



DCRB Report

SPRING SUMMER 2006

SPRING / SUMMER 2006

A Message from the New Board Chairman

At the February meeting of the DC Retirement Board, I was honored to be elected by my fellow Trustees to serve as Chairman of the Board for the year ahead. I began my term by congratulating Darrick Ross for two very successful years of leadership in that role, and by thanking my colleagues for the time, effort and seriousness that they devote to carrying out their fiduciary duties. At that same meeting, the Board elected the following Trustees to serve as officers for the coming year: George Suter, Secretary; Judith Marcus, Treasurer; Brian Lee, Parliamentarian; and Darrick Ross, Sergeant-at-Arms.

Chairman's Corner



Since inception, the Board has operated under a committee structure to examine issues and make recommendations to the full Board for adoption. The Chairmen of the standing committees are: Investment Committee — Barbara Davis Blum; Operations Committee — Mary Collins; Emerging Enterprises Committee — Joan Parrott Fonseca; Benefits Committee — George Suter; and the Legislative Committee — Lyle Blanchard.

Congratulations to Mary Collins on her re-election to the Board of Directors of the Council of Institutional Investors at its spring meeting in March.

We have engaged the services of Korn Ferry International to assist us in our search for a new Executive Director. I am happy to report that the search is well underway and that the pool of candidates is outstanding. The Operations Committee has been quite impressed with the breath and depth of the candidates. They have completed the initial screening process and conducted initial interviews. It is the Committee's goal to have final candidates ready to present to the Board in June. I will keep you informed as the process unfolds.

As Chairman of the Board, I pledge to lead the Board's commitment to prudently manage the assets of the members' retirement funds and to provide excellent benefits administration services. Our successful efforts will assure the proper financing of the benefits to which the members are entitled and to maintain a solid foundation for your overall retirement security.

The mission of the District of Columbia Retirement Board is to invest, control, and manage the assets of the Teachers' Retirement Fund and the Police Officers' and Firefighters' Retirement Fund.

COLAs

Annual Cost of Living Increases for Retirees and Beneficiaries were included in the annuity payment made on April 1st. The increases were:

- Police and Firefighters hired before November 16, 1996 3.4%
- Police and Firefighters hired November 16, 1996 or later 3.0%
- Teachers hired before November 1, 1996 3.4%
- Teachers hired November 1, 1996 or later 3.0%

Police and Firefighter retirees who are under equalization (retired before February 15, 1980) receive annuity increases based on pay increases granted to active members instead of COLAs.

Fiscal Year 2005 Annual Report Summary and Schedules

As required by the Retirement Reform Act, the Board is pleased to provide participants and beneficiaries with the following summary report of activities and investment results for the fiscal year that ended on September 30, 2005. The detailed actuarial valuation and audited financial statements for the Funds for fiscal year 2005 are posted on the Board's website at www.dcrb.dc.gov.

The mission of the District of Columbia Retirement Board ("DCRB") is to invest, control and manage the assets of the Teachers' Retirement Fund and the Police Officers' and Firefighters' Retirement Fund in a fiscally sound manner in order to provide for the retirement benefits to which the District's teachers, police officers and firefighters are entitled. In fiscal year 2005 (October 1, 2004 through September 30, 2005), DCRB carried out its mission as follows:

Investments

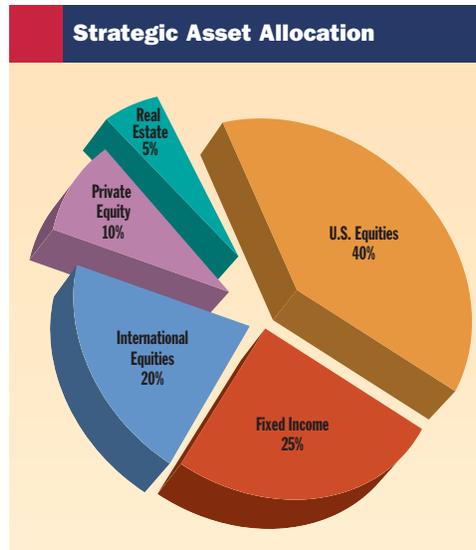
- Managed investment of the assets of the Teachers' Retirement Fund, and the Police Officers' and Firefighters' Retirement Fund (the "Funds") to achieve a one-year return of 13.9%.
- Achieved a long term annualized rate of return of 8.8% for the 10-year period ending September 30, 2005, surpassing the actuarially assumed target investment rate of 7.25% by 155 basis points.
- Increased the market value of the Funds' assets to more than \$3.1 billion as of September 30, 2005, a growth rate of approximately 19.5% from the end of fiscal year 2004.
- Continued to implement a diversified asset allocation plan by conducting investment manager

searches, and selecting investment managers to manage a portion of the assets allocated to the private equity, real estate and domestic equity asset classes.

- Monitored and evaluated the performance, structure and investment process of all the investment managers on a quarterly basis and conducted due diligence on all new and existing investment managers.

involved in deploying large amounts of capital expeditiously in these two rather illiquid asset classes, it may take several years until the Board reaches full exposure to private equity and real estate. Thus, U.S. public equities and fixed income will be used as proxies for exposure to private equity and real estate, respectively, until these strategies can be fully implemented.

Going forward in fiscal year 2006, the Board intends to continue the implementation of its strategic asset allocation policy. In particular, it plans to select and fund at least one additional real estate manager, and to consider various strategies to increase investment performance results. The Board will continue to review the investment structure of the asset class segments and to carefully monitor the performance of the investment managers. As appropriate, the Board will make adjustments to the investment structure and conduct manager searches, when necessary, in order to enhance the performance of the Funds.



- Periodically rebalanced assets to remain within asset allocation target ranges.
- Conducted Trustee education and staff development.

The Board's asset allocation targets remain the same as established in fiscal year 2003 and are as follows:

U.S. Equities	40%
Fixed Income	25%
International Equities	20%
Private Equity	10%
Real Estate	5%

Strategic Asset Allocation

As of September 30, 2005, all asset classes were within their respective target allocation ranges, with the exception of private equity and real estate. Due to the time

Useful Numbers

D.C. Public Schools Human Resources Office **(202) 442-4080**

Metropolitan Police Department Human Resources Office **(202) 727-4286**

Department of Fire and Emergency Medical Services Human Resources Office **(202) 673-6443**

Police and Fire Retirement and Relief Board **(202) 442-9622**

DCRB Member Services Center **(202) 343-DCRB**
(toll free) (866) 456-3272
TTY (800) 877-8339



Financial Statements: The Board once again received a clean audit from its outside auditor, Thompson, Cobb, Bazilio and Associates for fiscal year 2005. The following schedules compare the audited fiscal year 2005 financial statements with fiscal year 2004.

STATEMENT OF NET ASSETS as of September 30, 2005 and 2004 (\$000s)

	Teachers' Retirement Fund		Police Officers' & Firefighters' Retirement Fund	
	2005	2004	2005	2004
Assets				
Investments & accrued interest	\$1,286,924	\$1,124,069	\$2,209,620	\$1,826,209
Benefit contributions receivable	945	1,816	937	1,564
Fixed Assets, net book value	50	0	86	0
Total Assets	1,287,919	1,125,885	2,210,643	1,827,773
Liabilities				
Liabilities under securities lending transactions	130,647	122,064	224,265	199,633
Accounts payable - investment expenses	921	665	1,581	1,081
Due to Federal government	12,314	8,600	9,150	7,600
Due to District government	1,488	267	2,555	433
Due to Charter Schools	28	0	0	0
Total Liabilities	145,398	131,596	237,551	208,747
Net Assets Held in Trust for Pension Benefits	\$1,142,521	\$994,289	\$1,973,092	\$1,619,026

STATEMENT OF CHANGES IN NET ASSETS Years Ended September 30, 2005 and 2004 (\$000s)

	Teachers' Retirement Fund		Police Officers' & Firefighters' Retirement Fund	
	2005	2004	2005	2004
Additions				
Contributions:				
District	\$9,200	\$0	\$112,100	\$96,700
Employees	24,778	26,283	23,804	20,847
Total Contributions	33,978	26,283	135,904	117,547
Investment Income:				
Net appreciation (Depreciation) in fair value of investments	106,378	80,836	182,608	129,427
Interest and dividends, net of interest expense	34,159	24,546	58,379	40,013
Subtotal	140,537	105,382	240,987	169,440
Less:				
Investment Expenses	3,204	2,492	5,472	4,066
Net investment income	137,333	102,890	235,515	165,374
Total Additions	171,311	129,173	371,419	282,921
Deductions				
Benefit Payments	20,869	8,600	13,564	7,903
Administrative expenses	2,210	942	3,789	1,537
Total Deductions	23,079	9,542	17,353	9,440
Net Increase (Decrease)	148,232	119,631	354,066	273,481
Net Assets Held in Trust for Pension Benefits:				
October 1	994,289	874,658	1,619,026	1,345,545
September 30	\$1,142,521	\$994,289	\$1,973,092	\$1,619,026

Participants as of September 30, 2005

Active Participants

	Teachers	Police Officers	Firefighters
Number	5,707	3,741	1,481
Average Age	45.29	38.51	38.58
Average Service	11.39	12.19	12.58
Average Pay	\$60,274	\$62,028	\$61,261

Inactive Participants

	Teachers		Police Officers		Firefighters	
	District	Total*	District	Total*	District	Total*
Service Retired						
Number	1,867	4,886	529	3,153	149	932
Average Age	63.05	71.23	54.60	61.40	55.05	64.63
Average Benefit	\$6,548	\$36,900	\$7,314	\$45,303	\$9,607	\$52,784
Beneficiaries						
Number	67	461	138	1,263	38	478
Average Age	45.85	69.39	31.01	65.23	28.72	69.92
Average Benefits	\$3,499	\$16,994	\$3,810	\$22,109	\$3,763	\$23,855
Disabled						
Number	81	466	160	1,258	42	514
Average Age	56.65	70.40	44.62	64.09	51.12	68.66
Average Benefit	\$6,233	\$25,545	\$15,045	\$38,067	\$10,023	\$44,110
Terminated Vested						
Number	381	758	74	213	11	25
Average Age	47.26	56.23	39.86	53.22	45.73	51.46
Average Benefit	\$3,834	\$7,818	\$7,683	\$10,685	\$5,588	\$13,307

* Federal and District payments combined.

TRUSTEES

Lyle M. Blanchard
Council Appointee

Barbara Davis Blum
Mayoral Appointee

Mary A. Collins
Elected Active Teacher

Shireen L. Dodson
Chairman
Council Appointee

Brian K. Lee
Parliamentarian
Elected Active Firefighter

Judith C. Marcus
Treasurer
Elected Retired Teacher

Joan Parrott-Fonseca
Mayoral Appointee

Darrick O. Ross
Sergeant-at-Arms
Elected Active Police Officer

William H. Simons
Mayoral Appointee

George R. Suter
Secretary
Elected Retired Police Officer

Thomas N. Tippet
Elected Retired Firefighter

Michael J. Warren
Council Appointee

Lasana Mack
Ex Officio, Non Voting

D.C. Retirement Board
900 7th Street, NW
Second Floor
Washington, DC 20001
Voice (202) 343-3200
Fax (202) 566-5000
www.dcrb.dc.gov

Constance Donovan
Acting Executive Director

Annual Report to Members

Inside DCRB Report this month:



DC Retirement Board
900 7th Street, NW
Second Floor
Washington, DC 20001

Pre-Sorted
First Class
US Postage
PAID
Permit #349
Washington, DC