefighters are assumed to receive a longevity increase of 5%, 10%, 15%, and 20% applied to individual base pay after 15, 20, 25, and 30 years of service. These are approximated by increases of 3.5% to final average salary. Representative values of the assumed annual rates of future salary increases before longevity increases are as follows and include inflation at 4.25% per annum:

	Pay Increase Assumptions for an Individual Member		
Years of Service	Merit & Seniority	Inflation & Productivity (Economy)	Total Increase (Next Year)
5	2.50%	4.25%	6.75%
10	2.50	4.25	6.75
15	2.50	4.25	6.75
20	2.50	4.25	6.75
25	2.50	4.25	6.75
30	2.50	4.25	6.75
35	2.50	4.25	6.75

SEPARATIONS FROM ACTIVE SERVICE: Representative values of the assumed annual rates of withdrawal, service retirement, and disability are shown in the following tables:

Percent of Members Separating Within the Next Year

Sample Ages	Withdrawal (2 years of service & up)[1]	Disability Retirement[2]	Years of Service	Service Retirement[3]
20	3.50%	0.01%	20	12.5%
25	3.50	0.02	25	12.5
30	2.00	0.15	30	20.0
35	1.00	0.20	35	40.0
40	1.00	0.35	40	40.0
45	1.50	0.45		
50	1.50	0.52		
55	0.00	0.60		
60	0.00	0.70		

[1]Members of any age with less than 2 years of service have a 9% withdrawal assumption.
[2]It is assumed that 75% of the disabilities are due to accidents in the line of duty and the "percent of disability" is assumed to be 100%.
[3]100% of active members are assumed to retire at age 60, regardless of service.

MORTALITY: The RP-2000 Combined Mortality Table projected with Scale AA to 2015 set forward 1 year for females is used for healthy active members, retirees and beneficiaries. The following disability mortality table is used for disabled retirees.

Disabled Retiree Mortality

Sample Ages	Males	Females
20	0.59%	0.37%
30	0.59	0.37
40	0.59	0.37
50	0.59	0.37
60	0.85	0.54
70	1.72	1.13
80	4.22	2.75
90	10.19	7.94
100	37.60	36.47

Mortality improvement is anticipated under these assumptions as recent mortality experience shows actual deaths are approximately 7% greater for male and 1% greater for female healthy lives and 8% greater for disabled lives than expected under the selected tables. Police and Fire are combined in the valuation results and the female healthy life population is much greater for Police than Fire so the smaller margin under Fire is not an issue at this time.

PROVISIONS INTERPRETED FOR VALUATION PURPOSES

SUMMARY OF DISTRICT OF COLUMBIA TEACHERS' RETIREMENT PLAN PROVISIONS AS INTERPRETED FOR VALUATION PURPOSES

Effective Date
Established on July 1, 1997. The Treasury Department is responsible for paying all benefits accrued before this date.

DEFINITIONS

Affiliated Employers
District of Columbia Public Schools, Public Charter Schools

Covered Members
Permanent, temporary, and probationary teachers for the District of Columbia public day schools become members automatically on their date of employment. Other employees covered by the Retirement of Public School Teachers Act – including librarians, principals, and counselors – also become members on their date of employment. Substitute teachers and employees of the Department of School Attendance and Work Permits are not covered. Some former D.C teachers working at charter schools are eligible to remain in the Program.

Service Credit
One year of school service is given for each year of employment with DCPS. After five years of service are accrued, additional service may be purchased or credited for service outside of DCPS.

Average Salary
Highest 36 consecutive months of pay, divided by three.

Vested
Members who accrue five or more years of Service Credit are vested for benefits. If these members leave service they may leave their Member Contribution Accounts with the Plan for a future benefit when reaching eligibility (deferred vested in this report).

CONTRIBUTIONS

Member Contributions
Members hired before November 1, 1996 are required to contribute 7% of annual pay. Members hired on or after November 1, 1996 contribute 8% of annual pay. Interest is not credited to each Member's accumulated contributions.

Refund of Member Contributions
In the event a member leaves service for a reason other than death or retirement, member contribution accounts are refunded upon request.

SERVICE RETIREMENT

Eligibility
The Age and Service Credit requirements to be eligible for a full Service Retirement are listed below:

-Members hired before November 1, 1996

Age	Service Credit
55	30, including 5 years school service
60	20, including 5 years school service
62	5 years school service

-Members hired on and after November 1, 1996

Age	Service Credit
Any Age	30, including 5 years school service
60	20, including 5 years school service
62	5 years school service

PROVISIONS INTERPRETED FOR VALUATION PURPOSES (Continued)

Benefit For members hired before November 1, 1996:

-1.5% of Average Salary times service up to 5 years, plus

-1.75% of Average Salary times service between 5 and 10 years, plus

-2.0% of Average Salary times service over 10 years.

For members hired on or after November 1, 1996:

-2.0% of Average Salary times service.

All members receive a minimum benefit of 1.0% of Average Salary plus $25 for each year of service.

INVOLUNTARY SERVICE RETIREMENT

Eligibility
The Age and Service Credit requirements to be eligible for a Reduced Service Retirement are listed below:

-All Members, regardless of date of hire

Age	Service Credit
Any Age	25, including 5 years school service
50	20, including 5 years school service

Benefit
Service Retirement Benefit reduced by 1/6% per month (or 2% per year) that date of retirement precedes age 55.

DISABILITY RETIREMENT

Eligibility
Active members with five or more years of school service credit are covered (vested) for disability retirement. To be eligible, the member must be found to be totally and permanently disabled (mentally or physically) from regular and gainful employment.

Benefit
Equal to Service Retirement benefit. Minimum benefit is the lesser of a) or b):

a) 40% of Average Salary

b) Calculated benefit amount by projecting service to age 60.

SURVIVOR BENEFITS

LUMP SUM
Eligibility
Death before completion of 18 months of school service or death without an eligible spouse, child or parent.

Benefit
Refund of member contributions.

SPOUSE ONLY
Eligibility
Death before retirement and married for at least two years, or have a child by the marriage.

Benefit
55% of Service Retirement benefit. Minimum benefit is the lesser of a) or b):

a)55% of 40% of Average Salary

b)55% of the calculated benefit amount by projecting service to age 60.

PROVISIONS INTERPRETED FOR VALUATION PURPOSES (Continued)

SPOUSE & DEPENDENT CHILDREN

Eligibility

Death before retirement and married for at least two years, or have a child by the marriage. Children must be unmarried and under age 18, or 22 if full-time student. Also, any dependent child because of a disability incurred before age 18. Death does not have to occur before retirement for the children's benefit.

Spouse Benefit

55% of Service Retirement benefit. Minimum benefit is the lesser of a) or b):

a) 55% of 40% of Average Salary

b) 55% of the calculated benefit amount by projecting service to age 60.

Child Benefit

A benefit per child equal to the smallest of a) or b) or c):

a) 60% of Average Salary divided by the number of eligible children

b) $6,024* (if hired before 1/1/1980), $5,820* (if hired between 1/1/1980 and 10/31/1996), or $5,700* (if hired on or after 11/1/1996) per child

c) $18,072* (if hired before 1/1/1980), $17,460* (if hired between 1/1/1980 and 10/31/1996), or $17,460* (if hired on or after 11/1/1996) divided by the number of children.

DEPENDENT CHILDREN ONLY

Eligibility

Children must be unmarried and under age 18, or 22 if full-time student. Also, any dependent child because of a disability incurred before age 18. Death does not have to occur before retirement for the children's benefit.

Benefit

A benefit per child equal to the smallest of a) or b) or c):

a) 75% of Average Salary divided by the number of eligible children

b) $7,356* (if hired before 1/1/1980), $7,092* (if hired between 1/1/1980 and 10/31/1996), or $6,912* (if hired on or after 11/1/1996) per child

c) $22,068* (if hired before 1/1/1980), $21,276* (if hired between 1/1/1980 and 10/31/1996), or $20,736* (if hired on or after 11/1/1996) divided by the number of children.

PARENTS ONLY

Eligibility

Death before retirement and no eligible spouse or children, and parents must receive at least one-half of their total income from member.

Benefit

55% of Service Retirement benefit. Minimum benefit is the lesser of a) or b):

a) 55% of 40% of Average Salary

b) 55% of the calculated benefit amount by projecting service to age 60.

*Survivor benefit amounts are as of March 2009, and are subject to annual inflation adjustments.

PROVISIONS INTERPRETED FOR VALUATION PURPOSES (Continued)

DEFERRED VESTED RETIREMENT

Eligibility
Active members with five or more years of school service credit.

Benefit
Benefit is calculated in the same manner as Service Retirement benefit and may be collected starting at age 62.

OPTIONS

Retirement and disability benefits are payable for the life of the retired member. Optional reduced benefits may be elected at the time of retirement to provide for continuation of a reduced benefit amount to a designated beneficiary. Optional forms include:

a) **Reduced Annuity with a Maximum Survivor Annuity (to Spouse)**

Reduced benefit paid to member so that upon member's death, the spouse will receive 55% of the unreduced normal life annuity. Member's benefit is reduced by 2.5% of retirement benefit, up to $3,600, plus 10% of any retirement benefit over $3,600.

b) Reduced Annuity with a Partial Survivor Annuity (to Spouse)

Reduced benefit paid to member so that upon member's death, the spouse will receive a partial annuity that can range from $1 up to 55% of the unreduced normal life annuity amount. Member's benefit is reduced by the same amount as option a, multiplied by the ratio of the chosen benefit percent to the maximum benefit percent (55%).

c) Reduced Annuity with a Life Insurance Benefit

Member elects a life insurance amount, payable in a lump sum to designated beneficiary upon member's death.

d) Reduced Annuity with a Survivor Annuity to a Person with an Insurable Interest.

A 55% joint and survivor annuity where the original benefit is reduce by 10% plus an additional 5% for each full 5 years, up to 25 years, that the designated beneficiary is younger than the member. Maximum reduction is 40% for any beneficiary who is 25 or more years younger than the member.

COST OF LIVING (COLA) ADJUSTMENTS

Each year on March 1st, benefits which have been paid for at least twelve months proceeding March 1st are increased. The increase is equal to the annual Consumer Price Index (CPI). COLA's are included in benefit payments on and after April 1st.

For members hired on or after November 1, 1996, the cost of living increase is limited to 3% per year. In addition, cost of living adjustments do not apply to retirement benefit payments resulting from voluntary contributions.

PROVISIONS INTERPRETED FOR VALUATION PURPOSES (Continued)

SUMMARY OF DISTRICT OF COLUMBIA POLICE OFFICERS' & FIREFIGHTERS' RETIREMENT PLAN PROVISIONS AS INTERPRETED FOR VALUATION PURPOSES

Effective Date

Established on July 1, 1997. The Treasury Department is responsible for paying all benefits accrued before this date.

DEFINITIONS

Affiliated Employers
District of Columbia Police Officers and Firefighters, except Police cadets.

Covered Members
All employees of DC Police Department and Fire Department become members on their first day of active duty. Membership is not automatic for uniformed EMT Firefighters.

Service Credit
One year of service is given for each year of employment with DCPD or DCFD. Additional service may be purchased or credited for lateral transfer service, EMT service, prior military service, and certain civilian service.

Average Salary
For members hired before February 15, 1980, the highest 12 consecutive months of pay. For members hired on or after February 15, 1980, the highest 36 consecutive months of pay, divided by 3.

Vested
Members who accrue five or more years of Service Credit are vested for benefits. If these members leave service they may leave their Member Contribution Accounts with the Plan for a future benefit when reaching eligibility (deferred vested in this report).

CONTRIBUTIONS

Member Contributions
Members hired before November 10, 1996 contribute 7.0% of salary. Members hired on or after November 10, 1996 contribute 8.0% of salary. Member contributions, together with any purchased service credit payments, are credited to individual Member Contribution Accounts. No interest is accrued on contributions.

Refund of Member Contributions
In the event a member leaves service for a reason other than death or retirement, member contribution accounts are refunded upon request.

SERVICE RETIREMENT

Eligibility
The Age and Service Credit requirements to be eligible for a full Service Retirement are listed below:

-Members hired before November 10, 1996

Age	Service Credit
Any age	20 (only if hired before 2/15/1980)
50	25 years departmental service
60	5 years departmental service

-Members hired on and after November 10, 1996

Age	Service Credit
Any Age	25 years departmental service
60	5 years departmental service

Benefit
For members hired before November 10, 1996:

- 2.5% of Average Salary times departmental service up to 25 years (20 years if hired before 2/15/1980), plus

- 3.0% of Average Salary times departmental service over 25 years (or 20), plus

- 2.5% of Average Salary times purchased or credited service.

For members hired on or after November 10, 1996:

- 2.5% of Average Salary times total service.

All members are subject to a maximum benefit of 80% of Average Salary.

PROVISIONS INTERPRETED FOR VALUATION PURPOSES (Continued)

SERVICE-RELATED DISABILITY RETIREMENT

Eligibility
Disabled as a result of an illness or injury in the line of duty.

Benefit
For members hired before February 15, 1980:

2.5% of Average Salary times total years of service, subject to a minimum of 66-2/3% of Average Salary and a maximum of 70% of Average Salary.

For members hired on or after February 15, 1980:

70% of final pay times percentage of disability, subject to a minimum of 40% of final pay.

NONSERVICE-RELATED DISABILITY RETIREMENT

Eligibility
Active members with five or more years of departmental service are covered (vested) for disability retirement. To be eligible, the member must be found to be totally and permanently disabled (mentally or physically) from regular and gainful employment.

Benefit
For members hired before February 15, 1980:

2.0% of Average Salary times total years of service, subject to a minimum of 40% of Average Salary and a maximum of 70% of Average Salary.

For members hired on or after February 15, 1980:

70% of final pay times percentage of disability, subject to a minimum of 30% of final pay.

SURVIVOR BENEFITS

LUMP SUM
Eligibility
Death before retirement without an eligible spouse or child.

Benefit
Refund of member contributions according to plan order of precedence.

LUMP SUM – DEATH IN LINE OF DUTY
Eligibility
Death occurring in the line of duty, not resulting from willful misconduct.

Benefit
$50,000

SPOUSE ONLY – DEATH IN LINE OF DUTY
Eligibility
Member killed in line of duty, after December 29, 1993.

Benefit
100% of final pay.

SPOUSE ONLY – DEATH NOT IN LINE OF DUTY
Eligibility
Member death, not in line of duty, after December 29, 1993. If retired, must be married for at least one year or have a child by the marriage.

Benefit
40% of the greater of a) or b):

a) Average Salary

b) Salary for step 6 salary class 1 of the DC Police and Fireman's Salary Act in effect, adjusted for cost-of-living increases if death occurs after retirement.

Benefit cannot be higher than rate of pay at death (or retirement if death occurs after retirement).

PROVISIONS INTERPRETED FOR VALUATION PURPOSES (Continued)

SPOUSE & DEPENDENT CHILDREN

Eligibility

Member death, not in line of duty, after December 29, 1993. If retired, must be married for at least one year or have a child by the marriage. Children must be unmarried and under age 18, or 22 if full-time student. Also, any dependent child because of a disability incurred before age 18. Death does not have to occur before retirement for the children's benefit.

Spouse Benefit

40% of the greater of a) or b):

a) Average Salary

b) Salary for step 6 salary class 1 of the DC Police and Fireman's Salary Act in effect, adjusted for cost-of-living increases if death occurs after retirement.
Benefit cannot be higher than rate of pay at death (or retirement if death occurs after retirement).

Child Benefit

A benefit per child equal to the smallest of a) or b) or c):

a) 60% of Average Salary divided by the number of eligible children

b) $3,552* (if hired before 11/1/1996) or $3,480* (if hired on or after 11/1/1996) per child

c) $10,656* (if hired before 11/1/1996) or $10,490* (if hired on or after 11/1/1996) divided by the number of children.

DEPENDENT CHILDREN ONLY

Eligibility

Children must be unmarried and under age 18, or 22 if full-time student. Also, any dependent child because of a disability incurred before age 18. Death does not have to occur before retirement for the children's benefit.

Benefit

75% of Average Salary divided by the number of eligible children, adjusted for cost-of-living increases.

*Survivor benefit amounts are as of March 2009, and are subject to annual inflation adjustments.

DEFERRED VESTED RETIREMENT

Eligibility

Active members with five or more years of departmental service.

Benefit

Benefit is calculated in the same manner as Service Retirement benefit and may be collected starting at age 55.

OPTIONS

Retirement and disability benefits are payable for the life of the retired member. This includes an unreduced joint and survivor annuity as defined above in the "Survivor Benefits – Spouse and Dependent Children" section.

An optional reduced benefit may be elected at the time of retirement to provide for an additional survivor benefit to a designated beneficiary. Member's original annuity is reduced by 10% and that amount is added to the survivor's benefit. If the designated beneficiary is more than five years younger than the member, the additional amount will be reduced by 5% for each full five years that the beneficiary is younger than the member, subject to a maximum of 40%.

COST OF LIVING ADJUSTMENTS

Each year on March 1st, benefits which have been paid for at least twelve months proceeding March 1st are increased. The increase is equal to the annual CPI. COLA's are included in benefit payments on and after April 1st.

For members hired on or after November 10, 1996, the cost of living increase is limited to 3% per year. Members (not beneficiaries) hired before February 15, 1980, will receive equalization pay, which is defined as the percentage increase as active employees' salary increases.

SCHEDULE OF ACTIVE MEMBER VALUATION DATA
(Dollar amounts in thousands)

District of Columbia Teachers' Retirement Plan

Valuation Date	Number	Annual Payroll	Annual Average Pay	% increase in Average Pay
October 1, 2013	4,379	$369,071	$84	-0.63%
October 1, 2012	4,495	381,235	85	4.72%
October 1, 2011	4,747	384,455	81	13.96%
October 1, 2010	4,749	337,516	71	-2.85%
October 1, 2009	4,601	336,600	73	-1.82%
October 1, 2008	4,821	359,250	75	-0.08%
October 1, 2007	5,027	374,900	75	17.73%
October 1, 2006	5,088	322,300	63	10.96%

Police Officers' Portion of the District of Columbia Police Officers and Firefighters' Retirement Plan

Valuation Date	Number	Annual Payroll	Annual Average Pay	% increase in Average Pay
October 1, 2013	3,846	$292,494	$76	-0.69%
October 1, 2012	3,810	291,780	77	-1.26%
October 1, 2011	3,775	292,785	78	2.29%
October 1, 2010	3,915	296,837	76	-2.05%
October 1, 2009	4,014	310,700	77	0.72%
October 1, 2008	3,928	301,875	77	8.01%
October 1, 2007	3,844	273,500	71	6.38%
October 1, 2006	3,747	250,600	67	1.96%

Firefighters' Portion of the District of Columbia Police Officers and Firefighters' Retirement Plan

Valuation Date	Number	Annual Payroll	Annual Average Pay	% increase in Average Pay
October 1, 2013	1,664	$120,886	$73	0.33%
October 1, 2012	1,700	123,097	72	0.69%
October 1, 2011	1,786	128,436	71	1.51%
October 1, 2010	1,793	127,017	70	0.22%
October 1, 2009	1,774	125,400	70	2.02%
October 1, 2008	1,733	120,075	69	-3.74%
October 1, 2007	1,706	122,800	72	8.19%
October 1, 2006	1,509	100,400	66	4.94%

SCHEDULE OF MEMBERS ADDED TO AND REMOVED FROM ROLLS
(Dollar amounts in thousands)

		New Members Added		Members Removed			Rolls at End of Year			
Fiscal Year Ended	Plan	Number	Annual Allowances	Number	Annual Allowances	Changes due to Plan Amendments	Number	Annual Allowances	Percentage Increase in Annual Allowances	Average Annual Allowances
9/30/2013	Teachers	202	$5,289	39	436	$706	3,448	$52,966	11.73%	$15
	Fire/Police	174	6,054	30	298	344	2,183	49,530	14.05%	23
9/30/2012	Teachers	204	4,807	49	594	1,198	3,285	47,407	12.88%	14
	Fire/Police	234	8,043	51	557	423	2,039	43,430	22.23%	21
9/30/2011	Teachers	226	4,374	37	490	497	3,130	41,996	12.73%	13
	Fire/Police	326	6,847	32	238	205	1,856	35,530	23.72%	19
9/30/2010	Teachers	203	4,225	32	337	1,489	2,941	37,254	16.76%	13
	Fire/Police	127	3,511	24	208	3,003	1,552	28,717	27.04%	19
9/30/2009	Teachers	406	7,361	27	281	(70)	2,770	31,907	28.16%	12
	Fire/Police	193	2,639	108	2,727	(563)	1,449	22,605	-2.80%	16
9/30/2008	Teachers	63	939	36	193	429	2,391	24,897	4.95%	10
	Fire/Police	78	5,349	28	133	(1,229)	1,364	23,257	20.69%	17
9/30/2007	Teachers	230	3,564	41	241	2,879	2,364	23,721	35.40%	10
	Fire/Police	153	3,180	45	171	2,476	1,314	19,270	39.78%	15
9/30/2006	Teachers	199	2,935	39	262	582	2,175	17,520	22.82%	8
	Fire/Police	166	2,892	15	68	550	1,207	13,786	32.40%	11
9/30/2005	Teachers	274	3,714	22	109	412	2,015	14,264	39.20%	7
	Fire/Police	97	1,814	23	87	413	1,056	10,412	25.89%	10

ANALYSIS OF FINANCIAL EXPERIENCE
(Dollar amounts in millions)

Gains and losses in accrued liabilities resulting from the difference between assumed experience and actual experience are as follows:

	$ Gain (or Loss) For Year Ending 10/1/2013	
Type of Activity	**District of Columbia Teacher's Retirement Plan**	**District of Columbia Police Officers and Firefighters' Retirement Plan**
Age & Service Retirements. If members retire at older ages, there is a gain. If younger ages, a loss.	$ (7.4)	$ (7.2)
Disability Retirements. If disability claims are less than assumed, there is a gain. If more claims, a loss.	(2.2)	5.2
Death-in Service Benefits. If survivor claims are less than assumed, there is a gain. If more claims, there is a loss.	(0.6)	1.5
Withdrawal From Employment. If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	8.1	(2.8)
Pay Increases. If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	40.1	161.4
New Members. Additional unfunded accrued liability will produce a loss.	(16.5)	(13.5)
Investment Income. If there is a greater investment income than assumed, there is a gain. If less income, a loss.	(51.4)	(101.9)
Death After Retirement. If retirants live longer than assumed, there is a loss. If not as long, a gain.	0.4	(0.4)
Other. Miscellaneous gains and losses resulting from changes in valuation software, data adjustments, timing of financial transactions, etc.	(8.2)	4.8
Gain (or Loss) During Year From Financial Experience	$(37.7)	$ 47.1
Non-Recurring Items. Adjustments for plan amendments, assumption changes, or method changes or asset transfer to U.S. Treasury.	(21.5)	(9.4)
Composite Gain (or Loss) During Year	$(59.2)	$37.7

VALUATION BALANCE SHEET

Present and Prospective Assets	District of Columbia Teachers' Retirement Fund	District of Columbia Police Officers and Firefighters' Retirement Fund
Actuarial value of present assets	$1,585,774,613	$4,013,534,269
Present value of future members' contributions	237,541,771	346,319,201
Present value of future employer contributions:		
Normal contributions	168,888,834	1,706,234,303
Unfunded accrued liability contributions	173,268,206	(369,449,318)
Total prospective assets	342,157,040	1,336,784,9856
Total present and prospective assets	**$2,165,473,424**	**$5,696,638,455**
Actuarial Liabilities		
Present value of benefits payable on account of retired members and survivors of deceased members now drawing retirement benefits	$788,292,120	$912,515,940
Present value of prospective benefits payable on account of inactive members	95,203,214	54,345,883
Present value of prospective benefits payable on account of present active members:		
Service retirement benefits	1,131,557,132	4,292,161,909
Disability retirement benefits	30,584,450	289,773,378
Survivor benefits	16,280,883	80,873,565
Separation benefits	103,555,625	66,967,780
Total	1,281,978,090	4,729,776,632
Total Actuarial Liabilities	**$2,165,473,424**	**$5,696,638,455**

SOLVENCY TEST
(Dollar amounts in thousands)

Valuation Date	Aggregate Accrued Liabilities For*: (1) Active Member Contributions	(2) Retirees, Survivors and Inactive Members	(3) Active Members (Employer Financed Portion)	Actuarial Value of Assets	Portion of Accrued Liabilities Covered by Actuarial Value of Assets: (1)	(2)	(3)
District of Columbia Teachers' Retirement Plan							
10/1/2006	$273,887	$624,110	$2,667,041	$3,482,600	100.0%	100.0%	100.0%
10/1/2007	303,059	805,475	2,790,093	4,068,900	100.0%	100.0%	100.0%
10/1/2008	332,834	851,489	3,092,491	4,379,700	100.0%	100.0%	82.5%
10/1/2009	335,481	995,361	3,001,587	4,493,400	100.0%	100.0%	80.4%
10/1/2010	136,055	622,253	569,991	1,570,968	100.0%	100.0%	97.6%
10/1/2011	138,874	718,884	687,107	1,573,654	100.0%	100.0%	70.3%
10/1/2012	137,698	819,842	723,008	1,503,346	100.0%	100.0%	75.5%
10/1/2013	141,792	883,495	733,756	1,622,376	100.0%	100.0%	81.4%
District of Columbia Police Officers and Firefighters' Retirement Plan							
10/1/2006	$273,887	$624,110	$2,667,041	3,482,600	100.0%	100.0%	100.0%
10/1/2007	303,059	805,475	2,790,093	4,068,900	100.0%	100.0%	100.0%
10/1/2008	332,834	851,489	3,092,491	4,379,700	100.0%	100.0%	82.5%
10/1/2009	335,481	995,361	3,001,587	4,493,400	100.0%	100.0%	80.4%
10/1/2010	211,961	583,338	2,371,531	3,418,796	100.0%	100.0%	89.6%
10/1/2011	224,928	708,364	2,376,533	3,593,716	100.0%	100.0%	92.3%
10/1/2012	235,924	849,982	2,371,070	3,681,526	100.0%	100.0%	100.0%
10/1/2013	247,202	966,862	2,430,021	4,168,457	100.0%	100.0%	100.0%

*Prior to 10/1/2010, the results are shown in aggregate and were reported by the prior actuary.

STATISTICAL SECTION

SUMMARY

Introduction

The objective of the *Statistical Section* is to provide information to assist readers in understanding and assessing DCRB's overall financial condition when viewing the Financial Statements, Notes to the Financial Statements and Required Supplementary Information. The data presented throughout the section incorporates information from prior CAFRs, and is useful in evaluating how the condition of the Plans has changed over time.

Financial Trends

The financial trend schedules beginning on page 90 show financial information about the growth of DCRB's assets and provide a context for how DCRB's financial position has changed over the past 10 years. The financial trend schedules presented are:

- Changes in Net Position
- Schedule of Investment Expenses
- Schedule of Administrative Expenses

Operating Information

The schedules beginning on page 96 provide data to further provide an understanding of the environment in which DCRB operates. The operating information presented include:

- Annual Salaries and Benefits
- Employer contribution
- Average Benefit by type
- Schedule of Retired Members by Benefit Type
- Participant Data

SCHEDULE OF CHANGES IN NET POSITION
(Dollar amounts in thousands)

District of Columbia Teachers' Retirement Fund

	2004	2005	2006	2007	2008
ADDITIONS					
Contributions:					
District Government	$ -	$ 9,200	$ 15,500	$ 14,600	$ 6,000
District employees	26,283	24,778	25,807	26,793	25,919
Total Contributions	26,283	33,978	41,307	41,393	31,919
Net investment income/(loss)	102,890	137,333	120,114	217,731	(259,309)
Other income	-	-	-	740	990
Total Additions	129,173	171,311	161,421	259,864	(226,400)
DEDUCTIONS					
Benefit payments	8,600	20,869	23,793	25,801	30,692
Retirement benefits payable to U.S. Treasury	-	-	-	-	-
Refunds*	N.A.	N.A.	N.A.	N.A.	N.A.
Administrative expenses	942	2,210	1,010	2,901	2,919
Total Deductions	9,542	23,079	24,803	28,702	33,611
Changes in Net Position	$119,631	$148,232	$136,618	$231,162	$(260,011)

District of Columbia Police Officers and Firefighters' Retirement Fund

	2004	2005	2006	2007	2008
ADDITIONS					
Contributions:					
District Government	$ 96,700	$112,100	$117,500	$140,100	$ 137,000
District employees	20,847	23,804	25,142	27,489	31,718
Total Contributions	117,547	135,904	142,642	167,589	168,718
Net investment income/(loss)	165,374	235,515	212,089	400,433	(516,438)
Other income	-	-	-	1,383	1,952
Total Additions	282,921	371,419	354,731	569,406	(345,768)
DEDUCTIONS					
Benefit payments	7,903	13,564	15,795	20,587	25,364
Retirement benefits payable to U.S. Treasury	-	-	-	-	-
Refunds*	N.A.	N.A.	N.A.	N.A.	N.A.
Administrative expenses	1,537	3,789	1,817	5,421	5,750
Total Deductions	9,440	17,353	17,612	26,008	31,114
Changes in Net Position	$273,481	$354,066	$337,119	$543,397	$(376,882)

*Refunds included in Benefit Payments prior to 2009.

SCHEDULE OF CHANGES IN NET POSITION (Continued)
(Dollar amounts in thousands)

District of Columbia Teachers' Retirement Fund

	2009	2010	2011	2012	2013
ADDITIONS					
Contributions:					
District Government	$ -	$ -	$ -	$ -	$ 6,407
District employees	24,907	29,940	27,739	28,639	28,129
Total Contributions	24,907	29,940	27,739	28,639	34,536
Net investment income/(loss)	(37,875)	125,756	44,364	190,002	168,117
Other income	793	695	616	672	796
Total Additions	(12,175)	156,391	72,719	219,313	203,449
DEDUCTIONS					
Benefit payments	33,532	37,611	42,532	48,145	54,180
Retirement benefits payable to U.S. Treasury	-	-	-	-	21,503
Refunds*	5,316	3,374	4,060	5,514	5,250
Administrative expenses	2,340	2,327	2,885	2,880	3,627
Total Deductions	41,188	43,312	49,477	56,539	84,560
Changes in Net Position	$(53,363)	$113,079	$23,242	$162,774	$118,889

District of Columbia Police Officers and Firefighters' Retirement Fund

	2009	2010	2011	2012	2013
ADDITIONS					
Contributions:					
District Government	$106,000	$132,300	$127,200	$116,700	$96,314
District employees	29,900	31,607	30,474	30,398	30,581
Total Contributions	135,900	163,907	157,674	147,098	126,895
Net investment income/(loss)	(58,228)	270,277	81,973	452,881	423,581
Other income	1,680	1,555	1,435	1,584	2,047
Total Additions	79,352	435,739	241,082	601,563	552,523
DEDUCTIONS					
Benefit payments	24,569	27,872	30,766	38,924	45,656
Retirement benefits payable to U.S. Treasury	-	-	-	-	9,391
Refunds*	1,611	1,974	1,913	1,534	1,960
Administrative expenses	4,904	5,145	6,678	6,718	8,913
Total Deductions	31,084	34,991	39,357	47,176	65,920
Changes in Net Position	$ 48,268	$400,748	$201,725	$554,387	$486,603

*Refunds included in Benefit Payments prior to 2009.

SCHEDULE OF INVESTMENT EXPENSES

	2004	2005	2006	2007	2008
Investment Managers*	$6,017,494	$7,950,600	$10,010,063	$11,585,638	$14,299,838
Investment Administrative Expenses	N.A.	N.A.	N.A.	N.A.	650,278
Investment Consultants	338,750	338,333	347,917	380,516	494,500
Investment Custodian	540,307	726,099	822,081	957,515	485,384
Total Investment Expenses	$6,896,551	$9,015,032	$11,180,061	$12,923,669	$15,930,000

*Fees paid to traditional investment managers only; traditional investment managers are those that invest primarily in public equity and fixed income securities.

** Investment Administrative Expenses not included prior to 2008

SCHEDULE OF INVESTMENT EXPENSES (Continued)

	2009	2010	2011	2012	2013
Investment Managers*	$10,675,572	$11,979,562	$10,621,784	$7,115,929	$ 5,498,505
Investment Administrative Expenses	735,424	789,928	873,896	1,010,770	933,637
Investment Consultants	531,241	454,896	334,353	685,742	974,522
Investment Custodian	319,107	254,227	285,415	210,439	131,380
Total Investment Expenses	$12,261,344	$13,478,613	$12,115,448	$9,022,880	$ 7,538,044

*Fees paid to traditional investment managers only; traditional investment managers are those that invest primarily in public equity and fixed income securities.

** Investment Administrative Expenses not included prior to 2008

SCHEDULE OF ADMINISTRATIVE EXPENSES

	2004	2005	2006	2007	2008
Personnel services					
Salaries	$1,138,702	$1,348,189	$2,386,718	$2,314,202	$2,757,520
Fringe Benefits	160,101	206,533	380,237	417,026	504,836
Total Personnel Services	1,298,803	1,554,722	2,766,955	2,731,228	3,262,356
Non-Personnel Services					
Professional services:					
Legal Counsel	33,473	242,182	208,123	199,219	341,083
Auditing Services	46,182	48,532	51,620	54,371	98,053
Actuarial Services	51,661	46,799	46,149	78,084	100,197
Investment Advisors and Consultants	6,896,551	9,015,032	11,180,061	12,923,669	12,392,908
Consultants and Contracts	33,540	432,864	1,421,340	3,103,663	2,763,644
Office Supplies	95,279	143,955	101,676	117,832	130,619
Telephone	6,659	15,569	33,771	20,603	32,673
Rent	224,863	183,249	1,012,781	1,196,975	1,282,134
Office Support	37,494	9,584	214,813	184,963	101,728
Travel	87,641	111,396	87,815	96,054	89,320
Printing	13,977	33,297	56,167	40,579	56,551
Insurance	161,377	114,746	117,213	57,259	119,921
Postage	23,860	33,926	46,516	36,163	54,721
Dues and Membership	10,545	12,280	13,270	15,228	17,007
Depreciation	-	-	-	-	-
Furniture and Equipment	15,404	790,062	200,286	72,501	99,779
Total Non-Personnel Services	7,738,506	11,233,473	14,791,601	18,197,162	17,680,338
Total Administrative Expenses	$9,037,309	$12,788,195	$17,558,556	$20,928,390	$20,942,694

SCHEDULE OF ADMINISTRATIVE EXPENSES (Continued)

	2009	2010	2011	2012	2013
Personnel services					
Salaries	$2,888,707	$3,262,848	$3,906,824	$4,113,863	$ 3,955,243
Fringe Benefits	716,247	907,006	1,030,165	953,613	1,135,431
Total Personnel Services	3,604,954	4,169,854	4,936,989	5,067,476	5,090,674
Non-Personnel Services					
Professional services:					
Legal Counsel	246,282	36,902	30,198	292,089	1,172,520
Auditing Services	66,000	66,000	63,500	71,160	75,940
Actuarial Services	92,796	107,573	163,731	152,590	145,531
Investment Advisors and Consultants	11,138,012	12,233,789	10,907,200	7,753,310	6,586,544
Consultants and Contracts	2,371,368	2,329,026	2,867,022	3,069,219	4,074,744
Office Supplies	119,979	119,814	166,396	156,612	187,114
Telephone	16,791	12,696	14,274	48,484	50,320
Rent	1,378,513	1,418,772	1,444,127	1,465,447	1,513,248
Office Support	60,080	113,747	67,712	1,236	-
Travel	66,767	45,397	38,063	148,224	189,490
Printing	19,110	34,867	35,408	33,002	91,396
Insurance	110,853	130,761	128,637	121,311	113,691
Postage	73,262	9,880	37,641	29,103	137,543
Dues and Membership	59,861	51,136	37,201	26,482	28,071
Depreciation	18,278	6,328	6,328	6,328	3,164
Furniture and Equipment	62,990	65,075	733,918	179,372	618,653
Total Non-Personnel Services	15,900,942	16,781,763	16,741,356	13,553,969	14,987,969
Total Administrative Expenses	$19,505,896	$20,951,617	$21,678,345	$18,621,445	$20,078,643

SCHEDULE OF ANNUAL SALARIES AND BENEFITS
(Dollar amounts in millions)

	Annual Salaries of Active Members			Annual Retirement Benefits for Retirees & Beneficiaries		
Fiscal Year	**Teachers**	**Police Officers and Fire Fighters**	**Total**	**Teachers**	**Police Officers and Fire Fighters**	**Total**
2013	$369	$413	$782	$53	$50	$103
2012	381	415	796	47	43	90
2011	384	421	805	42	36	78
2010	338	424	762	37	29	65
2009	337	436	773	32	22	54
2008	359	422	781	25	22	47
2007	375	396	771	24	19	43
2006	322	351	673	16	13	29
2005	326	339	665	14	10	24
2004	339	288	627	11	8	19

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Dollar amounts in millions)

	Teachers' Retirement Fund		Police Officers' and Firefighters' Retirement Fund		Total Fund	
Year Ending	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
September 30, 2013	$ 6.4	100%	$96.3	100%	$102.7	100%
September 30, 2012	-	100%	116.7	100%	116.7	100%
September 30, 2011	-	100%	127.0	100%	127.0	100%
September 30, 2010	-	100%	132.3	100%	132.3	100%
September 30, 2009	-	100%	106.0	100%	106.0	100%
September 30, 2008	6.0	100%	137.0	100%	143.0	100%
September 30, 2007	14.6	100%	140.1	100%	154.7	100%
September 30, 2006	15.5	100%	117.5	100%	133.0	100%
September 30, 2005	9.2	100%	111.6	100%	120.8	100%
September 30, 2004	-	100%	96.2	100%	96.2	100%

SCHEDULE OF AVERAGE BENEFIT BY TYPE

District of Columbia Teachers' Retirement Plan

		Years of Credited Service					
Retirement Effective Dates		5-9	10-14	15-19	20-24	25-30	30+
	Average Monthly Benefit	$1,205	$1,741	$2,499	$3,441	$4,035	$5,427
2013	Average Final Average Salary	$82,567	$84,521	$90,461	$94,689	$94,689	$97,032
	Number of Active Recipients	17	18	10	44	36	64
	Average Monthly Benefit	$951	$1,637	$2,631	$3,333	$4,025	$5,406
2012	Average Final Average Salary	$76,185	$82,578	$90,729	$93,622	$94,547	$96,692
	Number of Active Recipients	19	17	8	47	33	62
	Average Monthly Benefit	$947	$1,628	$2,361	$3,097	$3,774	$5,216
2011	Average Final Average Salary	$80,717	$82,641	$84659	$89,318	$90,961	$93,310
	Number of Active Recipients	11	16	17	46	39	65
	Average Monthly Benefit	-	-	-	-	-	-
2010	Average Final Average Salary	-	-	-	-	-	-
	Number of Active Recipients	-	-	-	-	-	-
	Average Monthly Benefit	-	-	-	-	-	-
2009	Average Final Average Salary	-	-	-	-	-	-
	Number of Active Recipients	-	-	-	-	-	-
	Average Monthly Benefit	-	-	-	-	-	-
2008	Average Final Average Salary	-	-	-	-	-	-
	Number of Active Recipients	-	-	-	-	-	-
	Average Monthly Benefit	-	-	-	-	-	-
2007	Average Final Average Salary	-	-	-	-	-	-
	Number of Active Recipients	-	-	-	-	-	-
	Average Monthly Benefit	-	-	-	-	-	-
2006	Average Final Average Salary	-	-	-	-	-	-
	Number of Active Recipients	-	-	-	-	-	-
	Average Monthly Benefit	-	-	-	-	-	-
2005	Average Final Average Salary	-	-	-	-	-	-
	Number of Active Recipients	-	-	-	-	-	-
	Average Monthly Benefit	-	-	-	-	-	-
2004	Average Final Average Salary	-	-	-	-	-	-
	Number of Active Recipients	-	-	-	-	-	-

Information prior to fiscal year 2011 not available at the time of this report.

SCHEDULE OF AVERAGE BENEFIT BY TYPE

District of Columbia Police Officers and Firefighters' Retirement Plan

		Years of Credited Service					
Retirement Effective Dates		**5-9**	**10-14**	**15-19**	**20-24**	**25-30**	**30+**
	Average Monthly Benefit	$2,773	$2,333	$-	$2,561	$5,439	$6,906
2013	Average Final Average Salary	$40,134	$64,784	$-	$77,175	$94,464	$103,254
	Number of Active Recipients	4	4	-	4	97	48
	Average Monthly Benefit	$1,795	$2,686	$4,404	$3,622	$5,409	$6,504
2012	Average Final Average Salary	$46,574	$65,588	$74,368	$78,462	$92,618	$96,968
	Number of Active Recipients	3	2	3	4	96	38
	Average Monthly Benefit	$2,195	$25,164	$3,048	$3,090	$5,600	$6,679
2011	Average Final Average Salary	$61,882	$66,531	$78,270	$82,825	$95,099	$99,070
	Number of Active Recipients	8	4	3	19	104	33
	Average Monthly Benefit	-	-	-	-	-	-
2010	Average Final Average Salary	-	-	-	-	-	-
	Number of Active Recipients	-	-	-	-	-	-
	Average Monthly Benefit	-	-	-	-	-	-
2009	Average Final Average Salary	-	-	-	-	-	-
	Number of Active Recipients	-	-	-	-	-	-
	Average Monthly Benefit	-	-	-	-	-	-
2008	Average Final Average Salary	-	-	-	-	-	-
	Number of Active Recipients	-	-	-	-	-	-
	Average Monthly Benefit	-	-	-	-	-	-
2007	Average Final Average Salary	-	-	-	-	-	-
	Number of Active Recipients	-	-	-	-	-	-
	Average Monthly Benefit	-	-	-	-	-	-
2006	Average Final Average Salary	-	-	-	-	-	-
	Number of Active Recipients	-	-	-	-	-	-
	Average Monthly Benefit	-	-	-	-	-	-
2005	Average Final Average Salary	-	-	-	-	-	-
	Number of Active Recipients	-	-	-	-	-	-
	Average Monthly Benefit	-	-	-	-	-	-
2004	Average Final Average Salary	-	-	-	-	-	-
	Number of Active Recipients	-	-	-	-	-	-

Information prior to fiscal year 2011 not available at the time of this report.

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT AND OPTION SELECTED

District of Columbia Teachers' Retirement Plan

Amount of Monthly Benefit	Number of Members by Type of Retirement								Number of Members by Option Selected				
	A	B	C	D	E	F	G	Total	1	2	3	4	Total
$1-250	11	0	0	0	17	2	2	32	11	0	0	0	11
251-500	54	0	0	1	8	7	1	71	48	6	1	0	55
501-750	76	2	0	0	27	16	1	122	68	10	0	0	78
751-1,000	60	4	0	6	8	9	1	88	51	16	3	0	70
1,001-1,250	53	4	0	3	18	15	2	95	43	15	2	0	60
1,251-1,500	56	3	0	10	32	24	4	129	54	15	0	0	69
1,501-1,750	65	12	0	20	36	12	0	145	75	21	0	1	97
1,751-2,000	87	3	0	40	25	8	1	164	111	18	1	0	130
2,001-3,000	653	48	0	184	107	13	1	1,006	709	174	2	0	885
3,001-4,000	1,822	89	1	87	27	2	0	2,028	1,506	483	8	2	1,999
4,001-5,000	1,446	48	0	10	2	0	0	1,506	1,209	291	4	0	1,504
5,001-6,000	526	23	0	3	1	0	0	553	422	129	1	0	552
6,001-7,000	157	8	0	0	0	0	0	165	133	32	0	0	165
7,001-8,000	38	1	0	0	1	0	0	40	35	4	0	0	39
8,001-9,000	19	0	0	0	0	0	0	19	16	3	0	0	19
9,001-10,000	1	1	0	0	0	0	0	2	1	1	0	0	2
over $10,000	2	0	0	0	0	0	0	2	1	1	0	0	2
Total	5,126	246	1	364	309	108	13	6,167	4,493	1,219	22	3	5,737

Type of Retirement:

A - Retired From Affiliate or Resignation
B - Termination - Early Involuntary
C - Partial Total Disability
D - Disabled not in the Line of Duty
E - Survivor of a Retired Teacher
F - Survivor of a Active Teacher
G - Qualified Domestic Relations Order

Option Selected:

1 - Unreduced Annuity
2 - Reduced Annuity with Survivor Option
3 - Reduced Annuity with Life Insurance Benefit
4 - Reduced Annuity with Insurable Interest

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT AND OPTION SELECTED

District of Columbia Police Officers and Firefighters' Retirement Plan

Amount of Monthly Benefit	Number of Members by Type of Retirement							
	A	B	C	D	E	F	G	Total
$1-250	0	0	0	0	3	4	2	9
251-500	3	0	0	0	50	18	4	75
501-750	6	0	1	0	4	0	24	35
751-1,000	2	0	0	1	2	5	30	40
1,001-1,250	2	0	0	0	3	1	29	35
1,251-1,500	7	0	1	6	1	0	30	45
1,501-1,750	2	0	16	9	7	5	29	68
1,751-2,000	12	0	33	46	90	1	22	204
2,001-3,000	247	0	161	114	1,206	20	55	1,803
3,001-4,000	1,187	0	574	71	182	7	8	2,029
4,001-5,000	1,151	0	281	30	47	3	2	1,514
5,001-6,000	744	0	76	11	12	0	0	843
6,001-7,000	466	0	25	1	3	2	0	497
7,001-8,000	242	0	6	0	1	0	0	249
8,001-9,000	102	0	5	0	0	0	0	107
9,001-10,000	41	0	2	0	0	0	0	43
over $10,000	99	0	2	0	0	0	0	101
Total	4,313	0	1,183	289	1,611	66	235	7,697

Type of Retirement:

A - Retired From Affiliate or Resignation

B - Termination - Early Involuntary

C - Partial Total Disability

D - Disabled not in the Line of Duty

E - Survivor of a Retired Police Officer or Firefighter

F - Survivor of a Active Police Officer or Firefighter

G - Qualified Domestic Relations Order

SCHEDULE OF PARTICIPANT DATA

	Active			Retired Members, Beneficiaries, Disabled			
Fiscal Year	Teachers	Police Officers and Firefighters	Subtotal	Teachers	Police Officers and Firefighters	Subtotal	Total
2013	4,379	5,510	9,889	3,448	2,183	5,631	15,520
2012	4,495	5,510	10,005	3,285	2,039	5,324	15,329
2011	4,747	5,561	10,308	3,130	1,856	4,986	15,294
2010	4,749	5,708	10,457	2,941	1,552	4,493	14,950
2009	4,601	5,788	10,389	2,770	1,449	4,219	14,608
2008	4,821	5,661	10,482	2,391	1,364	3,755	14,237
2007	5,027	5,550	10,577	2,364	1,314	3,678	14,255
2006	5,088	5,256	10,344	2,175	1,207	3,382	13,726
2005	5,707	5,222	10,929	2,015	1,056	3,071	14,000
2004	5,564	5,186	10,750	1,763	982	2,745	13,495

SCHEDULE OF FUNDING PROGRESS
(Dollar amounts in thousands)

Until September 30, 2011, the District of Columbia Retirement Board used the Aggregate Actuarial Cost Method, which does not result in the calculation of an unfunded accrued liability. GASB Statement No. 50 requires funds using the Aggregate method to disclose funding status information based on Entry Age Normal calculations. Accordingly, the numbers shown have been determined based on the Entry Age Normal Cost Method.

Actuarial Valuation Date	Actuarial Value of Assets	EAN Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a percent of Payroll
10/1/2007						
Teachers	$1,396,000	$1,251,300	$(144,700)	111.6%	$374,900	(38.6%)
Fire & Police	2,672,900	2,647,300	(25,600)	101.0%	396,300	(6.5%)
10/1/2008						
Teachers	1,447,600	1,338,000	(109,600)	108.2%	359,250	(30.5%)
Fire & Police	2,932,100	2,938,800	6,700	99.8%	421,950	1.6%
10/1/2009						
Teachers	1,445,000	1,304,500	(140,500)	110.8%	336,600	(41.7%)
Fire & Police	3,048,400	3,027,900	(20,500)	100.7%	436,100	(4.7%)
10/1/2010						
Teachers	1,570,968	1,328,299	(242,669)	118.3%	337,516	(71.9%)
Fire & Police	3,418,796	3,166,830	(251,966)	108.0%	423,854	(59.4%)
10/1/2011						
Teachers	1,573,654	1,544,864	(28,790)	101.9%	384,455	(7.5%)
Fire & Police	3,593,716	3,309,825	(283,891)	108.6%	421,221	(67.4%)
10/1/2012						
Teachers	1,585,626	1,680,548	94,922	94.4%	381,235	24.9%
Fire & Police	3,804,853	3,456,976	(347,877)	110.1%	414,877	(83.9%)

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