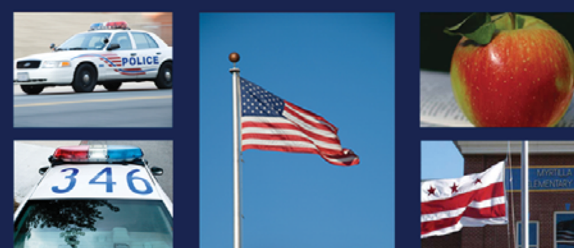
District of Columbia Retirement Board

a Pension Trust Fund of the District of Columbia

THE DISTRICT OF COLUMBIA RETIREMENT BOARD



Comprehensive Annual Financial Report

For the fiscal year ended September 30, 2011

District of Columbia Retirement Board

a Pension Trust Fund of the District of Columbia

Comprehensive Annual Financial Report

For the fiscal year ended September 30, 2011

Prepared by the District of Columbia Retirement Board's Finance Department
900 7th Street, 2nd Floor
Washington, D.C. 20001
(202) 343-3200
www.dcrb.dc.gov

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900 7th Street NW, 2nd Floor
Washington, D.C. 20001
www.dcrb.dc.gov

Telephone: (202) 343-3200
Facsimile: (202) 566-5000
E-mail: dcrb@dc.gov

March 31, 2012

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

Dear Board Members:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the District of Columbia Retirement Board (DCRB or the Board) for the fiscal year ending September 30, 2011.

History of DCRB

DCRB is an independent agency of the District of Columbia government that was created by Congress in 1979 under the Retirement Reform Act (Reform Act). DCRB has exclusive authority and discretion to manage the assets of the District of Columbia Teacher's Retirement Plan and the District of Columbia Police Officers and Firefighters' Retirement Plan (collectively referred to as the Plans) and to provide participants with retirement services. Our goal is to provide these services to our members from their date of hire, throughout their lifetime and their survivors' lifetime, and to safeguard the integrity of the District of Columbia Police Officers and Firefighters' Retirement Fund and the District of Columbia Teachers' Retirement Fund (collectively referred to as the Fund).

Prior to the Reform Act, eligibility and benefit rules and financing arrangements for the Plans were authorized by acts of Congress and administered by the Federal Government. Benefits were paid monthly from the general revenues of the U.S. Department of the Treasury on a "pay-as-you-go" basis when workers retired, not on a prefunded basis using actuarial assumptions and methods.

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

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

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

Profile of the Plans

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

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

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

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

The Fund also seeks to outperform the Policy Benchmark, computed as the weighted average index return of the following strategic asset allocation:

Asset Class	Performance Benchmark	Weight
U.S. Fixed Income	Barclays Capital U.S. Universal Index	25%
U.S. Equities	Russell 3000 Index	22%
International Developed Markets Equities	MSCI World Index ex-U.S. (Net)	20%
Emerging Markets Equities	MSCI Emerging Markets Index (Net)	8%
Absolute Return	1-Month LIBOR	10%
Private Equity	Cambridge Associates U.S. Private Equity Index	8%
Real Estate	80% NCREIF NFI-ODCE Index / 20% Wilshire Real Estate Securities Index	5%
Infrastructure	Barclays Capital U.S. Universal Index	2%

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

By statute, the Board of Trustees is responsible for establishing DCRB's annual budget. The budget relies on monies derived from the Fund investments and reimbursements received from the U.S. Treasury for the administration of certain pension payments and other services for which it is responsible. The District Council provides oversight of the budget process, and pursuant to Section 1-711 (f) of the District of Columbia Code, "may establish the amount of funds which will be allocated to the Board for administrative expenses, but may not specify the purposes for which such funds may be expended or the amounts which may be expended for the various activities."

Major Initiatives

During the fiscal year ending September 30, 2011, DCRB completed 32 years of service and continued its mission to prudently invest the assets of the pension plans of the police officers, firefighters, and teachers of the District of Columbia, while providing those employees with retirement services. Our on-going objective is to provide services to our members from their date of hire, throughout their lifetime and their survivors' lifetime, while safeguarding the integrity of the Trust.

Over the year, we implemented a number of initiatives to accomplish our mission and to prepare the organization for future challenges:

- **Data Reclamation:** We began a series of projects to collect accurate active employee data from other District agencies. These projects will collect pension data from the District of Columbia Public Schools (DCPS), Fire and Emergency Medical Services (FEMS), and the Metropolitan Police Department (MPD) and verify the historical data. When the projects are completed, the information will provide accurate certified data, which will reduce the turnaround time currently required to pay initial pension payments, and will be used to produce annual benefit statements for active members.

- **Financial Stability:** We continued work on a project to determine the final reconciliation of pension liabilities between Treasury and the District. Once completed, this project will ensure that the District and Treasury have provided their appropriate share of benefits paid to retirees from 1997 through 2007, the period before Treasury's retirement system was programmed to calculate federal and District benefit amounts automatically.

- **Proposed Amendments to GASB Pension Standards:** DCRB participated in a field test of the proposed Governmental Accounting Standards Board's (GASB) amendments for pension fund and employer financial reporting and disclosure. The proposed ammendments, if adopted in present form, will change the way that pension assets and liabilities are calculated for presentation to a net pension liability on the employer's balance sheet. DCRB has joined with several national organizations to communicate to GASB its concern that these amendments will impose unnecessary volitility and confusion regarding the effective funding of pension benefits in the public sector.

- **Asset Allocation:** After thorough and rigorous analysis, the Board of Trustees adopted a new asset allocation policy with a lower equity allocation and higher fixed income and alternatives allocations for the Fund. With the new policy, a more global orientation will provide greater diversification, as well as more control over market exposures.

- **Communications and Member Services:** We redesigned our website to include contemporary features and information most beneficial to our members and published our semi-annual newsletter in both printed and electronic format, according to the preferences of our members. In a continuing effort to increase staff productivity and provide improved member services, we implemented a state-of-the-art integrated communication system, which included a phone system with performance measurements, to manage interactions with customers and stakeholders.

- **Organizational Management:** We implemented an investment research management system to create a central electronic depository for investment manager and related service provider information, research, and correspondence. We also implemented an independent financial management system, in order to provide more efficiency throughout our various financial processes, which included new applications for accounting, procurement, budgeting, reporting and document management.

- **Information Technology Infrastructure and Security:** We began a number of IT projects to focus on security and infrastructure availability including secure email servers to encrypt all confidential email and enhanced wireless access for greater staff productivity. As part of a disaster recovery project, in the event of a catastrophic event, we placed our servers in an off-site datacenter that staff can securely access. An information technology management system was also installed to manage IT incidents, hardware, and changes to our systems, and to facilitate DCRB's compliance with federally recognized standards for managing and securing IT systems.

- **D.C. Council Oversight:** In the Spring, we appeared before the Council to testify in relation to the Pension Protection and Sustainability Ammendment Act of 2011 (B19-0077). We also provided reports and testiomny to the Committee of Government Operations regarding DCRB's performance and the proposed FY 2012 Budget.

- **Fiduciary and Ethics Training:** DCRB's Board and staff are fully committed to the principles and requirements of our fiduciary duties to the Plans' members and beneficiareies, and to compliance with the District's laws and regulations regarding ethics and disclosure. During the year, training and education sessions were conducted for all Board and staff by DCRB's indepenedent fiduciary counsel, by our general counsel, and a specialist for the District's Office of the Attorney General. In addition, DCRB policy set forth that all candidates for employment with DCRB are required to underdgo a criminal and background record check, the same check that all existing staff were required to undergo during FY 2010.

Financial Highlights

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

- **Funded Status:** As of September 30, 2011, the Fund's assets were valued at $4.47 billion, an increase of approximately 5.3% in the total asset value from the end of FY 2010. GASB Statement No. 50 requires Funds that use the Aggregate Actuarial Cost method to disclose funding status information based on the Entry Age Normal ("EAN") method. As of October 1, 2012, the Plan's funded ratio was 103.7%, based on the EAN method.

- **Retirement Contributions:** The Replacement Plan Act established the method for calculating the employer's (District of Columbia) annual contribution to the retirement Fund. The Board's independent actuary must determine the level of covered payroll, expressed as a percentage of payroll ("normal contribution rate") for each participant group. Under the Replacement Plan Act, the District must contribute the annual funding amount determined under the Aggregate Actuarial Cost method. In FY11, $127.2 million in employer contributions and $58.2 million in employee contributions were deposited into the Fund.

- **Investments:** During FY 2011, the Fund generated a gross return of 2.9%, outperforming the Policy Benchmark by 0.8%. .

  Since inception in October 1982, the Fund has generated an 8.9% annualized rate of return, outperforming DCRB's current actuarial assumed rate of return of 7.0%.

  A complete discussion of DCRB's investment returns, activities, and asset allocation strategy are more fully explained in the Investment Section, beginning on page 51.

- **Benefit Payments and Refunds:** As of September 30, 2011, the Plans had 24,997 members, of whom 13,707 were retirees and survivors who receive monthly pension payments, 10,308 of whom were active members and 982 of whom were inactive members. During the fiscal year, $73.3 million in pension benefits and $4.9 million in refunds were paid from the Fund. DCRB's annual benefit payments increased from the FY 2010 amount due to the expected increase in District service retirements and a corresponding decline in federal service retirements, and is estimated to continute increaseing in the future.

- **Administrative Expenses:** DCRB's administrative expenses for the fiscal year were $21.7 million. The detail for these expenses can be found in the Financial Section on page 46.

The Management's Discussion and Analysis, beginning on page 20, has a more in-depth discussion of DCRB's funded status as well as a complete analysis of the additions and deductions to the Plan's Net Assets.

Management Responsibility for Financial Reporting

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

The accounting records of DCRB are maintained by DCRB staff. Pension payment information is contained within the System to Administer Retirement (STAR), maintained by the U.S. Treasury Department. DCRB accounting and payroll transactions are processed through the District of Columbia's System of Accounting and Reporting (SOAR).

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

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

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

The Management's Discussion and Analysis provides a narrative introduction and overview of DCRB's financial statements. It is contained within the Financial Section and serves to supplement the Introductory Section of the Comprehensive Annual Financial Report, as well as financial statements, notes and supplementary information within the Financial Section.

Additional disclosures that are specifically required by statute are also included in the report.

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

We believe the internal controls in effect during the fiscal year ended September 30, 2011 adequately safeguarded the Fund's assets and provided reasonable assurance regarding the proper recording of financial transactions. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that the valuation of costs and benefits requires estimates and judgment by management.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) Awarded the Certificate of Achievement for Excellence in Financial Reporting to DCRB for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2010. This was the 3rd consecutive year we received this award.

We were also among the public retirement systems that received the Public Pension Coordinating Council's (PPCC) Public Pension Standards 2010 Award in recognition of meeting professional standards for plan design and administration. The PPCC is a national confederation of state retirement association whose standards are widely recognized benchmarks for public pension systems in the areas of plan design, funding, actuarial and financial audits, as well as member communications.

In Closing. . .

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

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

If you have any questions regarding this Comprehensive Annual Financial Report (CAFR) of the District of Columbia Retirement Board for the fiscal year ending September 30, 2011, please direct them to my office at any time.

Respectfully submitted,

Eric O. Stanchfield

Eric O. Stanchfield,
Executive Director

Thomas R Anderson

Thomas R. Anderson,
Chief Financial Officer

Board of Trustees

- **Eric Stanchfield,** Executive Director
  - **Thomas Anderson,** Chief Financial Officer
  - **Sheila Morgan-Johnson,** Chief Investment Officer and Chief Operating Officer
  - **Joan Passerino,** Chief Benefits Officer
  - **Erie Sampson,** General Counsel
  - **Daniel Hernandez,** Director of Policy, Program Development, and Evaluation
  - **Michael Williamson** Deputy Director of Organizational Transformation and System Integration

Auditor:
Clifton Gunderson, LLP

Actuary:
Cavanaugh Mcdonald Consulting, LLC

Investment Advisors:
Cliffwater, LLC.
Meketa Investment Group
Plexus Group, Inc.
The Townsend Group

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

Lyle M. Blanchard,
Treasurer
Council Appointee
Term:
11/15/2002-01/27/2013

Joseph M. Bress
Secretary
Council Appointee
Term:
01/28/2009 - 01/27/2012

Diana K. Bulger
Sergeant-at-Arms
Mayoral Appointee
Term:
03/2/2008 - 01/27/2014

Joseph W. Clark,

Mayoral Appointee
Term:
03/13/2008 - 01/27/2011

Barbara Davis Blum

Mayoral Appointee
Term:
06/12/2000 - 01/27/2012

Deborah Hensley

Elected Active Teacher
Term:
01/28/2009 - 01/27/2013

Certificate of Achievement for Excellence in Financial Reporting

Presented to

District of Columbia Retirement Board

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Linda C. Davison
President

Jeffrey R. Esser
Executive Director

PPCC

Public Pension Coordinating Council

Recognition Award for Funding
2011

Presented to

District of Columbia Retirement Board

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle

Alan H. Winkle
Program Administrator

Financial Section

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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

We have audited the accompanying combining statements of net assets of the District of Columbia Teachers' Retirement Fund and the District of Columbia Police Officers and Firefighters' Retirement Fund (the Total Fund), Pension Trust Funds of the Government of the District of Columbia (the District), as of September 30, 2011 and 2010, and the related combining 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also 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 Total 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, 2011 and 2010, 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 and the District of Columbia Police Officers and Firefighters' Retirement Fund as of September 30, 2011 and 2010, 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.

In accordance with *Government Audit Standards*, we have also issued a report dated December 21, 2011, on our consideration of the Total Fund's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management's discussion and analysis on pages 20 through 25 and the schedules of funding progress and employer contributions on pages 44 and 45 are not a required part of the financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included on pages 46 through 48 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The Introductory Section on pages 7 through 18 the Investment section on pages 51 through 55, the Actuarial Section on pages 57 through 77, the Statistical Section on pages 79 through 96, and the Additional Disclosures on pages 99 through 106 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Clifton Gunderson LLP

Baltimore, Maryland
December 21, 2011

Member of HLB International

This discussion and analysis provides an overview of the financial activities of the District of Columbia Teachers' Retirement Fund ("TRF") and Police Officers and Firefighters' Retirement Fund ("POFRF"), for the fiscal years ended September 30, 2011 and 2010, which collectively will be referred to as "the District Retirement Funds". This discussion and analysis should be read in conjunction with the financial statements, the notes to the financial statements, the required supplementary information and the supplementary information provided in this report.

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

Effective October 1, 2005, the Board entered into a Memorandum of Understanding ("MOU") with the District of Columbia and the United States Department of the Treasury (the "U.S. Treasury") to administer the pension benefits under the TRF and the POFRF for all retirees, survivors and beneficiaries that are the financial responsibility of the District of Columbia (service earned after July 1, 1997) and the Federal Government (service earned on or before July 1, 1997). In addition to the Board's administrative duties, the US Treasury also provides certain administrative services related to the administration of pension benefits. The administrative costs incurred while administering the pension benefits are shared by the DCRB and the US Treasury in accordance with a MOU that is agreed to annually between the two parties.

Overview of the Financial Statements and Schedules

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

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

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

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

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

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

Financial Highlights

The TRF financial highlights for fiscal year 2011 are:

- Net assets held in trust for pension benefits as of September 30, 2011 were $1.3 billion, an annual increase of $23.3 million or 1.8%.
- The investment income net of investment expenses for fiscal year 2011 was $44.4 million, a gain of 2.9%.
- The Fund's share of administrative expenditures for fiscal year 2011 was $2.9 million, equivalent to 21 basis points of assets under management.
- The Board's funding objective is to meet long-term pension benefit obligations. As of October 1, 2010, the date of the latest actuarial valuation, the TRF's funded ratio was 118.3%. In general, this means that for each dollar's worth of future pension liability, the TRF has accumulated over $1.18 to meet that obligation. This actuarial report indicated that if future activity proceeds according to assumptions, the TRF has accumulated sufficient assets to pay all pension liabilities for active members and retirees. The plan's funded ratio increased 7.5% over the prior year. As of October 1, 2009, the actuarial valuation indicated a funded ratio of 110.8% for the TRF.
- Revenues (additions to plan net assets) for fiscal year 2011 were $72.7 million, which consists of member contributions of $27.7 million, net income from investment activities of $44.4 million, and other income totaling $0.6 million. Additions to the plan net assets for fiscal year 2010 totaled $156.4 million, comprised of $29.9 million in employee contributions, $125.8 million in net income from investment activities, and $0.7 million in other income. The District of Columbia government did not make an employer contribution to the TRF for fiscal year 2011 and 2010 because of its well-funded status.
- Expenses (deductions from plan net assets) increased $6.2 million from $43.3 million during fiscal year 2010 to $49.5 million in fiscal year 2011, or 14.2%. This increase relates primarily to pension benefit payments, which increased $4.9 million or 13.1% from 2010 to 2011. Refunds of member contributions increased by $0.7 million from 2010 to 2011. Administrative expenses increased slightly compared to the prior year.

The POFRF financial highlights for fiscal year 2011 are:

- Net assets held in trust for pension benefits as of September 30, 2011 were $3.1 billion, an annual increase of $201.8 million or 6.9%.
- The investment income net of investment expenses for fiscal year 2011 was $82.0 million, a gain of 2.9%.
- The Fund's share of administrative expenditures for fiscal year 2011 was $6.7 million, equivalent to 21 basis points of assets under management.
- The Board's funding objective is to meet long-term pension benefit obligations. As of October 1, 2010, the date of the latest actuarial valuation, the POFRF's funded ratio was 108.0%. In general, this means that for each dollar's worth of future pension liability, the POFRF has accumulated approximately $1.08 to meet that obligation. This actuarial report indicated that if future activity proceeded according to assumptions, the POFRF has accumulated sufficient assets to pay all pension liabilities for active members and retirees. The plans funded ratio increased 7.3% over the prior year. As of October 1, 2009, the actuarial valuation indicated a funded ratio of 100.7%.
- Revenues (additions to plan net assets) for fiscal year 2011 were $241.1 million, which consists of member contributions of $30.5 million, employer contributions of $127.2 million, net income from investment activities of $82.0 million, and $1.4 million in other income. Additions to the plan net assets for fiscal year 2010 totaled $435.7 million, comprised of $31.6 million in employee contributions, $132.3 million of employer contributions, $270.3 million in a net income from investment activities, and $1.6 million in other income.
- Expenses (deductions from plan net assets) increased $4.3 million from $35.0 million during fiscal year 2010 to $39.3 million in fiscal year 2011, or 12.4%. This increase consisted primarily of increases in pension benefit payments of $2.9 million from $27.9 million in fiscal year 2010 to $30.8 million in fiscal year 2011. Additionally, administrative expenses increased $1.5 million from $5.1 million in fiscal year 2010 to $6.7 million in fiscal year 2011 and refunds of member contributions decreased slightly compared to the prior year.

Summary of Financial Information

The following Condensed Statement of Net Assets and Changes in Net Assets presents financial information, with dollar amounts in the thousands, for the combined TRF and POFRF and compares fiscal years 2011, 2010 and 2009.

Condensed and Combined Statements of Net Assets	2011	2010	2009	Amount Increase/ (Decrease) from 2010 to 2011	Percent Increase/ (Decrease) from 2010 to 2011
Assets					
Cash and short-term investments	$149,759	$224,620	$226,115	$(74,861)	-33.3%
Receivables	153,613	229,131	136,521	(75,518)	-33.0%
Investments at fair value	4,491,663	4,174,478	3,684,946	317,185	7.6%
Collateral from securities lending	416,288	515,203	470,807	(98,915)	-19.2%
Capital assets	9	16	22	(7)	-43.8%
Total assets	5,211,332	5,143,448	4,518,411	67,884	1.3%
Liabilities					
Other payables	6,165	6,172	15,441	(7)	-0.1%
Investment commitments payable	317,892	374,502	291,257	(56,610)	-15.1%
Obligations under securities lending	419,096	519,562	482,328	(100,466)	-19.3%
Total liabilities	743,153	900,236	789,026	(157,083)	-17.4%
Net assets	$4,468,179	$4,243,212	$3,729,385	$224,967	5.3%

Condensed and Combined Statements of Changes in Net Assets	2011	2010	2009	Amount Increase/ (Decrease) from 2010 to 2011	Percent Increase/ (Decrease) from 2010 to 2011
Employer contributions	$127,200	$132,300	$106,000	$(5,100)	-3.9%
Employee contributions	58,213	61,547	54,807	(3,334)	-5.4%
Net investment income/(loss)	126,337	396,033	(96,103)	(269,696)	-68.1%
Other Income	2,051	2,250	2,473	(199)	-8.8%
Total additions	313,801	592,130	67,177	(278,329)	-47.0%
Benefit payments	73,298	65,483	58,101	7,815	11.9%
Refunds	5,973	5,348	6,927	625	11.7%
Administrative expenses	9,563	7,472	7,244	2,091	28.0%
Total deductions	88,834	78,303	72,272	10,531	13.4%
Net change in net assets	$224,967	$513,827	$(5,095)	$(288,860)	-56.2%

Analysis of Financial Information

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

Additions to Net Assets (Revenues)

As noted, the reserves needed to finance retirement benefits are accumulated primarily through the collection of member and employer contributions, and through investment income (net of investment expenses). Revenues for the year ended September 30, 2011, represented an increase in net assets of $313.8 million, which included $126.3 million of net income on investments and $185.4 million of contributions. For fiscal year 2010, revenues represented an increase in net assets of $592.1 million, which included $396.0 million of net investment income and $193.8 million of contributions. Fiscal year 2011 and 2010 investment returns improved significantly over the fiscal year 2009 net investment loss of $96.1 million.

Total revenues for fiscal year 2011 decreased by $278.3 million compared to the prior year, mainly due to the lower investment returns in fiscal year 2011.

There was a decrease in the employee contributions of $3.3 million from $61.5 million in fiscal year 2010 to $58.2 million in fiscal year 2011. Employee contributions include amounts paid by members for future retirement benefits. The decrease in employee contributions is the result of a decrease in the District Retirement Funds' active members from 10,457 to 10,308 and a one-time payment made in fiscal year 2010 for payroll increases that were retroactive back to 2007. The retroactive increases were negotiated as part of the Teachers' new contract.

There was a decrease in the employer contributions of $5.5 million in fiscal year 2011 from $132.3 million in fiscal year 2010 to $127.2 million in fiscal year 2011. The fiscal year 2011 employer contribution is derived from the contribution rate calculated in the actuary's report for the period ended October 1, 2009 multiplied by covered payroll and adjusted for differences caused by the contribution being calculated 2 years in arrears. This adjustment is required by the DC Code. The employers normal contribution rate increased by 0.9% and covered payroll decreased by 1.1% which off-set each other. The most significant factor in the current year decrease was the adjustment to the fiscal year 2011 employer contribution of $4.4 million. The adjustment was the result of the actual fiscal year 2009 covered payroll being $100 million greater than the estimated fiscal year 2009 covered payroll used in the October 1, 2007 actuarial report when the fiscal year 2009 employer contribution was calculated.

Other income totaled $2.1 million in fiscal year 2011, reflecting a $0.2 million decrease from the $2.3 million received in fiscal year 2010. Other income consists mainly of reimbursements of administrative expenses from the US Treasury.

Deductions from Net Assets (Expenses)

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

Expenses for the year ended September 30, 2011 totaled $88.8 million, an increase of 13.4% over fiscal year 2010. In fiscal year 2010 expenses increased by 8.3% when compared to fiscal year 2009, from $72.3 million in 2009 to $78.3 million in fiscal year 2010. Pension benefits paid on behalf of current retirees, survivors and beneficiaries comprise approximately 80-85% of the expenses reported in each of these years and accounted for a significant portion of the increases.

Pension benefits for fiscal year 2011 increased by $7.8 million over the fiscal year 2010 level, or 11.9%. This increase reflects the combination of a net growth of 11.0% in the number of retirees and survivors receiving benefits coupled with COLA adjustments, an overall increase in the final average salary for new retirees and the changing demographics of the retiree population. Defined benefit pension payments are based on a formula determined by the years of creditable service and the final average salary. Pension benefits for fiscal year 2010 reflect similar increases, rising $7.4 million, or 12.7%, over fiscal year 2009 levels.

Refunds of member accounts are at the discretion of the member, and vary from year to year. In fiscal year 2011, members elected refunds totaling $6.0 million, which represents an increase of $0.6 million or 11.7% from fiscal year 2010. Refunds issued in fiscal year 2010 totaled $5.3 million representing a $1.6 million decrease over the 2009 level of $6.9 million.

DCRB has consistently managed its administrative expense budget with no material variances between planned and actual expenditures in either fiscal year 2011 or 2010. Administrative expenses for fiscal year 2011 totaled $9.5 million, an increase of $2.0 million from the fiscal year 2010 expenditures of $7.5 million.

Funding Status

As previously noted, the District Retirement Funds' net investment income for the year ended September 30, 2011 represented a gain of $126.3 million, or 2.9%. The DCRB is a well funded yet immature system as a result of the 1999 asset split with the United States Treasury in which Treasury assumed responsibility for all benefit obligations prior to July 1, 1997. As with all immature systems, a higher percentage of benefits are funded by current contributions. As the system matures, investment income will provide a greater percentage of the funds necessary to pay retirement benefits. Therefore, the long-term rate of investment return is critical to DCRB's long-term funding status.

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

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

At October 1, 2010, the date of the latest actuarial valuation, the actuarial value of net assets set aside to pay defined benefit pension benefits was $1.57 billion for the TRF and $3.42 billion for the POFRF for a total of $4.99 billion. The fair value of these defined benefit assets at September 30, 2010 included on the financial statements of DCRB was $1.32 billion for the TRF and $2.93 billion for the POFRF for a total of $4.25 billion. Therefore, when viewing the actuarial funding status, the market value of assets would provide an inferior funding position to the actuarial value of assets as of the October 1, 2010 valuation. Again, it is important to note that during years when the actual rate of return on investments significantly exceeds the assumed rate of return on investment the actuarial value of assets can be less than the market value of pension assets, making the funding status seem less favourable than the actual market values would have indicated.

Financial Analysis Summary

Net assets may serve over time as a useful indication of DCRB's financial position. At the close of both fiscal years 2011 and 2010, the net assets of DCRB totaled $4.5 billion and $4.2 billion, respectively. These net assets are available to meet DCRB's ongoing obligations to plan participants and their survivors and beneficiaries. DCRB has weathered the financial storm over the past four years and remains a well funded plan with a funding status as of October 1, 2010, the date of the most recent actuarial valuation, of 111.0% for the District Retirement Funds.

Additional Information

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

Statement of Net Assets
($ in thousands)

	2011			2010		
	Teachers' Retirement Fund	Police Officers and Firefighters' Retirement Fund	Total	Teachers' Retirement Fund	Police Officers and Firefighters' Retirement Fund	Total
Assets						
Cash and short-term investments	$44,847	$104,912	$149,759	$69,514	$155,106	$224,620
Receivables:						
Federal Government	316	735	1,051	409	912	1,321
Investment sales proceeds	40,143	93,907	134,050	63,986	142,772	206,758
Interest & dividends	3,653	8,547	12,200	3,838	8,564	12,402
Employee contributions	1,575	1,737	3,312	1,419	1,622	3,041
Employer contribution	3,000	-	3,000	5,609	-	5,609
Total receivables	48,687	104,926	153,613	75,261	153,870	229,131
Investments at fair value:						
Domestic equity	337,520	789,563	1,127,083	487,970	1,088,809	1,576,779
International equity	330,894	774,063	1,104,957	238,030	531,118	769,148
Fixed income	401,275	938,705	1,339,980	317,392	708,197	1,025,589
Real estate	60,838	142,319	203,157	58,349	130,194	188,543
Private equity	214,561	501,925	716,486	190,146	424,273	614,419
Total investments at fair value	1,345,088	3,146,575	4,491,663	1,291,887	2,882,591	4,174,478
Collateral from securities lending transactions at fair value	124,663	291,625	416,288	162,369	352,834	515,203
Capital assets, net	3	6	9	5	11	16
Total assets	1,563,288	3,648,044	5,211,332	1,599,036	3,544,412	5,143,448
Liabilities						
Accounts payable and other liabilities	953	2,150	3,103	1,242	2,730	3,972
Due to Federal Government	150	339	489	102	216	318
Due to District of Columbia Government	772	1,801	2,573	582	1,300	1,882
Investment commitments payable	95,197	222,695	317,892	115,898	258,604	374,502
Obligations under securities lending	125,504	293,592	419,096	163,742	355,820	519,562
Total liabilities	222,576	520,577	743,153	281,566	618,670	900,236
Net Assets Held in Trust for Pension Benefits	$1,340,712	$3,127,467	$4,468,179	$1,317,470	$2,925,742	$4,243,212

(Schedule of Funding Progress for each fund is presented on page 44)

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

Statement of Changes in Net Assets
($ in thousands)

	2011			2010		
	Teachers' Retirement Fund	**Police Officers and Firefighters' Retirement Fund**	**Total**	**Teachers' Retirement Fund**	**Police Officers and Firefighters' Retirement Fund**	**Total**
Additions						
Contributions:						
District Government	$ -	$127,200	$127,200	$ -	$132,300	$132,300
District employees	27,739	30,474	58,213	29,940	31,607	61,547
Total contributions	27,739	157,674	185,413	29,940	163,907	193,847
Investment income:						
Net appreciation in fair value of investments	20,320	28,101	48,421	72,809	156,515	229,324
Interest and dividends	26,916	61,249	88,165	56,495	121,648	178,143
Total gross investment income	47,236	89,350	136,586	129,304	278,163	407,467
Less:						
Investment expenses	3,655	8,460	12,115	4,197	9,282	13,479
Net investment income	43,581	80,890	124,471	125,107	268,881	393,988
Securities lending income	1,147	1,587	2,734	1,028	2,210	3,238
Less: securities lending expense	364	504	868	379	814	1,193
Net securities lending income	783	1,083	1,866	649	1,396	2,045
Total net investment income	44,364	81,973	126,337	125,756	270,277	396,033
Other income	616	1,435	2,051	695	1,555	2,250
Total additions	72,719	241,082	313,801	156,391	435,739	592,130
Deductions						
Benefit payments	42,532	30,766	73,298	37,611	27,872	65,483
Refunds	4,060	1,913	5,973	3,374	1,974	5,348
Administrative expenses	2,885	6,678	9,563	2,327	5,145	7,472
Total deductions	49,477	39,357	88,834	43,312	34,991	78,303
Change in Net Assets	23,242	201,725	224,967	113,079	400,748	513,827
Net Assets Held in Trust for Pension Benefits, Beginning of Year	1,317,470	2,925,742	4,243,212	1,204,391	2,524,994	3,729,385
Net Assets Held in Trust for Pension Benefits, End of Year	$1,340,712	$3,127,467	$4,468,179	$1,317,470	$2,925,742	$4,243,212

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

Note 1: Organization

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

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

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

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

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

Note 2: Fund Administration and Description

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

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

<u>Police Officers and Fire Fighters' Retirement Fund</u>

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. Cadets are not eligible to join the Fund.

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

Members Hired Before February 15, 1980 – Members are eligible for optional retirement with full benefits at any age with 20 years of departmental service, or for deferred retirement at age 55 with five years of departmental service. The annual basic retirement benefit equals 2.5% of average base pay, which is defined as the highest 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 member's average base pay. Members terminated after five years of police or fire service are entitled to a deferred pension beginning at age 55. Benefits are also provided to certain survivors of active, retired, or terminated vested members. 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 with less than 26 years and eight months of service receive benefits equal to two-thirds 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 years of service 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 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 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 average base salary. Members separated from the Police or Fire Department after five years of departmental service are entitled to a deferred pension beginning at 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, non-service 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.

Note 2: Fund Administration and Description (Continued)

Members Hired on or After November 10, 1996 – Members are eligible for retirement at any age, with at least 25 years of departmental service or after age 55 with 5 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 creditable service; however, the aggregate annual basic retirement benefit may not exceed 80% of the average base salary. Members separated after five years of departmental service are entitled to a deferred pension beginning at age 55. Benefits are also provided to certain survivors of active, retired, or terminated vested members. Members receive annual benefit increases proportional to changes in the Consumer Price Index, 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.

Members with permanent, non-service-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.

Teachers' Retirement Fund

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

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

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

Title 38, Chapter 20 of the D.C. Official Code (D.C. Code § 38-2021.01 et seq. (2001 Ed.)) establishes benefit provisions which may be amended by the District City Council. For employees hired before November 1, 1996, the 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 5 years of school service, may be eligible for retirement at any age with 25 years of service or at age 50 with 20 years of service.

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

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

TRF	2011	2010
Retirees and survivors receiving benefits (post June 30, 1997)	3,130	2,941
Active plan members	4,747	4,749
Vested terminations	794	720
Total participants	8,671	8,410

POFRF	2011	2010
Retirees and survivors receiving benefits (post June 30, 1997)	1,856	1,552
Active plan members	5,561	5,708
Vested terminations	188	125
Total participants	7,605	7,385

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

The District is required to contribute the amounts necessary to finance the plan benefits of its members through annual contributions at actuarially determined amounts in accordance with the provisions of the Replacement Act. The amount of the District contributions for fiscal years 2011 and 2010 were equal to the amounts computed, if any, by the Board's independent actuary.

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

Note 3: Summary of Significant Accounting Policies

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

Note 3: Summary of Significant Accounting Policies (Continued)

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

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

GASB Statement 51, *Accounting and Financial Reporting for Intangible Assets*, provides authoritative guidance related to the accounting and financial reporting of intangible assets, including internally developed software. GASB Statement 51 was effective for periods beginning after June 15, 2009. As of September 30, 2011 the District Retirement Funds do not have any intangible assets that are required to be reported in accordance with GASB Statement 51.

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

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

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

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

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

Actuarial Data – The District Retirement Funds use 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 in Preparing Financial Statements – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Board to make estimates and assumptions that affect the reported amounts of assets, liabilities, additions and deductions to net 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 District Retirement Funds was $12,115,448 in 2011 and $13,478,613 in 2010.

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 are as follows:

($ in thousands)

	2011	2010
Cash and short-term investments	$149,759	$224,620
Investments at fair value:		
Domestic equity	1,127,083	1,576,779
International equity	1,104,957	769,148
Fixed income	1,339,980	1,025,589
Real estate	203,157	188,543
Private equity	716,486	614,419
Total investments at fair value	4,491,663	4,174,478

Debt Instruments – As of September 30, 2011, the Investment Pool held the following debt instruments:

($ in thousands)

Investment Type	Fair Value	% of Segment	Duration	Rating*
US Agency	$29,107	2.17%	8.09	A+
Asset Backed	58,165	4.34%	2.15	AA-
CMBS	22,789	1.70%	2.95	A+
CMO	49,322	3.68%	4.5	AA-
Corporate	317,777	23.72%	3.98	BBB
Foreign	14,948	1.12%	2.16	A+
Mortgage Pass-Through	256,130	19.11%	3.42	AA+
Municipal	23,422	1.75%	9.75	AA-
US Treasury	136,390	10.18%	10.04	AA+
Yankee	111,781	8.34%	4.35	AA
Infrastructure Funds	79,362	5.92%	N/A	NR
US Tips Index Fund	106,022	7.91%	N/A	NR
US Debt Index Fund	132,565	9.90%	N/A	NR
Other	2,200	0.16%	N/A	NR
Total Fixed Income	$1,339,980	100.00%		

As of September 30, 2010, the Investment Pool held the following debt instruments:

($ in thousands)

Investment Type	Fair Value	% of Segment	Duration	Rating*
Agency	$63,466	6.19%	4.95	AAA
Asset Backed	49,085	4.79%	2.51	A-
CMBS	16,268	1.59%	3.15	AAA
CMO	37,932	3.70%	9.49	AA-
Corporate	314,956	30.71%	4.32	BBB+
Foreign	17,825	1.74%	2.04	BBB
Mortgage Pass-Through	166,784	16.26%	3.62	NR
Municipal	15,038	1.47%	12.70	AA+
US Treasury	169,967	16.57%	7.89	NR
Yankee	109,352	10.66%	4.99	AA
Infrastructure Funds	58,984	5.75%	N/A	NR
Other	5,932	58.00%	N/A	NR
Total Fixed Income	$1,025,589	100.00%		

* Using quality ratings provided by Standard & Poor's

Note 4: Investments (Continued)

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

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

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

As of September 30, 2011, the Investment Pool held investments that were denominated in a currency other than the United States Dollar, as summarized below:

($ in thousands)

	Asset Class					
	Cash	**Equities**	**Fixed Income**	**Private Equity**	**Swaps**	**Total**
Australian Dollar	$489	$11,090	$-	$-	$119	$11,698
Canadian Dollar	1	-	5,362	-	-	5,363
Swiss Franc	-	24,259	-	-	-	24,259
Danish Krone	3	1,244	9,060	-	-	10,307
Euro	734	147,693	8,736	18,099	-	175,262
Pound Sterling	58	35,554	485	-	35	36,132
Hong Kong Dollar	25	18,010	-	-	-	18,035
Israeli Shekel	1,681	-	-	-	-	1,681
Japanese Yen	152	92,596	-	-	-	92,748
South Korean Won	-	3,787	-	-	-	3,787
Norwegian Krone	3,247	-	-	-	-	3,247
New Zealand Dollar	-	-	-	-	-	-
Swedish Krona	101	9,444	-	-	-	9,545
Singapore Dollar	90	5,069	-	-	-	5,159
Mexican Peso	-	-	-	-	-	-
Brazilian Real	-	-	-	-	380	380
Total Foreign	$6,581	$348,746	$23,643	$18,099	$534	$397,603

As of September 30, 2010, the Investment Pool held investments that were denominated in a currency other than the United States Dollar, as summarized below:

($ in thousands)

	Asset Class					
	Cash	**Equities**	**Fixed Income**	**Private Equity**	**Swaps**	**Total**
Australian Dollar	$453	$28,453	$1,342	$-		$30,144
Canadian Dollar	177	19,790	5,372	-	-	25,339
Swiss Franc	181	33,173	-	-	-	33,354
Danish Krone	130	3,088	-	-	-	3,218
Euro	1,359	240,615	18,714	12,524	-	273,212
Pound Sterling	574	78,055	4,779	-	-	83,408
Hong Kong Dollar	76	39,345	-	-	-	39,421
Israeli Shekel	50	2,847	-	-	-	2,897
Japanese Yen	478	126,885	3,466	-	-	130,829
South Korean Won	-	4,054	-	-	-	4,054
Norwegian Krone	134	5,572	-	-	-	5,706
New Zealand Dollar	47	97	-	-	-	144
Swedish Krona	98	23,833	-	-	-	23,931
Singapore Dollar	191	6,663	-	-	-	6,854
Mexican Peso	25	-	-	-	123	148
Brazilian Real	-	-	-	-	656	656
Total Foreign	$3,973	$612,470	$33,673	$12,524	$675	$663,315

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

During 2011 and 2010, the master custodian, at the direction of the Board, loaned certain of the District 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 D Fund is not the same as the value of the District Retirement Funds' shares.

Note 4: Investments (Continued)

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 2011 or 2010.

During 2011 and 2010, 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 2011 and 2010.

The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in the Quality D Fund which is comprised of a liquidity pool and a duration pool. As of September 30, 2011 the liquidity pool had an average duration of 22.45 days and an average weighted final maturity of 59.36 days for USD collateral. As of this date the duration pool had an average duration of 36.65 days and an average weighted final maturity of 501.49 days for USD collateral. Because the securities lending transactions were terminable at will their duration did not generally match the duration of the investments made with the cash collateral received from the borrower. Investments 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, 2011 and 2010, the Board had no credit risk exposure to borrowers.

As of September 30, 2011 the fair value of securities on loan was $400,805,175. Associated collateral totaling $419,095,949 was comprised of cash which was invested in the Quality D Fund. As of September 30, 2011 the invested cash collateral had a fair value of $416,288,006.

As of September 30, 2010 the fair value of securities on loan was $505,146,361. Associated collateral totaling $519,562,276 was comprised of cash which was invested in the Quality D Fund. As of September 30, 2011 the invested cash collateral had a fair value of $515,203,003.

During the fiscal year ended September 30, 2011 and 2010, market value of the shares in the Quality D Fund purchased with cash collateral by the lending agent was less than the cost, resulting in an unrealized loss of $2,807,943 and $4,359,273, respectively.

Net security lending income is composed of three components: gross income, broker rebates, and agent fees. Gross income is equal to earnings on cash collateral received in a security lending transaction. A broker rebate is the cost of using that cash collateral. Agent fees represent the fees paid to the agent for administering the lending program. Net security lending income is equal to gross income less broker rebates and agent fees. Security lending income for fiscal year 2011 and 2010 was recorded on a cash basis which approximated the accrual basis. The Fund's share of securities lending income and expense are on page 27.

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

During 2011 and 2010, the District Retirement Funds, in accordance with the policy of the Board, and through the District Retirement Funds' investment managers who have full discretion over investment decisions, invested in various derivative instruments either to increase potential earnings or to hedge against potential losses. See page 38 and 39 for a list of the derivatives aggregated by type and see below for a description of these derivatives.

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

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

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

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

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

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

Warrants are used by the District Retirement Funds to gain equity exposure and to enhance performance. Warrants are often distributed by issuers to holdings of common stock and bonds, and are held for the same fundamental reasons as the original common stock and/or bond holdings. Rights are a security that gives the holder the entitlement to purchase new shares issued by a corporation at a predetermined price in proportion to the number of shares already owned. Market risk for warrants and rights is limited to the purchase cost. Credit risk for warrants and rights is similar to the underlying equity and/or bond holdings. Again, all such risks are monitored and managed by the District Retirement Funds' external investment managers who have full discretion over such investment decisions.

Note 4: Investments (Continued)

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

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

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

The following is a list of derivatives aggregated by type as of September 30, 2011:

	Changes in Fair Value (4)		Fair Value at September 30, 2011		
Type of Derivative	**Classification**	**Amount (1)**	**Classification**	**Amount (2)**	**Notional (3)**
Credit Default Swaps Bought	Investment Inc.	1,805,676	Swaps	2,783,681	40,300,000
Credit Default Swaps Written	Investment Inc.	(333,120)	Swaps	779,604	70,643,989
Fixed Income Futures Long	Investment Inc.	4,595,089	Futures	-	277,539,190
Fixed Income Futures Short	Investment Inc.	(1,891,257)	Futures	-	(12,000,000)
Fixed Income Options Written	Investment Inc.	(192,436)	Options	(1,412,480)	(132,700,000)
Foreign Currency Options Bought	Investment Inc.	32,314	Options	-	-
Foreign Currency Options Written	Investment Inc.	(1,060)	Options	(4,710)	(400,000)
Futures Options Bought	Investment Inc.	(271,389)		-	-
Futures Options Written	Investment Inc.	383,356	Options	(51,859)	(64,000)
FX Forwards	Investment Inc.	(408,522)	LT Instruments	(329,471)	52,376,452
Index Futures Long	Investment Inc.	87,626	Futures	-	-
Pay Fixed Interest Rate Swaps	Investment Inc.	(3,883,668)	Swaps	(2,956,651)	29,368,687
Rec'd Fixed Interest Rate Swaps	Investment Inc.	942,175	Swaps	1,193,716	47,622,174
Rights	Investment Inc.	1,204,786	Common Stock	32,454	219,900
Warrants	Investment Inc.	(82,391)	Common Stock	17,662	141,750
Grand Totals		1,987,179		51,946	

(1) Negative values (in brackets) refer to losses

(2) Negative values refer to liabilities

(3) Notional may be a dollar amount or size of underlying for futures and options, negative values refer to short positions

(4) Excl. futures margin payments

The following is a list of derivatives aggregated by type as of September 30, 2010:

	Changes in Fair Value (4)		Fair Value at September 30, 2010		
Type of Derivative	**Classification**	**Amount (1)**	**Classification**	**Amount (2)**	**Notional (3)**
Credit Default Swaps	Investment Inc.	772,427	Swaps	2,639,516	95,278,119
Fixed Income Futures Long	Investment Inc.	3,675,520	Futures	-	54,600,000
Fixed Income Futures Short	Investment Inc.	(4,132,561)	Futures	-	(27,200,000)
Fixed Income Options Written	Investment Inc.	2,118,009	Options	(722,835)	(184,100,000)
Foreign Currency Options Bought	Investment Inc.	(572,588)	Options	-	-
Foreign Currency Options Written	Investment Inc.	92,652	Options	-	-
Futures Options Written	Investment Inc.	485,751	Options	-	-
FX Forwards	Investment Inc.	(718,618)	LT Instruments	(1,745,175)	66,643,843
Index Futures Long	Investment Inc.	2,178,964	Futures	-	20,455
Interest Rate Swaps	Investment Inc.	(522,727)	Swaps	675,311	79,060,000
Rights	Investment Inc.	(3,052,785)	Common Stock	-	-
TBA Transactions Long	Investment Inc.	6,624,925	LT Instruments	(345,116)	153,800,000
TBA Transactions Short	Investment Inc.	38,192	LT Instruments	-	-
Warrants	Investment Inc.	(64,071)	Common Stock	88,375	-
Grand Totals		6,923,090		590,076	

(1) Negative values (in brackets) refer to losses

(2) Negative values refer to liabilities

(3) Notional may be a dollar amount or size of underlying for futures and options, negative values refer to short positions

(4) Excl. futures margin payments

Note 5: Commitments

As of September 30, 2011, the District Retirement Funds have entered into investment funding commitments related to alternative investments to fund an additional $224 million at some future date.

Note 6: Actuarial Information

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

Note 6: Actuarial Information (Continued)

The funded status of each plan as of October 1, 2010, the most recent actuarial valuation date, is as follows:

($ in thousands)

Plan	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Ratio of AVA to AAL	Annual Covered Payroll	UAAL as a % of Annual Covered Payroll
Teachers	$1,570,968	$1,328,299	$(242,669)	118.3%	$337,516	-71.90%
Fire & Police	3,418,796	3,166,830	(251,966)	108.0%	423,854	-59.45%

The funded status of each plan as of October 1, 2009 is as follows:

($ in thousands)

Plan	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Ratio of AVA to AAL	Annual Covered Payroll	UAAL as a % of Annual Covered Payroll
Teachers	$1,445,000	$1,304,500	$(140,500)	110.8%	$336,600	-41.74%
Fire & Police	3,048,400	3,027,900	(20,500)	100.7%	436,100	-4.70%

*As of the date of the audit report, the latest actuarial valuation available was as of October 1, 2010.

Fiscal year 2011 employer contributions required and contributions made are as follows:

($ in thousands)

	Based on Actuarial Valuation Date October 1	Annual Required Contribution	Percentage Contributed
Teachers	2009	$ -	N/A
Fire and Police	2009	127,200	100.0%

Fiscal year 2010 employer contributions required and contributions made are as follows:

($ in thousands)

	Based on Actuarial Valuation Date October 1	Annual Required Contribution	Percentage Contributed
Teachers	2008	$ -	N/A
Fire and Police	2008	132,300	100.0%

The calculation of the actuarial value of assets includes a smoothing of investment gains and losses over a seven year period. For the year ended September 30, 2011 and 2010 the District Retirement Funds experienced an investment gain of 2.9% and 10.6%, respectively. The difference between these investment gains and the assumed rate of 7% will be recognized over the next seven years and will have an impact on the funding ratio in the future.

See Required Supplementary Information (RSI) on page 44 for a 6-year schedule of employer contributions.

*As of the date of the audit report, the latest actuarial valuation available was as of October 1, 2010.

Note 6: Actuarial Information (Continued)

The funding progress and employer contribution information presented above and the employer contribution information in the RSI schedule were determined as part of the actuarial valuations at the date indicated. The following is additional information for the District Retirement Funds as of the valuation date October 1:

	2010*	2009
Actuarial cost method for contributions	Aggregate	Aggregate
Actuarial cost method for accrued liabilities	Entry Age Normal	Entry Age Normal
Amortization method	Not applicable	Not applicable
Remaining amortization period	Not applicable	Not applicable
Asset valuation method	7 year smoothed market return	7 year smoothed market return
Actuarial assumptions:		
Investment rate of return	7.00%	7.00%
Projected salary increases:		
Police Officers and Fire Fighters	5.25-9.75%	4.80-10.00%
Teachers	4.95-8.75%	5.00-8.90%
Includes inflation at	4.25%	4.25%
Cost-of-living adjustments (COLAs)	4.25%	4.25%
COLAs for members hired on or after November 10, 1996	Limited to 3.00%	Limited to 3.00%

Note 7: Employer Contribution Receivable

During the fiscal year 2007, the Board's actuary was engaged by the District of Columbia Public Schools 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 actuary used the Entry Age Normal method to estimate the amount receivable from the District of Columbia. The total actuarial impact including interest through October 1, 2011 is estimated to be approximately $9,000,000. The District of Columbia has accrued for this amount in its government-wide financial statements as of September 30, 2011. The Board and the District of Columbia agreed to amortize this balance over three years with payments to begin in fiscal year 2010. As of September 30, 2011 and 2010 the balance was $3,000,000 and $5,609,000, respectively. The final payment of $3 million was received on October 30, 2011.

*As of the date of the audit report, the latest actuarial valuation available was as of October 1, 2010.

Schedule of Funding Progress

($ in millions)

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

Teachers' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets	EAN Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percent of Payroll
10/1/2005	1,104.6	-	-	-	-	-
10/1/2006	1,230.0	1,106.0	(124.0)	111.2%	316.2	-39.2%
10/1/2007	1,396.0	1,251.3	(144.7)	111.6%	338.8	-42.7%
10/1/2008	1,447.6	1,338.0	(109.6)	108.2%	359.1	-30.5%
10/1/2009	1,445.0	1,304.5	(140.5)	110.8%	336.6	-41.7%
10/1/2010	1,571.0	1,328.3	(242.7)	118.3%	337.5	-71.9%

Police Officers and Firefighters' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets	EAN Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percent of Payroll
10/1/2005	1,933.6	-	-	-	-	-
10/1/2006	2,252.6	2,459.0	206.4	91.6%	329.6	62.6%
10/1/2007	2,672.9	2,647.3	(25.6)	101.0%	354.4	-7.2%
10/1/2008	2,932.1	2,938.8	6.7	99.8%	421.8	1.6%
10/1/2009	3,048.4	3,027.9	(20.5)	100.7%	436.1	-4.7%
10/1/2010	3,418.8	3,166.8	(252.0)	108.0%	423.9	-59.4%

*As of the date of the audit report, the latest actuarial valuation available was as of October 1, 2010.

Schedule of Employer Contributions
($ in thousands)

Teacher's Retirement Fund

Fiscal Year	Annual Required Contributions	Percentage Contributions
2011	$ -	100%
2010	-	100%
2009	-	100%
2008	6,000	100%
2007	14,600	100%
2006	16,500	100%

Police Officers and Firefighter's Retirement Fund

Fiscal Year	Annual Required Contributions	Percentage Contributions
2011	$127,200	100%
2010	132,300	100%
2009	106,000	100%
2008	137,000	100%
2007	140,100	100%
2006	117,500	100%

Schedule of Administrative Expenses

	2011	2010
Personnel Services		
Salaries	$3,906,824	$3,262,848
Fringe benefits	1,030,165	907,006
Total personnel services	4,936,989	4,169,854
Non-personnel services		
Professional services:		
Legal counsel	30,198	36,902
Auditing services	63,500	66,000
Actuarial services	163,731	107,573
Investment advisors and consultants	10,907,200	12,233,789
Consultants and contracts	2,867,022	2,329,026
Office supplies	166,396	119,814
Telephone	14,274	12,696
Rent	1,444,127	1,418,772
Office support	67,712	113,747
Travel	38,063	45,397
Printing	35,408	34,867
Insurance	128,637	130,761
Postage	37,641	9,880
Dues and membership	37,201	51,136
Depreciation	6,328	6,328
Furniture and equipment	733,918	65,075
Total non-personnel services	16,741,356	16,781,763
Total administrative expenses	21,678,345	20,951,617
Investment expenses	(12,115,448)	(13,478,613)
Net administrative expenses	$9,562,897	$7,473,004

Schedule of Investment Expenses

	2011	2010
Investment managers*	$10,621,784	$11,979,562
Investment administrative expense	873,896	789,928
Investment consultants	334,353	454,896
Investment custodian	285,415	254,227
Total investment expenses	$12,115,448	$13,478,613

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

Schedule of Payments to Consultants

Professional/Consultant	Nature of Service	2011	2010
Administrative Consultants			
U.S. Treasury Office of D.C. Pensions	Benefit payment processing	$784,705	$633,222
L.R. Wechsler, LTD	Information technology consulting	351,910	-
RSM McGladrey, Inc.	Financial system implementation consulting	196,941	-
NGEN, LLC	Information technology consulting	188,668	122,743
Cavanaugh Macdonald Consulting	Actuarial services	163,731	32,780
Morgan, Lewis & Brokius	Legal counsel	108,628	33,534
EDAC Systems, Inc.	Information technology consulting	100,843	11,744
Newlin LLC	Accounting & audit consulting	97,122	115,588
Robert Half International, Inc.	Information technology consulting	97,020	142,443
Williams & Connolly, LLP	Legal counsel	85,113	-
Clifton Gunderson	Financial audit	63,500	66,000
HCL America, Inc.	Information technology consulting	54,335	49,034
Sapphire Technologies, LP	Information technology consulting	53,000	-
Tony Phan	Information technology consulting	48,160	-
Seaprompt Corporation	Information technology consulting	48,108	-
NetX Information Systems, Inc.	Information technology consulting	47,400	-
PRM Consulting, Inc.	Human resource consulting	40,400	-
Groom Law Group	Legal counsel	35,023	22,900
True Ballot, Inc	Board elections	23,079	-
Nupulse Technologies, Inc.	Information technology consulting	17,197	12,097
Cooperative Personnel Service	Human resource consulting	13,110	6,035
Icore Networks, Inc.	Telephone implementation consulting	11,000	-
HBP, Inc.	Graphic design for publications	10,805	7,648
AES Electrical, Inc.	Electrical systems consulting	8,418	283
DLT Solutions	Information technology consulting	7,410	5,894
Buch Construction, Inc.	Building improvement	4,356	17,917
Graves, Horton, Askew & Johns	Legal counsel	2,373	14,003
MTG Management Consultants LLC	Information technology consulting	-	645,598
EFI Actuaries	Actuarial services	-	74,793
Efusion Consulting, LLC	Information technology consulting	-	28,000
Oldaker, Belair & Wittie, LLP	Legal counsel	-	27,810
Projility, Inc.	Information technology consulting	-	20,000
AON Consulting	Insurance consulting	-	8,000
Total administrative consultants		2,662,355	2,114,201
Investment Consulting			
Meketa Investment Group	Traditional investment consulting	190,000	73,333
The Townsend Group	Traditional investment consulting	88,641	140,000
Cliffwater, LLC	Traditional investment consulting	36,962	-
Plexus Group	Traditional investment consulting	18,750	25,000
Watson Wyatt & Company	Traditional investment consulting	-	216,563
Total investment consultants		334,353	454,896
Total payments to consultants		$2,996,708	$2,569,097

Investment Section

Report on Investment Activity

Prepared by Sheila Morgan-Johnson
Chief Investment Officer

Introduction

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

DCRB retains the services of investment consultants to advise on asset allocation strategy and management selection and external investment managers to prudently invest the assets of the Fund. Each investment manager is accorded full discretion, within general and specific investment manager policy guidelines, to select and time purchase and sale transactions and to appropriately diversify assets.

Investment Objectives and Policies

The Board targets investment returns that meet or exceed the actuarial investment assumption at a level of risk commensurate with the expected levels of return and consistent with prudent investment practices. The assumed actuarial investment rate is currently set at 7.0%, net of investment management fees and administrative expenses. In addition to exceeding the actuarial return target over the long term, a secondary return objective is to exceed the annualized total return of the Board's strategic asset allocation benchmark (the Policy Benchmark). As of September 30, 2011, the Policy Benchmark comprised the following:

Asset Class	Performance Benchmark	Weight
U.S. Fixed Income	Barclays Capital U.S. Universal Index	25%
U.S. Equities	Russell 3000 Index	22%
International Developed Markets Equities	MSCI World Index ex-U.S. (Net)	20%
Emerging Markets Equities	MSCI Emerging Markets Index (Net)	8%
Absolute Return	1-Month LIBOR	10%
Private Equity	Cambridge Associates U.S. Private Equity Index	8%
Real Estate	80% NCREIF NFI-ODCE Index / 20% Wilshire Real Estate Securities Index	5%
Infrastructure	Barclays Capital U.S. Universal Index	2%

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

FY 2011 Global Market Review

Following the U.S. Federal Reserve's announcement of a second round of quantitative easing (QE2) in August 2010, the global capital markets experienced mixed results towards the end of 2010. While equity markets enjoyed gains, bond markets were less impressed with the Fed's second round of stimulus. Several major geopolitical disruptions during the first half of 2011, including the political crises in the Middle East, a catastrophic natural disaster in Japan, and the continuing debt crisis in the Euro zone, lead investors to a renewed sense of uncertainty. However, asset prices were only minimally impacted in the midst of high market volatility. During the fourth quarter of FY 2011, the political gridlock over the debt ceiling in Washington prompted investors to shift from risky assets to perceived safe-havens such as the Swiss Franc and gold. In August 2011, the first-ever

U.S. credit downgrade as well as stagnating unemployment and weak growth figures further increased the negative market sentiment. Meanwhile, in Europe, the speculation around Greece's default further raised market uncertainty and further undermined investors' confidence as global markets took a turn for the worse.

During FY 2011, the Russell 3000 Index, an index measuring the performance of the 3,000 largest U.S. companies and representing approximately 98% of the investable U.S. equity market, increased 0.6%. International developed markets equities, as measured by the MSCI World Index ex U.S., declined 9.1% in U.S. dollar terms. Emerging market equities fell 16.2% in U.S. dollar terms. The Barclays Capital U.S. Aggregate Bond Index, a broad measure of U.S. bond markets, appreciated 5.3%. The Cambridge Associates Private Equity Index, an index of U.S. buyout and venture capital fund performance, rebounded by 24.6% while the NCREIF National Property Index, measuring private real estate returns, rose 16.1%.

FY 2011 Investment Results

As of September 30, 2011, the Fund's total assets were $4.5 billion after the payment of all benefits and all other administrative expenses, an increase of approximately $200 million compared to the prior fiscal year end. During FY 2011, the Fund generated a gross return of 2.9%, outperforming the Policy Benchmark by 0.8%. The relative outperformance of the Absolute Return and Private Equity investments was partially offset by sub-par returns in other asset classes and the cash overweight. Since its inception in October 1982, the Fund has outperformed the 7.0% actuarial return target by 1.9% per annum, gross of fees.

Presented in the table on the following page are the gross returns for the Fund and for each asset class over the one, three, five, and ten-year time periods as of September 30, 2011. The returns were calculated by the Board's custodian bank, State Street, and are time-weighted in conformance with the CFA Institute's Global Investment Performance Standards (GIPS). Benchmark returns are presented below each asset class for relative performance comparison purposes.

Asset Allocation

In February 2011, the Board modified the strategic asset allocation targets to further enhance the Fund's diversification. In addition, the Board approved a new manager structure which has shifted a significant portion of Fund assets from active to passive investment strategies to reduce investment expenses. The current targets and actual allocations are as follows:

Asset Class	Target Allocation	Allowable Range	Actual Allocation 9/30/2011
Cash and Cash Equivalents	0%	0-5%	1%
Fixed Income	25%	16-34%	28%
U.S. Investment Grade Bonds	*15%*	*10-20%*	*21%*
Foreign Bonds	*2%*	*1-3%*	*1%*
Emerging Markets Bonds	*2%*	*1-3%*	*0%*
High-Yield Bonds	*3%*	*2-4%*	*2%*
U.S. TIPS	*3%*	*2-4%*	*3%*
Public Equities	50%	40-60%	48%
U.S. Equities	*22%*	*18-26%*	*24%*
International Developed Markets Equities	*20%*	*16-24%*	*18%*
Emerging Markets Equities	*8%*	*6-10%*	*7%*
Alternative Investments	25%	-	23%
Absolute Return	*10%*	-	*7%*
Private Equity	*8%*	-	*10%*
Real Estate	*5%*	-	*5%*
Infrastructure	*2%*	-	*2%*

During FY 2012, the Board will conduct searches for dedicated emerging market debt, foreign bond, and high-yield bond managers, which will move the Fund's actual allocation further in line with the new targets. In addition, the Board will work to establish target ranges for alternative investments (absolute return, private equity, real estate, and infrastructure) by the end of FY 2012.

Report on Investment Activity

In August 2011, the Board retained Cliffwater LLC as its first real assets investment consultant. Cliffwater is currently working with the Board to establish a real assets investment policy and guidelines for the implementation of the program. As a result, the Board's target allocations for real estate and infrastructure may change during FY 2012.

During FY 2011, the Board made the following changes to the manager structure:

Terminations

- EACM Advisors
- Goldman Sachs Asset Management
- Mazama Capital Management
- LSV Asset Management
- McKinley Capital Management
- Sound Shore
- Thompson Siegel & Walmsley

Changes in Mandates

- Alliance Bernstein
- SSgA

Additions

- BlackRock

Gross Annualized Returns

Asset Class	1-Year	3-Year	5-Year	10-Year
Total Fund	2.9%	3.5%	1.5%	5.0%
Total Fund Benchmark[1]	2.1%	4.0%	2.4%	6.0%
Cash and Cash Equivalents	0.3%	0.6%	2.7%	2.6%
3-month U.S. Treasury Bills	0.1%	0.2%	1.7%	2.0%
U.S. Fixed Income	4.9%	8.7%	6.0%	6.1%
Barclays Capital U.S. Universal Index	4.8%	8.2%	6.4%	5.6%
U.S. Equities	0.5%	1.8%	-1.0%	3.5%
Russell 3000 Index	0.6%	1.5%	-0.9%	3.5%
International Developed Markets Equities	-9.5%	2.5%	-1.1%	5.8%
MSCI World Index ex U.S.(net)	-9.7%	0.9%	-1.3%	6.1%
Absolute Return	24.3%	18.8%	12.8%	n/a
1-Month LIBOR	0.2%	0.4%	2.0%	n/a
Private Equity	25.8%	4.8%	6.7%	3.9%
60% Cambridge Associates U.S. Private Equity Index	24.7%	5.4%	10.5%	11.5%
Real Estate	12.7%	-12.0%	-5.3%	0.5%
80% NCREIF ODCE Index / 20% Wilshire U.S. Real Estate Securities Index[2]	15.2%	0.8%	3.7%	8.0%
Infrastructure	17.9%	9.5%	n/a	n/a
Barclays Capital U.S. Universal Index	4.8%	8.2%	n/a	n/a

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

2 Prior to 10/01/2009, 80% NCREIF Property Index, 20% Wilshire U.S. Real Estate Securities Index. Prior to 4/1/06, NCREIF Property Index.

Note: All returns are time-weighted rates of return.

List of Largest Assets Held

Top 10 Public Equity Holdings
As of September 30, 2011

Rank	Security Name	Shares	Market Value
1	APPLE INC	82,746	$31,541,120
2	EXXON MOBIL CORP	337,019	$24,477,690
3	INTL BUSINESS MACHINES CORP	82,828	$14,497,385
4	AMAZON.COM INC	64,200	$13,881,966
5	GOOGLE INC CL A	25,527	$13,130,578
6	CHEVRON CORP	137,589	$12,729,734
7	MICROSOFT CORP	507,742	$12,637,698
8	PROCTER + GAMBLE CO/THE	190,985	$12,066,432
9	JOHNSON + JOHNSON	187,513	$11,946,453
10	AT+T INC	405,210	$11,556,589

Top 10 Fixed Income Holdings
As of September 30, 2011

Rank	Security Name	Quality Rating	Par Value	Interest Rate	Maturity Date	Market Value
1	US TREASURY N/B	U.S. Gov't	$40,700,000	3.125%	5/15/2021	$45,173,744
2	FNMA OCT TBA TBAXXX	AA+	$33,600,000	4.000%	12/1/2099	$35,217,168
3	FNMA TBA OCT 30 YR SINGLE FA	AA+	$24,900,000	3.500%	12/1/2099	$25,580,766
4	FNMA TBA OCT 30 SINGLE FAM	AA+	$21,900,000	4.500%	12/1/2099	$23,231,082
5	FNMA TBA OCT 30 SINGLE FAM	AA+	$14,000,000	5.000%	12/1/2099	$15,058,820
6	US TREASURY N/B	U.S. Gov't	$11,750,000	3.750%	8/15/2041	$13,679,585
7	FNMA POOL 725423	AA+	$12,421,513	5.500%	5/1/2034	$13,577,087
8	FHLMC GOLD TBA OCT 30YTBAXXX	AA+	$11,000,000	4.000%	12/1/2099	$11,512,160
9	US TREASURY N/B	U.S. Gov't	$10,780,000	2.250%	7/31/2018	$11,376,242
10	US TREASURY N/B	U.S. Gov't	$10,825,000	1.500%	7/31/2016	$11,115,976

Schedule of Fees and Commissions

During FY 2011, the Board paid the following fees and commissions:

Expense Category	Amount	Basis points
Investment Managers*	$10,621,784	23.8
Investment Consultants	$334,353	0.8
Investment Custodian	$285,415	0.6
Brokerage Commissions**	$1,748,949	3.9

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

** Includes separate account relationships only.

Investment Summary

Asset Class	Market Value $(000)	% of Fund
Cash and Cash Equivalents	$44,978,463	1.0%
Fixed Income	$1,232,485,221	27.6%
U.S. Equities	$1,057,113,146	23.7%
International Developed Markets Equities	$813,821,694	18.2%
Emerging Markets Equities	$296,215,046	6.6%
Absolute Return	$294,189,292	6.6%
Private Equity	$438,418,297	9.8%
Real Estate	$210,127,926	4.7%
Infrastructure	$79,361,786	1.8%
Total	$4,466,710,871	100.0%

Actuarial Section

Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

December 22, 2011

Board Members
District of Columbia Retirement Board
900 7th Street NW, Suite 200
Washington, DC 20001

RE: Actuarial Certification of October 1, 2011 Valuation for D.C. Retirement Board

Dear Board Members:

Cavanaugh Macdonald Consulting, LLC, under contract with the District of Columbia Retirement Board (DCRB), performed actuarial valuations of the D.C. Police Officers' and Fire Fighters' Retirement Plan and the D.C. Teachers' Retirement Plan as of October 1, 2011. The date of the most recent valuation prior to this was October 1, 2010. Valuations are conducted annually for DCRB. In this study, we relied on participant and financial data supplied by DCRB staff, the D.C. Office of Pay and Retirement Services, and the U.S. Department of the Treasury. We examined such data for reasonableness and consistency.

Actuarial funding is based on the Aggregate Cost 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.

The funding objective of the Plan is to establish contribution rates that, over time, are likely to remain relatively level as a percentage of payroll. For actuarial valuation purposes, Plan assets are determined at Actuarial Value, recognizing one-seventh of the difference between the expected actuarial value and the actual end of year market value of assets. The purpose of this is to smooth contributions, allowing investment gains and losses to offset each other over time.

We recently completed an experience investigation of the demographic and economic experience of the Plan for the years 2006 through 2010. Recommended assumptions based on those results were presented to the Board on October 20, 2011, and approved for use in the October 1, 2011 and later valuations. The assumptions produce results that, in the aggregate, reasonably approximate the anticipated future experience of the Plan. The next experience analysis is expected to cover the years 2010 through 2014.

We provided most of the information used in the supporting schedules in the Actuarial and Statistical Sections, as well as the Schedule of Funding Progress and the employer contributions shown in the Schedule of Employer Contributions in the Financial Section. The historical information is for years prior to our tenure with DCRB. We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, the assumptions and methods used for funding purposes meet the parameters of the Governmental Accounting Standards Board Statement No. 25.

The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in the subject valuation report.

Respectfully Submitted,

Thomas J. Cavanaugh

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

Edward J. Koebel

Edward J. Koebel, EA, FCA, MAAA
Principal and Consulting Actuary

TJC/EJK:kc

3550 Busbee Pkwy, Suite 250, Kennesaw, GA 30144
Phone (678) 388-1700 • Fax (678) 388-1730
www.CavMacConsulting.com
Offices in Englewood, CO • Kennesaw, GA • Hilton Head Island, SC

Outline of Actuarial Assumptions and Methods

Valuation Date: All assets and liabilities are computed as of October 1, 2011. Demographic information was collected as of June 30, 2011.

Investment rate of return: 7.00% per annum, compounded annually (net of administrative expenses).

Inflation Assumption: 4.25% per year.

Payroll Growth Assumption: 4.75% per year.

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

Actuarial Method for Contributions: Aggregate Cost Method.

Actuarial Method for Accrued Liabilities: Entry Age Normal Cost Method.

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

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

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

Cost of Living Adjustment: The cost of living as measured by the Consumer Price Index (CPI) will increase at the rate of 4.25% per year.

Teachers

Salary Increases: Representative values of the assumed annual rates of future salary increases are as follows and include inflation at 4.75% per annum:

	Pay Increase Assumptions for an Individual Member		
Years of Service	Merit & Seniority	Inflation & Productivity (Economy)	Total Increase (Next Year)
5	4.00%	4.75%	8.75%
10	3.00	4.75	7.75
15	0.50	4.75	5.25
20	0.20	4.75	4.95
25	0.20	4.75	4.95
30	0.20	4.75	4.95
35	0.20	4.75	4.95

Separations from Active Service: Representative values of the assumed annual rates of withdrawal, service retirement, and disability are shown in the following tables:

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

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

Police Officers

Salary Increases: Police Officers are assumed to receive a longevity increase of 5%, 10%, 15%, and 20% applied to individual base pay after 15, 20, 25, and 30 years of service. These are approximated by increases of 3.5% to final average salary. Representative values of the assumed annual rates of future salary increases are as follows and include inflation at 4.75% per annum:

	Pay Increase Assumptions for an Individual Member		
Years of Service	**Merit & Seniority**	**Inflation & Productivity (Economy)**	**Total Increase (Next Year)**
5	3.56%	4.75%	8.31%
10	2.58	4.75	7.33
15	2.31	4.75	7.06
20	2.50	4.75	7.25
25	1.10	4.75	5.85
30	0.50	4.75	5.25
35	0.00	4.75	4.75

Separations from Active Service: Representative values of the assumed annual rates of withdrawal, service retirement, and disability are shown in the following tables:

	Percent of Members Separating Within the Next Year					
	Withdrawal (3 years of service & up)[1]		**Disability Retirement[2]**			
Sample Ages	**Males**	**Females**	**Males**	**Females**	**Years of Service**	**Service Retirement[3]**
20	6.00%	2.50%	0.02%	0.04%	20	12.5%
25	6.00	2.50	0.05	0.08	25	22.0
30	4.30	3.50	0.10	0.12	30	15.0
35	2.50	2.00	0.22	0.28	35	20.0
40	1.80	1.50	0.25	0.40	40	20.0
45	1.30	1.30	0.30	0.62		
50	1.30	1.30	0.40	0.70		
55	1.30	1.30	0.60	0.75		
60	0.00	0.00	0.80	0.90		

[1] Members of any age with less than 3 years of service have a 10% withdrawal assumption.
[2] It is assumed that 75% of the disabilities are due to accidents in the line of duty and the "percent of disability" is assumed to be 100%.
[3] 100% of active members are assumed to retire at age 65, regardless of service.

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

Disabled Retiree Mortality

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

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

Firefighters

Salary Increases: Representative values of the assumed annual rates of future salary increases are as follows and include inflation at 4.75% per annum:

	Pay Increase Assumptions for an Individual Member		
Years of Service	**Merit & Seniority**	**Inflation & Productivity (Economy)**	**Total Increase (Next Year)**
5	2.50%	4.75%	7.25%
10	2.50	4.75	7.25
15	2.50	4.75	7.25
20	2.50	4.75	7.25
25	2.50	4.75	7.25
30	2.50	4.75	7.25
35	2.50	4.75	7.25

Separations from Active Service: Representative values of the assumed annual rates of withdrawal, service retirement, and disability are shown in the following tables:

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

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

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

Disabled Retiree Mortality

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

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

District of Columbia Teachers' Retirement Plan

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

Definitions

Affiliated Employers
District of Columbia Public Schools, Public Charter Schools

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

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

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

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

Contributions

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

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

Service Retirement

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

Members hired before November 1, 1996

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

Members hired on and after November 1, 1996

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

Benefit
For members hired before November 1, 1996:

- 1.5% of Average Salary times service up to 5 years, plus
- 1.75% of Average Salary times service between 5 and 10 years, plus
- 2.0% of Average Salary times service over 10 years.

For members hired on or after November 1, 1996:

- 2.0% of Average Salary times years of service.

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

Involuntary Service Retirement

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

All Members, regardless of date of hire

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

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

Disability Retirement

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

Benefit
Same as Service Retirement benefit. Minimum benefit is the lesser of a) or b):

a) 40% of Average Salary

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

Survivor Benefits

Lump Sum

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

Benefit
Refund of member contributions.

Spouse or Domestic Partner Only

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

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

a) 55% of 40% of Average Salary

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

Spouse or Domestic Partner & Dependent Children

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

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

a) 55% of 40% of Average Salary

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

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

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

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

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

Dependent Children Only

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

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

a) 75% of Average Salary divided by the number of eligible children
b) $7,356* (if hired before 1/1/1980), $7,092* (if hired between 1/1/1980 and 10/31/1996), or $6,912* (if hired on or after 11/1/1996) per child

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

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

Parents Only

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

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

a) 55% of 40% of Average Salary

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

Deferred Vested Retirement

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

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

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

a) Reduced Annuity with a Maximum Survivor Annuity (to Spouse or Domestic Partner)
Reduced benefit paid to member so that upon member's death, the spouse or domestic partner will receive 55% of the unreduced normal life annuity. Member's benefit is reduced by 2.5% of retirement benefit, up to $3,600, plus 10% of any retirement benefit over $3,600.

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

c) Reduced Annuity with a Life Insurance Benefit
Member elects a life insurance amount, payable in a lump sum to designated beneficiary upon member's death.

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

Cost of Living Adjustment

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

For members hired on or after November 1, 1996, the cost of living increase is limited to 3% per year.

District of Columbia Police Officers & Firefighters' Retirement Plan

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

Definitions

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

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

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

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

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

Contributions

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

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

Service Retirement

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

Members hired before November 10, 1996

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

Members hired on and after November 10, 1996

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

Benefit
For members hired before November 10, 1996:

- 2.5% of Average Salary times departmental service up to 25 years (20 years if hired before 2/15/1980), plus
- 3.0% of Average Salary times departmental service over 25 years (or 20), plus
- 2.5% of Average Salary times purchased or credited service.

For members hired on or after November 10, 1996:

- 2.5% of Average Salary times total service.

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

Service-Related Disability Retirement

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

Benefit
For members hired before February 15, 1980:

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

For members hired on or after February 15, 1980:

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

Nonservice-Related Disability Retirement

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

Benefit
For members hired before February 15, 1980:

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

For members hired on or after February 15, 1980:

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

Survivor Benefits

Lump Sum

Eligibility
Death before retirement without an eligible spouse or child.

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

Lump Sum- Death in Line of Duty

Eligibility
Death occurring in the line of duty, not resulting from willful misconduct.

Benefit
$50,000

Spouse Only-Death in Line of Duty

Eligibility
Member killed in line of duty, after December 29, 1993.

Benefit
100% of final pay.

Spouse Only - Death Not in Line of Duty

Eligibility
Member death, not in line of duty, after December 29, 1993. If retired, must be married for at least one year or have a child by the marriage.

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

a) Average Salary

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

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

Spouse & Dependent Children

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

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

a) Average Salary

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

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

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

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

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

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

Dependent Children Only

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

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

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

Deferred Vested Retirement

Eligibility
Active members with five or more years of departmental service.

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

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

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

Cost of Living Adjustments

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

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

Schedule of Active Member Valuation Data ($ in thousands)

District of Columbia Teachers' Retirement Plan

Valuation Date	Number	Annual Payroll	Annual Average Pay	% increase in Average Pay
October 1, 2011	4,747	$384,455	$81	13.96%
October 1, 2010	4,749	337,516	71	-2.85%
October 1, 2009	4,601	336,600	73	-1.78%
October 1, 2008	4,821	359,100	74	49.84%
October 1, 2007	5,027	249,900	50	-21.52%
October 1, 2006	5,088	322,300	63	10.96%
October 1, 2005	5,707	325,800	57	-6.27%
October 1, 2004	5,564	338,900	61	10.34%

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

Valuation Date	Number	Annual Payroll	Annual Average Pay	% increase in Average Pay
October 1, 2011	3,775	$292,785	$78	2.29%
October 1, 2010	3,915	296,837	76	-2.05%
October 1, 2009	4,014	310,700	77	0.78%
October 1, 2008	3,928	301,700	77	13.12%
October 1, 2007	3,844	261,000	68	1.52%
October 1, 2006	3,747	250,600	67	1.96%
October 1, 2005	3,741	245,400	66	18.13%
October 1, 2004	3,726	206,900	56	0.10%

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

Valuation Date	Number	Annual Payroll	Annual Average Pay	% increase in Average Pay
October 1, 2011	1,786	$128,436	$71	1.51%
October 1, 2010	1,793	127,017	70	0.22%
October 1, 2009	1,774	125,400	70	2.08%
October 1, 2008	1,733	120,000	69	7.10%
October 1, 2007	1,706	110,300	64	-2.83%
October 1, 2006	1,509	100,400	66	4.94%
October 1, 2005	1,481	93,900	63	14.14%
October 1, 2004	1,460	$81,100	55	1.61%

Schedule of Retirants and Beneficiaries Added to and Removed from Rolls ($ in thousands)

		New Members Added		Members Removed			Rolls at End of Year			
Fiscal Year Ended	Plan	Number	Annual Allowances	Number	Annual Allowances	Changes due to Plan Amendments	Number	Annual Allowances	Percentage Increase in Annual Allowances	Average Annual Allowances
9/30/2011	Teachers	226	$4,374	37	$490	$497	3,130	$41,996	12.73%	$13
	Fire/Police	326	6,847	32	238	205	1,856	35,530	23.72%	19
9/30/2010	Teachers	203	4,225	32	337	1,489	2,941	37,254	16.76%	13
	Fire/Police	127	3,511	24	208	3,003	1,552	28,717	27.04%	19
9/30/2009	Teachers	406	7,361	27	281	(70)	2,770	31,907	28.16%	12
	Fire/Police	193	2,639	108	2,727	(563)	1,449	22,605	-2.80%	16
9/30/2008	Teachers	63	939	36	193	429	2,391	24,897	4.95%	10
	Fire/Police	78	5,349	28	133	(1,229)	1,364	23,257	20.69%	17
9/30/2007	Teachers	230	3,564	41	241	2,879	2,364	23,721	35.40%	10
	Fire/Police	153	3,180	45	171	2,476	1,314	19,270	39.78%	15
9/30/2006	Teachers	199	2,935	39	262	582	2,175	17,520	22.82%	8
	Fire/Police	166	2,892	15	68	550	1,207	13,786	32.40%	11
9/30/2005	Teachers	274	3,714	22	109	412	2,015	14,264	39.20%	7
	Fire/Police	97	1,814	23	87	413	1,056	10,412	25.89%	10
9/30/2004	Teachers	383	3,433	96	226	43	1,763	10,247	46.44%	6
	Fire/Police	173	1,864	485	778	354	982	8,271	21.07%	8

Teacher's Retirement Plan

Gains & Losses in Accrued Liabilities
Resulting from Difference Between Assumed Experience & Actual Experience

($ in millions)

Type of Activity	$ Gain (or Loss) For Year Ending 10/01/2011
Age & Service Retirements. If members retire at older ages, there is a gain. If younger ages, a loss.	$22.6
Disability Retirements. If disability claims are less than assumed, there is a gain. If more claims, a loss.	0.1
Death-in Service Benefits. If survivor claims are less than assumed, there is a gain. If more claims, there is a loss.	(0.5)
Withdrawal From Employment. If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	11.0
Pay Increases. If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	(89.9)
New Members. Additional unfunded accrued liability will produce a loss.	(18.7)
Investment Income. If there is a greater investment income than assumed, there is a gain. If less income, a loss.	(87.8)
Death After Retirement. If retirants live longer than assumed, there is a loss. If not as long, a gain.	1.8
Other. Miscellaneous gains and losses resulting from changes in valuation software, data adjustments, timing of financial transactions, etc.	(34.0)
Gain (or Loss) During Year From Financial Experience	$(195.4)
Non-Recurring Items. Adjustments for plan amendments, assumption changes, or method changes.	(23.2)
Composite Gain (or Loss) During Year	$ (218.6)

Police Officers' and Firefighters' Retirement Plan

Gains & Losses in Accrued Liabilities
Resulting from Difference Between Assumed Experience & Actual Experience
($ in millions)

Type of Activity	$ Gain (or Loss) For Year Ending 10/01/2011
Age & Service Retirements. If members retire at older ages, there is a gain. If younger ages, a loss.	$38.7
Disability Retirements. If disability claims are less than assumed, there is a gain. If more claims, a loss.	28.4
Death-in Service Benefits. If survivor claims are less than assumed, there is a gain. If more claims, there is a loss.	2.3
Withdrawal From Employment. If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	22.8
Pay Increases. If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	112.3
New Members. Additional unfunded accrued liability will produce a loss.	(11.9)
Investment Income. If there is a greater investment income than assumed, there is a gain. If less income, a loss.	(193.8)
Death After Retirement. If retirants live longer than assumed, there is a loss. If not as long, a gain.	1.9
Other. Miscellaneous gains and losses resulting from changes in valuation software, data adjustments, timing of financial transactions, etc.	(44.4)
Gain (or Loss) During Year From Financial Experience	$(43.7)
Non-Recurring Items. Adjustments for plan amendments, assumption changes, or method changes.	69.5
Composite Gain (or Loss) During Year	$25.8

Accrued Liabilities Under Entry Age Normal Method

The table below shows the present value of the future District benefits, as well as the value of the District benefits accrued based on past service computed under the Entry Age Normal method, which assigns total liabilities to past service (accrued liabilities), current service (normal cost), and future service (future normal costs). The actuarial assumptions (demographic and economic) used for the calculations in the table below are the same as were used to determine the required contributions.

Present Value of Future District Benefits
As of October 1, 2011
($ in thousands)

	Teachers	Police	Fire	Total
Active Present Value of Future Benefits	$1,119,716	$2,957,002	$1,376,292	$5,453,010
Inactive Present Value of Future Benefits				
Service Retirees	$613,989	$277,638	$137,398	$1,029,025
Disabled Retirees	34,834	161,583	29,194	225,611
Beneficiaries	8,633	52,686	18,045	79,364
Terminations	61,428	23,967	8,124	93,249
Total Inactives	$718,884	$515,604	$192,761	$1,427,249
Total Present Value of Future Benefits	$1,838,600	$3,472,606	$1,569,053	$6,880,259

Accrued Liabilities for District Benefits
As of October 1, 2011
($ in thousands)

	Teachers	Police	Fire	Total
Actuarial Accrued Liability (AAL)	$1,554,864	$2,364,457	$945,368	$4,854,689
Actuarial Value of Assets (AVA)	$1,573,654	$2,576,153	$1,017,563	$5,167,370
Market Value of Assets (MVA)	$1,340,725	$2,248,044	$879,452	$4,468,221
AVA Funding Ratio (AVA/AAL)	101.86%	108.95%	107.64%	106.44%
MVA Funding Ratio (MVA/AAL)	86.79%	95.08%	93.03%	92.04%

Solvency Test

($ in thousands)

Valuation Date	Aggregate Accrued Liabilities For*: (1) Active Member Contributions	(2) Retirees, Survivors and Inactive Members	(3) Active Members (Employer Financed Portion)	Actuarial Value of Assets	Portion of Accrued Liabilities Covered by Actuarial Value of Assets: (1)	(2)	(3)
District of Columbia Teachers' Retirement Plan							
10/1/2006	$273,887	$624,110	$2,667,041	$3,482,600	100.0%	100.0%	100.0%
10/1/2007	303,059	805,475	2,790,093	4,068,900	100.0%	100.0%	100.0%
10/1/2008	332,834	851,489	3,092,491	4,379,700	100.0%	100.0%	82.5%
10/1/2009	335,481	995,361	3,001,587	4,493,400	100.0%	100.0%	80.4%
10/1/2010	136,055	622,253	569,991	1,570,968	100.0%	100.0%	97.6%
10/1/2011	138,874	718,884	687,107	1,573,654	100.0%	100.0%	70.3%
District of Columbia Police Officers and Firefighters' Retirement Plan							
10/1/2006	$273,887	$624,110	$2,667,041	$3,482,600	100.0%	100.0%	100.0%
10/1/2007	303,059	805,475	2,790,093	4,068,900	100.0%	100.0%	100.0%
10/1/2008	332,834	851,489	3,092,491	4,379,700	100.0%	100.0%	82.5%
10/1/2009	335,481	995,361	3,001,587	4,493,400	100.0%	100.0%	80.4%
10/1/2010	211,961	583,338	2,371,531	3,418,796	100.0%	100.0%	89.6%
10/1/2011	224,928	708,364	2,376,533	3,593,716	100.0%	100.0%	92.3%

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

Statistical Section

Introduction

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

Financial Trends

The financial trend schedules beginning on page 80 show financial information about the growth of DCRB's assets and provide a context for how DCRB's financial position has changed over the past 10 years. The financial trend schedules presented are:

- Changes of Net Assets
- Schedule of Investment Expenses
- Schedule of Administrative Expenses

Operating Information

The schedules beginning on page 88 provide data to further provide an understanding of the environment in which DCRB operates. The operating information presented include:

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

District of Columbia Teachers' Retirement Fund

($ in thousands)	2002	2003	2004
Additions			
Contributions:			
District Government	$-	$-	$-
District employees	25,374	26,047	26,283
Total Contributions	25,374	26,047	26,283
Net investment income/(loss)	(65,976)	121,326	102,890
Other income	-	-	-
Total Additions	(40,602)	147,373	129,173
Deductions			
Benefit payments	3,800	5,100	8,600
Refunds*	N.A.	N.A.	N.A.
Administrative expenses	989	978	942
Total Deductions	4,789	6,078	9,542
Changes in Net Assets	(45,391)	141,295	119,631
Net assets held in trust for pension benefits, beginning of year	778,754	733,363	874,658
Net assets held in trust for pension benefits, end of year	$733,363	$874,658	$994,289

*Refunds were included in Benefit Payments prior to 2009.

2005	2006	2007	2008	2009	2010	2011
$9,200	$15,500	$14,600	$6,000	$-	$-	$-
24,778	25,807	26,793	25,919	24,907	29,940	27,739
33,978	41,307	41,393	31,919	24,907	29,940	27,739
137,333	120,114	217,731	(259,309)	(37,875)	125,756	44,364
-	-	740	990	793	695	616
171,311	161,421	259,864	(226,400)	(12,175)	156,391	72,719
20,869	23,793	25,801	30,692	33,532	37,611	42,532
N.A.	N.A.	N.A.	N.A.	5,316	3,374	4,060
2,210	1,010	2,901	2,919	2,340	2,327	2,885
23,079	24,803	28,702	33,611	41,188	43,312	49,477
148,232	136,618	231,162	(260,011)	(53,363)	113,079	23,242
994,289	1,142,521	1,286,603	1,517,765	1,257,754	1,204,391	1,317,470
$1,142,521	$1,279,139	$1,517,765	$1,257,754	$1,204,391	$1,317,470	$1,340,712

District of Columbia Police Officers and Firefighters' Retirement Fund

($ in thousands)	2002	2003	2004
Additions			
Contributions:			
District Government	$74,600	$68,900	$96,700
District employees	19,390	19,867	20,847
Total Contributions	93,990	88,767	117,547
Net investment income/(loss)	(99,564)	180,790	165,374
Other income	-	-	-
Total Additions	(5,574)	269,557	282,921
Deductions			
Benefit payments	3,222	6,091	7,903
Refunds*	N.A.	N.A.	N.A.
Administrative expenses	1,445	1,501	1,537
Total Deductions	4,667	7,592	9,440
Changes in Net Assets	(10,241)	261,965	273,481
Net assets held in trust for pension benefits, beginning of year	1,093,821	1,083,580	1,345,545
Net assets held in trust for pension benefits, end of year	$1,083,580	$1,345,545	$1,619,026

*Refunds were included in Benefit Payments prior to 2009.

2005	2006	2007	2008	2009	2010	2011
$112,100	$117,500	$140,100	$137,000	$106,000	$132,300	$127,200
23,804	25,142	27,489	31,718	29,900	31,607	30,474
135,904	142,642	167,589	168,718	135,900	163,907	157,674
235,515	212,089	400,433	(516,438)	(58,228)	270,277	81,973
-	-	1,383	1,952	1,680	1,555	1,435
371,419	354,731	569,406	(345,768)	79,352	435,739	241,082
13,564	15,795	20,587	25,364	24,569	27,872	30,766
N.A.	N.A.	N.A.	N.A.	1,611	1,974	1,913
3,789	1,817	5,421	5,750	4,904	5,145	6,678
17,353	17,612	26,008	31,114	31,084	34,991	39,357
354,066	337,119	543,397	(376,882)	48,268	400,748	201,725
1,619,026	1,973,092	2,310,211	2,853,608	2,476,726	2,524,994	2,925,742
$1,973,092	$2,310,211	2,853,608	$2,476,726	$2,524,994	$2,925,742	$3,127,467

Statistical Section

Schedule of Investment Expenses

	2002	2003	2004	2005
Investment Managers*	4,523,435	$4,526,156	$6,017,494	$7,950,600
Investment Administrative Expenses	N.A.	N.A.	N.A.	N.A.
Investment Consultants	383,750	414,833	338,750	338,333
Investment Custodian	210,857	465,160	540,307	726,099
Total Investment Expenses	$5,118,042	$5,406,149	$6,896,551	$9,015,032

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

** Investment Administrative Expenses not included prior to 2007

2006	2007	2008	2009	2010	2011
$10,010,063	$11,585,638	$14,299,838	$10,675,572	$11,979,562	$10,621,784
N.A.	N.A.	650,278	735,424	789,928	873,896
347,917	380,516	494,500	531,241	454,896	334,353
822,081	957,515	485,384	319,107	254,227	285,415
$11,180,061	$12,923,669	$15,930,000	$12,261,344	$13,478,613	$12,115,448

	2002	2003	2004	2005
Personnel services				
Salaries	$910,952	$1,045,971	$1,138,702	$1,348,189
Fringe Benefits	121,085	147,123	160,101	206,533
Total Personnel Services	1,032,037	1,193,094	1,298,803	1,554,722
Non-Personnel Services				
Professional services:				
Legal Counsel	60,448	22,864	33,473	242,182
Auditing Services	49,168	46,182	46,182	48,532
Actuarial Services	35,610	25,225	51,661	46,799
Investment Advisors and Consultants	5,118,042	5,406,149	6,896,551	9,015,032
Consultants and Contracts	75,939	71,447	33,540	432,864
Office Supplies	78,214	97,326	95,279	143,955
Telephone		6,239	6,659	15,569
Rent	216,260	215,599	224,863	183,249
Office Support	-	38,336	37,494	9,584
Travel	71,947	75,791	87,641	111,396
Printing	12,544	16,859	13,977	33,297
Insurance	368,453	153,627	161,377	114,746
Postage	23,651	25,075	23,860	33,926
Dues and Membership	8,777	11,010	10,545	12,280
Depreciation		-	-	-
Furniture and Equipment	16,911	66,268	15,404	790,062
Total Non-Personnel Services	6,135,964	6,277,996	7,738,506	11,233,473
Total Administrative Expenses	$7,168,001	$7,471,090	$9,037,309	$12,788,195

2006	2007	2008	2009	2010	2011
$2,386,718	$2,314,202	$2,757,520	$2,888,707	$3,262,848	$3,906,824
380,237	417,026	504,836	716,247	907,006	1,030,165
2,766,955	2,731,228	3,262,356	3,604,954	4,169,854	4,936,989
208,123	199,219	341,083	246,282	36,902	30,198
51,620	54,371	98,053	66,000	66,000	63,500
46,149	78,084	100,197	92,796	107,573	163,731
11,180,061	12,923,669	12,392,908	11,138,012	12,233,789	10,907,200
1,421,340	3,103,663	2,763,644	2,371,368	2,329,026	2,867,022
101,676	117,832	130,619	119,979	119,814	166,396
33,771	20,603	32,673	16,791	12,696	14,274
1,012,781	1,196,975	1,282,134	1,378,513	1,418,772	1,444,127
214,813	184,963	101,728	60,080	113,747	67,712
87,815	96,054	89,320	66,767	45,397	38,063
56,167	40,579	56,551	19,110	34,867	35,408
117,213	57,259	119,921	110,853	130,761	128,637
46,516	36,163	54,721	73,262	9,880	37,641
13,270	15,228	17,007	59,861	51,136	37,201
-	-	-	18,278	6,328	6,328
200,286	72,501	99,779	62,990	65,075	733,918
14,791,601	18,197,162	17,680,338	15,900,942	16,781,763	16,741,356
$17,558,556	$20,928,390	$20,942,694	$19,505,896	$20,951,617	$21,678,345

District of Columbia Teachers' Retirement Fund

($ in thousands)

Fiscal Year	Employee Contribution	Employer Contribution	Securities Lending Income, Interest, & Dividends	Net Appreciation (Depreciation) in Fair Value of Investments	Securities Lending, Investment, and Administrative Expenses	Total
2011	$27,739	$-	$28,063	$20,320	($6,285)	$69,837
2010	29,940	-	57,523	72,809	(6,208)	154,064
2009	24,907	-	31,663	(64,382)	(6,703)	(14,515)
2008	25,919	6,000	44,433	(294,079)	(11,594)	(229,321)
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)

District of Columbia Police Officers and Firefighters' Retirement Fund

($ in thousands)

Fiscal Year	Employee Contribution	Employer Contribution	Securities Lending Income, Interest, & Dividends	Net Appreciation (Depreciation) in Fair Value of Investments	Securities Lending, Investment, and Administrative Expenses	Total
2011	$30,474	$127,200	$62,836	$28,101	$(14,207)	$234,404
2010	31,607	132,300	123,858	$156,515	(13,686)	430,594
2009	29,900	106,000	64,842	(112,327)	(13,967)	74,448
2008	31,718	137,000	90,333	(585,796)	(50,137)	(376,882)
2007	27,489	140,100	89,841	335,005	(49,038)	543,397
2006	25,142	117,500	83,495	148,175	(37,193)	337,119
2005	23,804	112,100	63,686	182,608	(28,132)	354,066
2004	20,847	96,700	41,696	129,427	(15,189)	273,481
2003	19,867	68,900	33,247	151,584	(11,633)	261,965
2002	19,390	74,600	35,226	(129,669)	(9,788)	(10,241)

District of Columbia Teachers' Retirement Fund

($ in thousands)

Fiscal	Benefits*				Refunds			
Year	Regular	Disability	Survivor	Subtotal	Separation	Death	Subtotal	Total
2011	$39,767	$2,240	$525	$42,532	$3,889	$171	$4,060	$46,592
2010	-	-	-	37,611	3,175	199	3,374	40,985
2009	-	-	-	33,532	4,901	415	5,316	38,848
2008	-	-	-	25,238	5,077	376	5,453	30,691
2007	-	-	-	21,733	3,907	161	4,068	25,801
2006	-	-	-	15,900	7,608	285	7,893	23,793
2005	-	-	-	12,400	8,440	29	8,469	20,869
2004	-	-	-	8,600	-	-	-	8,600
2003	-	-	-	5,100	-	-	-	5,100
2002	-	-	-	3,800	-	-	-	3,800

* Benefit detail not available prior to FY 2011.

District of Columbia Police Officers and Firefighters Retirement Fund

($ in thousands)

Fiscal	Benefits*				Refunds			
Year	Regular	Disability	Survivor	Subtotal	Separation	Death	Subtotal	Total
2011	$20,211	$8,873	$1,681	$30,765	$1,913	$-	$1,913	$32,678
2010	-	-	-	27,872	1,974	-	1,974	29,846
2009	-	-	-	24,569	1,611	-	1,611	26,180
2008	-	-	-	25,364	1,610	8	1,618	26,982
2007	-	-	-	20,587	1,695	125	1,820	22,407
2006	-	-	-	15,795	2,741	54	2,795	18,590
2005	-	-	-	13,564	3,979	1	3,980	17,544
2004	-	-	-	7,903	-	-	-	7,903
2003	-	-	-	6,091	-	-	-	6,091
2002	-	-	-	3,222	-	-	-	3,222

* Benefit detail not available prior to FY 2011.

Schedule of Annual Salaries and Benefits ($ in millions)

	Annual Salaries of Active Members			Annual Retirement Benefits for Retirees & Beneficiaries		
Fiscal Year	Teachers	Police Officers and Fire Fighters	Total	Teachers	Police Officers and Fire Fighters	Total
2011	$384	$421	$805	$42	$36	$78
2010	338	424	762	37	29	65
2009	337	436	773	32	22	54
2008	359	422	781	25	22	47
2007	349	371	720	24	19	43
2006	322	351	673	16	13	29
2005	326	339	665	14	10	24
2004	339	288	627	11	8	19
2003	339	275	614	7	7	14
2002	241	253	494	5	3	8

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
September 30, 2011	$-	100%	$127	100%	$127	100%
September 30, 2010	-	100%	132	100%	132	100%
September 30, 2009	-	100%	106	100%	106	100%
September 30, 2008	6	100%	137	100%	143	100%
September 30, 2007	15	100%	140	100%	155	100%
September 30, 2006	16	100%	118	100%	134	100%
September 30, 2005	9	100%	112	100%	121	100%
September 30, 2004	3	100%	97	100%	100	100%
September 30, 2003	-	100%	69	100%	69	100%
September 30, 2002	1	100%	61	100%	62	100%

District of Columbia Teachers' Retirement Plan

Retirement Effective Dates		Years of Credited Service					
		5-9	10-14	15-19	20-24	25-30	30+
2011	Average Monthly Benefit	$947	$1,628	$2,361	$3,097	$3,774	$5,216
	Average Final Average Salary	$80,717	$82,641	$84659	$89,318	$90,961	$93,310
	Number of Active Recipients	11	16	17	46	39	65
2010	Average Monthly Benefit	-	-	-	-	-	-
	Average Final Average Salary	-	-	-	-	-	-
	Number of Active Recipients	-	-	-	-	-	-
2009	Average Monthly Benefit	-	-	-	-	-	-
	Average Final Average Salary	-	-	-	-	-	-
	Number of Active Recipients	-	-	-	-	-	-
2008	Average Monthly Benefit	-	-	-	-	-	-
	Average Final Average Salary	-	-	-	-	-	-
	Number of Active Recipients	-	-	-	-	-	-
2007	Average Monthly Benefit	-	-	-	-	-	-
	Average Final Average Salary	-	-	-	-	-	-
	Number of Active Recipients	-	-	-	-	-	-
2006	Average Monthly Benefit	-	-	-	-	-	-
	Average Final Average Salary	-	-	-	-	-	-
	Number of Active Recipients	-	-	-	-	-	-
2005	Average Monthly Benefit	-	-	-	-	-	-
	Average Final Average Salary	-	-	-	-	-	-
	Number of Active Recipients	-	-	-	-	-	-
2004	Average Monthly Benefit	-	-	-	-	-	-
	Average Final Average Salary	-	-	-	-	-	-
	Number of Active Recipients	-	-	-	-	-	-
2003	Average Monthly Benefit	-	-	-	-	-	-
	Average Final Average Salary	-	-	-	-	-	-
	Number of Active Recipients	-	-	-	-	-	-
2002	Average Monthly Benefit	-	-	-	-	-	-
	Average Final Average Salary	-	-	-	-	-	-
	Number of Active Recipients	-	-	-	-	-	-

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

District of Columbia Police Officers and Firefighters' Retirement Plan

Retirement Effective Dates		Years of Credited Service					
		5-9	**10-14**	**15-19**	**20-24**	**25-30**	**30+**
2011	Average Monthly Benefit	$2,195	$25,164	$3,048	$3,090	$5,600	$6,679
	Average Final Average Salary	$61,882	$66,531	$78,270	$82,825	$95,099	$99,070
	Number of Active Recipients	8	4	3	19	104	33
2010	Average Monthly Benefit	-	-	-	-	-	-
	Average Final Average Salary	-	-	-	-	-	-
	Number of Active Recipients	-	-	-	-	-	-
2009	Average Monthly Benefit	-	-	-	-	-	-
	Average Final Average Salary	-	-	-	-	-	-
	Number of Active Recipients	-	-	-	-	-	-
2008	Average Monthly Benefit	-	-	-	-	-	-
	Average Final Average Salary	-	-	-	-	-	-
	Number of Active Recipients	-	-	-	-	-	-
2007	Average Monthly Benefit	-	-	-	-	-	-
	Average Final Average Salary	-	-	-	-	-	-
	Number of Active Recipients	-	-	-	-	-	-
2006	Average Monthly Benefit	-	-	-	-	-	-
	Average Final Average Salary	-	-	-	-	-	-
	Number of Active Recipients	-	-	-	-	-	-
2005	Average Monthly Benefit	-	-	-	-	-	-
	Average Final Average Salary	-	-	-	-	-	-
	Number of Active Recipients	-	-	-	-	-	-
2004	Average Monthly Benefit	-	-	-	-	-	-
	Average Final Average Salary	-	-	-	-	-	-
	Number of Active Recipients	-	-	-	-	-	-
2003	Average Monthly Benefit	-	-	-	-	-	-
	Average Final Average Salary	-	-	-	-	-	-
	Number of Active Recipients	-	-	-	-	-	-
2002	Average Monthly Benefit	-	-	-	-	-	-
	Average Final Average Salary	-	-	-	-	-	-
	Number of Active Recipients	-	-	-	-	-	-

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

District of Columbia Teachers' Retirement Plan

Amount of Monthly Benefit	Number of Members by Type of Retirement								Number of Members by Option Selected				
	A	B	C	D	E	F	G	Total	1	2	3	4	Total
$1-250	31	0	0	0	15	2	2	50	14	0	0	0	14
251-500	73	0	0	0	12	7	1	93	50	7	0	0	57
501-750	119	0	0	1	26	19	1	166	66	10	0	1	77
751-1,000	89	0	1	7	15	8	2	122	53	17	4	0	74
1,001-1,250	86	0	0	3	20	23	2	134	36	9	1	0	46
1,251-1,500	126	0	0	7	38	20	3	194	51	20	2	1	74
1,501-1,750	134	0	0	5	37	8	0	184	74	17	4	1	96
1,751-2,000	164	0	0	13	37	5	1	220	120	16	1	0	137
2,001-3,000	1,050	0	0	53	91	8	0	1,202	811	194	5	0	1,010
3,001-4,000	2,209	0	0	18	22	2	0	2,251	1,684	515	4	2	2,205
4,001-5,000	1,253	0	0	4	2	0	0	1,259	996	256	5	0	1,257
5,001-6,000	390	0	0	0	1	0	0	391	306	85	0	0	391
6,001-7,000	89	0	0	0	1	0	0	90	76	12	0	0	88
7,001-8,000	39	0	0	0	1	0	0	40	33	5	0	0	38
8,001-9,000	9	0	0	0	0	0	0	9	7	2	0	0	9
9,001-10,000	10	0	0	0	0	1	0	11	7	2	0	0	9
over $10,000	21	0	0	0	0	0	0	21	11	9	1	0	21
Total	5,892	0	1	111	318	103	12	6,437	4,395	1,176	27	5	5,603

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

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

District of Columbia Police Officers and Firefighters' Retirement Plan

Amount of Monthly Benefit	Number of Members by Type of Retirement							
	A	B	C	D	E	F	G	Total
$1-250	7	0	1	0	4	0	4	16
251-500	73	0	8	0	71	5	8	165
501-750	29	0	2	0	3	0	23	57
751-1,000	34	0	3	1	10	0	27	75
1,001-1,250	40	0	0	0	9	0	31	80
1,251-1,500	46	0	3	1	1	0	34	85
1,501-1,750	63	0	34	1	40	0	26	164
1,751-2,000	141	0	91	16	122	1	22	393
2,001-3,000	1,114	0	678	47	1,183	0	38	3,060
3,001-4,000	1,478	0	663	15	130	2	5	2,293
4,001-5,000	1,099	0	283	5	33	5	1	1,426
5,001-6,000	637	0	78	0	9	0	0	724
6,001-7,000	367	0	25	0	3	2	0	397
7,001-8,000	172	0	4	0	1	0	0	177
8,001-9,000	83	0	5	0	1	0	0	89
9,001-10,000	44	0	1	0	0	0	0	45
over $10,000	82	0	3	0	2	0	0	87
Total	5,509	0	1,882	86	1,622	15	219	14,623

Type of Retirement:

A - Retired From Affiliate or Resignation

B - Termination - Early Involuntary

C - Partial Total Disability

D - Disabled not in the Line of Duty

E - Survivor of a Retired Police Officer or Firefighter

F - Sruvivor of a Active Police Officer or Firefighter

G - Ex-Spouse (Qualified Domestic Relations Order)

Fiscal Year	Active			Retired Members, Beneficiaries, Disabled			
	Teachers	Police Officers and Firefighters	Subtotal	Teachers	Police Officers and Firefighters	Subtotal	Total
2011	4,747	5,561	10,308	3,130	1,856	4,986	15,294
2010	4,749	5,708	10,457	2,941	1,552	4,493	14,950
2009	4,601	5,788	10,389	2,770	1,449	4,219	14,608
2008	4,821	5,661	10,482	2,391	1,364	3,755	14,237
2007	5,027	5,550	10,577	2,364	1,314	3,678	14,255
2006	5,088	5,256	10,344	2,175	1,207	3,382	13,726
2005	5,707	5,222	10,929	2,015	1,056	3,071	14,000
2004	5,564	5,186	10,750	1,763	982	2,745	13,495
2003	6,145	4,971	11,116	1,476	1,294	2,770	13,886
2002	6,558	4,816	11,374	1,062	678	1,740	13,114

Additional Disclosures

Date	Service Provider	Activity	Purpose of Activity
Barbara Davis Blum:			
03/06-08/11	Institute for Fiduciary Education	Conference	Real Estate conference
Judith C. Marcus			
10/10-13/10	Various	NCTR Conference	Continuing education
06/09/11	Various	Mid-Atlantic Plan Sponsors (MAPS) conference	Continuing education

Additional Disclosures

Schedule of Transactions with Parties in Interest

Name	FY 2011 Expenditures	Name	FY 2011 Expenditures
Administrative Contractual Vendors:			
IBEW Headquarters Building, LLC.	1,433,494	Tony V. Phan	48,160
U.S. Treasury Office of D.C. Pensions	784,705	ICORE Networks Inc.	41,165
NGEN LLC.	561,053	PRM Consulting, Inc.	40,400
L. R. Wechsler, LTD.	351,910	Bloomberg Finance L.P.	39,005
RSM McGladrey, Inc.	268,131	Groom Law Group, Chartered	35,023
Cavanagh Macdonald Consulting	163,731	D.C. Office of the Chief Technology Officer	32,520
AON Risk Services, Inc. of Washington D.C.	112,661	True Ballot Inc.	23,079
Morgan, Lewis & Bockius, LLP	108,628	Document Management Solutions	18,480
EDAC Systems Inc.	100,843	Nu-Pulse Technologies	17,197
Newlin LLC	97,122	Evestment Alliance, LLC	17,000
Robert Half International, Inc.	97,020	Cooperative Personnel Service	13,110
Dell Computer Corporation	93,410	Armstrong Teasdale LLP	9,725
HCL America, Inc.	90,852	The Hartford Insurance	8,140
Williams & Conolly, LLP	85,113	Avitecture Inc.	7,995
Gartner, Inc.	84,894	Nu-Pulse Technologies Inc.	7,834
NETX Information Systems, Inc.	67,272	DLT Solutions Inc.	7,410
Clifton Gunderson, LLP	63,500	Advent Software, Inc.	6,255
Seaprompt Corporation	54,208	Four Point Technology	5,900
Saphire Technologies, LLP	53,000		
Administrative Non-Contractual Vendors:			
Washington Metro Area Transit Authority	51,536	Kastle Systems	10,633
InterPark	30,563	Americom Telephone Systems Inc.	10,431
Staples	26,176	Print Mail Communications Inc.	9,766
Verizon Wireless	23,087	Verizon Federal, Inc.	9,482
Capitol Document Solutions LLC	21,891	Pitney Bowes Global Financial	9,400
United States Postal Service	21,420	AES Electrical Inc.	8,418
Iron Mountain	15,752	Joe Ragan's	7,947
Zixcorp Systems, Inc.	11,119	De Lage Landen Financial Services	7,700
HBP Inc.	10,805	Deli Group T/A/ Washington Deli	6,368

Name	FY 2011 Expenditures	Name	FY 2011 Expenditures
Traditional Investment Managers:			
PIMCO	1,437,566	Thompson Siegel & Walmsley	561,654
Gryphon International Investment	1,182,497	Mazama Capital Management	530,334
LSV Asset Management	957,521	McKinley Capital Management Inc.	428,778
Sands Capital Managment Inc.	759,151	Blackrock Securities	365,455
Sound Shore LG Cap Value	757,439	Alliance Index Fund	64,346
Thompson Siegel & Walmsley	725,529	PIMCO Liquidating Fund	50,506
EACM Advisors LLC	707,128	Alliance Russell 3000 Index Fund	19,487
Other Investment Advisers			
Meketa Investment Group	190,000	Cliffwater LLC	36,962
The Townsend Group	88,641	Plexus Group, Inc.	18,750
Trustees			
Judith Marcus	10,326	Thomas N. Tippett	5,393
Barbara Davis Blum	9,958	George Suter	5,086
Deborah Hensley	8,840	Diana Bulger	4,137
Darrick Ross	8,273	Michael Warren	4,014
Lyle Blanchard	6,833	Edward Smith	3,800
Joseph W. Clark	6,128	Joseph M. Bress	3,432

Additional Disclosures

Schedule of Reportable Transactions D.C. Code § 1-903.06(b)(3), (2001 Ed.)

Beginning Net Asset Value: $4,147,334,917.46

5% of Asset Value: $207,366,745.87

Description of Asset	Rate	Maturity Date	# Purhased	Purchase Price
Interest Bearing Cash				
8611239B5 STATE STREET BANK + TRUST CO	1.00	12/31/2030	1,947	$1,069,251,990.80
Interest Bearing Cash Total			1,947	1,069,251,990.80
U.S. Government Securities				
01F0406B8 FNMA TBA SINGLE FAMILY NOV 30	4.00	12/01/2099	8	86,334,625.00
01F0406C6 FNMA 30 YR DEC TBA	4.00	12/01/2099	10	159,145,605.46
01F040610 FNMA TBA SINGLE FAMILY MORTGAG	4.00	12/01/2099	13	125,181,878.91
01F040628 FNMA TBA FEB 30YR SINGLE FAM	4.00	12/01/2099	25	120,130,238.29
01F040651 FNMA TBA SINGLE FAMILY MAY	4.00	12/01/2099	15	103,062,371.11
01F040693 FNMA TBA SEP 30 SINGLE FAM	4.00	12/01/2099	24	127,388,257.84
912828QN3 US TREASURY N/B	3.125	5/15/2021	38	125,938,533.19
912828QQ6 US TREASURY N/B	2.375	5/31/2018	7	121,854,229.35
U.S. Government Securities Total			140	969,035,739.15
Partner/Joint Venture Interests				
ACI00V4B8 PANTHEON CAPITAL PARTNERS			2	219,864,103.00
69899Z911 PANTHEON CAPITAL PARTNERS			3	34,500,000.00
Partner/Joint Venture Interests Totals			5	254,364,103.00
Common/Collective Trusts				
551995970 MSCI EMERGING MKTS INDEX NL QP			5	281,076,522.54
981JWU902 MSCI EAFE INDEX FUND			4	484,877,462.70
Common/Collective Trusts Totals			9	765,953,985.24
Registered Investment Company				
922042858 VANGUARD MSCI EMERGING MARKETS			5	119,926,816.68
981WCU905 MSCI ACWI EX USA NL FUND			7	559,896,016.68
Registered Investment Company Totals			12	679,822,833.36
Reportable Transaction Totals			2,113	3,738,428,651.55

# Sale	Selling Price	Expenses Incurred	Cost of Asset	# Total	Current Value	Gain/Loss
1,103	$1,102,975,369.30	-	$1,102,975,369.30	3,050	$2,172,227,360.10	$ -
1,103	1,102,975,369.30	-	1,102,975,369.30	3,050	2,172,227,360.10	-
8	124,511,019.53	-	124,323,218.75	16	210,845,644.53	187,800.78
10	158,202,484.35	-	159,145,605.46	20	317,348,089.81	(943,121.11)
10	123,541,167.95	-	125,181,878.91	23	248,723,046.86	(1,640,710.96)
27	119,938,746.11	-	120,130,238.29	52	240,068,984.40	(191,492.18)
10	104,431,085.95	-	103,062,371.11	25	207,493,457.06	1,368,714.84
23	128,005,230.49	-	127,388,257.84	47	255,393,488.33	616,972.65
20	82,590,620.42	-	81,850,384.46	58	208,529,153.61	740,235.96
10	123,004,367.00	-	121,854,229.35	17	244,858,596.35	1,150,137.65
118	964,224,721.80	-	962,936,184.17	258	1,933,260,460.95	1,288,537.63
1	1,826,184.00	-	1,826,184.00	3	221,690,287.00	-
3	235,500,000.00	-	235,500,000.00	6	270,000,000.00	-
4	237,326,184.00	-	237,326,184.00	9	491,690,287.00	-
-	-	-	-	5	281,076,522.54	-
-	-	-	-	4	484,877,462.70	-
-	-	-	-	9	765,953,985.24	-
3	121,178,546.73	-	119,926,816.68	8	241,105,363.41	1,251,730.05
1	566,075,269.51	-	559,896,016.68	8	1,125,971,286.19	6,179,252.83
4	687,253,816.24	-	679,822,833.36	16	1,367,076,649.60	7,430,982.88
1,229	2,991,780,091.34	-	2,983,060,570.83	3,342	6,730,208,742.89	8,719,520.51

Additional Disclosures
Custodial Bank Financial Statements

State Street Corporation

Consolidated Statement of Income

($ in millions, except for share amounts)

Years ended December 31,	2010	2009	2008
Fee revenue:			
Servicing Fees	$3,938	$3,334	$3,798
Management fees	829	766	975
Trading Services	1,106	1,094	1,467
Securities finance	318	570	1,230
Processing fees and other	349	171	277
Total fee revenue	6,540	5,935	7,747
Net interest revenue	2,699	2,564	2,650
Gains (Losses) related to investment securities, net	(286)	141	(54)
Gain on sale of CitiStreet interest, net of exit and other associated costs	-	-	350
Total Revenue	8,953	8,640	10,693
Provisions for loan losses	25	149	-
Expenses:			
Salaries and employee benefits	3,524	3,037	3,842
Information systems and communications	713	656	633
Transaction processing services	653	583	644
Occupancy	463	475	465
Securities lending charge	414	-	-
Provision for legal exposure	-	250	-
Proivison for investment account infusion	-	-	450
Restructuring charges	156	-	306
Merger and integration costs	89	49	115
Professional services	277	264	360
Amortizaiton of other intangible assets	179	136	144
Other	374	516	892
Total expenses	6,842	5,966	7,851
Income before income tax expense and extraordinary loss	2,086	2,525	2,842
Income tax expense	530	722	1,031
Income before extraordinary loss	1,556	1,803	1,811
Extraordinary loss, net of taxes	-	3,684	-
Net income (loss)	$1,556	$1,881	$1,811
Net income before extraordinary loss available to common shareholders	$1,540	$1,640	$1,789
Net income (loss) available to common shareholders	$1,540	$(2,044)	$1,789
Earnings per common share before extraordinary loss:			
Basic	$3.11	$3.50	$4.32
Diluted	3.09	3.46	4.30
Earnings (Loss) per common share:			
Basic	$3.11	$4.32	$4.32
Diluted	3.09	(4.31)	4
Average common shares outstanding (in thousands):			
Basic	495,394	470,602	413,182
Diluted	497,924	474,003	416,100

State Street Corporation

Consolidated Statement of Condition

($ in millions, except for share amounts)

	December 31, 2010	December 31, 2009
Assets		
Cash and due from banks	$3,311	$2,641
Interest-bearing deposits with banks	22,234	26,632
Securities purchased under resale agreements	2,928	2,387
Trading account assets	479	148
Investment securities available for sale	81,881	72,699
Investment securities held to maturity	12,249	20,877
Loans and leases (net of allowance of $100, $101 and $79)	11,857	10,729
Premises and equipment	1,843	1,953
Accrued income receivable	1,733	1,497
Goodwill	5,597	4,550
Other intangible assets	2,593	1,810
Other assets	13,800	12,023
Total assets	$160,505	$157,946
Liabilities		
Deposits:		
Noninterest-bearing	$17,464	$11,969
Interest-bearing -- U.S.	6,957	5,956
Interest-bearing -- Non-U.S.	73,924	72,137
Total deposits	98,345	90,062
Securities sold under repurchase agreements	7,599	10,542
Federal funds purchased	7,748	4,532
Other short-term borrowings	8,694	20,200
Accrued expenses and other liabilities	11,782	9,281
Long-term debt	8,550	8,838
Total liabilities	142,718	143,455
Shareholders' Equity		
Preferred stock, no par: authorized 3,500,000; none issued		
Common stock, $1 par: authorized 750,000,000 shares;		
502,064,454, 502,029,493 and 495,365,571, shares issued	502	495
Surplus	9,356	9,180
Retained earnings	8,634	7,071
Accumulated other comprehensive loss	(689)	(2,238)
Treasury stock (at cost 420,016, 437,953 and 431,832 shares)	(16)	(17)
Total shareholders' equity	17,787	14,491
Total liabilities and shareholders' equity	$160,505	$157,946

Additional Disclosures

Names and Addresses of the Board of Trustees

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