Comprehensive Annual Financial Report

for the fiscal year ended September 30, 2007

Volume I

District of Columbia Retirement Board
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March 25, 2008

Brian K Lee
Chairman of the Board of Trustees
District of Columbia Retirement Board

Introduction

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the District of Columbia Retirement Board (DCRB) for the fiscal year ending September 30, 2007. The DCRB was established to manage the assets of the District of Columbia Police Officers' and Firefighters' Retirement Fund and the District of Columbia Teachers' Retirement Fund.

CAFR Transmittal

This annual report is issued in accordance with the Federal "National Capital Revitalization and Self-Government Improvement Act of 1997" and the District "Police Officers, Firefighters and Teachers Retirement Benefit Replacement Plan Act of 1998". This report includes the independent auditor's reports on the District of Columbia Police Officers' and Firefighters' Retirement Fund, and the District of Columbia Teachers' Retirement Fund, (collectively referred to as "the Funds").

The audit reports are issued by the independent public accounting firm of Thompson, Cobb, Bazilio & Associates, the selection of which was approved by the DCRB Board of Trustees, (the "Board"). This annual report also includes other information concerning the Funds, the Board, the District of Columbia Police Officers' and Firefighters' Retirement Plan and the District of Columbia Teachers' Retirement Plan (the "Plans"), Plan membership, investments, and Board operations.

Additional disclosures that are specifically required by statute are included in Volume II.

The responsibility for both accuracy of the data and the completeness and fairness of the presentation including all disclosures rests with the DCRB. 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 assets and the changes in Plan assets and financial position of the Funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the financial activities of the Funds have been included.

Structure of this Report

The CAFR of the DCRB for the fiscal year ending September 30, 2007 is prepared in two volumes, as follows:

Volume I
Introductory Section including the Letter of Transmittal and the organizational structure. This section contains general information on the nature of the Funds, financial performance, and the investment objectives.

Financial Section including the 2007 audited financial statements, Management's Discussion and Analysis, and related schedules concerning the financial position and changes in Plan assets for the three Funds presented separately.

Investment Section containing descriptions of the investment policy, objectives, results, and expenses.

Actuarial Section including the actuarial certification, descriptions of actuarial assumptions and methods, and schedules presenting summary data on members, retirees and beneficiaries.

Statistical Section including summary data on revenues, expenses and benefits.

Volume II (Bound Separately)
Other Disclosures Required by the District of Columbia City Council which are specified in applicable statutes are included in this volume, including information on the names and addresses of the Board of Trustees, bank statements, reportable transactions, transactions with parties of interest, Trustee activities sponsored by service providers, fund return data, and the annual actuarial statement.

Structure of the DC Retirement Board and the Board of Trustees

The District of Columbia Retirement Board was created by the US Congress in 1979 under the Retirement Reform Act (the Reform Act). The Reform Act established the structure, legal responsibilities, and composition of the Board. The 12 member Board of Trustees consists of 6 individuals elected by the participant groups (2 each by police officers, firefighters and teachers), 3 appointed by the Mayor, and 3 appointed by the City Council. The DC Chief Financial Officer, or his or her designee, sits on the Board as an ex-officio, non-voting member.

The Funds are managed and controlled by the Board, and are held in trust by the Board for the exclusive benefit of members, retirees, survivors and beneficiaries of the Plans. The Board's mission is to manage and control the Funds on an actuarially sound basis to assure that sufficient assets are available to pay the benefits promised under the terms of the Plans, to pay those benefits promptly and accurately, and to provide all Plan participants with appropriate administrative support services when they contact the Board.

Information on the Trustees and the organizational structure of the Board is provided at Table 1: List of Board of Trustees and Chart 1: DCRB Organizational Structure.

History and Legislative Background

Prior to the Reform Act, eligibility and benefit rules and financing arrangements for the pension plans for the District's police officers, firefighters and teachers 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 when workers retired on a "pay-as-you-go" basis, not on a pre-funded basis using actuarial assumptions and methods. Under the "National Capital Revitalization and Self-Government Improvement Act of 1997" (the Revitalization Act), the Federal Government assumed responsibility for the unfunded pension liabilities for retirement benefits earned as of June 30, 1997. The District of Columbia passed the "Police Officers, Firefighters and Teachers Retirement Benefit Replacement Plan Act of 1998" (the Replacement Plan Act) that established retirement plans for pension benefits accrued after June 30, 1997.

To facilitate the effective monitoring of the retirement system, the Reform Act and the Replacement Plan Act require the Board to publish an annual report for each fiscal year. The DCRB Comprehensive Annual Financial Report (CAFR) fulfils that requirement.

With the passage of the District's Office of Financial Operations and Systems Reorganization Act of 2004, the Board assumed responsibility for administering the retirement programs for the District's police officers, firefighters and teachers. The Board in cooperation with the US Treasury Office of DC Pensions (ODCP), ensured a smooth transition of benefits administration from the District's Office of Pay and Retirement Services (OPRS) to DCRB.

The DCRB and ODCP collaborated on changes to the Treasury retirement system to calculate the benefit split between the District and the Federal trusts, in accordance with the Split Benefit regulations. This project will result in the financial reconciliation of pension liabilities between the two trusts, projected to be completed in 2010.

The Board's budget relies entirely on Special Purpose

Revenue funding. These funds are derived from the investment earnings of funds and reimbursements received from the U.S. Treasury for the administration of certain pension payments and other services for which it is responsible. Pursuant Section 1-711 (f) of the District of Columbia Code, "the Mayor and the Council 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 of the Board." The Board is responsible for establishing the level of annual expenditures; any adjustments or re-allocations of the budgetary expenditures; DCRB staffing and compensation; and the spending by program, vendor or department.

Profile of the Plans

The Plans for police officers and firefighters provide retirement, service-related disability, non-service-related disability, and death benefits in accordance with the Plan description. All police officers and firefighters of the District of Columbia automatically become members on their date of employment. Police cadets are not eligible.

The Plan for teachers provides retirement, disability retirement, and death benefits in accordance with the Plan description. Permanent, temporary, and probationary teachers for the District of Columbia public day schools become members automatically on their date of employment. Other employees covered include librarians, principals, and counselors. Former DC teachers working at charter schools are eligible to remain in the program, upon election by the individual teachers.

Since the Board assumed responsibility for administering the Plans in October 2005, the Board now operates a Member Services Center that is available to all active Plan members and retirees, calculates benefit payments, works closely with ODCP to implement systems changes resulting from software upgrades or legislation affecting Plan provisions. The Board produces Plan communications that include a periodic newsletter, a Summary Annual Report reflecting fund investment results, and Summary Plan Descriptions as prescribed by statute. ODCP maintains the retirement system that calculates benefits, issues monthly benefit payments to retirees and survivors, and handles all payment-related activities, include tax withholdings and premiums for health and life insurances.

Plan Management, Performance and Investments

As of September 30, 2007, the Plans had 24,077 members, of whom 13,500 were retirees and survivors who receive monthly pension payments and 10,577 active members. At that date, the Funds' assets were $4.41 billion, an increase of approximately 21.6% in the total asset value from the end of FY 2006. During FY 2007, $40.5 million in pension benefits were paid and approximately $155 million in employer contributions and $54.3 million of employee contributions were collected.

In order to minimize administrative expenses while providing a broad range of investment options that are economically feasible, the assets of the Plans are combined into a single investment management portfolio. The portfolio of combined assets is collectively referred to as the Fund. The investment returns of the Fund are calculated based on the fair value of the assets.

The Fund outperformed its 7.25% actuarial assumed rate of return for the one, three, five, and ten-year periods ending September 30, 2007, by approximately 2.4%, 3.2%, 5.4%, and 0.6%, respectively. Since inception, the Fund has achieved an average annual return of 10.8%, prior to investment expenses and DCRB operating costs.

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 level 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 asset allocation plan which best reflects the risk tolerance and investment goals for the Fund. The asset allocation plan is implemented through the careful screening and selection of investment managers with an audited favorable long-term track record, a disciplined investment process, and reasonable investment management fees. The Board's investment policy requires staff to compare the actual asset allocation to the target allocation on a quarterly basis. If an asset class minimum or maximum reflects any style drift, then an investment rebalancing may be undertaken.

The Fund also seeks to outperform the return of the Total Fund Benchmark, computed as the weighted average return of the following strategic asset classes and benchmarks:

Asset Class	Performance Benchmark	Weight
U.S. Equities	Russell 3000 Index	40%
Non-U.S. Equities	MSCI All Country World ex US Index	20%
Fixed Income	Lehman Brothers Universal Index	25%
Private Equity	Cambridge Private Equity Index	10%
Real Estate	NCREIF Index	5%

Over the long-term, the Fund has underperformed the Total Fund Benchmark, with the Fund returning a gross annualized return of 7.9% for the 10-year period ended September 30, 2007, versus 8.3% for the Total Fund Benchmark. However, the fund exceeded the actuarial investment rate of return assumption for the same time period.

Summary of Financial Information

DCRB management is responsible for maintaining internal accounting controls to provide reasonable assurance that transactions are properly authorized and recorded on the accrual basis in accordance with GAAP, and that financial statements conform to GASB and AICPA reporting standards and GFOA guidelines.

The accounting records of DCRB are maintained by the DCRB staff. Pension payment information is contained within the System to Administer Retirement (STAR), maintained by US Treasury. Accounting and payroll transactions are processed through the District of Columbia's System of Accounting and Reporting (SOAR). DCRB budgets are approved by the Board and then incorporated in the District CFO$ource budgetary system. The Funds' Trustee Bank, State Street 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.

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 SAS 70 review by independent public accountants, and that government offices whose systems are used are subject to 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, 2007, adequately safeguard the Fund's assets and provide reasonable assurance regarding the proper recording of financial transactions.

The independent auditor's reports on the Plans are presented at Section 2 of this report.

Additions to Plan Net Assets

Total FY 2007 contributions plus investment income for the Funds were approximately $827.1 million, as summarized below (all amounts in $000):

	FY 2007	FY 2006	$ Increase	% Increase
Employee Contributions	54,282	50,949	3,333	6.54%
Employer Contributions	154,700	133,000	21,700	16.3%
Net Investment Income	618,163	332,203	285,960	86.1%
Total	827,145	516,152	310,993	60.3%

Deductions to Plan Assets

Total FY 2007 District pension payments and administrative expenses for the Funds were approximately $52.6 million, as summarized below (all amounts in $000):

	FY 2007	FY 2006	$ Increase	% Increase
Benefit Payments And Refunds	46,388	39,588	6,800	17.18%
Administrative Expenses	6,198	2,827	3,371	119.24%
Total Deductions	52,586	42,415	10,171	23.98%

Plan Funding

The Replacement Plan Act establishes the method for calculating the employer (District of Columbia) annual contribution to the retirement Funds. The Board's enrolled actuary must determine the level of covered payroll, expressed as a percentage ("normal contribution rate") for each participant group. Under the

Replacement Plan Act, the District must contribute the annual funding amount determined under the Aggregate Actuarial Cost method. No other funding limitations apply. The DC Government is current in providing to the Fund the actuarially determined employer contribution to the Plans.

Acknowledgements

I would like to express my appreciation to the US Treasury's Office of DC Pensions, the District of Columbia City Council, the DC Office of Financial and Operations Systems, the DC Office of Budget and Planning, all other DC 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 DC Retirement Board. I would like to express the Agency's specific thanks to Constance Donovan, DCRB General Counsel, who at the Board's request served as the Acting Executive Director in addition to her regular assigned duties, serving with tireless dedication and exemplary professionalism.

If you have any questions regarding the Comprehensive Annual Financial Report (CAFR) of the District of Columbia Retirement Board for the fiscal year ending September 30, 2007, please direct them to my office at any time.

Respectfully submitted,

Eric O. Stanchfield
Executive Director
District of Columbia Retirement Board

Chart 1: DCRB Organizational Diagram

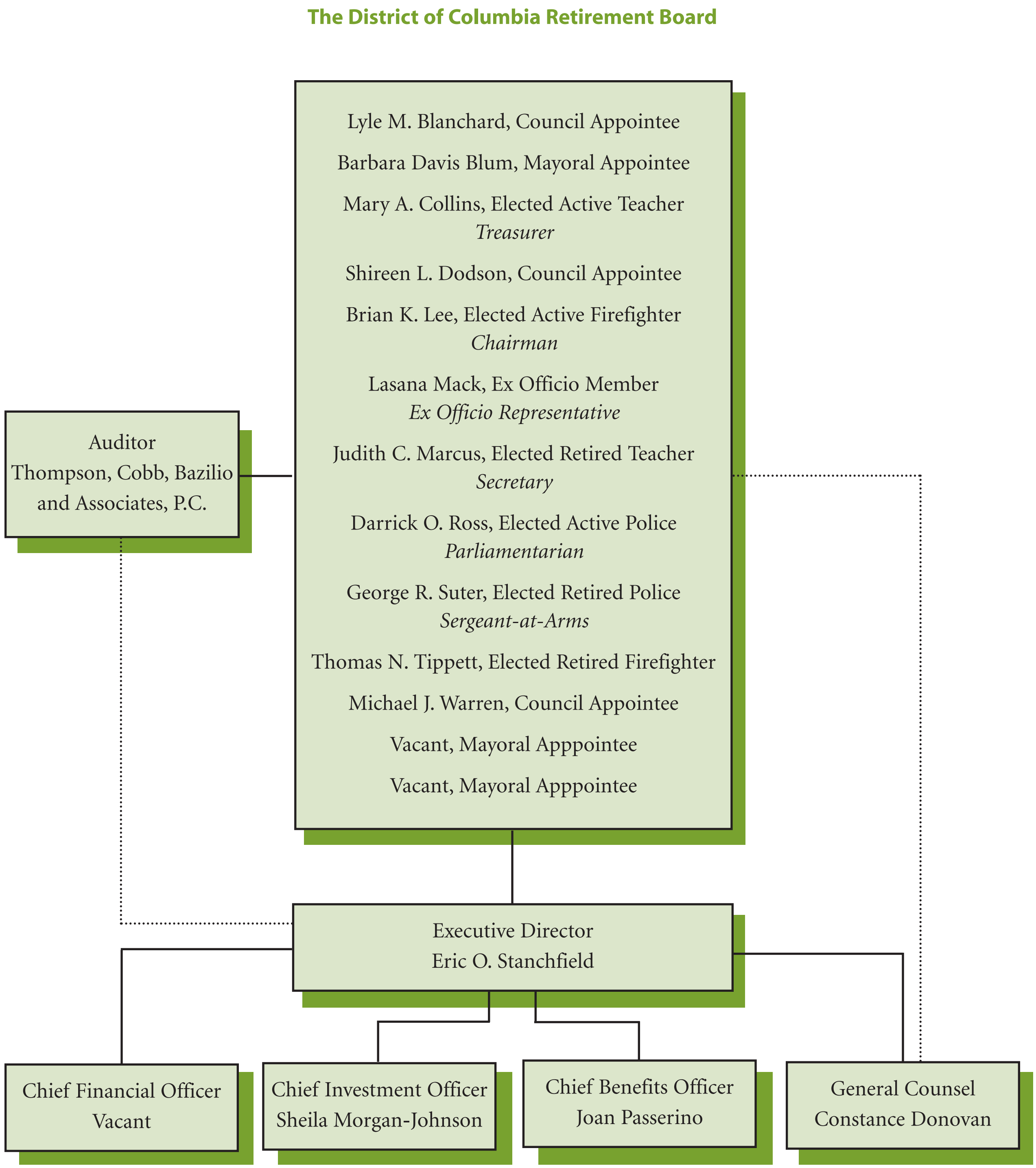

Table 1: Board of Trustees

Name	Representing	First Term Began	Current Term Expires
Lyle M. Blanchard	Appointed by the City Council	November 15, 2002	January 27, 2009
Barbara Davis Blum	Appointed by the Mayor	July 12, 2000	January 27, 2008
Mary A. Collins, *Treasurer*	Elected by Active Teachers	January 28, 1997	January 27, 2009
Shireen L. Dodson	Appointed by the City Council	August 3, 2001	January 27, 2008
Brian K. Lee, *Chairman*	Elected by Active Firefighters	January 28, 2001	January 27, 2009
Lasana Mack, *Ex Officio Representative*	Ex Officio Member	N/A	N/A
Judith C. Marcus, *Secretary*	Elected by Retired Teachers	January 28, 1998	January 27, 2010
Darrick O. Ross, *Parliamentarian*	Elected by Active Police	January 28, 1999	January 27, 2011
George R. Suter, *Sergeant-at-Arms*	Elected by Retired Police	January 28, 1997	January 27, 2009
Thomas N. Tippett	Elected by Retired Firefighters	March 21, 2005	January 27, 2008
Michael J. Warren	Appointed by the City Council	March 11, 2005	January 27, 2011
Vacant	Appointed by the Mayor	N/A	N/A
Vacant	Appointed by the Mayor	N/A	N/A

Photo 1: Board of Trustees

Financial Section

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
District of Columbia Teachers' Retirement Fund

We have audited the accompanying statements of net assets of the District of Columbia Teachers' Retirement Fund (the Fund), a Pension Trust Fund of the Government of the District of Columbia, as of September 30, 2007 and 2006, and the related statements of changes in net assets for the years then ended. These financial statements are the responsibility of the Fund's management. 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note 1, these financial statements only present the 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, 2007 and 2006, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the District of Columbia Teachers' Retirement Fund as of September 30, 2007 and 2006, and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The information on schedules 1 and 2 and the management's discussion and analysis are not a required part of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The information on schedules 3 through 5 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion thereon.

Washington, D.C.
February 20, 2008 Thompson, Cobb, Bazilio & Associates, PC

A Professional Corporation
www.tcba.com

This discussion and analysis provides an overview of the financial activities of the District of Columbia Teachers' Retirement Fund (the "Fund") for the fiscal year ended September 30, 2007. This discussion and analysis should be read in conjunction with the financial statements, the notes to the financial statements, and supplementary information provided in this report.

The District of Columbia Retirement Board (the "Board") is an independent agency of the District of Columbia Government. The Board is responsible for managing the assets of the Fund and of the District of Columbia Police Officers and Fire Fighters' Retirement Fund. As authorized by DC Code, the Board combines the assets of the two Retirement Funds into a single investment portfolio. The Board allocates the investment returns and expenses, and the administrative expenses of the Board, in proportion to the dollar value of funds managed. The Board maintains financial records of contributions, distributions, withdrawals, investment earnings, investment expenses, and administrative expenses for each fund, and produces financial statements for each fund.

Effective October 1, 2005, the Board assumed responsibility for administering the benefits for police officers, firefighters, and teachers that are the financial responsibility of the District of Columbia Government. The related administrative expenses are borne by the Fund as described above.

Effective October 1, 2005, the Board entered into a Memorandum of Understanding (MOU) with the United States Department of the Treasury (the "U.S. Treasury") to administer the benefits for police officers, firefighters, and teachers that are the financial responsibility of the Federal government (pre-July, 1997 benefits). The U.S. Treasury reimburses the Board for expenses incurred to administer the Federal retirement plan.

DCRB and US Treasury Office of DC Pensions (the "ODCP") collaborated on changes to the US Treasury's system related to the split retirement benefit calculations for retirees with service before and after the June 30, 1997. This project will result in the financial reconciliation of pension liabilities between the two trusts, projected to be completed in fiscal year 2009. A detailed description of the relationship between the ODCP and DCRB regarding the administration and payment of split benefits is included in the notes to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS AND SCHEDULES

The financial information presented in this report includes two financial statements, the notes to the financial statements, and supplementary information.

The Statements of Net Assets show the amount of assets, liabilities, and net assets held in trust for pension beneficiaries as of the end of the current and prior fiscal years.

The Statements of Changes in Net Assets show the additions to and reductions in the Fund's net assets during the current and prior fiscal years. The statements present the major sources of funds added and uses of funds deducted.

The Notes to the 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 Supplementary Information includes additional information on the Fund's financial condition and trends, including information on employer contributions, actuarial assumptions, investments, and Fund additions and deductions for the last 10 fiscal years.

FINANCIAL HIGHLIGHTS

The financial highlights for fiscal year 2007 are:

• Net Assets Held in Trust for Pension Benefits as of September 30, 2007 were $1,517,765 an annual increase of $231,162 (17.97 %).

(Dollar amounts expressed in thousands)

- The Investment Income net of investment expenses for fiscal year 2007 was $217,731, a return of 16.8%.
- The District of Columbia government made a timely contribution of $14,600 to the Fund for fiscal year 2007, which satisfied its statutory obligation.
- The Fund's share of administrative expenditures for fiscal year 2007 was $2,161, equivalent to 13 basis points on Fund assets under management.

FINANCIAL ANALYSIS

Net Assets

A summary of the net assets held in trust for pension benefits is presented below:

	2007	2006	Increase (Decrease)	Percent
Investments, net of accrued interest receivable and liabilities	$1,527,631	$1,292,797	$ 234,834	18.16%
Capital assets, net	9	30	(21)	-69.66%
Contributions receivable	8,883	9,094	(211)	-2.32%
Due from (to) District	(2,056)	61	(2,117)	-3470.49%
Due to Federal government	(16,708)	(15,378)	(1,330)	8.65%
Due from other agencies	6	-	6	100.00%
Net Assets	$1,517,765	$ 1,286,603	$ 231,162	17.97%

Changes in Net Assets

The Fund experienced the following additions and reductions during the fiscal year as follows:

	2007	2006	Increase (Decrease)	Percent
Employer contributions	$14,600	$15,500	$ (900)	-5.81%
Employee contributions	26,793	25,807	986	3.82%
Net investment income	217,731	120,114	97,617	81.27%
Total Additions	259,124	161,421	97,703	60.53%
Benefit payments	25,801	23,793	2,008	8.44%
Administrative expenses	2,161	1,010	1,151	113.96%
Total Deductions	27,962	24,803	3,159	12.74%
Net change in net assets	$231,162	$ 136,618	$ 94,544	69.20%

TOTAL FUND INVESTMENT ANALYSIS

The Total Fund (combined assets of Teachers, Police Officers and Firefighters) returned 16.8% during fiscal year 2007, outperforming the Asset Allocation Benchmark by 130 basis points (16.8% versus 15.5%) and the Board's actuarial assumed rate of return of 7.25% by approximately 955 basis points. The Total Fund's strong performance relative to the Asset Allocation Benchmark for fiscal year 2007 can be attributed primarily to the outperformance of the domestic equity segment, as this segment outperformed its benchmark, the Russell 3000 Index, a broad-based U.S. equity index, by 150 basis points (18.0% vs. 16.5%). In addition, the Total Fund's slight overweight positions in the domestic equity and international equity segments contributed positively to performance, as equity markets delivered strong returns during the fiscal year.

As of September 30, 2007, the Total Fund's assets equaled $4.41 billion, an increase of approximately 22% from the total asset value at the end of fiscal year 2006, after payment of all benefits and other administrative expenses and obligations. Over the long-term, the Total

(Dollar amounts expressed in thousands)

Fund has slightly underperformed the Total Fund Benchmark, with the Total Fund returning an annualized 7.9% for the 10-year period ended September 30, 2007, versus 8.3% for the Total Fund Benchmark. However, it should be noted that the performance of the Total Fund exceeded the Board's actuarial assumed rate of return (7.25%) for the 3-year, 5-year, and 10-year periods ended September 30, 2007, by approximately 645 basis points, 655 basis points, and 65 basis points, respectively, on an annualized basis. Since its inception in October 1982, the Total Fund has earned an annualized return of 10.8%. Public equity markets continued to perform well during fiscal year 2007, as world stock markets rallied for the fifth straight year. In the U.S., the Russell 3000 Index rose 16.5% during the period. Non-U.S. equity markets outperformed U.S. stocks for the sixth consecutive year, with the MSCI ACWI ex-US Index increasing 30.5% during the 12-month period ended September 30, 2007. Fixed income was again the worst performing asset class during fiscal year 2007, with the Lehman Brothers U.S. Universal Bond Index returning 5.3%. Towards the end of fiscal year 2007, the markets were hit with widening concerns over declining home prices and sub-prime mortgages that had proliferated in recent years. Fortunately, the Total Fund was only minimally impacted by this credit crisis during fiscal year 2007, as sub-prime mortgages accounted for less than 0.5% of the Total Fund as of September 30, 2007.

During fiscal year 2007, the Board maintained its strategic asset allocation targets, which had been established in fiscal year 2003 following an asset/liability study conducted by the Board's general investment consultant, Watson Wyatt. This study was updated by Watson Wyatt in fiscal year 2005, and asset class targets remain as follows:

Asset Class	**Target Allocation**	**Target Allocation Range**
Domestic Equities	40%	35-45%
International Equities	20%	15-25%
Fixed Income	25%	20-30%
Private Equity	10%	7-13%
Real Estate	5%	2-8%

As of September 30, 2007, all asset classes were within their respective target allocation ranges, with the exception of fixed income and private equity. It is expected that the fixed income segment, which was less than 1% below the lower end of its target range, will be brought into line with its target allocation within the first few months of fiscal year 2008, following receipt of the annual employer contribution to the retirement funds. Due to the difficulties involved in deploying large amounts of capital expeditiously in private equity, it may take several more years until the Board reaches full exposure to this asset class. Thus, U.S. public equities will be used as a proxy for exposure to private equity until this strategy can be fully implemented.

During fiscal year 2007, the Board took important steps in moving toward its target private equity and real estate allocations. The Total Fund's actual allocation to private equity increased during the fiscal year from 2.5% to 3.8%, as Pantheon, the Board's discretionary private equity advisor and fund-of-fund manager, made additional capital commitments to private equity partnerships. An investment in the Pantheon Global Secondary Fund was also funded at the beginning of fiscal year 2007. Regarding real estate, the Board reached its target allocation during fiscal year 2007, as exposure to real estate increased from 3.7% to 5.2%. The Board made investments in several real estate funds during the year, including PRISA, PRISA II, and Carlyle Realty Partners V.

The Board made several changes to its roster of investment managers during the fiscal year. Within the U.S. equity segment, the Board conducted a search for a mid-cap growth manager to replace Brown Capital, selecting Mazama Capital, with funding to occur in early fiscal year 2008. In order to add alpha through more active management, the Board also funded an enhanced equity index fund managed by Western Asset. Within the international equity segment, the Board selected and funded the LSV Emerging Markets Fund in order to increase the segment's exposure to emerging markets, consistent with the segment's benchmark, the MSCI ACWI ex-US Index. The Board also conducted a search for a new core international equity manager, selecting Goldman Sachs to replace Capital Guardian, with funding expected in early fiscal year 2008. Within the fixed income segment, the Board terminated Hughes Capital, splitting Hughes' allocation between the segment's two other managers, PIMCO and Western Asset.

The Board continued to rebalance its managers' portfolios during fiscal year 2007 in accordance with the Board's rebalancing policy. Variances from investment style targets were rebalanced as needed in a manner that maintained the overall integrity of the asset class structure but was not disruptive to the managers.

ADDITIONAL INFORMATION

These financial statements present the finances of the Fund 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.

DISTRICT OF COLUMBIA TEACHERS' RETIREMENT FUND
STATEMENTS OF NET ASSETS
SEPTEMBER 30, 2007 AND 2006
($000s)

	2007	2006
ASSETS		
Equity in pooled investments under Mater Trust Agreement, at fair value (Note 4)	$1,692,250	$ 1,444,374
Accrued interest receivable	3,798	3,254
Employee contributions receivable	1,419	1,630
Contribution receivable — District of Columbia Government (Note 5)	7,464	7,464
Capital assets, net	9	30
Due from District of Columbia Government	-	61
Due from other agencies	6	-
Total assets	1,704,946	1,456,813
LIABILITIES		
Liabilities under securities lending transactions	166,852	153,727
Accounts payable — investment expense	1,565	1,105
Due to Federal Government, net	16,708	15,378
Due to District of Columbia Government	2,056	-
Total liabilities	187,181	170,210
Net Assets Held in Trust for Pension Benefits	**$1,517,765**	**$ 1,286,603**

The accompanying notes are an integral part of these statements.

DISTRICT OF COLUMBIA TEACHERS' RETIREMENT FUND
STATEMENTS OF CHANGES IN NET ASSETS
SEPTEMBER 30, 2007 AND 2006
($000s)

	2007	2006
Additions		
Contributions:		
District government	$ 14,600	$ 15,500
District employees	26,793	25,807
Total contributions	41,393	41,307
Investment income:		
Net appreciation in fair value of investments	182,224	86,084
Interest and dividends	38,419	37,384
Gross earnings on security lending transactions	9,326	7,121
	230,969	130,589
Less:		
Investment expenses	4,373	3,685
Borrower rebates and agent fees on security lending transactions	8,865	6,790
Net investment income	217,731	120,114
Total additions	259,124	161,421
Deductions		
Benefit payments	25,801	23,793
Administrative expenses	2,161	1,010
Total deductions	27,962	24,803
Net Increase in Net Assets	231,162	136,618
Net Assets Held in Trust for Pension Benefits		
Beginning of year, as previously reported	1,286,603	1,142,521
Prior period adjustment (Note 5)	-	7,464
Beginning of year	1,286,603	1,149,985
End of year	$ 1,517,765	$ 1,286,603

The accompanying notes are an integral part of these statements.

NOTE 1: ORGANIZATION

The District of Columbia Teachers' Fund (the Fund) was 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 all teachers employed by The Board of Education, including certain other educational employees in the public day schools and certain eligible educational employees in the public charter schools of the District of Columbia Government. The Reform Act also established the District of Columbia Retirement Board (the Board or DCRB) and the District of Columbia Police Officers and Firefighters' Retirement Fund (the Police Officers and Firefighters Fund), a related pension plan administered by the 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 Police Officers and Firefighters Fund and the Teachers' Retirement Fund (collectively, the District Retirement Funds) to the Federal Government.

Concurrently, the District of Columbia Retirement Protection Act of 1997 (the Retirement Protection Act, Subtitle A of 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 and the assets of the Fund managed by the Board are components of the same single employer defined benefit pension plan.

The Council of the District of Columbia (the Council) enacted the Police Officers, Firefighters, and Teachers Retirement Benefit Replacement Plan Act of 1998 (September 18, 1998, D.C. Law 12-152, § 101, 45 DCR 4045; D.C. Code § 1-901.01 et seq.). This Act (the Replacement Act) established the pension benefits for employee service earned after June 30, 1997, and provided for full funding of the 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 District Retirement Funds. Although the assets of the 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 Fund is 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 participant 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, Emerging Enterprise, Fiduciary, Investment, Legislative, and Operations. (The function usually associated with an Audit Committee is 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.

Other Entities involved in Plan Administration — The District of Columbia Board of Education makes findings of fact, conclusions of law, and decisions regarding voluntary and involuntary retirement, survivor benefits, disability retirement, and annual medical and income reviews related to disability retirements.

Benefits Calculation — The DCRB Benefits Department receives the retirement orders for retirement benefit calculations for all active plan members found eligible for retirement by the District of Columbia Board of Education, and carries out the day-to-day processing of retirement benefits. DCRB also processes employee requests for refunds of contributions, and purchases of service.

(Dollar amounts expressed in thousands)

Eligibility — Permanent, temporary and probationary teachers and certain other employees of the District of Columbia public day schools are automatically enrolled in the Teachers' Retirement Fund as members 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 § 38-2001.01 et seq. (2001 Ed.)) establishes benefit provisions which may be amended by the Council. For employees hired before November 1, 1996, the annuity is equal to the average salary, as defined, multiplied by 1.5% for each of the first five years of service, 1.75% for each of the second five years and 2% for each additional year. For employees hired on or after November 1, 1996, the annuity is equal to a time-weighted average salary, as defined, multiplied by 2% for each year of service.

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 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 pursuant to a "guaranteed minimum" formula.

Optional 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;
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 five 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.

The annuity is reduced if at the time of its commencement the participant is under the age of 55.

Participant Data — For the years ended September 30, 2007 and 2006 the number of participating employees was as follows:

	2007	2006
Retirees and beneficiaries receiving benefits (post 6/30/97)	2,017	1,808
Active plan members	5,027	5,088
Vested Terminations	999	981
Total Participants	8,043	7,877

Contributions — Each Fund member contributes through pre-tax deductions from the member's gross salary at rates established by D.C. Code. Members contribute 7% (or 8% for teachers hired on or after November 1, 1996) of annual gross salary, net of any amount received with respect to summer school. Each fund member may also contribute additional post-tax amounts not to exceed 10% of the member's annual gross salary toward an annuity that is separate from and in addition to any vested pension.

The District is required to contribute the amounts necessary to finance the benefits of its employees 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 2007 and 2006 were equal to the amounts computed by the Fund's independent actuary.

Contribution requirements of the Fund members are established at D.C. Code § 38-2001.01 et seq. (2001 Ed.) and contribution requirements of the government of the District of Columbia are established at D.C. Code 1-907.02 (2001 Ed.). 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 Fund at the time compensation is earned by fund members. Employer contributions to the Fund 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.

Method Used to Value Investments — Investments are reported at fair value, and reflect transaction costs, such as brokerage commissions and other costs normally incurred in a sale, if such costs are determinable or estimable. Short-term investments (whose maturities do not exceed 13 months at the time of purchase) are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange (Spot) rate. Collateralized mortgage obligations are stated at fair value as determined by a third party source selected by State Street Bank, the custodian of fund assets.

The fair value of real estate investments is based on independent appraisals, when available, and the fair value of limited partnership interests in real estate investments is based on reported estimated fair values. Investments that do not have established market values are reported at estimated fair value as reported by the respective investment manager.

Actuarial Data — The Fund uses the Aggregate Actuarial Cost method to determine the annual employer contribution. 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 — 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 assets 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 Fund was $2,190 in 2007 and $1,010 in 2006, respectively.

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.

(Dollar amounts expressed in thousands)

The fair values of investments of the Investment Pool as of September 30, 2007 and 2006 are as follows:

	2007	2006
Investments held by Board's agent in Board's name:		
Cash and cash equivalents	$ 148,521	$ 147,585
Equities (of which $381,826 and $304,375 in 2007 and 2006, respectively, are on securities loan with securities and other collateral)	3,336,620	2,675,639
Fixed income securities (of which $82,020 and $102,106 in 2006 and 2005, respectively, are on securities loan with securities and other collateral)	600,779	505,903
Payable on investment transactions	(152,552)	(118,558)
Options and Swaps	5,263	-
Subtotal	3,938,631	3,210,569
Investments held by broker-dealer under securities loans with cash collateral:		
Equities	381,799	304,375
Fixed income security	82,020	102,106
Securities lending collective investment pool	478,716	428,228
Subtotal	942,535	834,709
Total	$ 4,881,166	$4,045,278

At September 30, 2007, the Fund's share of the Investment Pool was $1,696,048 including cash collateral of $166,852 and accrued interest receivable. At September 30, 2006, the Fund's share of the Investment Pool was $1,447,628, including cash collateral of $153,726 and accrued interest receivable.

(Dollar amounts expressed in thousands)

Debt Instruments

As of September 30, 2007, the Investment Pool held the following debt instruments:

Investment Type	Fair Value	% of Segment	Duration	Rating
US Treasuries	$ 58,565	6.83%	(3.27)	AAA
US Agencies	69,323	8.08%	5.71	AAA
Corporate	115,038	13.41%	8.81	A
MBS	505,555	58.92%	4.25	AAA
ABS	6,371	0.74%	3.97	BBB-
High Yield	49,669	5.79%	4.46	BB-
Emerging Markets	25,783	3.00%	4.88	BBB
Non-US	(36,338)	-4.23%	0.36	AA+
Convertibles	541	0.06%	2.97	BB-
Municipal	138	0.02%	48.36	AAA
Short-Term	63,410	7.39%	5.45	AA+
Total	$ 858,055	100.00%		

As of September 30, 2006, the Investment Pool held the following debt instruments:

Investment Type	Fair Value	% of Segment	Duration	Rating
U.S. Treasuries	$ 125,636	15.45%	6.74	AAA
U.S. Agencies	78,544	9.66%	5.03	AAA
Corporate Securities	110,805	13.63%	6.33	A-
Mortgage-Backed Securities	341,624	42.01%	3.91	AAA
Asset-Backed Securities	6,320	0.78%	1.86	BBB-
High Yield Securities	49,093	6.04%	3.41	B+
Emerging Markets	16,520	2.03%	5.49	BB+
Non-U.S. Securities	28,441	3.50%	5.81	AA+
Convertibles	971	0.12%	3.81	B-
Cash Equivalents	55,225	6.79%	2.30	AA+
Total	$ 813,179	100.00%		

Interest Rate Risk — As a general rule, the risk and return of the Board's fixed income segment of the portfolio is compared to the Lehman Brothers 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 the Index.

Credit Risk — 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.

Currency Risk — 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.

As of September 30, 2007, the Investment Pool held investments that are denominated in a currency other than the United States Dollar, as summarized below:

(Dollar amounts expressed in thousands)

	Asset Class					
Currency	**Cash**	**Equities**	**Fixed Income**	**Options**	**Swaps**	**Total**
Australian Dollar	$194	$ 25,675	$ -	$ -	$ -	$ 25,869
Canadian Dollar	7	25,793	-	-	(574)	25,226
Swiss Franc	17	72,308	-	-	-	72,325
Danish Krone	-	3,971	-	-	-	3,971
Euro	8,833	318,316	3,447	642	(636)	330,602
Pound Sterling	933	127,842	4,283	221	303	133,582
Hong Kong Dollar	223	37,919	-	-	-	38,142
Japanese Yen	841	205,149	6,105	-	-	212,095
South Korean Won	0	1,538	-	-	-	1,538
Norwegian Krone	34	4,984	-	-	-	5,018
New Zealand Dollar	1	-	-	-	-	1
Swedish Krona	38	13,090	-	-	-	13,128
Singapore Dollar	11	6,619	-	-	-	6,630
South African Rand	-	1,133	-	-	-	1,133
Mexican Peso	7	-	-	-	(64)	(57)
Brazilian Real	-	-	1,537	-	(57)	1,480
Total Foreign	**$ 11,139**	**$ 844,337**	**$ 15,372**	**$ 863**	**$ (1,028)**	**$ 870,683**

As of September 30, 2006, the Investment Pool held investments that are denominated in a currency other than the United States Dollar, as summarized below:

	Asset Class				
Currency	**Cash**	**Equities**	**Fixed Income**	**Swaps**	**Total**
Australian Dollar	$65	$ 17,576	$ -	$ -	$ 17,641
Canadian Dollar	-	18,637	-	-	18,637
Swiss Franc	23	59,904	-	-	59,927
Danish Krone	-	3,215	-	-	3,215
Euro	13,816	260,977	1,281	(114)	275,960
Pound Sterling	379	104,193	933	(106)	105,399
Hong Kong Dollar	99	32,014	-	-	32,113
Japanese Yen	10	187,966	-	-	187,976
South Korean Won	-	1,921	-	-	1,921
Norwegian Krone	35	2,547	-	-	2,582
New Zealand Dollar	1	-	-	-	1
Swedish Krona	60	12,034	-	-	12,094
Singapore Dollar	(68)	4,370	-	-	4,302
South African Rand	-	2,828	-	-	2,828
Mexican Peso	-	-	-	-	-
Thai Bhat	25	1,473	-	-	1,498
Total Foreign	**$ 14,445**	**$ 709,655**	**$ 2,214**	**$ (220)**	**$ 726,094**

Securities Lending Transactions — District statutes and the Board's policies permit the 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 2007 and 2006, the master custodian, at the direction of the Board, loaned certain of the Retirement Funds' 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 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' position in the Quality Fund is not the same as the value of the 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 2007 or 2006.

During 2007 and 2006, 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 2007 and 2006.

The Quality D Fund invests cash collateral from loans of U.S. and non-U.S. equities, U.S. corporate fixed income securities, U.S. Government securities and sovereign debt. It had a weighted average maturity of 55 days and an average expected maturity of 514 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. Investments 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. The Quality D Fund may invest in other investment vehicles managed by the master custodian provided they conform to fund guidelines.

On September 30, 2007 and 2006, the Board had no credit risk exposure to borrowers.

The collateral held and the market value of securities on loan for the Board were $543,784 and $526,687, respectively, as of September 30, 2007, and $426,228 and $413,922, respectively as of September 30, 2006. During 2007 and 2006, the Master Trust's gross earnings from securities lending transactions totaled $26,764 and $21,017, respectively.

The income (net of amortization and accretion), the net realized/unrealized gain attributable to discount and premium, and the net increase in net assets resulting from operations totaled $28,643, $667, and $29,310, respectively, in 2007, and $22,099, $962, and $3,062, respectively, in 2006. The Fund's share of the net income on securities lending transactions totaled $ 436 and $605 in 2007 and 2006, respectively.

Derivative Investments — Derivatives are generally defined as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. Structured financial instruments are also defined as derivatives, such as mortgage-backed securities, asset-backed securities, and floating rate notes. 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), or to the creditworthiness of derivative securities, such as mortgage-backed, asset-backed, floating rate, and stripped securities. 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 2007 and 2006, the Retirement Funds, in accordance with the policy of the Board, and through the 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. These derivatives included asset-backed securities (ABS), collateralized mortgage-backed securities (CMOs), mortgage-backed pools and securities, floating rate notes, structured notes, stripped/zero coupon bonds, inflation index bonds, forward mortgage-backed security contracts (TBAs), foreign currency forward and futures contracts, equity index futures, bond futures, bond options, currency options, swaps, swaptions and warrants.

The Retirement Funds used ABS, CMOs, mortgage-backed pools and securities, floating rate notes, structured notes, stripped/zero coupon bonds, and TBAs primarily to increase potential returns. ABS and mortgage-backed pools and securities offer higher potential yields than comparable duration U.S. Treasury notes with higher credit and market risks. CMOs also offer higher potential yields than comparable duration U.S. Treasury notes, with higher market risks, although the market risks may be higher or lower than comparable mortgage-backed pools. Market risk for asset-backed and mortgage-backed pools and securities is managed by monitoring the duration of the investments. Credit risk is managed by monitoring credit ratings, the underlying collateral for each security and any related guarantee. These and all other risks mentioned herein are monitored and managed by the Retirements Funds' external investment managers who purchase such securities and notes on behalf of the Retirement Funds.

Floating rate notes (securities which pay an interest rate tied to an index) are subject to market risk to the extent of the movement of the underlying index in relation to market rates. A downward movement in the underlying index would negatively impact the interest income received on the security. Upward movements in interest rates do not adversely affect floating rate notes as they do fixed rate notes, allowing floating rate notes to function as a hedge against upward changes in interest rates.

The Retirement Funds invested in structured notes with step-up coupons that offer higher yields than comparable U.S. Treasury notes in exchange for higher market and/or credit risks. Securities with step-up coupons pay interest according to a pre-set series of interest rates which start at one rate and then step-up to higher rates on specific dates. The Retirement Funds also invested in stripped/zero coupon bonds, which are purchased at a discount and do not pay any interest.

TBAs (sometimes referred to as "dollar rolls") are used by the Retirement Funds as an alternative to holding mortgage-backed securities outright to raise the potential yield and to reduce transaction costs. The selected TBAs used 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.

Foreign currency forward, futures contracts and foreign currency options are generally used by the Retirement Funds for defensive purposes. These contracts hedge a portion of the 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 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 is managed by limiting transactions to counterparties with investment grade ratings or by trading on organized exchanges.

Equity index futures were also used by the 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 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.

(Dollar amounts expressed in thousands)

Exchange-traded and over-the-counter bond futures and options are used by the 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 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 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. Market risk is limited to the purchase cost. Credit risk is similar to the underlying equity and/or bond holdings. Again, all such risks are monitored and managed by the Retirement Funds' external investment managers who have full discretion over such investment decisions.

The Retirement Funds also holds 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.

The Retirement Funds' aggregate portfolio included the following derivative investments, at fair value, at September 30, 2007 and 2006:

	2007	2006
Mortgage-backed security pools and securities	$ 197,649	$ 177,289
Collateralized mortgage obligations	81,638	89,973
Asset-backed securities	52,520	68,137
Mortgage-backed securities forward contracts	-	1,332
Structured and inflation indexed bonds	31,156	82,351
Foreign currency futures/forward contracts, net	-	(3,150)
Interest rate swaps	4,266	660
Total return swaps, net	17	-
Options	442	(8)
Total	$ 367,688	$ 416,584

NOTE 5: PRIOR PERIOD ADJUSTMENT

During fiscal year 2007, the Board's actuary was engaged by the District of Columbia Public Schools (DCPS) to review active participant data in order to verify eligibility. The actuary noted a number of participants who should have been enrolled in the Plan, but were wrongly enrolled in the defined contribution plan of the District. The actuary also noted a number of active participants whose contribution rates were wrongly coded and those who should not have enrolled in the Plan. The determination of the complete population of error has not been finalized. However, based on the completed number of participants verified as errors as of September 30, 2007, the actuary calculated the impact of corrections to determine the amount of contributions that would have theoretically been accumulated on behalf of affected employees.

The actuary used the Entry Age Normal method to estimate the accrued liabilities. The total actuarial impact is estimated to be approximately $7,464,000. The District of Columbia Government has accrued a contribution payable for this amount in its government-wide financial statements as of September 30, 2007. As a result, net assets at October 1, 2006 were increased by $7,464,000.

DISTRICT OF COLUMBIA TEACHERS' RETIREMENT FUND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Unaudited)
($000s)

Fiscal Year	Annual Required Contribution	Percentage Contribution
2007	$ 14,600	100%
2006	15,500	100%
2005	9,200	100%
2004	2,900	100%
2003	-	100%

DISTRICT OF COLUMBIA TEACHERS' RETIREMENT FUND
SCHEDULE OF ACTUARIAL METHODS AND ASSUMPTIONS
(Unaudited)

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

	Fiscal Year 2007
Valuation date	October 1, 2005
Actuarial cost method	Aggregate
Amortization method	Not applicable
Remaining amortization period	Not applicable
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	5%
Includes inflation at	5%
Cost-of-living adjustments (COLAs)	5%
[1]Post-1996 hires have COLAs capped at 3.00%	

The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities.

DISTRICT OF COLUMBIA TEACHERS' RETIREMENT FUND
SCHEDULE OF REVENUE BY SOURCE AND EXPENSES BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)
($000s)

REVENUE BY SOURCE

Fiscal Year	Employee Contributions	Employer Contributions	Interest and Dividends	Net Appreciation (Depreciation) in Fair Value of Investments	Investment, Interest and Administrative Expenses	Total
2007	$ 26,793	$ 14,600	$47,745$	$183,224$	$(15,399)	$ 256,963
2006	25,807	15,500	44,505	86,084	(11,485)	160,411
2005	24,778	9,200	37,254	106,378	(8,509)	169,101
2004	26,283	-	25,580	80,836	(4,468)	128,231
2003	26,047	-	22,074	101,914	(3,640)	146,395
2002	25,374	-	24,242	(86,692)	(4,515)	(41,591)
2001	24,047	200	31,112	(129,875)	(6,595)	(81,111)
2000	23,646	10,700	28,896	78,536	(6,681)	135,097
1999	21,537	18,600	26,573	105,295	(4,694)	167,311
1998	20,385	9,700	21,109	(9,756)	(3,915)	37,523

EXPENSES BY TYPE

Fiscal Year	Benefits	Refunds	Total
2007	$ 21,733	$ 4,068	$ 25,801
2006	15,900	7,893	23,793
2005	12,400	8,469	20,869
2004	8,600	-	8,600
2003	5,100	-	5,100
2002	3,800	-	3,800
2001	2,600	-	2,600
2000	1,600	-	1,600
1999	700	-	700
1998	200	479	679

Note: Contributions were made in accordance with actuarially determined contribution requirements.

The Revitalization Act of 1997 made significant changes to the administration of the Fund. Therefore, comparisons of pre-Revitalization Act information to post-Revitalization Act information may not be meaningful.

DISTRICT OF COLUMBIA TEACHERS' RETIREMENT FUND
SCHEDULE OF INVESTMENT INFORMATION
YEAR ENDED SEPTEMBER 30, 2007
(Unaudited)

At September 30, 2007, the Fund's investments were maintained under a master trust agreement along with assets of the District of Columbia Police Officers and Fire Fighters' Retirement Fund. A schedule of investments held under the master trust agreement at September 30, 2007 is available for inspection at the offices of the District of Columbia Retirement Board, 900 7th Street, NW, 2nd Floor, Washington, DC 20001.

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

We have audited the accompanying statements of net assets of the District of Columbia Police Officers and Firefighters' Retirement Fund (the Fund), a pension trust fund of the Government of the District of Columbia (the District), as of September 30, 2007 and 2006, and the related statements of changes in net assets for the years then ended. These financial statements are the responsibility of the Fund's management. 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note 1, these financial statements only present the 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, 2007 and 2006, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the District of Columbia Police Officers and Firefighters' Retirement Fund as of September 30, 2007 and 2006, and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The information on schedules 1 and 2 and the management's discussion and analysis are not a required part of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The information on schedules 3 through 5 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion thereon.

Washington, D.C.
February 20, 2008

Thompson, Cobb, Bazilio & Associates, PC

A Professional Corporation
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This discussion and analysis provides an overview of the financial activities of the District of Columbia Police Officers and Firefighters' Retirement Fund (the "Fund") for the fiscal year ended September 30, 2007. This discussion and analysis should be read in conjunction with the financial statements, the notes to the financial statements, 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 Fund and the assets of the District of Columbia Teachers' Retirement Fund. As authorized by DC Code, the Board combines the assets of the two Retirement Funds into a single investment portfolio (the "Total Fund"). The Board allocates the investment returns and expenses, and the administrative expenses of the Board, between the two Retirement Funds in proportion to the dollar value of funds managed. The Board maintains financial records of contributions, distributions, withdrawals, investment earnings, investment expenses, and administrative expenses for each fund, and produces financial statements for each fund.

Effective October 1, 2005, the Board assumed responsibility for administering the benefits for police officers, firefighters, and teachers, that are the financial responsibility of the District of Columbia Government. The related administrative expenses are borne by the Fund as described above.

Effective October 1, 2005, the Board entered into a Memorandum of Understanding (MOU) with the United States Department of the Treasury (the "U.S. Treasury") to administer the benefits for police officers, firefighters, and teachers that are the financial responsibility of the Federal government (pre-July, 1997 benefits). The U.S. Treasury reimburses the Board for expenses incurred to administer the Federal retirement plan.

DCRB and US Treasury Office of DC Pensions (the "ODCP") collaborated on changes to the US Treasury's system related to the split retirement benefit calculations for retirees with service before and after the June 30, 1997. This project will result in the financial reconciliation of pension liabilities between the two trusts, projected to be completed in fiscal year 2009. A detailed description of the relationship between the ODCP and DCRB regarding the administration and payment of split benefits is included in the notes to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS AND SCHEDULES

The financial information presented in this report includes two financial statements, the notes to the financial statements, and supplementary information.

The Statements of Net Assets show the amount of assets, liabilities, and net assets held in trust for pension beneficiaries as of the end of the current and prior fiscal years.

The Statements of Changes in Net Assets show the additions to and reductions in the Fund's net assets during the current and prior fiscal years. The statements present the major sources of funds added and uses of funds deducted.

The Notes to the 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 Supplementary Information includes additional information on the Fund's financial condition and trends, including information on employer contributions, actuarial assumptions, investments, and Fund additions and deductions for the last 10 fiscal years.

FINANCIAL HIGHLIGHTS

The Fund's financial highlights for fiscal year 2007 are:

- Net Assets held in trust for pension benefits as of September 30, 2007 were $2,853,608 an annual increase of $543,397 (23.52%).
- The Investment Income net of investment expenses for fiscal year 2007 was $400,432, a return of 16.8%.

(Dollar amounts expressed in thousands)

- The District of Columbia government made a timely contribution of $140,100 to the Fund for fiscal year 2007, which satisfied its statutory obligation.
- The Fund's share of administrative expenditures for fiscal year 2007 was $4,037, equivalent to 14 basis points on Fund assets under management.

FINANCIAL ANALYSIS

Net Assets

A summary of the net assets held in trust for pension benefits as of September 30 is presented below:

NET ASSSETS

	2007	2006	Increase (Decrease)	Percent
Investments, net of accrued interest receivable and liabilities	$ 2,870,329	$2,321,164	$ 549,165	23.66%
Capital assets, net	15	51	(36)	-70.59%
Contributions receivable	1,052	955	97	10.16%
Due from (to) District	(3,844)	109	(3,953)	-3626.61%
Due from other agencies	11	-	11	100.00%
Due to Federal government	(13,955)	(12,068)	(1,887)	15.64%
Net Assets	$2,853,608	$2,310,211	$ 543,397	23.52%

CHANGES IN NET ASSETS

The Fund experienced the following additions and reductions during the fiscal years as follows:

	2007	2006	Increase (Decrease)	Percent
Employer contributions	$140,100	$ 117,500	$ 22,600	19.23%
Employee contributions	27,489	25,142	2,347	9.33%
Net investment income	400,432	212,089	188,343	88.80%
Total Additions	568,021	354,731	213,290	60.13%
Benefit payments	20,587	15,795	4,792	30.34%
Administrative expenses	4,037	1,817	2,220	122.18%
Total Deductions	24,624	17,612	7,012	39.81%
Net change in net assets	$543,397	$337,119	$ 206,278	$ 61.19%

(Dollar amounts expressed in thousands)

TOTAL FUND INVESTMENT ANALYSIS

The Total Fund (combined assets of Teachers, Police Officers and Firefighters) returned 16.8% during fiscal year 2007, outperforming the Asset Allocation Benchmark by 130 basis points (16.8% versus 15.5%) and the Board's actuarial assumed rate of return of 7.25% by approximately 955 basis points. The Total Fund's strong performance relative to the Asset Allocation Benchmark for fiscal year 2007 can be attributed primarily to the outperformance of the domestic equity segment, as this segment outperformed its benchmark, the Russell 3000 Index, a broad-based U.S. equity index, by 150 basis points (18.0% vs. 16.5%). In addition, the Total Fund's slight overweight positions in the domestic equity and international equity segments contributed positively to performance, as equity markets delivered strong returns during the fiscal year.

As of September 30, 2007, the Total Fund's assets equaled $4.41 billion, an increase of approximately 22% from the total asset value at the end of fiscal year 2006, after payment of all benefits and other administrative expenses and obligations. Over the long-term, the Total Fund has slightly underperformed the Total Fund Benchmark, with the Total Fund returning an annualized 7.9% for the 10-year period ended September 30, 2007, versus 8.3% for the Total Fund Benchmark. However, it should be noted that the performance of the Total Fund exceeded the Board's actuarial assumed rate of return (7.25%) for the 3-year, 5-year, and 10-year periods ended September 30, 2007, by approximately 645 basis points, 655 basis points, and 65 basis points, respectively, on an annualized basis. Since its inception in October 1982, the Total Fund has earned an annualized return of 10.8%.

Public equity markets continued to perform well during fiscal year 2007, as world stock markets rallied for the fifth straight year. In the U.S., the Russell 3000 Index rose 16.5% during the period. Non-U.S. equity markets outperformed U.S. stocks for the sixth consecutive year, with the MSCI ACWI ex-US Index increasing 30.5% during the 12-month period ended September 30, 2007. Fixed income was again the worst performing asset class during fiscal year 2007, with the Lehman Brothers U.S. Universal Bond Index returning 5.3%. Towards the end of fiscal year 2007, the markets were hit with widening concerns over declining home prices and sub-prime mortgages that had proliferated in recent years. Fortunately, the Total Fund was only minimally impacted by this credit crisis during fiscal year 2007, as sub-prime mortgages accounted for less than 0.5% of the Total Fund as of September 30, 2007.

During fiscal year 2007, the Board maintained its strategic asset allocation targets, which had been established in fiscal year 2003 following an asset/liability study conducted by the Board's general investment consultant, Watson Wyatt. This study was updated by Watson Wyatt in fiscal year 2005, and asset class targets remain as follows:

Asset Class	Target Allocation	Target Allocation Range
Domestic Equities	40%	35-45%
International Equities	20%	15-25%
Fixed Income	25%	20-30%
Private Equity	10%	7-13%
Real Estate	5%	2-8%

As of September 30, 2007, all asset classes were within their respective target allocation ranges, with the exception of fixed income and private equity. It is expected that the fixed income segment, which was less than 1% below the lower end of its target range, will be brought into line with its target allocation within the first few months of fiscal year 2008, following receipt of the annual employer contribution to the retirement funds. Due to the difficulties involved in deploying large amounts of capital expeditiously in private equity, it may take several more years until the Board reaches full exposure to this asset class. Thus, U.S. public equities will be used as a proxy for exposure to private equity until this strategy can be fully implemented.

During fiscal year 2007, the Board took important steps in moving toward its target private equity and real estate allocations. The Total Fund's actual allocation to private equity increased during the fiscal year from 2.5% to 3.8%, as Pantheon, the Board's discretionary private equity advisor and fund-of-fund manager, made additional capital commitments to private equity partnerships. An investment in the Pantheon Global Secondary Fund was also funded at the beginning of fiscal year 2007. Regarding real estate, the Board reached its target allocation during fiscal year 2007, as exposure to real estate increased from 3.7% to 5.2%. The Board made investments in several real estate funds during the year, including PRISA, PRISA II, and Carlyle Realty Partners V.

The Board made several changes to its roster of investment managers during the fiscal year. Within the U.S. equity segment, the Board conducted a search for a mid-cap growth manager to replace Brown Capital, selecting Mazama Capital, with funding to occur in early fiscal year 2008. In order to add alpha through more active management, the Board also funded an enhanced equity index fund managed by Western Asset. Within the international equity segment, the Board selected and funded the LSV Emerging Markets Fund in order to increase the segment's exposure to emerging markets, consistent with the segment's benchmark, the MSCI ACWI ex-US Index. The Board also conducted a search for a new core international equity manager, selecting Goldman Sachs to replace Capital Guardian, with funding expected in early fiscal year 2008. Within the fixed income segment, the Board terminated Hughes Capital, splitting Hughes' allocation between the segment's two other managers, PIMCO and Western Asset.

The Board continued to rebalance its managers' portfolios during fiscal year 2007 in accordance with the Board's rebalancing policy. Variances from investment style targets were rebalanced as needed in a manner that maintained the overall integrity of the asset class structure but was not disruptive to the managers.

ADDITIONAL INFORMATION

These financial statements present the finances of the Fund 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.

DISTRICT OF COLUMBIA POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT FUND
STATEMENTS OF NET ASSETS
SEPTEMBER 30, 2007 AND 2006
($000s)

	2007	2006
ASSETS		
Equity in pooled investments under Master Trust Agreement, at fair value (Note 4)	$3,178,017	$2,591,840
Accrued interest receivable	7,101	5,801
Benefit contributions receivable	1,052	955
Capital assets, net	15	51
Due from District of Columbia Government	-	109
Due from other agencies	11	-
Total assets	3,186,196	2,598,756
LIABILITIES		
Liabilities under securities lending transactions	311,863	274,501
Accounts payable — investment expense	2,926	1,976
Due to Federal Government, net	13,955	12,068
Due to District of Columbia Government	3,844	-
Total liabilities	332,588	288,545
Net Assets Held in Trust for Pension Benefits	**$2,853,608**	**$2,310,211**

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

DISTRICT OF COLUMBIA POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT FUND
STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2007 AND 2006
($000s)

	2007	2006
Additions		
Contributions:		
District Government	$ 140,100	$ 117,500
District employees	27,489	25,142
Total contributions	167,589	142,642
Investment income:		
Net appreciation in fair value of investments	335,005	148,175
Interest and dividends	72,403	70,452
Gross earnings on security lending transactions	17,438	13,043
Total gross investment income	424,846	231,670
Less:		
Investment expenses	8,170	7,143
Borrower rebates and agent fees on security lending transactions	16,244	12,438
Net investment income	400,432	212,089
Total additions	568,021	354,731
Deductions		
Benefit payments	20,587	15,795
Administative expenses	4,037	1,817
Total deductions	24,624	17,612
Net Increase in Net Assets	543,397	337,119
Net Assets Held in Trust for Pension Benefits		
Beginning of year	2,310,211	1,973,092
End of year	$ 2,853,608	$ 2,310,211

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

NOTE 1: ORGANIZATION

The District of Columbia Police Officers and Firefighters' Retirement Fund (the Fund) was 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 police officers and firefighters of the District of Columbia Government. The Reform Act also established the District of Columbia Retirement Board (the Board) and the District of Columbia Teachers' Retirement Fund (the Teachers' Fund).

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 Police Officers and Firefighters Fund and the Teachers' Retirement Fund (collectively, the District Retirement Funds) to the Federal Government.

Concurrently, the District of Columbia Retirement Protection Act of 1997 (the Retirement Protection Act, Subtitle A of 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 and the assets of the Fund managed by the Board are components of the same single employer defined benefit pension plan.

The Council of the District of Columbia (the Council) enacted the Police Officers, Firefighters, and Teachers Retirement Benefit Replacement Plan Act of 1998 (September 18, 1998, D.C. Law 12-152, § 101, 45 DCR 4045; D.C. Code § 1-901.01 et seq.). This Act (the Replacement Act) established the pension benefits for employee service earned after June 30, 1997, and provided for full funding of the 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 District Retirement Funds. Although the assets of the 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 Fund is 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 participant 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, Emerging Enterprise, Fiduciary, Investment, Legislative, and Operations. (The function usually associated with an Audit Committee is 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.

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 and income reviews. The Board of Police and Fire Surgeons determines medical eligibility for disability retirement.

Benefits Calculation — The DCRB 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.

Eligibility — A participant becomes a member when he/she starts work as a police officer or firefighter in the District. Police 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 § 5701 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 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 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 creditable service; however, the aggregate annual basic retirement benefit may not exceed 80% of the beneficiary's final annual 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. Retired members receive the same percent increase in benefits granted to active participants in the schedule rate to which the member would be entitled if in active service.

Members with permanent, service-related disabilities who have less than 26 years and eight months of service receive benefits equal to two-thirds (2/3) of average base pay. Members with 26 years and eight months to 28 years of service receive 2.5% of average base pay multiplied by the number of years of service. Members with more than 28 years of service receive benefits equal to 70% of average base pay.

Members with permanent, non-service related disabilities who have between 5 to 20 years of service receive benefits equal to 40% of average base pay, between 20 to 35 years of service receive benefits equal to 2% of average base pay multiplied by the number of years of service during that 15 year period and more than 35 years of service receive benefits equal to 70% of average base pay.

Members Hired Between February 15, 1980 and November 10, 1996

Members are eligible for optional retirement with full benefits at age 50 with at least 25 years of departmental service, or at or after 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 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 creditable service; however, the aggregate annual basic retirement benefit may not exceed 80% of final salary. Members separated from the Police or Fire Department after five years of departmental service are entitled to a deferred pension beginning at or after age 55.

Members with permanent, service-related disabilities receive 70% of base pay multiplied by percentage of disability, with a minimum benefit of 40% of base pay. Members with permanent, nonservice-related disabilities with more than 5 years of service receive 70% of base pay multiplied by percentage of disability, with a minimum benefit of 30% of base pay.

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.

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 at 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 consecutive 36 months of base pay, multiplied by credited service; however, the aggregate annual basic retirement benefit may not exceed 80% of the final pay. Members separated after five years of departmental service are entitled to a deferred pension beginning at or after 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, but not more than 3%.

Members with permanent, service-related disabilities receive 70% of base pay multiplied by percentage of disability, with a minimum benefit of 40% of base pay.

(Dollar amounts expressed in thousands)

Members with permanent, nonservice-related disabilities with more than five years of service receive 70% of base pay multiplied by percentage of disability, with a minimum benefit of 30% of base pay.

Participant Data

For the years ended September 30, 2007 and 2006, the number of participating employees was as follows:

	2007	2006
Retirees and beneficiaries		
receiving benefits (post 6/30/97)	1,125	1,051
Active plan members	5,550	5,256
Vested Terminations	234	244
Total Participants	6,909	6,551

Contributions

Fund members contribute by salary deductions at rates established by D.C. Code § 5-706 (2001 Ed.). Members contribute 7% (or 8% for Police Officers and Firefighters hired on or after November 10, 1996) 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 employees 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 2007 and 2006 equaled the amounts computed by Fund's independent actuary.

Contribution requirements of Fund 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 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 Fund at the time compensation is earned by fund members. Employer contributions to the Fund 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.

Method Used to Value Investments — Investments are reported at fair value, and reflect transaction costs, such as brokerage commissions and other costs normally incurred in a sale, if such costs are determinable or estimable. Short-term investments (whose maturities do not exceed 13 months at the time of purchase) are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange (Spot) rate. Collateralized mortgage obligations are stated at fair.

The fair value of real estate investments is based on independent appraisals, when available, and the fair value of limited partnership interests in real estate investments is based on reported estimated fair values. Investments that do not have established market values are reported at estimated fair value.

Actuarial Data — The Fund uses the Aggregate Actuarial Cost method to determine the annual employer contribution. 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 — 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 assets 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.

(Dollar amounts expressed in thousands)

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 Fund was and $ 8,170 in 2007 and $ 7,143 in 2006, respectively.

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.

The fair values of investments of the Investment Pool as of September 30, 2007 and 2006 are as follows:

	2007	2006
Investments held by Board's agent in Board's name:		
Cash and cash equivalents	$ 148,521	$ 147,585
Equities (of which $381,826 and $304,375 in 2007 and 2006, respectively, are on securities loan with securities and other collateral)	3,336,620	2,675,639
Fixed income securities (of which $82,020 and $102,106 in 2006 and 2005, respectively, are on securities loan with securities and other collateral)	600,779	505,903
Payable on investment transactions	(152,552)	(118,558)
Options and Swaps	5,263	-
Subtotal	3,938,631	3,210,569
Investments held by broker-dealer under securities loans with cash collateral:		
Equities	381,799	304,375
Fixed income security	82,020	102,106
Securities lending collective investment pool	478,716	428,228
Subtotal	942,535	834,709
Total	$ 4,881,166	$ 4,045,278

(Dollar amounts expressed in thousands)

At September 30, 2007, the Fund's share of the Investment Pool was $3,185,118 including cash collateral of $311,863 and accrued interest receivable. At September 30, 2006, the Fund's share of the Investment Pool was $2,597,641, including cash collateral of $274,500 and accrued interest receivable.

Debt Instruments

As of September 30, 2007, the Investment Pool held the following debt instruments:

Investment Type	Fair Value	% of Segment	Duration	Rating
US Treasuries	$ 58,565	6.83%	(3.27)	AAA
US Agencies	69,323	8.08%	5.71	AAA
Corporate	115,038	13.41%	8.81	A
MBS	505,555	58.92%	4.25	AAA
ABS	6,371	0.74%	3.97	BBB-
High Yield	49,669	5.79%	4.46	BB-
Emerging Markets	25,783	3.00%	4.88	BBB
Non-US	(36,338)	-4.23%	0.36	AA+
Convertibles	541	0.06%	2.97	BB-
Municipal	138	0.02%	48.36	AAA
Short-Term	63,410	7.39%	5.45	AA+
Total	$ 858,055	100.00%		

As of September 30, 2006, the Investment Pool held the following debt instruments:

Investment Type	Fair Value	% of Segment	Duration	Rating
U.S. Treasuries	$ 125,636	15.45%	6.74	AAA
U.S. Agencies	78,544	9.66%	5.03	AAA
Corporate Securities	110,805	13.63%	6.33	A-
Mortgage-Backed Securities	341,624	42.01%	3.91	AAA
Asset-Backed Securities	6,320	0.78%	1.86	BBB-
High Yield Securities	49,093	6.04%	3.41	B+
Emerging Markets	16,520	2.03%	5.49	BB+
Non-U.S. Securities	28,441	3.50%	5.81	AA+
Convertibles	971	0.12%	3.81	B-
Cash Equivalents	55,225	6.79%	2.30	AA+
Total	$ 813,179	100.00%		

(Dollar amounts expressed in thousands)

Interest Rate Risk — As a general rule, the risk and return of the Board's fixed income segment of the portfolio is compared to the Lehman Brothers 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 the Index.

Credit Risk — 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.

Currency Risk — 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.

As of September 30, 2007, the Investment Pool held investments that are denominated in a currency other than the United States Dollar, as summarized below:

	Asset Class					
	Cash	Equities	Fixed Income	Options	Swaps	Total
Australian Dollar	$ 194	$ 25,675	$ -	$ -	$ -	$ 25,869
Canadian Dollar	7	25,793	-	-	(574)	25,226
Swiss Franc	17	72,308	-	-	-	72,325
Danish Krone	-	3,971	-	-	-	3,971
Euro	8,833	318,316	3,447	642	(636)	330,602
Pound Sterling	933	127,842	4,283	221	303	133,582
Hong Kong Dollar	223	37,919	-	-	-	38,142
Japanese Yen	841	205,149	6,105	-	-	212,095
South Korean Won	0	1,538	-	-	-	1,538
Norwegian Krone	34	4,984	-	-	-	5,018
New Zealand Dollar	1	-	-	-	-	1
Swedish Krona	38	13,090	-	-	-	13,128
Singapore Dollar	11	6,619	-	-	-	6,630
South African Rand	-	1,133	-	-	-	1,133
Mexican Peso	7	-	-	-	(64)	(57)
Brazilian Real	-	-	1,537	-	(57)	1,480
Total Foreign	$11,139	$ 844,337	$ 15,372	$ 863	$ (1,028)	$ 870,683

(Dollar amounts expressed in thousands)

As of September 30, 2006, the Investment Pool held investments that are denominated in a currency other than the United States Dollar, as summarized below:

	Asset Class				
Currency	**Cash**	**Equities**	**Fixed Income**	**Swaps**	**Total**
Australian Dollar	$65	$ 17,576	$ -	$ -	$ 17,641
Canadian Dollar	-	18,637	-	-	18,637
Swiss Franc	23	59,904	-	-	59,927
Danish Krone	-	3,215	-	-	3,215
Euro	13,816	260,977	1,281	(114)	275,960
Pound Sterling	379	104,193	933	(106)	105,399
Hong Kong Dollar	99	32,014	-	-	32,113
Japanese Yen	10	187,966	-	-	187,976
South Korean Won	-	1,921	-	-	1,921
Norwegian Krone	35	2,547	-	-	2,582
New Zealand Dollar	1	-	-	-	1
Swedish Krona	60	12,034	-	-	12,094
Singapore Dollar	(68)	4,370	-	-	4,302
South African Rand	-	2,828	-	-	2,828
Mexican Peso	-	-	-	-	-
Thai Bhat	25	1,473	-	-	1,498
Total Foreign	$ 14,445	$ 709,655	$ 2,214	$ (220)	$ 726,094

Securities Lending Transactions — District statutes and the Board's policies permit the 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 2007 and 2006, the master custodian, at the direction of the Board, loaned certain of the Retirement Funds' 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 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' position in the Quality Fund is not the same as the value of the 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 2007 or 2006.

During 2007 and 2006, 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 2007 and 2006.

The Quality D Fund invests cash collateral from loans of U.S. and non-U.S. equities, U.S. corporate fixed income securities, U.S. Government securities and sovereign debt. It had a weighted average maturity of 55 days and an average expected maturity of 514 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. Investments 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. The Quality D Fund may invest in other investment vehicles managed by the master custodian provided they conform to fund guidelines.

On September 30, 2007 and 2006, the Board had no credit risk exposure to borrowers.

The collateral held and the market value of securities on loan for the Board were $543,784 and $526,687 respectively, as of September 30, 2007, and $426,228 and $413,922, respectively as of September 30, 2006. During 2007 and 2006, the Master Trust's gross earnings from securities lending transactions totaled $26,764 and $21,017 respectively. The income (net of amortization and accretion), the net realized/unrealized gain attributable to discount and premium, and the net increase in net assets resulting from operations totaled $28,643, $667, and $29,310 respectively, in 2007, and $22,099, $962, and $3,062, respectively, in 2006. The Fund's share of the net income on securities lending transactions totaled $815 and $605 in 2007 and 2006, respectively.

Derivative Investments — Derivatives are generally defined as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. Structured financial instruments are also defined as derivatives, such as mortgage-backed securities, asset-backed securities, and floating rate notes. 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), or to the creditworthiness of derivative securities, such as mortgage-backed, asset-backed, floating rate, and stripped securities. 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 2007 and 2006, the Retirement Funds, in accordance with the policy of the Board, and through the 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. These derivatives included asset-backed securities (ABS), collateralized mortgage-backed securities (CMOs), mortgage-backed pools and securities, floating rate notes, structured notes, stripped/zero coupon bonds, inflation index bonds, forward mortgage-backed security contracts (TBAs), foreign currency forward and futures contracts, equity index futures, bond futures, bond options, currency options, swaps, swaptions and warrants.

The Retirement Funds used ABS, CMOs, mortgage-backed pools and securities, floating rate notes, structured notes, stripped/zero coupon bonds, and TBAs primarily to increase potential returns. ABS and mortgage-backed pools and securities offer higher potential yields than comparable duration U.S. Treasury notes with higher credit and market risks. CMOs also offer higher potential yields than comparable duration U.S. Treasury notes, with higher market risks, although the market risks may be higher or lower than comparable mortgage-backed pools. Market risk for asset-backed and mortgage-backed pools and securities is managed by monitoring the duration of the investments. Credit risk is managed by monitoring credit ratings, the underlying collateral for each security and any related guarantee. These and all other risks mentioned herein are monitored and managed by the Retirements Funds' external investment managers who purchase such securities and notes on behalf of the Retirement Funds.

Floating rate notes (securities which pay an interest rate tied to an index) are subject to market risk to the extent of the movement of the underlying index in relation to market rates. A downward movement in the underlying index would negatively impact the interest income received on the security. Upward movements in interest rates do not adversely affect floating rate notes as they do fixed rate notes, allowing floating rate notes to function as a hedge against upward changes in interest rates.

The Retirement Funds invested in structured notes with step-up coupons that offer higher yields than comparable U.S. Treasury notes in exchange for higher market and/or credit risks. Securities with step-up coupons pay interest according to a pre-set series of interest rates which start at one rate and then step-up to higher rates on specific dates. The Retirement Funds also invested in stripped/zero coupon bonds, which are purchased at a discount and do not pay any interest.

TBAs (sometimes referred to as "dollar rolls") are used by the Retirement Funds as an alternative to holding mortgage-backed securities outright to raise the potential yield and to reduce transaction costs. The selected TBAs used 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.

Foreign currency forward, futures contracts and foreign currency options are generally used by the Retirement Funds for defensive purposes. These contracts hedge a portion of the 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 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 is managed by limiting transactions to counterparties with investment grade ratings or by trading on organized exchanges.

Equity index futures were also used by the 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 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 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 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 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. Market risk is limited to the purchase cost. Credit risk is similar to the underlying equity and/or bond holdings. Again, all such risks are monitored and managed by the Retirement Funds' external investment managers who have full discretion over such investment decisions.

The Retirement Funds also holds 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.

The Retirement Funds' aggregate portfolio included the following derivative investments, at fair value, at September 30, 2007 and 2006:

(Dollar amounts expressed in thousands)

	2007	2006
Mortgage-backed security pools and securities	$ 197,649	$ 177,289
Collateralized mortgage obligations	81,638	89,973
Asset-backed securities	52,520	68,137
Mortgage-backed securities forward contracts	-	1,332
Structured and inflation indexed bonds	31,156	82,351
Foreign currency futures/forward contracts, net	-	(3,150)
Interest rate swaps	4,266	660
Total Return Swaps,net	17	-
Options	442	(8)
Total	$ 367,688	$ 416,584

DISTRICT OF COLUMBIA
POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT FUND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Unaudited)
($000s)

Fiscal Year	Annual Required Contribution	Percentage Contribution
2007	$ 140,100	100%
2006	$ 117,500	100%
2005	$ 112,100	100%
2004	$ 96,700	100%
2003	$ 68,900	100%

DISTRICT OF COLUMBIA POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT FUND
SCHEDULE OF ACTUARIAL METHODS AND ASSUMPTIONS
(Unaudited)

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

	Fiscal Year 2007
Valuation date	October 1, 2005
Actuarial cost method	Aggregate
Amortization method	Not applicable
Remaining amortization period	Not applicable
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	5%
Includes inflation at	5%
Cost-of-living adjustments (COLAs)	5%

[1]Post-1996 hires have COLAs capped at 3.00%

The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities.

DISTRICT OF COLUMBIA POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT FUND
SCHEDULE OF REVENUE BY SOURCE AND EXPENSES BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)
($000s)

REVENUE BY SOURCE

Fiscal Year	Employee Contributions	Employer Contributions	Interest and Dividends	Net Appreciation (Depreciation) in Fair Value of Investments	Investment, Interest and Administrative Expenses	Total
2007	$ 27,489	$ 140,100	$ 89,841	$ 335,005	$ (28,451)	$ 563,984
2006	25,142	117,500	83,495	148,175	(21,398)	352,914
2005	23,804	112,100	65,368	182,608	(16,250)	367,630
2004	20,847	96,700	41,696	129,427	(7,286)	281,384
2003	19,867	68,900	33,247	151,584	(5,542)	268,056
2002	19,390	74,600	35,226	(129,669)	(6,566)	(7,019)
2001	16,832	49,000	44,214	(182,944)	(9,454)	(82,352)
2000	16,285	39,900	39,243	110,614	(8,937)	197,105
1999	15,736	35,100	29,765	84,694	(6,819)	158,476
1998	14,953	47,700	29,756	(13,806)	(5,399)	73,204

EXPENSES BY TYPE

Fiscal Year	Benefits	Refunds	Total
2007	$ 18,766	$ 1,821	$ 20,587
2006	13,000	2,795	15,795
2005	9,580	3,984	13,564
2004	7,903	-	7,903
2003	6,091	-	6,091
2002	3,222	-	3,222
2001	2,838	-	2,838
2000	2,200	-	2,200
1999	1,600	-	1,600
1998	400	75	475

Note: Contributions were made in accordance with actuarially determined contribution requirements.

The Revitalization Act of 1997 made significant changes to the administration of the Fund. Therefore, comparisons of pre-Revitalization Act information to post-Revitalization Act information may not be meaningful.

District of Columbia Police Officers' and Firefighters' Retirement Fund
Schedule of Investment Information
Year Ended September 30, 2007
(Unaudited)

At September 30, 2007, the Fund's investments were maintained under a master trust agreement along with assets of the District of Columbia Police Officers and Fire Fighters' Retirement Fund. A schedule of investments held under the master trust agreement at September 30, 2007 is available for inspection at the offices of the District of Columbia Retirement Board, 900 7th Street, NW, 2nd Floor, Washington, DC 20001.

Investment Section

Introduction

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

The Board retains the services of investment advisors to manage individual investment portfolios. These professional investment managers acknowledge in writing their fiduciary responsibility and possess the necessary specialized research facilities and skills. Each investment manager is accorded full discretion, within general and specific investment manager policy guidelines, limits, and restrictions, to select and time purchase and sale transactions and to diversify assets appropriately.

Investment Objectives and Policies

The Board seeks long-term investment returns in excess of the actuarial investment assumption at a level of risk commensurate with the expected levels of return and consistent with sound and responsible investment practices. The assumed actuarial investment rate is currently set at 7.25%, net of investment management fees and administrative expenses. In addition to meeting the 7.25% nominal return over the long term, the Total Fund return objective is to exceed the annualized total return of the Board's strategic asset allocation policy benchmark (the "Total Fund Benchmark"). As of September 30, 2007, the Total Fund Benchmark consisted of the following:

Asset Class	Performance Benchmark	Weight
U.S. Equities	Russell 3000 Index	40%
Non-U.S. Equities	MSCI ACWI ex-US Index	20%
Fixed Income	LB US Universal Index	25%
Private Equity	Cambridge Private Equity Index	10%
Real Estate	NCREIF Index	5%

Proxies are a significant and valuable tool in corporate governance. The Board's equity investment managers must promptly vote and monitor proxies and related actions in a manner consistent with the Board's proxy voting guidelines. Each investment manager shall exercise all voting rights consistent with its fiduciary duties.

FY 2007 Market Overview

Public equity markets continued to perform well during FY 2007, as world stock markets rallied for the fifth straight year. In the U.S., the Russell 3000 Index rose 16.5% during the period. Non-U.S. equity markets outperformed U.S. stocks for the sixth consecutive year, with the MSCI ACWI ex-US Index increasing 30.5% during the 12-month period ended September 30, 2007. Fixed income was again the worst performing asset class during FY 2007, with the Lehman Brothers U.S. Universal Bond Index returning 5.3%. Towards the end of FY 2007, the markets were hit with widening concerns over declining home prices and sub-prime mortgages that had proliferated in recent years. Fortunately, the Total Fund was only minimally impacted by this credit crisis during FY 2007, as sub-prime mortgages accounted for less than 0.5% of the Total Fund as of September 30, 2007.

Investment Results

The Total Fund returned 16.8% during FY 2007. While it underperformed the Total Fund Benchmark by 100 basis points (16.8% versus 17.8%), the Total Fund outperformed the Board's actuarial assumed rate of return of 7.25% by approximately 955 basis points. The Total Fund's underperformance relative to the Total Fund Benchmark for FY 2007 can be attributed primarily to the Total Fund's underweighting to private equity during the year, as well as the underperformance of the international equity segment, as this segment underperformed its benchmark, the MSCI ACWI ex-US Index, by 300 basis points (27.5% vs. 30.5%). However, outperformance of the domestic equity segment contributed positively to relative returns, as this segment outperformed its benchmark, the Russell 3000 Index, by 150 basis points (18.0% vs. 16.5%). In addition, the Total Fund's slight overweight positions in the domestic equity and international equity segments were positive contributors, as equity markets delivered strong returns during the fiscal year.

As of September 30, 2007, the Total Fund's assets equaled $4.41 billion, an increase of approximately 22% from the total asset value at the end of FY 2006, after payment of all benefits and other administrative expenses and obligations. Over the long-term, the Total Fund has slightly underperformed the Total Fund Benchmark, with the Total Fund returning an annualized 7.9% for the 10-year period ended September 30, 2007, versus 8.3% for the Total Fund Benchmark. However, it should be noted that the performance of the Total Fund exceeded the Board's actuarial assumed rate of return (7.25%) for the 3-year, 5-year, and 10-year periods ended September 30, 2007, by approximately 645 basis points, 655 basis points, and 65 basis points, respectively, on an annualized basis. Since its inception in October 1982, the Total Fund has earned an annualized return of 10.8%.

Presented in the table on the following page are the gross returns for the Total Fund and for each asset class segment for multiple time periods ended September 30, 2007. These results have been calculated by the Board's custodial bank, State Street Bank and Trust Company, and are time-weighted returns computed in conformance with the CFA Institute's Global Investment Performance Standards (GIPS). Applicable benchmark returns also are presented below each asset class.

Gross Annualized Returns For Periods Ended September 30, 2007

	1-Year	3-Year	5-Year	10-Year
Total Fund	16.8%	13.7%	13.8%	7.9%
Actuarial Assumed Rate of Return	7.3%	7.3%	7.3%	7.3%
Total Fund Benchmark*	17.8%	15.1%	15.5%	8.3%
U.S. Equity Segment	18.0%	13.5%	16.1%	7.3%
Russell 3000 Index	16.5%	13.7%	16.2%	6.8%
Non-U.S. Equity Segment	27.5%	24.7%	23.0%	8.1%
Non-U.S. Equity Benchmark**	30.5%	24.8%	24.5%	8.4%
Fixed Income Segment	5.5%	4.9%	5.7%	6.7%
Fixed Income Benchmark***	5.3%	3.9%	4.2%	6.0%
Alternative Investments Segment	13.8%	13.0%	6.0%	4.9%
Russell 3000 Index + 500 bps	21.7%	18.9%	21.5%	12.6%
Real Estate Segment	12.5%	20.0%	11.6%	6.3%
NCREIF Property Index	17.3%	18.0%	14.8%	13.1%
Cash Segment	5.4%	4.3%	3.0%	4.0%
3-month Treasury Bills	5.2%	4.1%	2.9%	3.8%

*The Total Fund Benchmark currently is a composite of 40% Russell 3000, 20% MSCI ACWI xUS, 25% LB Universal, 10% Cambridge Private Equity, 5% NCREIF
From 3/31/03 to 3/31/06: 40% Russell 3000, 20% MSCI EAFE, 25% LB Aggregate, 10% Cambridge Private Equity, 5% NCREIF
From 6/30/99 to 3/31/03: 43.7% Russell 3000, 20% MSCI EAFE, 30.3% LB Aggregate, 5% Cambridge Private Equity, 1% 90-day T-Bills
From 1/1/97 to 6/30/99: 45% Russell 3000, 18% MSCI EAFE, 2% IFC Global, 17.5% LB Aggregate, 7.5% Salomon World Govt. Bond, 5% Salomon High Yield, 1.5% NCREIF, 3.5% Venture Cap 100
From 10/01/96 to 12/31/96: 45% S&P 500, 20% MSCI EAFE, 22.5% LB Aggregate, 7.5% Salomon World Govt. Bond Index, 2.5% NCREIF, 2.5% Venture Cap 100
** The Non-U.S. Equity Benchmark currently is the MSCI ACWI ex-US Index. Prior to 4/1/06, it was the MSCI EAFE Index.
*** The Fixed Income Benchmark currently is the Lehman Brothers US Universal Index. Prior to 4/1/06, it was the Lehman Brothers Aggregate Index.

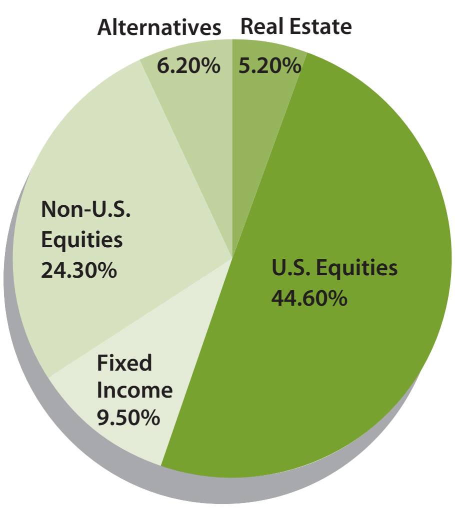
Asset Allocation

During FY 2007, the Board maintained its strategic asset allocation targets, which had been established in FY 2003 following an asset/liability study conducted by the Board's general investment consultant, Watson Wyatt Investment Consulting. This study was updated by Watson Wyatt in FY 2005, and asset class targets remain as follows:

Asset Class	Target Allocation	Allowable Range	Allocation as of 9/30/07
U.S. Equities	40%	35-45%	44.6%
Fixed Income	25%	20-30%	19.5%
Non-U.S. Equities	20%	15-25%	24.3%
Alternatives	10%	7-13%	6.2%
Real Estate	5%	2-8%	5.2%

As of September 30, 2007, all asset classes were within their respective target allocation ranges, with the exception of fixed income and private equity. It is expected that the fixed income segment, which was less than 1% below the lower end of its target range, will be brought into line with its target allocation within the first few months of FY 2008, following receipt of the annual employer contribution to the retirement funds. Due to the difficulties involved in deploying large amounts of capital expeditiously in private equity, it may take several more years until the Board reaches full exposure to this asset class. Thus, U.S. public equities will be used as a proxy for exposure to private equity until this strategy can be fully implemented.

Asset Allocation as of 9/30/07



Report on Investment Activity

During FY 2007, the Board took important steps in moving toward its target private equity and real estate allocations. The Total Fund's actual allocation to private equity increased during the fiscal year from 2.5% to 3.8%, as Pantheon, the Board's discretionary private equity advisor and fund-of-fund manager, made additional capital commitments to private equity partnerships. An investment in the Pantheon Global Secondary Fund was also funded at the beginning of FY 2007. Regarding real estate, the Board reached its target allocation during FY 2007, as exposure to real estate increased from 3.7% to 5.2%. The Board made investments in several real estate funds during the year, including PRISA, PRISA II, and Carlyle Realty Partners V.

The Board made several changes to its roster of investment managers during the fiscal year. Within the U.S. equity segment, the Board conducted a search for a mid-cap growth manager to replace Brown Capital, selecting Mazama Capital, with funding to occur in early FY 2008. In order to add alpha through more active management, the Board also funded an enhanced equity index fund managed by Western Asset. Within the international equity segment, the Board selected and funded the LSV Emerging Markets Fund in order to increase the segment's exposure to emerging markets, consistent with the segment's benchmark, the MSCI ACWI ex-US Index. The Board also conducted a search for a new core international equity manager, selecting Goldman Sachs to replace Capital Guardian, with funding expected in FY 2008. Within the fixed income segment, the Board terminated Hughes Capital, splitting Hughes' allocation between the segment's two other managers, PIMCO and Western Asset.

Going forward in FY 2008, the Board intends to continue the implementation of its strategic asset allocation policy. The Board will continue to review the investment structure of its asset class segments and to carefully monitor the performance of its investment managers. As appropriate, the Board will make adjustments to its investment structure within each asset class and conduct manager searches, when necessary, in order to enhance the performance of the Total Fund. In addition, the Board plans to undertake a comprehensive cost study and to audit the asset liability work done by the Board's current investment consultant.

List of Largest Assets Held

List of Top 10 Public Equity Holdings
As of September 30, 2007

Rank	Security Name	Shares	Market Value (USD)
1	EXXON MOBIL CORP	428,881	$39,697,225
2	GENERAL ELEC CO	875,250	$36,235,350
3	AT+T INC	626,264	$26,497,230
4	GOOGLE INC	46,543	$26,402,448
5	CHEVRON CORP	233,889	$21,887,333
6	CITIGROUP INC	452,526	$21,119,388
7	PFIZER INC	805,410	$19,676,166
8	VERIZON COMMUNICATIONS	434,826	$19,254,095
9	BANK AMER CORP	380,051	$19,105,164
10	SCHLUMBERGER LTD	176,608	$18,543,840

District of Columbia Retirement Board List of Top 10 Fixed Income Holdings
As of September 30, 2007

Rank	Security Name	Rating	Par Value	Interest Rate	Maturity Date	Market Value (USD)
1	FNMA TBA NOV 30 SINGLE FAM	Aaa	$132,900,000	5.50	12/1/2099	$130,179,696
2	UNITED STATES TREAS NTS	Aaa	$14,458,866	3.88	1/15/2009	$14,757,080
3	UNITED STATES TREAS BDS	Aaa	$8,667,365	3.63	4/15/2028	$10,551,487
4	GOLDMAN SACHS GROUP INC	Aa3	$10,100,000	6.25	9/1/2017	$10,208,699
5	FNMA POOL 917566	Aaa	$7,383,271	5.50	4/1/2037	$7,237,048
6	SMALL BUSINESS ADMIN	Aaa	$7,289,979	4.72	2/1/2024	$7,103,209
7	DEUTSCHE BK AG LONDON	Aa1	$6,300,000	6.00	9/1/2017	$6,404,610
8	UNITED STATES TREAS NTS	Aaa	$6,285,000	4.88	5/15/2009	$6,374,365
9	FNMA POOL 915676	Aaa	$6,358,771	5.50	3/1/2037	$6,233,831
10	SMALL BUSINESS ADMIN	Aaa	$6,185,834	5.18	5/1/2024	$6,193,567

Schedule of Fees and Commissions

For FY 2007, the following fees and commissions were paid:

Expense Category	Amount ($)	% of Total Fund (in basis points)
Investment Managers*	$11,581,664	26 bps
Investment Consultants	$380,516	1 bp
Investment Custodian	$957,515	2 bps
Brokerage Commissions	$1,792,319	4 bps

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

Investment Summary

Investment Summary As of September 30, 2007

Asset Class	Mkt Value $(000)	% of Fund
U.S. Equity	$1,962,752	44.6%
Non-U.S. Equity	$1,070,596	24.3%
Fixed Income	$857,969	19.5%
Alternative Investments	$272,526	6.2%
Real Estate	$227,490	5.2%
Cash	$13,826	0.3%
Total	$4,405,159	100.0%

Actuarial Section

Required Actuarial Certification Under District of Columbia Code §1-907
for Fiscal Year 2009 ($ Millions)

Certification	Code Section	Teachers	Police	Fire	Police/Fire Combined	Total District
FY 2009 Normal Contribution Rate	1-907.03(a)(3)(A)	0.0%	25.3%	26.6%	25.7%	13.2%
Estimated FY 2009 Covered Payroll	NA	$393.3	$292.7	$123.8	$416.5	$809.8
FY 2009 District Payment before 1-907.02(c)	NA	$0.0	$74.0	$32.9	$106.9	$106.9
FY 2007 Shortfall/Overpayment	1-907.02(c)	$0.0	($2.5)	$1.6	($0.9)	($0.9)
FY 2009 District Payment	NA	$0.0	$71.5	$34.5	$106.0	$106.0
Present Value of Future Benefits	1-907.03(a)(3)(B)	$1,509.9	$2,934.6	$1,330.6	$4,265.2	$5,775.1
Current Value of Assets[1]	1-907.03(a)(3)(C)	$1,517.2	$2,062.3	$798.7	$2,861.0	$4,378.2
Actuarial Value of Assets[1]	1-907.03(a)(3)(D)	$1,396.0	$1,926.8	$746.1	$2,672.9	$4,068.9

[1] These amounts are net of the following benefits payable as of September 30, 2007.
$15.6 million for Teachers, $9.9 million for Police, and $3.1 million for Fire.

Actuarial Assumptions

Upon review of recommended economic assumptions, the Board elected to choose assumptions outside of the recommended best-estimate range (shown below), but to increase the assumed real return by ¼% per year towards these recommended rates, subject to annual review. The assumptions selected by the Board to be used for the actuarial valuation as of October 1, 2007 are shown in the rightmost column below:

	Prior Assumption	EFI Recommendation	Current Assumption (10/1/2007)
Inflation:	5.00%	2.50% - 4.00%	5.00%
Real Rate of Return:	2.25%	3.75% - 4.75%	2.50%
Total Rate of Return:	7.25%	6.25% - 8.75%	7.50%

12/24/2007

Gregory M. Stump, F.S.A., E.A. (Date)

Actuarial Funding Method

The funding method required by the "Replacement Plan Act" is the aggregate funding method. Under this Method, the District must contribute the level percent of pay that — combined with the actuarial value of assets, expected investment earnings, and future employee contributions – will pay for the benefits of the current participants by the time the current workforce leaves employment.

Board Assumption Policy

Upon review of the economic assumptions recommended by EFI, the Board elected to choose assumptions outside of the recommended best-estimate range (shown below), but to increase the assumed real return by 1/4% per year towards these recommended rates, subject to annual review. The recommended assumptions represent our best estimate of the future experience of the Funds. The assumptions selected by the Board to be used for the actuarial valuation as of October 1, 2007 are shown in the rightmost column below:

	Prior Assumption	EFI Recommendation	Current Assumption
Inflation	5.00%	2.50%-4.00%	5.00%
Real Rate of Return	2.25%	3.75%-4.75%	2.50%
Total Rate of Return	7.25%	6.25%-8.75%	7.50%

Actuarial Assumptions

An actuarial experience study was conducted covering the period from October 1, 2002 through September 30, 2006. Any changes adopted based on this study are noted below.

Valuation Date

All assets and liabilities are computed as of October 1, 2007.

Rate of Return

The annual rate of return on all Fund assets is assumed to be 7.50%, net of investment and administrative expenses. For the prior valuation, the assumed return was 7.25%, net of expenses.

Cost of Living

The cost of living as measured by the Consumer Price Index (CPI) will increase at the rate of 5.00% per year.

Increases in Pay

Assumed pay increases for active Members consist of increases due to cost of living adjustments and promotion and increases due to longevity and retention incentives. Cost of living increases are assumed to result in a general wage increase of 5.0% for all employees. Sample rates for the increases due to promotions are given in the table below. Rates for the longevity and retention incentives are given separately. Based on the 2002-2006 experience study, changes were made to the assumed rates for Teacher and Police members.

	Teachers		Police		Fire
Service	Prior Rate	Current Rate	Prior Rate	Current Rate	Rate
0	4.0%	4.0%	5.0%	5.0%	2.5%
5	4.0%	4.0%	3.6%	3.6%	2.5%
10	3.0%	3.0%	2.6%	2.6%	2.5%
15	2.0%	0.5%	2.3%	2.3%	2.5%
20	1.0%	0.2%	2.0%	2.5%	2.5%
30	0.4%	0.2%	0.5%	0.5%	2.5%

Allowances have also been made for special increases in Compensation prior to termination or retirement. For Police Officers, an additional increase of 5% is given for the Base Retention Differential after 20 years of service. Police Officers are assumed to receive a longevity increase of 10% of step 1 pay after 20 years of service, and additional increases of 5% after 25 and 30 years of service. However, longevity pay increases are not included in Officers pensionable compensation unless the Member has at least 25 years of service. Fire Fighters are assumed to receive retention incentives of 5%, 10%, 15%, and 20% applied to individual base pay after 15, 20, 25, and 30 years of service, respectively.

Retired Member Mortality

Rates of mortality for retired Teachers are given by the 1994 Uninsured Pension (UP94) Tables (sex distinct) with generational improvement using Projection Scale AA.

Rates of mortality for retired Police Officers and Fire Fighters are given by the 1994 Uninsured Pension (UP94) Tables (sex distinct) with generational improvement using Projection Scale AA, with a two-year age set forward.

Active Member Mortality

Rates of mortality for active male Teachers are given by the 1994 Uninsured Pension (UP94) Male Table with generational improvement using Projection Scale AA. Rates of mortality for active female Teachers are given by the 1994 Uninsured Pension (UP94) Female Table with generational improvement using Projection Scale AA. In the prior valuation, there were one-year age set forwards applied to the active members — these set forwards are not used in the current valuation. Rates of mortality for active male Police Officers and Fire Fighters are given by the 1994 Uninsured Pension (UP94) Male Table with generational improvement using Projection Scale AA, with a three-year age set forward. Rates of mortality for active female Police Officers and Fire Fighters are given by the 1994 Uninsured Pension (UP94) Female Table with generational improvement using Projection Scale AA, with a three-year age set forward. To value the pre-retirement death benefit for Police Officers and Fire Fighters, the benefit form for all retirements (normal or disabled) is assumed to be a 54.2% Joint and Survivor annuity for all participants. One-fourth of all Police Officer and Fire Fighter active deaths are assumed to occur in the line of duty.

Disabled Member Mortality

Rates of mortality among disabled Members are specified for male and female members; separate tables are used for Teachers and for Public Safety disabled members. Sample rates are as follows:

	Teachers		Police	Fire
Age	**Male**	**Female**	**Male**	**Female**
30	2.4000%	2.4000%	0.9033%	0.5616%
40	2.4000%	2.4000%	0.9033%	0.5616%
50	2.4545%	2.4000%	0.9033%	0.5616%
60	2.5910%	2.4000%	1.3029%	0.8310%
70	3.8006%	2.4000%	2.6405%	1.7147%
80	7.2111%	4.1413%	6.4974%	4.2282%
90	13.1554%	10.0013%	15.6801%	12.2128%

Service Retirement

Retirement is assumed to occur in accordance with the tables below. Assumed rates have changed since the prior valuation.

	Teachers—Prior Rates	
Age	**First Year Eligible**	**All Other Years**
50-55	20%	20%
56	40%	20%
57	60%	20%
58	60%	20%
59	60%	20%
60-69	20%	20%
70+	100%	100%

	Teachers—Current Rates	
Age	**Normal Retirement**	**Involuntary Retirement**
50 -54	10%	0.5%
55	35%	8%
56-59	25%	8%
60-62	25%	N/A
63-70	20%	N/A
71-74	25%	N/A
75+	100%	N/A

Age	Prior Rates Police	Prior Rates Fire
40	7.5%	2%
41	10%	3%
42	12%	4%
43	15%	5%
44	15%	5%
45	15%	6%
46	15%	7%
47	17%	8%
48	19%	9%
49	21%	11%
50	23%	13%
51	25%	15%
52	25%	20%
53	25%	25%
54	30%	30%
55	40%	35%
56-59	50%	35%
60+	100%	100%

Age	Police Current Rates	Service	Fire Current Rates
40-49	15%	25-29	12%
50-59	22%	30-34	25%
60+	100%	35+	Age based rates shown above

It is assumed that 50% of Police members will retire after 31 years of service. Previously, this rate was 100%.

Disability

Separate rates of disability are assumed among Teachers, Police Officers and Fire Fighters. Rates have changed for Police and Fire members since the prior valuation. Below are sample rates:

Age	Prior Rates Police	Prior Rates Fire	Prior Rates Teachers
25	0.4383%	0.2893%	0.0300%
30	0.5750%	0.3795%	0.0572%
35	0.8500%	0.5610%	0.0932%
40	1.2500%	0.8250%	0.1292%
45	1.9633%	1.2958%	0.2040%
50	3.2500%	2.1450%	0.3212%
55	5.7750%	3.8115%	0.5520%
60	8.2500%	5.4450%	0.5700%
65	8.2500%	5.4450%	0.0000%

Age	Current Rates Police Male	Current Rates Police Female	Current Rates Fire	Current Rates Teachers
25	0.2192%	0.4383%	0.1447%	0.0300%
30	0.2875%	0.5750%	0.1898%	0.0572%
35	0.4250%	0.8500%	0.2805%	0.0932%
40	0.6250%	1.2500%	0.4125%	0.1292%
45	0.9817%	1.9633%	0.6479%	0.2040%
50	1.6250%	3.2500%	1.0725%	0.3212%
55	2.8875%	5.7750%	1.9058%	0.5520%
60	4.1250%	8.2500%	2.7225%	0.5700%

For Police Officers and Fire Fighters, it is assumed that 75% of the disabilities are due to accidents in the line of duty. In the prior valuation, it was assumed that 50% of disabilities were due to accidents in the line of duty. The benefit amount for some members is defined to be based on the "% of disability." For all Police Officer and Fire Fighter disabilities, the "% of disability" is assumed to be 100%.

Withdrawal

Separate rates of withdrawal/termination are assumed among Teachers, Police Officers, and Fire Fighters. Rates for all groups have changed since the prior valuation. Withdrawal rates are not applied to Members eligible for service retirement.

	Prior Rates		
Age	Police	Fire	Teachers
20	12.13%	1.60%	25.00%
25	6.57%	1.60%	23.00%
30	4.23%	1.60%	16.00%
35	2.32%	1.60%	11.00%
40	1.33%	1.60%	6.80%
45	1.03%	1.60%	4.80%
50	0.00%	0.00%	3.60%
55	0.00%	0.00%	0.00%
60	0.00%	0.00%	0.00%

	Police—Current Rates			
Age	<3 Years Service Male	<3 Years Service Female	3+Years Service Male	3+Years Service Female
20-24	10.0%	8.0%	6.00%	2.50%
25-29	10.0%	8.0%	6.00%	2.50%
30-34	10.0%	8.0%	3.50%	2.00%
35-39	10.0%	8.0%	2.00%	2.00%
40-44	10.0%	8.0%	1.75%	1.75%
45-49	10.0%	8.0%	1.50%	1.50%
50-54	10.0%	8.0%	1.25%	1.25%
55-59	10.0%	8.0%	1.00%	1.00%
60+	10.0%	8.0%	0.00%	0.00%

	Fire—Current Rates	
Age	<2 Years Service	2+ Years Service
20-24	9.0%	2.80%
25-29	9.0%	1.87%
30-34	9.0%	1.24%
35-39	9.0%	0.83%
40-44	9.0%	0.55%
45-49	9.0%	0.37%
50-54	9.0%	0.25%
55-59	9.0%	0.00%
60+	9.0%	0.00%

	Teachers—Current Rates		
Age	0-3 Years Service	4-9 Years Service	10+ Years Service
20-24	25.00%	18.00%	N/A
25-29	23.50%	16.00%	N/A
30-34	22.00%	14.00%	3.50%
35-39	20.50%	12.00%	3.50%
40-44	19.00%	10.00%	3.50%
45-49	17.50%	8.00%	3.50%
50-54	16.00%	8.00%	3.50%
55-59	14.50%	8.00%	3.50%
60-64	13.00%	8.00%	3.50%
65+	0.00%	0.00%	0.00%

For all members with less than 5 years of service, terminations are assumed to result in the withdrawal of contributions, with no further benefits payable. For those terminated with at least 5 years of service, 20% of Police/Fire members and 65% of Teachers are assumed to receive a deferred vested benefit, with the remaining members are assumed to receive a refund of accumulated contributions. In the prior valuation, it was assumed that all terminating Police and Fire members would receive a refund of contributions, and all terminated Teachers who were vested would receive a deferred benefit.

Family Composition

64% of Teachers and 80% of Police Officers and Fire Fighters are assumed to be married. Male spouses are assumed to be three years older than their wives. Active employees are assumed to have one dependent child aged 10.

Employment Status

No future transfers among member groups are assumed.

Actuarial Value of Plan Assets

The actuarial value of District assets is a modified market-related value. The actuarial value of assets method approved by the Board is defined as the expected actuarial value of assets (assuming the Plan's actuarial rate of return) plus 1/3 of the difference between the expected and actual market value of assets. There is then a final adjustment made for the effect of the adjustment pursuant to D.C. Code §1-907.02(c). This adjustment is explained and developed in Section 3.5.

The detailed calculation of the actuarial value of District assets is shown in Section 2.5.

Participant Data

Data on active and inactive Members and their beneficiaries as of the valuation date was supplied by the Office of Pay and Retirement Services on electronic media. As is usual in studies of this type, Member data was neither verified nor audited, but was reviewed for reasonableness.

Certain assumptions were made with respect to information provided by the District of Columbia:

- Data for charter school teachers with Plan benefits is not available. To account for this group, active liabilities and payroll were increased by 1.5%
- The data is incomplete with respect to former members who have a deferred vested benefit. Thus, benefits for these individuals are estimated based on their service and pay history as available.
- Benefit Service has been determined based on employee contribution history.
- Benefit Splits between Federal and District have been estimated for terminated vested participants with missing benefit amounts based on employee contribution history.
- It is assumed that all Fire and Police members with prior military service will purchase this service. To account for this, an average amount of prior service of 0.4 years based on a prior study is assumed for all Police and Fire members which determined this to be the average amount of military service for Plan members.

Schedule of Participant Data as of October 1, 2007

Active Participants	Teachers	Police Officers	Fire Fighters
Number	5,027	3,844	1,706
Average Age	45.6	39.2	37.5
Average Service	11.6	12.7	11.5
Average Pay	$69,567	$67,902	$64,679

Inactive Participants	**Teachers**		**Police Officers**		**Fire Fighters**	
Service Retired	District	Total*	District	Total*	District	Total*
Number	2,192	4,968	598	3,132	210	957
Average Age	64.6	71.8	56.5	63.0	56.9	65.8
Average Benefit	$9,989	$39,322	$12,209	$48,511	$16,393	$57,642
Beneficiaries						
Number	82	452	170	1,295	47	491
Average Age	47.5	69.6	32.3	65.6	30.5	70.0
Average Benefit	$4,003	$17,772	$4,615	$23,579	$6,207	$25,512
Disabled						
Number	90	440	238	1,272	51	493
Average Age	58.2	71.3	45.6	64.1	51.0	69.4
Average Benefit	$11,314	$26,780	$17,313	$39,918	$13,133	$46,513
Terminated Vested						
Number	645	999	61	196	24	38
Average Age	46.0	52.8	42.0	56.2	44.0	49.1
Average Benefit	$5,279	$7,861	$8,514	$10,652	$9,601	$15,292

* Federal and District payments combined.

Membership

Eligibility

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 Plan.

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 minus pay received for summer school. Contributions are made on a pretax basis.

Members can also make post-tax voluntary contributions of up to 10% of annual pay toward an annuity in addition to any vested pension.

Interest is not credited to each member's accumulated contributions.

Service

School Service

One year of school service is granted for each year of employment with the D.C. public day schools.

Credited Service

Service granted or purchased in addition to school service.

Voluntary Retirement

Eligibility

For participants hired before November 1, 1996:
- Age 62 with 5 years of school service;
- Age 60 with 20 years of total service, including 5 years of school service; or
- Age 55 with 30 years of total service, including 5 years of school service.

For participants hired on or after November 1, 1996:
- Age 62 with 5 years of school service;
- Age 60 with 20 years of total service, including 5 years of school service; or
- Any age with 30 years of total service, including 5 years of school service.

Benefit Amount

For participants hired before November 1, 1996:
- 1.5% of average pay* times service up to 5 years, plus
- 1.75% of average pay times service between 5 and 10 years, plus
- 2.0% of average pay times service over 10 years.

For participants hired on or after November 1, 1996:
- 2.0% of average pay times service.

*Average pay is equal to the highest 36 consecutive months of pay.

For all participants, there is a minimum benefit of 1.0% of average pay plus $25 for each year of service

Involuntary Retirement

Eligibility

Retired involuntarily for reasons other than misconduct or delinquency with:
- 25 years of total service, including 5 years of school service; or
- Age 50 with 20 years of total service, including 5 years of school service.

Benefit Amount

Voluntary Retirement benefit reduced 1/6% per month (2% per year) that date of retirement precedes age 55.

Disability Retirement Benefit

Eligibility

5 years of school service and a physical or mental disability that prevents the member from performing his/her job.

Benefit Amount

Voluntary Retirement benefit subject to a minimum of the lesser of 40% of average pay and the benefit that the member would receive projecting service to age 60.

Lump Sum Death Benefit

Eligibility

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

Benefit Amount

Refund of Member contributions, without interest.

Installment Benefit Payable upon Death — Spouse Only

Eligibility

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

Benefit Amount

55% of the Voluntary Retirement benefit subject to the minimums specified in the Disability Retirement Benefit.

Installment Benefit Payable upon Death — Spouse and Dependent Children

Eligibility

For the spouse, as described above; for the children, unmarried and under 18, 22 if full-time student, or any child dependent because of a disability incurred before age 18. Death does not have to occur before retirement for the children's benefits.

Benefit Amount

Spouse benefit as described above, plus a benefit per child of the smallest of:

- 60% of average pay divided by the number of eligible children;
- $5,772 (if hired before January 1, 1980), $5,580 (if hired between January 1, 1980 and October 31, 1996) or $5,532 (if hired on or after November 1, 1996) per child; or
- $17,316 (if hired before January 1, 1980), $16,740 (if hired between January 1, 1980 and October 31, 1996), or $16,596 (if hired on or after November 1, 1996) divided by the number of children.

Installment Benefit Payable upon Death — Dependent Children Only

Eligibility

Same as the children's benefit above.

Benefit Amount

Per child, the smallest of:

- 75% of average pay divided by the number of eligible children;
- $7,044 (if hired before January 1, 1980), $6,792 (if hired between January 1, 1980 and October 31, 1996), or $6,708 (if hired on or after November 1, 1996) per child; or
- $21,132 (if hired before January 1, 1980), $20,376 (if hired between January 1, 1980 and October 31, 1996) or $20,124 (if hired on or after November 1, 1996) divided by the number of eligible children.

Installment Benefit Payable upon Death — Surviving Parents Only

Eligibility

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

Benefit Amount

Spouse benefit as described above.

Deferred Vested Benefit

Eligibility

5 years of school service.

Benefit Amount

Voluntary Retirement Benefit beginning at age 62.

Form of Payment Options

Normal Form of Payment

Unreduced Annuity.

Reduced Annuity with a maximum Survivor Annuity (to Spouse)

The original benefit is reduced by 2.5% of annual pension up to $3,600, plus 10% of any amount over $3,600. Spouse will receive 55% of unreduced annuity.

Reduced Annuity with a Partial Survivor Annuity (to Spouse)

An annuity with a benefit payable to the spouse of between $1 up to any amount less than 55% of the unreduced retirement benefit. The original benefit is reduced by dividing the amount of the survivor's annuity by 55%, then reducing the original benefit by 2.5% of this amount up to $3,600, plus 10% of any amount over $3,600.

Reduced Annuity with a Survivor Annuity to a Person with an "Insurable Interest"

A joint and 55% survivor annuity with the original benefit reduced 10% plus an additional 5% for each full 5 years, up to 25 years, the survivor is younger, with a total reduction of 40% for any survivor who is 25 or more years younger.

Reduced Annuity with a Life Insurance Benefit

Benefits may be reduced and the reduction is used to purchase life insurance.

Cost-of-Living Adjustments

All participants receive an increase effective each March based on the annual change in the Consumer Price Index (all items — U.S. City average) from December to December. The annual increase is capped at 3% for members hired on or after November 1, 1996.

Membership

Eligibility

All police officers and firefighters of the District of Columbia automatically become members on their date of employment. Police Cadets are not eligible.

Member Contributions

Members hired before November 10, 1996 are required to contribute 7% of annual salary, including any differential for special assignment, but excluding overtime, longevity, holiday, or military pay. Members hired on or after November 10, 1996 contribute 8% of annual salary, including any differential for special assignment, but excluding overtime, holiday, or military pay.

Interest is not credited to each member's accumulated contributions.

Service

Departmental Service

Each full year and additional months of employment with either the Metropolitan Police Force or the D.C. Fire Department.

Credited Service

Service granted or purchased in addition to departmental service.

Average Pay

For those hired before February 15, 1980, basic pay for the highest 12 consecutive months. For those hired on or after February 15, 1980, basic pay for the highest 36 consecutive months divided by three.

Longevity Pay (Police Only)

Members who complete 25 years of active service prior to retirement are entitled to an additional 15% of their basic compensation. Members who complete 30 years of active service are entitled to an additional 20% of their basic pay.

Normal Retirement Benefit

Eligibility

For participants hired before February 15, 1980:
- 20 years of service

For participants hired before November 10, 1996:
- Age 60; or
- Age 50 with 25 years of departmental service; or

For participants hired on or after November 10, 1996:
- Age 60; or
- No age requirement with 25 years of service.

Benefit Amount

For participants hired before November 10, 1996:
- 2.5% of average pay times departmental service up to 25 years (20 years if hired before February 15, 1980), plus
- 3.0% of average pay times departmental service over 25 (or 20) years, plus
- 2.5% of average pay times credited service.

For participants hired on or after November 10, 1996:
- 2.5% of average pay times total service.

For all participants, there is a maximum benefit of 80% of average pay.

Service-Related Disability Retirement Benefit

Eligibility

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

Benefit Amount

For participants hired before February 15, 1980, 2.5% of average pay times total years of service, subject to a minimum benefit of 66-2/3% of average pay and subject to a maximum benefit of 70% of average pay.

For participants hired on or after February 15, 1980, 70% of final pay times percentage of disability, subject to a minimum benefit of 40% of final pay.

Non-Service-Related Disability Retirement Benefit

Eligibility

5 years of departmental service and a physical or mental disability that prevents the member from performing his/her job.

Benefit Amount

For participants hired before February 15, 1980, 2.0% of average pay times total years of service, subject to a minimum benefit of 40% of average pay and subject to a maximum benefit of 70% of average pay.

For participants hired on or after February 15, 1980, 70% of final pay times percentage of disability, subject to a minimum benefit of 30% of final pay.

Lump Sum Death Benefit

Eligibility

Death occurring in the line of duty, not resulting from willful misconduct, an intention to bring about his/her own death, or drunkenness.

Benefit Amount

$50,000.

Installment Benefit Payable upon Death – Spouse Only, Member Not Killed in Line of Duty after December 29, 1993

Eligibility

Death and, if retired, married for at least one year or have a child by the marriage.

Benefit Amount

40% of the greater of average pay and the salary for step 6 salary class 1 of the D.C. Police and Fireman's Salary Act in effect, adjusted for cost-of-living increases if death occurs after retirement. The benefit cannot exceed the rate of pay at death (or retirement if death occurs after retirement.)

Installment Benefit Payable upon Death – Spouse Only, Member Killed in Line of Duty after December 29, 1993

Eligibility

Death (killed in line of duty).

Benefit Amount

100% of final pay.

Installment Benefit Payable upon Death — Spouse and Dependent Children

Eligibility

For the spouse, as described above; for the children, unmarried and under 18, 22 if full-time student, or any child dependent because of a disability incurred before age 18. Death does not have to occur before retirement for the children's benefits.

Benefit Amount

Spouse benefit as described above, plus, provided death does not occur in the line of duty, a benefit per child of the smallest of:

- 60% of average pay divided by the number of eligible children;
- $3,396; or
- $10,188 divided by the number of eligible children.

Installment Benefit Payable upon Death — Dependent Children Only

Eligibility

Same as the children's benefit above.

Benefit Amount

Per child, 75% of average pay divided by the number of eligible children, adjusted for cost-of-living increases.

Refund of Contributions

Eligibility

Death before retirement and no eligible spouse or children.

Benefit Amount

All Member contributions will be refunded to a named, or statutorily-designated if none named, beneficiary.

Deferred Vested Benefit

Eligibility

5 years of departmental service.

Benefit Amount

Normal Retirement Benefit beginning at age 55.

Form of Payment Options

Normal Form of Payment

Single Life Annuity.

Additional Survivor Benefit

The original benefit is reduced 10%. This 10% amount is reduced by 5% for each full 5 years the survivor is younger (but not more than 40%) and is added to the survivor's benefit.

Cost-of-Living Adjustments

Employees (not beneficiaries) who retired prior to February 15, 1980, receive the same percentage increase as active employees' salary increases.

All other retired participants (and their survivors) receive an increase each March based on the annual change in the Consumer Price Index (All Urban Consumers) from December to December. The annual increase is limited to 3% for members hired on or after November 10, 1996.

Statistical Section

DISTRICT OF COLUMBIA TEACHERS' RETIREMENT FUND AND DISTRICT OF COLUMBIA POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT FUND
SCHEDULE OF REVENUE BY SOURCE
($ in thousands)

Fiscal Year	Employee Contributions	Employer Contributions	Investment Income	Total
2000	$ 39,931	$ 50,600	$ 257,289	$ 347,820
2001	40,879	49,200	(251,559)	(161,480)
2002	44,764	74,600	(165,540)	(46,176)
2003	45,914	68,900	302,116	416,930
2004	47,130	96,700	268,264	412,094
2005	48,582	121,300	372,848	542,730
2006	50,949	133,000	332,203	516,152
2007	54,282	154,700	618,163	827,145

DISTRICT OF COLUMBIA TEACHERS' RETIREMENT FUND
SCHEDULE OF REVENUE BY SOURCE
($ in thousands)

Fiscal Year	Employee Contributions	Employer Contributions	Investment Income	Total
2000	$23,646	$10,700	$107,432	$141,778
2001	24,047	200	(104,536)	(80,289)
2002	25,374	-	(65,976)	(40,602)
2003	26,047	-	121,326	147,373
2004	26,283	-	102,890	129,173
2005	24,778	9,200	137,333	171,311
2006	25,807	15,500	120,114	161,421
2007	26,793	14,600	217,731	259,124

DISTRICT OF COLUMBIA POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT FUND
SCHEDULE OF REVENUE BY SOURCE
($ in thousands)

Fiscal Year	Employee Contributions	Employer Contributions	Investment Income	Total
2000	$16,285	$39,900	$149,857	$206,042
2001	16,832	49,000	(147,023)	(81,191)
2002	19,390	74,600	(99,564)	(5,574)
2003	19,867	68,900	180,790	269,557
2004	20,847	96,700	165,374	282,921
2005	23,804	112,100	235,515	371,419
2006	25,142	117,500	212,089	354,731
2007	27,489	140,100	400,432	568,021

DISTRICT OF COLUMBIA TEACHERS' RETIREMENT FUND AND DISTRICT OF COLUMBIA POLICE OFFICERS' AND FIREFIGHTERS RETIREMENT FUND
SCHEDULE OF EXPENSE BY TYPE
($ in thousands)

Fiscal Year	Benefits	Administrative Expenses	Refunds	Total
2000	$3,800	$1,848	$-	$5,648
2001	5,438	1,983	-	7,421
2002	7,022	2,434	-	9,456
2003	11,191	2,479	-	13,670
2004	16,503	2,479	-	18,982
2005	21,980	5,999	12,453	40,432
2006	28,900	2,827	10,688	42,415
2007	40,499	6,198	5,889	52,586

DISTRICT OF COLUMBIA TEACHERS' RETIREMENT FUND
SCHEDULE OF EXPENSE BY TYPE
($ in thousands)

Fiscal Year	Benefits	Administrative Expenses	Refunds	Total
2000	$1,600	$775	$-	$2,375
2001	2,600	822	-	3,422
2002	3,800	989	-	4,789
2003	5,100	978	-	6,078
2004	8,600	942	-	9,542
2005	12,400	2,210	8,469	23,079
2006	15,900	1,010	7,893	24,803
2007	21,733	2,161	4,068	27,962

DISTRICT OF COLUMBIA POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT FUND
SCHEDULE OF EXPENSE BY TYPE
($ in thousands)

Fiscal Year	Benefits	Administrative Expenses	Refunds	Total
2000	$2,200	$1,073	$-	$3,273
2001	2,838	1,161	-	3,999
2002	3,222	1,445	-	4,667
2003	6,091	1,501	-	7,592
2004	7,903	1,537	-	9,440
2005	9,580	3,789	3,984	17,353
2006	13,000	1,817	2,795	17,612
2007	18,766	4,037	1,821	24,624

DISTRICT OF COLUMBIA TEACHERS' RETIREMENT PLAN AND DISTRICT OF COLUMBIA POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT PLAN
SCHEDULE OF PARTICIPANT DATA

	Active			Retired Members, Beneficiaries, Disabled and Terminated Vested			
Fiscal Year	Teachers	Police Officers & Firefighters	Subtotal	Teachers	Police Officers & Firefighters	Subtotal	Total
2000	6,397	4,836	11,233	5,154	7,680	12,834	24,067
2001	6,703	4,920	11,623	5,754	7,682	13,436	25,059
2002	6,558	4,816	11,374	5,334	7,689	13,023	24,397
2003	6,145	4,971	11,116	5,648	7,684	13,332	24,448
2004	5,564	5,186	10,750	5,922	7,677	13,599	24,349
2005	5,707	5,222	10,929	6,571	7,836	14,407	25,336
2006	5,088	5,256	10,344	6,800	7,895	14,695	25,039
2007	5,027	5,550	10,577	6,859	7,874	14,733	25,310

DISTRICT OF COLUMBIA TEACHERS' RETIREMENT PLAN
SCHEDULE OF PARTICIPANT DATA

	Active				
Fiscal Year	Hired Prior to November 1, 1996	Hired After November 1, 1996	Subtotal	Retired Members, Beneficiaries, Disabled and Terminated Vested	Total
2000	4,498	1,899	6,397	5,154	11,551
2001	4,009	2,694	6,703	5,754	12,457
2002	3,736	2,822	6,558	5,334	11,892
2003	3,306	2,839	6,145	5,648	11,793
2004	2,819	2,745	5,564	5,922	11,486
2005	2,454	3,253	5,707	6,571	12,278
2006	2,219	2,869	5,088	6,800	11,888
2007	2,049	2,978	5,027	6,859	11,886

DISTRICT OF COLUMBIA POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT PLAN
SCHEDULE OF PARTICIPANT DATA

	Active					
Fiscal Year	Hired Prior to February 15, 1980	Hired Between February 15, 1980 and November 10 1980	Hired after November 10, 1996	Subtotal	Retired Members, Beneficiaries, and Terminated Vested	Total
2000	622	3,355	859	4,836	7,680	12,516
2001	503	3,325	1,092	4,920	7,682	12,602
2002	453	3,164	1,199	4,816	7,689	12,505
2003	393	3,157	1,421	4,971	7,684	12,655
2004	299	3,078	1,809	5,186	7,677	12,863
2005	201	3,011	2,010	5,222	7,836	13,058
2006	158	2,933	2,165	5,256	7,895	13,151
2007	120	2,859	2,571	5,550	7,874	13,424

DISTRICT OF COLUMBIA TEACHERS' RETIREMENT PLAN AND DISTRICT OF COLUMBIA POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT PLAN
SCHEDULE OF RECIPIENTS BY BENEFIT TYPE
(Combined Federal and District)

Fiscal Year	Retired	Beneficiares	Disabled	Terminated	Total
2000	8,187	2,120	2,527	-	12,834
2001	8,872	2,098	2,466	-	13,436
2002	8,457	2,159	2,407	-	13,023
2003	8,638	2,209	2,361	124	13,332
2004	8,877	2,221	2,285	216	13,599
2005	8,971	2,202	2,238	996	14,407
2006	8,975	2,257	2,238	1,225	14,695
2007	9,057	2,238	2,205	1,233	14,733

DISTRICT OF COLUMBIA TEACHERS' RETIREMENT PLAN AND DISTRICT OF COLUMBIA POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT PLAN
SCHEDULE OF ANNUAL SALARIES AND BENEFITS
($ in millions)

	Annual Salaries of Active Members			Annual Retirement Benefits for Retirees & Beneficiaries (Post June 30, 1997)		
Fiscal Year	Police Officers & Fire Fighters	Teachers	Total	Police Officers & Fire Fighters	Teachers	Total
2000	$234	$320	$554	$2	$2	$4
2001	231	334	565	2	3	5
2002	253	241	494	3	5	8
2003	275	339	614	7	7	14
2004	288	339	627	8	11	19
2005	339	326	665	10	14	24
2006	351	322	673	13	16	29
2007	371	250	621	19	24	43

DISTRICT OF COLUMBIA TEACHERS' RETIREMENT FUND
SCHEDULE OF AVERAGE BENEFIT BY TYPE
(Combined Federal and District)

	RETIRED		BENEFICIARIES		DISABLED		TERMINATED		TOTAL
Fiscal Year	Count	Benefit	Count	Benefit	Count	Benefit	Count	Benefit	Count
2000	4,201	$32,235	425	$14,138	528	$23,135	-	$-	5,154
2001	4,820	33,247	427	15,382	507	23,872	-	-	5,754
2002	4,396	33,742	445	15,739	493	24,078	-	-	5,334
2003	4,572	34,687	461	16,363	491	24,501	124	14,865	5,648
2004	4,802	25,497	454	16,514	475	24,891	191	16,168	5,922
2005	4,886	36,901	461	16,994	466	25,545	758	78,818	6,571
2006	4,907	38,250	457	17,843	455	26,204	981	7,977	6,800
2007	4,968	39,322	452	17,772	440	26,780	999	7,861	6,859

DISTRICT OF COLUMBIA POLICE OFFICERS' RETIREMENT FUND
SCHEDULE OF AVERAGE BENEFIT BY TYPE
(Combined Federal and District)

	RETIRED		BENEFICIARIES		DISABLED		TERMINATED		TOTAL
Fiscal Year	Count	Benefit	Count	Benefit	Count	Benefit	Count	Benefit	Count
2000	3,080	$37,310	1,195	$18,295	1,397	$33,930	-	$-	5,672
2001	3,133	38,678	1,187	19,325	1,367	34,043	-	-	5,687
2002	3,145	39,895	1,222	19,680	1,343	35,889	-	-	5,710
2003	3,142	41,938	1,256	20,838	1,315	36,229	-	-	5,713
2004	3,149	43,228	1,272	21,211	1,278	36,193	23	31,590	5,722
2005	3,153	45,303	1,263	22,109	1,258	38,067	213	10,685	5,887
2006	3,135	47,046	1,309	22,781	1,283	38,934	215	11,672	5,942
2007	3,132	48,511	1,295	23,579	1,272	39,918	196	10,652	5,895

DISTRICT OF COLUMBIA FIREFIGHTERS' RETIREMENT FUND
SCHEDULE OF AVERAGE BENEFIT BY TYPE
(Combined Federal and District)

	RETIRED		BENEFICIARIES		DISABLED		TERMINATED		TOTAL
Fiscal Year	Count	Benefit	Count	Benefit	Count	Benefit	Count	Benefit	Count
2000	906	$45,217	500	$20,624	602	$38,126	-	$-	2,008
2001	919	46,656	484	21,497	592	38,510	-	-	1,995
2002	916	48,274	492	21,812	571	41,690	-	-	1,979
2003	924	49,564	492	22,476	555	41,867	-	-	1,971
2004	926	50,762	495	23,020	532	42,786	2	14,734	1,955
2005	932	52,784	478	23,855	514	44,110	25	13,307	1,949
2006	933	55,019	491	24,638	500	45,363	29	11,153	1,953
2007	957	57,642	491	25,513	493	46,513	38	15,292	1,979

DISTRICT OF COLUMBIA TEACHERS' RETIREMENT FUND AND DISTRICT OF COLUMBIA POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT FUND SCHEDULE OF EMPLOYER CONTRIBUTIONS

($ 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
9/30/98	$9.6	100%	$47.7	100%	$57.3	100%
9/30/99	12.8	145%	35.1	100%	47.9	112%
9/30/00	10.7	100%	39.9	100%	50.6	100%
9/30/01	6.6	100%	47.0	100%	53.6	100%
9/30/02	1.0	100%	61.4	100%	62.4	100%
9/30/03	-	100%	69.8	100%	69.8	100%
9/30/04	2.9	100%	95.5	100%	98.4	100%
9/30/05	10.2	100%	106.2	100%	116.4	100%
9/30/06	15.7	100%	116.7	100%	132.4	100%
9/30/07	15.7	100%	130.3	100%	146.0	100%