GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL

District of Columbia

TEACHERS' AND POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT FUND

Financial Statements and
Independent Auditors' Report
For the Years Ended
September 30, 2012, and 2011

CHARLES J. WILLOUGHBY
INSPECTOR GENERAL

OIG No. 13-1-13MA **March 21, 2013**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General

March 21, 2013

The Honorable Vincent C. Gray
Mayor
District of Columbia
Mayor's Correspondence Unit, Suite 316
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
John A. Wilson Building, Suite 504
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

Dear Mayor Gray and Chairman Mendelson:

In connection with the audit of the District of Columbia's (the District) general purpose financial statements for fiscal year (FY) 2012, CliftonLarsonAllen LLP (CLA) submitted the enclosed final report on the District of Columbia Teachers', Police Officers', and Firefighters' Retirement Funds (the Total Fund) OIG Report No. 13-1-13MA.

CLA opined that the financial statements present fairly, in all material respects, the net assets of the Total Fund as of September 30, 2012, and 2011, and changes in its net assets for the years then ended in conformity with U.S. generally accepted accounting principles. In accordance with *Government Accounting Standards*, CLA also issued its report on consideration of the Total Fund's internal control over financial reporting and on its tests of the Total Fund's compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

If you have questions or need additional information, please contact Ronald W. King, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

Charles J. Willoughby
Inspector General

CJW/ws

Enclosure

cc: See Distribution List

DISTRIBUTION:

Mr. Allen Y. Lew, City Administrator, District of Columbia (via email)
Mr. Victor L. Hoskins, Deputy Mayor for Planning and Economic Development, District of Columbia
The Honorable Kenyan McDuffie, Chairperson, Committee on Government Operations, Council of the District of Columbia (via email)
Mr. Brian Flowers, General Counsel to the Mayor (via email)
Mr. Christopher Murphy, Chief of Staff, Office of the Mayor (via email)
Ms. Janene Jackson, Director, Office of Policy and Legislative Affairs (via email)
Mr. Pedro Ribeiro, Director, Office of Communications, (via email)
Mr. Eric Goulet, Budget Director, Mayor's Office of Budget and Finance
Ms. Nyasha Smith, Secretary to the Council (1 copy and via email)
Mr. Irvin B. Nathan, Attorney General for the District of Columbia (via email)
Dr. Natwar M. Gandhi, Chief Financial Officer (1 copy and via email)
Mr. Mohamad Yusuff, Interim Executive Director, Office of Integrity and Oversight, Office of the Chief Financial Officer (via email)
Ms. Yolanda Branche, D.C. Auditor
Mr. Phillip Lattimore, Director and Chief Risk Officer, Office of Risk Management (via email)
Mr. Steve Sebastian, Managing Director, FMA, GAO, (via email)
The Honorable Eleanor Holmes Norton, D.C. Delegate, House of Representatives, Attention: Bradley Truding (via email)
The Honorable Darrell Issa, Chairman, House Committee on Oversight and Government Reform, Attention: Howie Denis (via email)
The Honorable Elijah Cummings, Ranking Member, House Committee on Oversight and Government Reform, Attention: Yvette Cravins (via email)
The Honorable Thomas Carper, Chairman, Senate Committee on Homeland Security and Governmental Affairs, Attention: Holly Idelson (via email)
The Honorable Tom Coburn, Ranking Member, Senate Committee on Homeland Security and Governmental Affairs, Attention: Katie Bailey (via email)
The Honorable Mark Begich, Chairman, Senate Subcommittee on Emergency Management, Intergovernmental Relations and the District of Columbia, Attention: Cory Turner (via email)
The Honorable Rand Paul, Ranking Member, Senate Subcommittee on Emergency Management, Intergovernmental Relations and the District of Columbia
The Honorable Harold Rogers, Chairman, House Committee on Appropriations, Attention: Amy Cushing (via email)
The Honorable Nita Lowey, Ranking Member, House Committee on Appropriations, Attention: Laura Hogshead (via email)
The Honorable Ander Crenshaw, Chairman, House Subcommittee on Financial Services and General Government, Attention: Amy Cushing (via email)
The Honorable José E. Serrano, Ranking Member, House Subcommittee on Financial Services and General Government, Attention: Laura Hogshead (via email)

The Honorable Barbara Mikulski, Chairwoman, Senate Committee on Appropriations, Attention: Ericka Rojas (via email)
The Honorable Richard Shelby, Ranking Member, Senate Committee on Appropriations, Attention: Dana Wade (via email)
The Honorable Frank Lautenberg, Chairman, Senate Subcommittee on Financial Services and General Government, Attention: Marianne Upton (via email)
The Honorable Mike Johanns, Ranking Member, Senate Subcommittee on Financial Services and General Government, Attention: Dale Cabaniss (via email)
Mr. Paul Geraty, CPA, Public Sector Audit Division KPMG LLP (1 copy)

District of Columbia Teachers' and Police Officers and Firefighters' Retirement Fund

Financial Statements and Schedules
(with Independent Auditor's Report Thereon)
Years Ended September 30, 2012 and 2011

TABLE OF CONTENTS

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Independent Auditor's Report

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, 2012 and 2011, 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 opinions 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 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, 2012 and 2011, 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, 2012 and 2011, 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 Auditing Standards*, we have also issued our report dated January 16, 2013, on our consideration of the Total Fund's internal control over financial reporting and on our tests 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.

Accounting principles generally accepted in the United States of America require that the management discussion and analysis and the schedules of funding progress and employer contributions, as listed on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. 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, including the schedules of administrative expenses, investment expenses, and payments to consultants, as listed on the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, including the schedules of administrative expenses, investment expenses, and payments to consultants, is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

Baltimore, Maryland
January 16, 2013

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, 2012 and 2011, 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 on and after July 1, 1997) and the Federal Government (service through June 30, 1997). In addition to the Board's administrative duties, the US Treasury also provides certain administrative services related to the administration of pension benefits under the District of Columbia Police Officers and Firefighters' Plan and the District of Columbia Teachers' Retirement Plan (the "Plans"). The administrative costs incurred while administering the pension benefits are shared by the DCRB and the US Treasury in accordance with an 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 as 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 2012 are:

- Net assets held in trust for pension benefits as of September 30, 2012 were $1.5 billion, an annual increase of $0.2 billion or 12.1%.
- The investment income net of investment expenses for fiscal year 2012 was $190.0 million, a gain of 14.2%.
- The Fund's share of administrative expenditures for fiscal year 2012 was $2.9 million, equivalent to 19 basis points of assets under management.
- The Board's funding objective is to meet long-term pension benefit obligations. As of October 1, 2011, the date of the latest actuarial valuation, the TRF's funded ratio was 101.9%. In general, this means that for each dollar's worth of future pension liability, the TRF has accumulated $1.02 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 decreased 16.4% over the prior year. As of October 1, 2010, the actuarial valuation indicated a funded ratio of 118.3% for the TRF.

- Revenues (additions to plan net assets) for fiscal year 2012 were $219.3 million, which consists of member contributions of $28.6 million, net income from investment activities of $190.0 million, and other income totaling $0.7 million. Additions to the plan net assets for fiscal year 2011 totaled $72.7 million, comprised of $27.7 million in employee contributions, $44.4 million in net income from investment activities, and $0.6 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 $7.0 from $49.5 million during fiscal year 2011 to $56.5 million in fiscal year 2012, or 14.1%. This increase relates primarily to pension benefit payments, which increased $5.6 million or 13.2% from 2011 to 2012. Refunds of member contributions increased by $1.5 million from 2011 to 2012. Administrative expenses decreased slightly compared to the prior year.

The POFRF financial highlights for fiscal year 2012 are:

- Net assets held in trust for pension benefits as of September 30, 2012 were $3.7 billion, an annual increase of $0.6 billion or 17.7%.
- The investment income net of investment expenses for fiscal year 2012 was $452.9 million, a gain of 14.5%.
- The Fund's share of administrative expenditures for fiscal year 2012 was $6.7 million, equivalent to 18 basis points of assets under management.
- The Board's funding objective is to meet long-term pension benefit obligations. As of October 1, 2011, the date of the latest actuarial valuation, the POFRF's funded ratio was 108.6%. In general, this means that for each dollar's worth of future pension liability, the POFRF has accumulated approximately $1.09 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 0.6% over the prior year. As of October 1, 2010, the actuarial valuation indicated a funded ratio of 108.0%.
- Revenues (additions to plan net assets) for fiscal year 2012 were $601.6 million, which consists of member contributions of $30.4 million, employer contributions of $116.7 million, net income from investment activities of $452.9 million, and $1.6 million in other income. Additions to the plan net assets for fiscal year 2011 totaled $241.1 million, comprised of $30.5 million in employee contributions, $127.2 million of employer contributions, $82.0 million in a net income from investment activities, and $1.4 million in other income.
- Expenses (deductions from plan net assets) increased $7.8 million from $39.4 million during fiscal year 2011 to $47.2 million in fiscal year 2012, or 19.9%. This increase consisted primarily of increases in pension benefit payments of $8.1 million from $30.8 million in fiscal year 2011 to $38.9 million in fiscal year 2012. Additionally, refunds of member contributions decreased $0.4 million from $1.9 million in fiscal year 2011 to $1.5 million in fiscal year 2012 and administrative expenses increased 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

	2012	2011	2010	Amount Increase (Decrease) from 2011 to 2012	Percent Increase/ (Decrease) from 2011 to 2012
Assets					
Cash and short-term investments	$ 74,516	$ 149,759	$ 224,620	$ (75,243)	-50.2%
Receivables	149,288	153,613	229,131	(4,325)	-2.8%
Investments at fair value	5,165,012	4,491,663	4,174,478	673,349	15.0%
Collateral from securities lending	96,652	416,288	515,203	(319,636)	-76.8%
Capital assets	3	9	16	(6)	-66.7%
Total assets	5,485,471	5,211,332	5,143,448	274,139	5.3%
Liabilities					
Other payables	4,658	6,165	6,172	(1,507)	-24.4%
Investment commitments payable	197,676	317,892	374,502	(120,216)	-37.8%
Obligations under securities lending	97,797	419,096	519,562	(321,299)	-76.7%
Total liabilities	300,131	743,153	900,236	(443,022)	-59.6%
Net assets	$ 5,185,340	$ 4,468,179	$ 4,243,212	$ 717,161	16.1%

Condensed and Combined Statements of Changes in Net Assets

	2012	2011	2010	Amount Increase (Decrease) from 2011 to 2012	Percent Increase/ (Decrease) from 2011 to 2012
Employer contributions	$ 116,700	$ 127,200	$ 132,300	$ (10,500)	-8.3%
Employee contributions	59,037	58,213	61,547	824	1.4%
Net investment income/(loss)	642,883	126,337	396,033	516,546	408.9%
Other Income	2,256	2,051	2,250	205	10.0%
Total additions	820,876	313,801	592,130	507,075	161.6%
Benefit payments	87,069	73,298	65,483	13,771	18.8%
Refunds	7,048	5,973	5,348	1,075	18.0%
Administrative expenses	9,598	9,563	7,472	35	0.4%
Total deductions	103,715	88,834	78,303	14,881	16.8%
Net change in net assets	$ 717,161	$ 224,967	$ 513,827	$ 492,194	218.8%

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, 2012, totaled $820.9 million, which included $642.9 million of net income on investments and $175.7 million of contributions. For fiscal year 2011, revenues totaled $313.8 million, which included $126.3 million of net investment income and $185.4 million of contributions. Fiscal year 2012 investment returns improved significantly over the fiscal year 2011. Total revenues for fiscal year 2012 increased by $507.1 million compared to the prior year, mainly due to the higher investment returns in fiscal year 2012.

Employee contributions increased slightly from $58.2 million in fiscal year 2011 to $59.0 million in fiscal year 2012. Employee contributions include amounts paid by members for future retirement benefits. A decline in the number of active members from 10,308 in 2011 to 10,005 in 2012 was offset by an increase of 1.81% of active member compensation in 2012, resulting in the increase in total employee contributions for 2012.

Employer contributions decreased $10.5 million from $127.2 million in fiscal year 2011 to $116.7 million in fiscal year 2012. The fiscal year 2012 employer contribution is derived from the contribution rate calculated in the actuary's report for the period ended October 1, 2010 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 employer 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 $2.3 million in fiscal year 2012, reflecting a $0.2 million increase from the $2.1 million received in fiscal year 2011. 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, 2012 totaled $103.7 million, an increase of 16.8% over fiscal year 2011. In fiscal year 2011 expenses increased by 13.4% when compared to fiscal year 2010, from $78.3 million in 2010 to $88.8 million in fiscal year 2011. 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 2012 increased by $13.8 million over the fiscal year 2011 level, or 18.8%. This increase reflects the combination of a net growth of 6.8% in the number of retirees and survivors receiving benefits, coupled with COLA adjustments and an overall increase in the final average salary for new retirees and the changing demographics of the retiree population. Pension benefits for fiscal year 2011 reflect similar increases, rising $7.8 million, or 11.9%, over fiscal year 2010 levels.

Refunds of member accounts are at the discretion of the member, and vary from year to year. In fiscal year 2012, members elected refunds totaling $7.0 million, which represents an increase of $1.0 million or 16.7% from fiscal year 2011. Refunds issued in fiscal year 2011 totaled $6.0 million representing a $0.7 million increase over the 2010 level of $5.3 million.

DCRB has consistently managed its administrative expense budget with no material variances between planned and actual expenditures in either fiscal year 2012 or 2011. Administrative expenses for fiscal year 2012 totaled $9.6 million, the same expense as in fiscal year 2011.

Funding Status

As previously noted, the District Retirement Funds' net investment income for the year ended September 30, 2012 represented a gain of $642.9 million, or 14.4%. 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, 2011, 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 $3.6 billion for the POFRF for a total of $5.2 billion. The fair value of these defined benefit assets at September 30, 2011 included on the financial statements of DCRB was $1.3 billion for the TRF and $3.2 billion for the POFRF for a total of $4.5 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, 2011 valuation. Again, it is important to note that during years when the actual rate of return on investments significantly exceeds the assumed rate of return on investment, the actuarial value of assets can be less than the market value of pension assets, making the funding status seem less favorable than the actual market values would have indicated.

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 2012 and 2011, the net assets of DCRB totaled $5.2 billion and $4.5 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 market fluctuations over the past five years and remains a well funded plan with a funding status as of October 1, 2011, the date of the most recent actuarial valuation, of 106.4% 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.

FINANCIAL STATEMENTS

DISTRICT OF COLUMBIA
TEACHERS' AND POLICE OFFICERS AND FIREFIGHTERS' RETIREMENT FUND
COMBINING STATEMENTS OF NET ASSETS
As of September 30, 2012 and 2011
(Dollar amounts in thousands)

	2012			2011		
	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	$ 19,628	$ 54,888	$ 74,516	$ 44,847	$ 104,912	$ 149,759
Receivables:						
Federal Government	482	1,124	1,606	316	735	1,051
Investment sales proceeds	39,966	97,746	137,712	40,143	93,907	134,050
Interest & dividends	1,926	4,712	6,638	3,653	8,547	12,200
Employee contributions	1,601	1,731	3,332	1,575	1,737	3,312
Employer contribution	-	-	-	3,000	-	3,000
Total receivables	43,975	105,313	149,288	48,687	104,926	153,613
Investments at fair value:						
Domestic equity	364,603	891,714	1,256,317	337,520	789,563	1,127,083
International equity	456,448	1,116,340	1,572,788	330,894	774,063	1,104,957
Fixed income	406,189	993,514	1,399,703	401,275	938,705	1,339,980
Real estate	73,605	180,016	253,621	60,838	142,319	203,157
Private equity	198,123	484,460	682,583	214,561	501,925	716,486
Total investments at fair value	1,498,968	3,666,044	5,165,012	1,345,088	3,146,575	4,491,663
Collateral from securities lending transactions at fair value	28,050	68,602	96,652	124,663	291,625	416,288
Capital assets, net	1	2	3	3	6	9
Total assets	1,590,622	3,894,849	5,485,471	1,563,288	3,648,044	5,211,332
LIABILITIES						
Accounts payable and other	616	1,479	2,095	953	2,150	3,103
Due to Federal Government	153	356	509	150	339	489
Due to District of Columbia Government	616	1,438	2,054	772	1,801	2,573
Investment commitments payable	57,369	140,307	197,676	95,197	222,695	317,892
Obligations under securites lending	28,382	69,415	97,797	125,504	293,592	419,096
Total liabilities	87,136	212,995	300,131	222,576	520,577	743,153
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 1,503,486	$ 3,681,854	$ 5,185,340	$ 1,340,712	$ 3,127,467	$ 4,468,179

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

DISTRICT OF COLUMBIA
TEACHERS' AND POLICE OFFICERS AND FIREFIGHTERS' RETIREMENT FUND
COMBINING STATEMENTS OF CHANGES IN NET ASSETS
For the years ending September 30, 2012 and 2011
(Dollar amounts in thousands)

	2012			2011		
	Teachers' Retirement Fund	Police Officers and Firefighters' Retirement Fund	Total	Teachers' Retirement Fund	Police Officers and Firefighters' Retirement Fund	Total
ADDITIONS						
Contributions:						
District Government	$ -	$ 116,700	$ 116,700	$ -	$ 127,200	$ 127,200
District employees	28,639	30,398	59,037	27,739	30,474	58,213
Total contributions	28,639	147,098	175,737	27,739	157,674	185,413
Investment income:						
Net appreciation in fair value of investments	170,932	406,677	577,609	20,320	28,101	48,421
Interest and dividends	21,316	51,422	72,738	26,916	61,249	88,165
Total gross investment income	192,248	458,099	650,347	47,236	89,350	136,586
Less:						
Investment expenses	2,707	6,315	9,022	3,655	8,460	12,115
Net investment income	189,541	451,784	641,325	43,581	80,890	124,471
Securities lending income	630	1,498	2,128	1,147	1,587	2,734
Less: securities lending expense	169	401	570	364	504	868
Net securities lending income	461	1,097	1,558	783	1,083	1,866
Total net investment income	190,002	452,881	642,883	44,364	81,973	126,337
Other income	672	1,584	2,256	616	1,435	2,051
Total additions	219,313	601,563	820,876	72,719	241,082	313,801
DEDUCTIONS						
Benefit payments	48,145	38,924	87,069	42,532	30,766	73,298
Refunds	5,514	1,534	7,048	4,060	1,913	5,973
Administrative expenses	2,880	6,718	9,598	2,885	6,678	9,563
Total deductions	56,539	47,176	103,715	49,477	39,357	88,834
Change in Net Assets	162,774	554,387	717,161	23,242	201,725	224,967
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR	1,340,712	3,127,467	4,468,179	1,317,470	2,925,742	4,243,212
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR	$ 1,503,486	$ 3,681,854	$ 5,185,340	$ 1,340,712	$ 3,127,467	$ 4,468,179

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.

Police Officers and Fire Fighters' Retirement Fund

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

NOTE 2: FUND ADMINISTRATION AND DESCRIPTION (CONTINUED)

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.

NOTE 2: FUND ADMINISTRATION AND DESCRIPTION (CONTINUED)

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.

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.

<u>Teachers' Retirement Fund</u>

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.

NOTE 2: FUND ADMINISTRATION AND DESCRIPTION (CONTINUED)

***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.

NOTE 2: FUND ADMINISTRATION AND DESCRIPTION (CONTINUED)

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	**2012**	**2011**
Retirees and survivors receiving benefits (post June 30, 1997)	3,285	3,130
Active plan members	4,495	4,747
Vested terminations	920	794
Total participants	8,700	8,671

POFRF	**2012**	**2011**
Retirees and survivors receiving benefits (post June 30, 1997)	2,039	1,856
Active plan members	5,510	5,561
Vested terminations	185	188
Total participants	7,734	7,605

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 2012 and 2011 were equal to the amounts computed, if any, by the Board's independent actuary.

NOTE 2: FUND ADMINISTRATION AND DESCRIPTION (CONTINUED)

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

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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 used the Aggregate Actuarial Cost method to determine the annual employer contribution for all Plan years through fiscal year 2011 (including the employer contribution amount for fiscal year 2012). Any excess of the actuarial present value of projected benefits of the

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 $9,022,880 in 2012 and $12,115,448 in 2011. A significant number of the alternative investment managers provide account valuations net of management expenses. Those expenses are netted against investment income and because they are not readily separable, amounts are recorded and reported net of management expenses in the net appreciation (depreciation) in the fair value of investments.

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:

(Dollars in thousands)	**2012**	**2011**
Cash and short-term investments	$ 74,516	$ 149,759
Investments at fair value:		
Domestic equity	1,256,317	1,127,083
International equity	1,572,788	1,104,957
Fixed income	1,399,703	1,339,980
Real estate	253,621	203,157
Private equity	682,583	716,486
Total investments at fair value	5,165,012	4,491,663
Total	$ 5,239,528	$ 4,641,422

NOTE 4: INVESTMENTS (CONTINUED)

Debt Instruments **–** As of September 30, 2012, the Investment Pool held the following debt instruments:

(Dollars in thousands)

Investment Type	Fair Value	% of Segment	Duration	Rating*
US Agency	$ 10,294	0.74%	5.72	AA+
Asset Backed	16,307	1.17%	1.42	AA-
CMBS	7,023	0.50%	2.32	A+
CMO	16,227	1.16%	3.48	AA+
Corporate	187,318	13.38%	3.55	BB
Foreign	12,454	0.89%	5.78	CCC
Mortgage Pass-Through	65,738	4.70%	1.75	AA+
Municipal	9,421	0.67%	10.22	AA+
US Treasury	113,794	8.13%	8.38	AA+
Yankee	37,958	2.71%	4.71	A
High Yield and Emerging Debt	62,950	4.50%	N/A	NR
Infrastructure Funds	101,300	7.24%	N/A	NR
US Tips Index Fund	165,149	11.80%	N/A	NR
US Debt Index Fund	587,320	41.96%	N/A	NR
Other	6,450	0.46%	N/A	NR
Total Fixed Income	$ 1,399,703	100.00%		

NOTE 4: INVESTMENTS (CONTINUED)

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

(Dollars 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%		

* Using quality ratings provided by Standard & Poor's

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.

NOTE 4: INVESTMENTS (CONTINUED)

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

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

NOTE 4: **INVESTMENTS** (CONTINUED)

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:

(Dollars 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

***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 2012 and 2011, 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.

NOTE 4: INVESTMENTS (CONTINUED)

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.

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 2012 or 2011.

During 2012 and 2011, 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 2012 and 2011.

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, 2012 the liquidity pool had an average duration of 45.54 days and an average weighted final maturity of 71.41 days for USD collateral. As of this date the duration pool had an average duration of 42.22 days and an average weighted final maturity of 1,793.71 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 investment management division of the master custodian provided they conform to fund guidelines. On September 30, 2012 and 2011, the Board had no credit risk exposure to borrowers.

NOTE 4: INVESTMENTS (CONTINUED)

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

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.

During the fiscal year ended September 30, 2012 and 2011, 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 $1,144,221 and $2,807,943, 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 2012 and 2011 was recorded on a cash basis which approximated the accrual basis. The Fund's share of securities lending income and expense are on page 13.

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 2012 and 2011, 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 33 and 34 for a list of the derivatives aggregated by type and see below for a description of these derivatives.

NOTE 4: INVESTMENTS (CONTINUED)

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.

NOTE 4: INVESTMENTS (CONTINUED)

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

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

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

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.

NOTE 4: INVESTMENTS (CONTINUED)

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

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

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

NOTE 4: INVESTMENTS (CONTINUED)

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

NOTE 5: COMMITMENTS

As of September 30, 2012, the District Retirement Funds have entered into investment funding commitments related to alternative investments to fund an additional $124 million at some future date.

NOTE 6: ACTUARIAL INFORMATION

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

The funded status of each plan, under the Entry Age Normal Actuarial Cost Method as of October 1, 2011, the most recent actuarial valuation date, is as follows:

(Dollars in thousands)

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

The funded status of each plan, under the Entry Age Normal Actuarial Cost Method as of October 1, 2010 is as follows:

(Dollars in thousands)

Plan	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Ratio of AVA to AAL	Annual Covered Payroll	UAAL as a % of Annual Covered Payroll
Teachers	$ 1,570,968	$ 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%

NOTE 6: ACTUARIAL INFORMATION (CONTINUED)

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

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

Fiscal year 2011 employer contributions required under the Aggregate Actuarial Cost Method and contributions made are as follows:

(Dollars in thousands)	**Based on Actuarial Valuation Date October 1**	**Annual Required Contribution**	**Percentage Contributed**
Teachers	2009	$ -	N/A
Fire and Police	2009	127,200	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, 2012 and 2011, the District Retirement Funds experienced an investment gain of 14.4% and 2.9%, 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 40 for a 6-year schedule of employer contributions.

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:

	2011	2010
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%	5.25-9.75%
Teachers	4.95-8.75%	4.95-8.75%
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.

NOTE 7: EMPLOYER CONTRIBUTION RECEIVABLE (CONTINUED)

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.

DISTRICT OF COLUMBIA
TEACHERS' AND POLICE OFFICERS AND FIREFIGHTERS' RETIREMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
(Dollar amounts in thousands)

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

Actuarial Valuation Date	Actuarial Value of Assets	EAN Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percent of Payroll
10/1/2006	$ 3,482.6	$ 3,565.0	$ 82.4	97.7%	$ 673.4	12.2%
10/1/2007	4,068.9	3,898.6	(170.3)	104.4%	771.2	-22.1%
10/1/2008	4,379.7	4,276.8	(102.9)	102.4%	781.2	-13.2%
10/1/2009	4,493.4	4,332.4	(161.0)	103.7%	772.7	-20.8%
10/1/2010	4,989.8	4,495.1	(494.7)	111.0%	761.4	-65.0%
10/1/2011	5,167.4	4,854.7	(312.7)	106.4%	805.7	-38.8%

DISTRICT OF COLUMBIA
TEACHERS' AND POLICE OFFICERS AND FIREFIGHTERS' RETIREMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Dollar amounts in thousands)

TEACHERS' RETIREMENT FUND

Fiscal Year	Annual Required Contributions	Percentage Contributions
2012	$ -	100%
2011	-	100%
2010	-	100%
2009	-	100%
2008	14,600	100%
2007	16,500	100%

POLICE OFFICERS AND FIRE FIGHTERS' RETIREMENT FUND

Fiscal Year	Annual Required Contributions	Percentage Contributions
2012	$ 116,664	100%
2011	127,200	100%
2010	132,300	100%
2009	106,000	100%
2008	137,000	100%
2007	140,100	100%

DISTRICT OF COLUMBIA
TEACHERS' AND POLICE OFFICERS AND FIREFIGHTERS' RETIREMENT FUND
SUPPLEMENTARY INFORMATION
SCHEDULES OF ADMINISTRATIVE EXPENSES
For the years ending September 30, 2012 and 2011

	2012	2011
Personnel Services		
Salaries	$ 4,113,863	$ 3,906,824
Fringe benefits	953,613	1,030,165
Total personnel services	5,067,476	4,936,989
Non-personnel services		
Professional services:		
Legal counsel	292,089	30,198
Auditing services	71,160	63,500
Actuarial services	152,590	163,731
Investment advisors and consultants	7,753,310	10,907,200
Consultants and contracts	3,069,219	2,867,022
Office supplies	156,612	166,396
Telephone	48,484	14,274
Rent	1,465,447	1,444,127
Office support	1,236	67,712
Travel	148,224	38,063
Printing	33,002	35,408
Insurance	121,311	128,637
Postage	29,103	37,641
Dues and membership	26,482	37,201
Depreciation	6,328	6,328
Furniture and equipment	179,372	733,918
Total non-personnel services	13,553,969	16,741,356
Total administrative expenses	18,621,445	21,678,345
Investment expenses	(9,022,880)	(12,115,448)
Net administrative expenses	$ 9,598,565	$ 9,562,897

DISTRICT OF COLUMBIA
TEACHERS' AND POLICE OFFICERS AND FIREFIGHTERS'
RETIREMENT FUND
SUPPLEMENTARY INFORMATION
SCHEDULES OF INVESTMENT EXPENSES
For the years ending September 30, 2012 and 2011

	2012	2011
Investment managers*	$7,115,929	$10,621,784
Investment administrative expense	1,010,770	873,896
Investment consultants	685,742	334,353
Investment custodian	210,439	285,415
Total investment expenses	$9,022,880	$12,115,448

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

DISTRICT OF COLUMBIA
TEACHERS' AND POLICE OFFICERS AND FIREFIGHTERS' RETIREMENT FUND
SUPPLEMENTARY INFORMATION
SCHEDULES OF PAYMENTS TO CONSULTANTS
For the years ending September 30, 2012 and 2011

Professional/Consultant	Nature of Service	2012	2011
Administrative Consultants			
U.S. Treasury Office of D.C. Pensions	Benefit payment processing	$ 1,145,809	$ 784,705
NGEN, LLC	Information technology consulting	207,054	188,668
Morgan, Lewis & Brokius	Legal counsel	204,126	108,628
District of Columbia Office of the Chief Technology Officer	Information technology consulting	188,500	-
Document Access Systems	Information technology consulting	180,180	-
Cavanaugh Macdonald Consulting	Actuarial services	161,424	163,731
Robert Half International, Inc.	Information technology consulting	117,637	97,020
Tony Phan	Information technology consulting	116,410	48,160
AON Consulting	Insurance consulting	113,028	-
Randstad Technologies	Information technology consulting	102,770	-
L.R. Wechsler, LTD	Information technology consulting	89,830	351,910
Groom Law Group	Legal counsel	87,963	35,023
Clifton Larsen Allen	Financial audit	71,160	63,500
Gartner, Inc.	Information technology consulting	66,410	-
EDAC Systems, Inc.	Information technology consulting	60,986	100,843
Newlin LLC	Accounting & audit consulting	51,450	97,122
Linea Solutions, Inc.	Business process re-engineering	47,771	
NetX Information Systems, Inc.	Information technology consulting	44,461	47,400
RSM McGladrey, Inc.	Financial system implementation consulting	36,221	196,941
Mobomo, LLC	Information technology consulting	27,150	-
Avitecture	Information technology consulting	19,231	-
ZixCorp Systems, Inc.	Information technology consulting	11,564	-
True Ballot, Inc	Board elections	9,844	23,079
Icore Networks, Inc.	Telephone implementation consulting	5,284	11,000
HBP, Inc.	Graphic design for publications	3,935	10,805
Williams & Connolly, LLP	Legal counsel	-	85,113
HCL America, Inc.	Information technology consulting	-	54,335
Sapphire Technologies, LP	Information technology consulting	-	53,000
Seaprompt Corporation	Information technology consulting	-	48,108
PRM Consulting, Inc.	Human resource consulting	-	40,400
Nupulse Technologies, Inc.	Information technology consulting	-	17,197
Cooperative Personnel Service	Human resource consulting	-	13,110
Total administrative consultants		3,170,198	2,639,798
Investment Consulting			
Cliffwater, LLC	Traditional investment consulting	390,742	36,962
Meketa Investment Group	Traditional investment consulting	270,000	190,000
Zeno Consulting Group, LLC	Traditional investment consulting	25,000	18,750
The Townsend Group	Traditional investment consulting	-	88,641
Total investment consultants		685,742	334,353
Total payments to consultants		$ 3,855,940	$ 2,974,151