GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL

DISTRICT OF COLUMBIA

ANNUITANTS' HEALTH AND LIFE INSURANCE EMPLOYER CONTRIBUTION TRUST FUND

Financial Statements, and Management's Discussion and Analysis, and Independent Auditors' Report
Fiscal Years Ended September 30, 2013, and 2012

CHARLES J. WILLOUGHBY
INSPECTOR GENERAL

OIG No. 14-1-07MA **April 11, 2014**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General

April 11, 2014

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:

As part of our contract for the audit of the District of Columbia's general purpose financial statements for fiscal year (FY) 2013, KPMG LLP (KPMG) submitted the enclosed final District of Columbia's Annuitants' Health and Life Insurance Employer Contribution Trust Fund (the Fund) Financial Statements, Management's Discussion and Analysis, and accompanying Independent Auditors' Report for the years ended September 30, 2013, and 2012 (OIG No. 14-1-07MA).

KPMG opined that the financial statements present fairly, in all material respects, the respective plan net position and the respective changes in plan net position of the Fund for the years ended September 30, 2013, and 2012, in accordance with accounting principles generally accepted in the United States of America. In accordance with *Government Auditing Standards,* KPMG also issued its report on consideration of the Fund's internal control over financial reporting and on its tests of the Fund's compliance with certain provisions of laws, regulations, contracts, and grant agreements.

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

Sincerely,

Charles J. Willoughby
Charles J. Willoughby
Inspector General

CJW/ws

Enclosure

cc: See Distribution List

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GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER
OFFICE OF FINANCE AND TREASURY

ANNUITANTS' HEALTH AND LIFE INSURANCE EMPLOYER CONTRIBUTION TRUST FUND

FINANCIAL STATEMENTS
AND
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER
OFFICE OF FINANCE AND TREASURY

ANNUITANTS' HEALTH AND LIFE INSURANCE EMPLOYER CONTRIBUTION TRUST FUND

FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012

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KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

The Mayor and the Council of the Government of the District of Columbia
Inspector General of the Government of the District of Columbia:

Report on the Financial Statements

We have audited the Statements of Plan Net Position of the Government of the District of Columbia Annuitants' Health and Life Insurance Employer Contribution Trust Fund (the fund) as of September 30, 2013 and 2012 and the Statements of Changes in Plan Net Position for the years then ended, and the related notes to the financial statements, which collectively comprise the Fund's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective plan net position of the Fund as of September 30, 2013 and 2012, and the respective changes in plan net position for the year then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

Emphasis of Matter

As discussed in Note 2, the financial statements referred to above are intended to present the plan net position and the changes in plan net position of the Fund. As a result, they do not purport to, and do not, present fairly the financial position of the Government of the District of Columbia as of September 30, 2013 and September 30, 2012 and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that Management's Discussion and Analysis and Required Supplementary Information Actuarial Analyses on pages 3 through 7 and 21 through 22, respectively, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2014 on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

KPMG LLP

Washington, DC
February 28, 2014

GOVERNMENT OF THE DISTRICT OF COLUMBIA
ANNUITANTS' HEALTH AND LIFE INSURANCE
EMPLOYER CONTRIBUTION TRUST FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
SEPTEMBER 30, 2013 and 2012

The following presents our discussion and analysis of the financial performance of the Government of the District of Columbia's (District) Annuitants' Health and Life Insurance Employer Contribution Trust Fund (Fund) for the fiscal years (FYs) ended September 30, 2013 and 2012. This discussion and analysis should be read in conjunction with the financial statements and note disclosures.

All employees hired after September 30, 1987, who retired under the Teacher Retirement System and Police and Fire Retirement System, or who are eligible for retirement benefits under the Social Security Act, are eligible to participate in the Plan.

Basic Financial Statements

The Plan is required to follow U.S. generally accepted accounting principles and, as such, the Plan's financial statements must consist of two basic financial statements: (a) Statement of Plan Net Position and (b) Statement of Changes in Plan Net Position.

- The Statement of Plan Net Position presents the Plan's assets, liabilities, and net position available for postretirement benefits.
- The Statement of Changes in Plan Net Position presents the additions and deductions to the Plan's net position.

Financial Highlights

	FY 2013	FY 2012	FY 2011
The Plan's investments	$ 773,536,046	$ 567,635,222	$ 415,220,016
District's contributions	$ 107,800,000	$ 109,800,000	$ 94,200,000

Financial Analysis
Table 1 - Statement of Plan Net Position

			Change from 2012			Change from 2011	
	2013	2012	Variance	% Variance	2011	Variance	% Variance
Assets							
Cash	$ 151,862,701	$ 129,303,268	$ 22,559,433	17.4%	$ 96,266,121	33,037,147	34.3%
Receivables	4,553,226	5,308,530	(755,304)	-14.2%	330,112	4,978,418	1508.1%
Investments	773,536,046	567,635,222	205,900,824	36.3%	415,220,016	152,415,206	36.7%
Total Assets	$ 929,951,973	$ 702,247,020	$ 227,704,953	32.4%	$ 511,816,249	$ 190,430,771	37.2%
Liabilities							
Payable-Investments	$ 32,136,760	$ 9,814,278	$ 22,322,482	227.4%	$ 716,036	$ 9,098,242	1270.6%
Total Liabilities	$ 32,136,760	$ 9,814,278	$ 22,322,482	227.4%	$ 716,036	$ 9,098,242	1270.6%
Net Position held in trust for other postemployment benefits	$ 897,815,213	$ 692,432,742	$ 205,382,471	29.7%	$ 511,100,213	$ 181,332,529	35.5%

Table 2 - Statement of Changes in Plan Net Position

			Change from 2012			Change from 2011	
	2013	2012	Variance	% Variance	2011	Variance	% Variance
Additions							
Contributions	$108,088,940	$110,080,752	$(1,991,812)	-1.8 %	$94,465,597	$15,615,155	16.5 %
Net Investment Income	101,812,467	75,428,397	26,384,070	35.0%	(1,380,917)	76,809,314	-5562.2 %
Total Additions	209,901,407	185,509,149	24,392,258	13.1%	93,084,680	92,424,469	99.3 %
Deductions							
Insurance Premiums	4,306,673	3,943,720	362,953	9.2%	4,147,801	(204,081)	-4.9 %
Other Expenses	212,263	232,900	(20,637)	-8.9%	2,090,540	(1,857,640)	-88.9 %
Total Deductions	4,518,936	4,176,620	342,316	8.2%	6,238,341	(2,061,721)	-33.0 %
Net Increase	205,382,471	181,332,529	24,049,942	13.3%	86,846,339	94,486,190	108.8 %
Beginning Net Position	$692,432,742	$511,100,213			$424,253,874		
Ending Net Position	$897,815,213	$692,432,742			$511,100,213		

Plan Contributions

For FYs ended September 30, 2013 and 2012, the District made actuarially based contributions in the amounts of $107,800,000 and $109,800,000, respectively, which were based on congressionally approved budget authority. The District made contributions to the Plan that covered current and future Plan benefits.

Participant Contributions

Participant contributions for FYs ended September 30, 2013 and 2012 amounted to $288,940 and $280,752, respectively. The participant contribution was changed to a graded contribution schedule effective March 2, 2010. For FY 2013, annuitants with at least 10 years of creditable District service but less than 30 years of creditable District service pay 75% of their health insurance premiums and the District pays the remaining 25%, plus an additional 2.5% for each year of creditable service over 10 years, provided that the District's contribution shall not exceed 75% of the cost of the selected health benefit plan. For annuitants with 30 or more years of creditable District service or annuitants who are injured in the line of duty, the District pays 75% of the cost of the selected health benefit plan and the annuitant pays 25% of the cost of the selected health benefit plan.

The minimum amount of employee contribution reverted back to 25% effective October 1, 2012.

For FY 2012, annuitants with at least 10 years of creditable District service but less than 30 years of creditable District service pay 75% of their health insurance premiums and the District pays the remaining 25%, plus an additional 2.5% for each year of creditable service over 10 years, provided that the District's contribution shall not exceed 72% of the cost of the selected health benefit plan. For annuitants with 30 or more years of creditable District service or annuitants who are injured in the line of duty, the District pays 72% of the cost of the selected health benefit plan and the annuitant pays 28% of the cost of the selected health benefit plan.

The minimum amount of employee contribution rate was increased from 25% to 28% by an amendment to D.C. Code section 1-621.09 effective January 18, 2011.

After February 2011, covered family members of an annuitant with at least 10 years of creditable District service but less than 30 years of creditable District service pay 80% of their health insurance premiums and the District pays the remaining 20%, plus an additional 2.5% for each year of creditable service over 10 years. The District's contribution shall not exceed 60% of the cost of the selected health benefit plan for covered family members of an annuitant with 30 or more years of creditable District service and the family members pays 40% of the cost of the selected health benefit plan. The District pays 75% of the cost of the selected health benefit plan and the family member pays 25% of the cost of the selected health benefit plan for the covered family members of police officer or firefighter annuitants who are injured in the line of duty.

Investment Income FY 2013

The Fund as a whole had a positive rate of return of 15.45% with gross investment income of $105,431,488 for the FY ended September 30, 2013. The net investment gain for the Fund was a result of positive rates of returns plus realized and unrealized investments, with a net appreciation of $91,044,993 for the FY ended September 30, 2013. Please see the table for details.

Investment	Rate of Return	Benchmark	Rate of Return	Benchmark
	FY 2013	FY 2013	FY 2012	FY 2012
Access Capital	-1.69%	-0.92%	3.73%	4.16%
Artisan Int'l Value Equity (Barclays)	30.70%	24.91%	13.90%	10.23%
Baillie Gifford Int'l Growth (Barclays)	25.35%	23.67%	10.11%	10.86%
Bernstein Global Plus	-3.19%	-3.39%	5.45%	5.18%
Bernstein Strategic Core	-1.36%	-1.68%	5.18%	3.99%
Brandywine	31.34%	22.30%	17.74%	15.75%
ClearBridge	33.54%	27.91%	14.39%	13.77%
Farr, Miller Washington	23.12%	19.27%	13.12%	16.80%
Royce Pennsylvania Fund	29.23%	30.06%	24.09%	14.23%
SSgA Bond	-1.65%	-1.68%	5.19%	3.99%

In 2013, the investments had positive rates of return led by Clearbridge 33.54%, Brandywine Large Cap Value, 31.34%, Artisan International Value Growth 30.70% and Royce Fund 29.23%. The fund had dividend and interest income in the amount of $16,205,334, and net appreciation of $91,044,993 for FY 2013.

In 2012, the investments had positive rates of return led by Royce PA Fund, 24.09%, Brandywine Large Cap Value, 17.74%, Clearbridge Mid Cap, 14.39% and Farr, Miller, Washington Large Cap Growth, 13.12%. The fund had dividend and interest income in the amount of $10,630,882 and net appreciation of $68,208,264 for FY 2012.

Investment Income FY 2012

The Fund as a whole had a positive rate of return of 15.33% with gross investment income of $78,858,051 for the FY ended September 30, 2012. The net investment gain for the Fund was a result of positive rates of returns plus realized and unrealized investments, with a net appreciation of $68,208,264 for the FY ended September 30, 2012. Please see the table above for details.

Insurance Carrier Premiums

Insurance Carrier Premiums represent amounts paid to the Plan’s health and life insurance carriers. The premium expenses for FYs ended September 30, 2013 and 2012, totaled $4,306,673 and $3,943,720, respectively. The Defined Benefit Plan insurance premiums for FYs ended September 30, 2013 and 2012, totaled $3,544,252 and $3,161,239 respectively. There were 21,017 and 22,420 active employees based on the September 30, 2013 and 2012 actuarial reports respectfully. The September 30, 2013 actuarial report showed that, based on data as of September 30, 2012, the number of retirees increased by 34 members to a total of 555 retired participants. They consist of 418 firefighters, police, and teachers, and 137 general employees. In comparison to the September 30, 2012 actuarial report, using September 30, 2010 data, the number of retirees totaled 521 members, which represents an increase of 6.5% in membership.

Investment Management Fees

Investment management and custody fees paid during the FYs ended September 30, 2013 and 2012 are detailed in the table below. The debt and equity assets increased to a FY 2013 balance of $773,536,046 from FY 2012 balance in the amount of $567,635,222 that is an increase of 36.3% from last year and an increase of 86.3% over the past two years.

Investment Firm	Plan Year 2013	Plan Year 2012
Access Capital	$ 100,042	$ 62,600
Artisan Int'l Value Equity (Barclays)	417,190	239,658
Baillie Gifford Int'l Growth Equity (Barclays)	227,804	140,924
Bernstein	576,842	435,290
Brandywine	399,793	245,189
Clearbridge	484,026	216,115
Farr, Miller Washington	645,906	391,060
Royce Pennsylvania Fund	572,892	377,111
SSgA Bond Index	34,132	51,023
BlackRock Large Cap Growth	0	711,070
State Street Custody Fees	133,080	130,077
Accrual of Management Fees	27,314	429,537
Total	$ 3,619,021	$ 3,429,654

GOVERNMENT OF THE DISTRICT OF COLUMBIA
ANNUITANTS' HEALTH AND LIFE INSURANCE
EMPLOYER CONTRIBUTION TRUST FUND

STATEMENT OF PLAN NET POSITION
SEPTEMBER 30, 2013 and 2012

	2013	2012
Assets		
Cash and Cash Equivalent	$ 151,862,701	$ 129,303,268
Receivables:		
Investment	2,769,692	3,852,240
Interest and dividends	1,783,534	1,456,290
Total Receivables	4,553,226	5,308,530
Investments, at fair value:		
Equities (Note 4 & 6)	482,524,553	321,721,844
Bonds (Note 4 & 6)	291,011,493	245,913,378
Total Investments	773,536,046	567,635,222
Total Assets	929,951,973	702,247,020
Liabilities		
Accounts Payable and other	32,136,760	9,814,278
Total Liabilities	32,136,760	9,814,278
Net Position held in trust for other post employment benefits	$ 897,815,213	$ 692,432,742

See accompanying notes to basic financial statements.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
ANNUITANTS' HEALTH AND LIFE INSURANCE
EMPLOYER CONTRIBUTION TRUST FUND

STATEMENT OF CHANGES IN PLAN NET POSTION
FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012

	2013	2012
Additions		
Contributions:		
District Contributions (Note 7)	$ 107,800,000	$ 109,800,000
Retiree Contributions	288,940	280,752
Total Contributions	108,088,940	110,080,752
Investment Income:		
Net Appreciation/(Depreciation) in the Fair Value of Investments	91,044,993	68,208,264
Interest	5,731,603	4,406,481
Dividends	10,473,731	6,224,401
Other Income/(loss)	(1,818,839)	18,905
Total Income for Investment Activities	105,431,488	78,858,051
Less Investment Activities Expenses:		
Management Fees	3,619,021	3,429,654
Net Investment Income	101,812,467	75,428,397
Total Additions	209,901,407	185,509,149
Deductions		
Insurance Carrier Premiums	4,306,673	3,943,720
Administrative Expenses	212,263	232,900
Total Deductions	4,518,936	4,176,620
Change in Net Position	205,382,471	181,332,529
Net Position Held in Trust for Other Postemployment Benefits		
Beginning of Year	692,432,742	511,100,213
End of Year	$ 897,815,213	$ 692,432,742

See accompanying notes to basic financial statements

NOTE 1 PLAN DESCRIPTION AND CONTRIBUTIONS

The Government of the District of Columbia (the District) established the Annuitants' Health and Life Insurance Employer Contribution Plan (Plan or Fund) on October 1, 1999 under the Annuitants' Health and Life Insurance Employer Contribution Amendment Act of 1999 (D.C. Official Code 1-621.09) (the Act). The Plan also included a trust fund for the deposit of the District contributions that will be used to pay future plan benefits. The Plan is administered jointly by the District's Office of Finance and Treasury (OFT) within the District's Office of the Chief Financial Officer, and the District's Office of Human Resources (DCHR).

Plan Description

The Plan is a single employer defined benefit plan that provides health and life insurance benefits to retired eligible District employees. All employees hired after September 30, 1987, who retired under the Teachers Retirement System and Police and Fire Retirement Systems, or who are eligible for retirement benefits under the Social Security Act, are eligible to participate in the Plan. The trust fund was established to hold and pay the District's contributions for health and life insurance for annuitants. The purpose of the Plan (as defined in Section 2.16 of the Act) is to manage and administer the trust fund for the benefit of annuitants, as provided in the Act.

To continue insurance benefits into retirement, employees must have been continuously enrolled (or covered as a family member) under the D.C. Employees Health Benefits (DCEHB) program or the D.C. Employees Group Life Insurance (DCEGLI) program for five years prior to retirement. If the participant was employed less than five years, the participant must have been enrolled for his/her length of employment. Coverage under Medicare is not considered in determining continuous coverage. Dependents are also covered if the employee elects family coverage.

Contributions

Employee contributions are not required prior to retirement to fund the Plan. Prior to March 2, 2010 the retiree paid 25% of his/her health premium coverage and the District paid the remaining 75%. The participant contribution was changed to a graded contribution schedule effective March 2, 2010. For FY 2013 annuitants with at least 10 years of creditable District service but less than 30 years of creditable District service pay 75% of their health insurance premiums and the District pays the remaining 25%, plus an additional 2.5% for each year of creditable service over 10 years, provided that the District's contribution shall not exceed 75% of the cost of the selected health benefit plan. For annuitants with 30 or more years of creditable District service or annuitants who are injured in the line of duty, the District pays 75% of the cost of the selected health benefit plan and the annuitant pays 25% of the cost of the selected health benefit plan.

For FY 2012 annuitants with at least 10 years of creditable District service but less than 30 years of creditable District service pay 75% of their health insurance premiums and the District pays the remaining 25%, plus an additional 2.5% for each year of creditable service over 10 years, provided that the District's contribution shall not exceed 72% of the cost of the selected health benefit plan. For annuitants with 30 or more years of creditable District service or annuitants who are injured in the line of duty, the District pays 72% of the cost of the selected health benefit plan and the annuitant pays 28% of the cost of the selected health benefit plan.

Covered family members of an annuitant with at least 10 years of creditable District service but less than 30 years of creditable District service pay 80% of their health insurance premiums and the District pays the remaining

20% plus an additional 2.5% for each year of creditable District service over 10 years, provided that the District's contribution shall not exceed 60% of the cost of the selected health benefit plan for covered family members of an annuitant with 30 or more years of creditable District service and the family member pays 40% of the cost of the selected health benefit plan. The District pays 60% of the cost of the selected health benefit plan and the family member pays 40% of the cost of the selected health benefit plan for covered family members of annuitants who are injured or killed in the line of duty. The impact this change will have on the District's portion of future OPEB costs has not been determined.

The participant pays $0.0455 per $1,000 of life insurance coverage until age 65 for the 75% reduction option, with no contributions required thereafter. Participants can also elect a 50% or 0% reduction of life insurance benefits, which requires additional contributions.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP), as prescribed by the Government Accounting Standards Board (GASB).

Reporting Entity

The District established the Fund, which is a single employer defined benefit plan on October 1, 1999. As of September 30, 2009, the District finalized all of the terms and provisions of the Fund. A trust agreement, dated September 30, 2006, designated the Chief Financial Officer of the District as the trustee of the Fund. The Trust became operational in FY 2007, and the Fund is administered as an irrevocable trust through which assets are accumulated and benefits are paid as they become due, in accordance with the substantive Plan.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Fund's financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. The Fund's policy is to recognize member contributions in the period in which the contributions are due and paid. The District (employer) contributions to the Fund are recognized when due and when the District has made a formal commitment to provide the contributions. Benefit related expenses and refunds are recognized when due and payable in accordance with the terms of the Fund. Administrative costs of the Fund are paid by the District.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein at the date of the financial statements as well as the actuarial present value of accumulated benefits during the reporting period. Actual results could differ from these estimates.

Further, actuarial valuations of an ongoing benefits plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, interest rates, inflation rates, and healthcare cost trends. Amounts determined regarding the funded status of the Fund and the annual required contributions of the District are subject to continual revision, as actual results are compared with past expectations and new assumptions are made about the future.

Investment Valuation and Income Recognition

Investments are reported at fair value with realized and unrealized gains and losses included in the Statement of Changes in Plan Net Position. Fair value of the marketable securities is based on quoted market price, dealer quotes, and prices obtained from independent pricing sources. Securities for which market quotations are not readily available are valued at their fair value, as determined by the custodian under the direction of the Fund, with the assistance of a valuation service.

NOTE 3 PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION

The Plan had 555 retired participants based on the actuarial report issued as of September 30, 2013 using September 30, 2012 data and 521 participants based on the September 31, 2012 actuarial report using September 30, 2010 data. For FY 2013, the participants consisted of 418 firefighters, police and teachers and 137 general District retires. For FY 2012, the participants consisted of 418 firefighters, polices and teachers and 103 general District retires.

NOTE 4 MASTER CUSTODIAN CONTRACT

The Plan administrators have a Master Custodian Contract to reduce risk of loss and to improve security. Maintaining assets with the Master Custodian provides the additional advantage of tracking information provided by the investment managers and the Master Custodian provides information on investment transactions from an independent source, as well as reporting capabilities for the Trust Fund.

NOTE 5 CASH AND CASH EQUIVALENT

The Plan maintains cash and cash equivalent in investments accounts as detailed below.

As of September 30, 2013

FUND		AMOUNT	PERCENTAGE OF CASH
Brandywine Large Cap	Cash	$ 4,895,644	0.5%
ClearBridge Mid Cap	Cash	4,758,296	0.5%
Bernstein Strategic Core	Cash	21,256,961	2.3%
Cash Account	Cash	109,400,452	11.8%
Bernstein Global Plus	Cash	2,963,439	0.3%
FMW Large Cap Growth	Cash	8,587,910	0.9%
		$ 151,862,701	16.3%

As of September 30, 2012

FUND		AMOUNT	PERCENTAGE OF CASH
Brandywine Large Cap	Cash	$ 3,997,777	0.6%
ClearBridge Mid Cap	Cash	1,763,308	0.3%
Bernstein Strategic Core	Cash	9,481,887	1.4%
Cash Account	Cash	110,371,908	15.9%
Bernstein Global Plus	Cash	763,925	0.1%
FMW Large Cap Growth	Cash	2,919,357	0.4%
Bernstein Strategic Value	Cash	1,244	0.0%
Bernstein US EQ Strategic Growth	Cash	3,862	0.0%
		$ 129,303,268	18.6%

NOTE 6 INVESTMENTS

The Office of Finance and Treasury (OFT) is responsible for the oversight of the investments of Plan Assets and has established a general policy with respect to the Plan. The duties and responsibilities of the OFT also include, but are not limited to the financial administration and management of the Plan, the establishment of investment objectives, the determination of investment policies, the establishment of management policies, and the management and control of Trust assets.

The majority of the Plan's assets for the years ended September 30, 2013 and 2012 were investments, which totaled $773,536,046, and $567,635,222 respectively. The assets are invested with eight different managers: SSgA, Sanford Bernstein, SSgA Index, Royce Pennsylvania, Brandywine Global, Access Capital, Barclays Capital, ClearBridge Advisors, and Farr, Miller & Washington. At September 30, 2013 and 2012, the funds were invested in equities: (52%) and (46%), and bonds: (32%) and (35%), respectively. The fair value of each fund is as follows:

As of September 30, 2013

FUND		Amount	Percentage
Brandywine Large Cap	Equity	$ 137,958,757	15.0%
FMW Large Cap Growth	Equity	115,544,501	12.5%
ClearBridge Mid Cap -	Equity	89,285,110	9.6%
Barclays International	Equity	77,465,353	8.4%
Royce FD	Equity	62,270,832	6.7%
		$ 482,524,554	52.2%
Bernstein Strategic Core	Bonds	131,079,814	14.2%
Bernstein Global Plus	Bonds	72,789,290	7.9%
U.S. Aggregate Bond	Bonds	71,984,498	7.8%
Access Capital ETI-PRI	Bonds	15,157,891	1.6%
		$ 291,011,493	31.5%

As of September 30, 2012

FUND		Amount	Percentage
Brandywine Large Cap	Equity	$ 86,245,801	12.4%
ClearBridge Mid Cap -	Equity	57,925,640	8.3%
Royce FD	Equity	40,990,301	5.9%
Barclays International	Equity	53,682,320	7.7%
FMW Large Cap Growth	Equity	82,877,782	11.9%
		$ 321,721,844	46.2%
Access Capital ETI – PRI	Bonds	10,433,309	9.4%
SSgA	Bonds	65,397,854	1.5%
Bernstein Strategic Core	Bonds	105,125,967	15.0%
Bernstein Global Plus	Bonds	64,956,248	9.4%
		$ 245,913,378	35.3%

At September 30, 2013 and September 30, 2012, the Plan held the following aggregate investments, which are stated at aggregate fair value based on quoted market prices:

As of September 30, 2013

FUNDS	Aggregate Cost	Aggregate Fair Market Value	Unrealized Appreciation (Depreciation)
Bernstein Strategic Core	$ 131,992,365	$ 131,079,814	$ (912,552)
Brandywine Large Cap Value	111,529,665	137,958,757	26,429,093
FMW Large Cap Growth	89,912,490	115,544,501	25,632,011
Bernstein Global Plus	72,783,943	72,789,290	5,347
ClearBridge Mid Cap – PRI	70,225,616	89,285,110	19,059,494
SSgA Bond Index	67,626,580	71,984,498	4,357,918
Barclays International	59,500,000	77,465,353	17,965,353
Royce FD	48,598,876	62,270,832	13,671,956
Access Capital ETI – PRI	15,902,676	15,157,891	(744,785)
	$ 668,072,211	$ 773,536,046	$ 105,463,835

As of September 30, 2012

FUNDS	Aggregate Cost	Aggregate Fair Market Value	Unrealized Appreciation/ (Depreciation)
Bernstein Strategic Core	$ 101,940,728	$ 105,125,967	$ 3,185,239
Brandywine Large Cap Value	78,190,071	86,245,801	8,055,730
FMW Large Cap Growth	73,923,890	82,877,782	8,953,892
Bernstein Global Plus	63,018,414	64,956,248	1,937,834
SSgA Bond Index	59,534,804	65,397,854	5,863,050
ClearBridge Mid Cap – PRI	53,674,493	57,925,640	4,251,147
Barclays International	50,000,000	53,682,320	3,682,320
Royce FD	38,000,842	40,990,301	2,989,459
Access Capital ETI – PRI	10,359,681	10,433,309	73,628
	$ 528,642,923	$ 567,635,222	$ 38,992,299

The Plan's investments are uninsured and unregistered and are held by counterparty in the Plan's name. The Plan is also subject to certain credit, interest rate, and foreign exchange risks.

Credit Risk is the risk that an issuer to an investment will not fulfill its obligations. The average quality of all the bond holdings in each investment manager's portfolio should be maintained at "A" or better. The Plan does not invest more than 15% of the Plan's assets in securities rated below "A". As of September 30, 2013, the average quality rating of the SSgA was Aa2, Access Capital was AAA, andSanford Bernstein portfolios were AA-. As of September 30, 2012 the average quality rating of investment manager's portfolio is maintained at A or better.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The plan addresses interest rate risk through a process that focuses on the review of investment managers and fund returns. The plan also uses an independent consultant to review assets and recommend any appropriate changes. The average duration for Sanford Bernstein US Core Plus was 5.56 and Global XUS Plus was 6.22 for FY ended September 30, 2013. The average duration for Access Capital was 4.51 as of September 30, 2013 and the duration of the SSgA Bond Index Fund was 5.49 as of September 30, 2013.

The average duration for Sanford Bernstein US Core Plus was 4.90 and Global XUS Plus was 6.71 for FY ended September 30, 2012. The average duration for Access Capital was 1.67 as of September 30, 2012 and the duration of the SSgA Bond Index Fund was 4.84 as of as of September 30, 2012.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment in a foreign financial institution. The Plan does not have a formal policy for limiting its exposure to changes in exchange rates. The Plan's investments at September 30, 2013, held in currencies other than US dollars were as follows:

International Securities	Short Term and Cash	Convertible and Fixed Income	Total
AUSTRALIAN DOLLAR	$ -	$ 2,621,837	$ 2,621,837
CANADIAN DOLLAR	52,694	3,302,430	3,355,124
CZECH KORUNA	38,011	-	38,011
EURO CURRENCY	122,115	27,830,468	27,952,582
POUND STERLING	44,628	12,054,921	12,099,549
JAPANESE YEN	87,707	16,922,703	17,010,410
MEXICAN PESO	-	1,065,828	1,065,828
NORWEGIAN KRONE	-	723,757	723,757
PERUVIAN NOUVEAU SOL	-	213,362	213,362
POLISH ZLOTY	-	380,506	380,506
SWEDISH KRONA	-	331,759	331,759
SINGAPORE DOLLAR	-	171,593	171,593
TURKISH LIRA	(709)	-	(709)
Totals	**$ 344,445**	**$ 65,619,162**	**$ 65,963,608**

The Plan's investments at September 30, 2012, held in currencies other than US dollars were as follows:

International Securities	Short Term and Cash	Convertible and Fixed Income	Total
AUSTRALIAN DOLLAR	$ -	$ -	$ -
CANADIAN DOLLAR	3,299	4,989,734	4,993,033
CZECH KORUNA	-	-	-
EURO CURRENCY	237,873	22,704,080	22,941,953
POUND STERLING	32,849	7,395,694	7,428,543
JAPANESE YEN	175,397	1,978,149	2,153,546
MEXICAN PESO	-	460,722	460,722
NEW ZEALAND DOLLAR	-	332,670	332,670
PHILIPPINE PESO	-	318,245	318,245
SINGAPORE DOLLAR	-	638,591	638,591
TURKISH LIRA	-	660,789	660,789
SOUTH AFRICAN RAND	-	416,072	416,072
Totals	**$ 449,418**	**$ 39,894,746**	**$ 40,344,164**

Derivative Financial Instruments. In accordance with the Fund's investment policies, the Fund regularly invests in derivative financial instruments with off-balance-sheet risk in the normal course of its investing activities to enhance return on investment and manage exposure to certain risks within the fund. Derivative instruments are financial contracts whose values depend on the value of one or more underlying assets, reference rates or financial indices. During FY 2013, the Fund invested directly in forward currency contracts.

At September 30, 2013 and September 30, 2012, the Fund had one type of off balance sheet derivative financial instrument outstanding: currency forwards.

Currency Forwards. Currency forwards represent foreign exchange contracts and are used to effect settlements and to protect the base currency value of portfolio assets denominated in foreign currencies against fluctuations in the exchange rates of those currencies or to gain exposure to the change in market value of a specific currency. A forward foreign currency exchange contact is a commitment to purchase or sell a foreign currency at a future date and at a negotiated price. The credit risk of currency contracts that are exchange-traded lies with the clearinghouse of the exchange where the contracts are traded. The credit risk of currency contracts traded over-the counter lies with the counterparty, and exposure usually is equal to the unrealized profit on in-the money contracts. All counterparties are rated A or better. The market risk in foreign currency contracts is related to adverse movements in currency exchange rates.

As of September 30, 2013

Foreign Currency Contracts Purchased	**Purchased/Sold ($US)**	**Unrealized Gain/Loss ($US)**
BRAZILIAN REAL	$ 140,500	$ (262)
BRAZILIAN REAL	139,989	248
CANADIAN DOLLAR	803,916	17,330
CANADIAN DOLLAR	181,479	445
CANADIAN DOLLAR	19,940	80
SWISS FRANC	1,125,164	16,729
CZECH KORUNA	528,943	9,342
CZECH KORUNA	417,668	370
DANISH KRONE	508,257	14,396
EURO CURRENCY	5,989,057	80,116
EURO CURRENCY	1,794,883	7,056
INDONESIAN RUPIAH	247,301	(2,280)
ISRAELI SHEKEL	127,696	2,345
JAPANESE YEN	1,607,397	22,246
JAPANESE YEN	7,334,291	114,808
SOUTH KOREAN WON	1,332,004	785
MEXICAN PESO	48,928	(1,064)
MALAYSIAN RINGGIT	211,965	(2,535)
NEW ZEALAND DOLLAR	203,231	3,206
SWEDISH KRONA	378,197	11,766
SINGAPORE DOLLAR	205,801	759
THAILAND BAHT	297,737	3,574
SOUTH AFRICAN RAND	307,761	12,942
		$ 312,402
Foreign Currency Contracts Sold		
AUSTRALIAN DOLLAR	$ 1,718,536	$ (8,730)
BRAZILIAN REAL	129,166	(11,072)
BRAZILIAN REAL	139,989	(248)
BRAZILIAN REAL	139,508	364

CANADIAN DOLLAR	420,179		(9,187)
CANADIAN DOLLAR	181,407		(517)
CZECH KORUNA	827,846		(19,360)
EURO CURRENCY	748,751		(9,959)
EURO CURRENCY	533,455		(7,588)
EURO CURRENCY	414,756		301
POUND STERLING	182,034		(3,385)
POUND STERLING	3,648,736		(65,993)
POUND STERLING	1,235,704		(12,932)
POUND STERLING	18,170		(23)
INDONESIAN RUPIAH	262,500		8,848
JAPANESE YEN	2,683,527		(26,722)
JAPANESE YEN	3,843,956		(29,823)
JAPANESE YEN	604,839		(8,639)
MEXICAN PESO	760,839		20,613
NORWEGIAN KRONE	513,022		(6,041)
PERUVIAN NOUVEAU SOLE	250,272		4,136
POLISH ZLOTY	59,428		(1,126)
SINGAPORE DOLLAR	172,816		(56)
		$	**(187,140)**
Net Unrealized Gain (Loss) on Foreign Currency Spot and Forward Contracts		**$**	**125,262**

As of September 30, 2012

Foreign Currency Contracts Purchased		Purchased/Sold ($US)		Unrealized Gain/Loss ($US)
AUSTRALIAN DOLLAR	$	1,490,442	$	6,476
SWISS FRANC		799,568		5,161
DANISH KRONE		374,533		(2,453)
EURO CURRENCY		1,257,318		(19,374)
EURO CURRENCY		2,003,250		(30,861)
EURO CURRENCY		205,500		(3,766)
EURO CURRENCY		310,721		(217)
EURO CURRENCY		146,288		(2,031)
POUND STERLING		374,500		(1,994)
ISRAELI SHEKEL		113,673		3,254
JAPANESE YEN		20,604,732		(2,590)
SOUTH KOREAN WON		1,044,816		6,655
MEXICAN PESO		674,553		(4,570)
MALAYSIAN RINGGIT		218,643		5,386
NORWEGIAN KRONE		150,716		(360)
NEW ZEALAND DOLLAR		128,497		3,610

SWEDISH KRONA		348,566		(665)
TURKISH LIRA		653,130		4,067
SOUTH AFRICAN RAND		15,640		(92)
SOUTH AFRICAN RAND		496,915		11,795
			$	**(22,570)**
Foreign Currency Contracts Sold				
CANADIAN DOLLAR	$	$343,713	$	2,740
CANADIAN DOLLAR		270,379		12,635
CANADIAN DOLLAR		154,177		1,775
EURO CURRENCY		129,846		3,963
EURO CURRENCY		637,053		(547)
EURO CURRENCY		189,051		216
POUND STERLING		653,401		5,184
JAPANESE YEN		1,225,981		132
MEXICAN PESO		663,781		(3,744)
NEW ZEALAND DOLLAR		318,825		(1,220)
NEW ZEALAND DOLLAR		1,988,429		(65)
NEW ZEALAND DOLLAR		1,055,462		(2,265)
PHILIPPINE PESO		1,584,761		(122)
SINGAPORE DOLLAR		308,157		(2,653)
SINGAPORE DOLLAR		620,590		404
TURKISH LIRA		310,786		(700)
TURKISH LIRA		9,822		(2,342)
SOUTH AFRICAN RAND		133,563		413
			$	**13,806**
Net Unrealized Gain (Loss) on Foreign Currency Spot and Forward Contracts			**$**	**(8,764)**

NOTE 7 DISTRICT CONTRIBUTIONS

The District historically makes its contributions to the Fund near the completion of the FY, and the contribution is being distributed by the Fund to the investment managers within a month of receipt from the District. Consequently, the significant cash balance in the Plan as of September 30, 2013 and 2012 was due to the receipt of the FY contribution of $107,800,000 and $109,800,000, respectively. This contribution was deposited into the State Street cash account on September 27, 2013 and September 28, 2012, and was subsequently distributed to the investment managers on October 22, 2013 and October 2, 2012, respectively. The funds were distributed as follows:

As of September 30, 2013

FUND	**AMOUNT**
Blue Bay	$ 22,000,000
Gresham Commodities Fund	44,000,000
SSgA Emerging Market Debt Fund	34,000,000
State Street – Cash on Hand	7,800,000
Total	$107,800,000

As of September 30, 2012

FUND	AMOUNT
Bernstein Strategic Core	$ 20,000,000
Brandywine Large Cap Value	16,000,000
Farr, Miller Washington Large Cap Growth	15,000,000
SsgA	11,800,000
Bernstein Global Plus	11,700,000
Clearbridge Mid Cap	10,600,000
Royce FD Pennsylvania Mutual Fund (Inv C)	7,200,000
Access Capital ETI – PRI	5,000,000
Barclays Growth	4,750,000
Barclays Value	4,750,000
State Street – Cash on Hand	3,000,000
Total	$ 109,800,000

NOTE 8 CONTINGENCIES

At September 30, 2013 and September 30, 2012, there were no matters of litigation involving the Plan which would materially affect the Plan's financial position should any court decisions on pending matters not be favorable to the Plan.

NOTE 9 ACTUARIAL INFORMATION

Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. An example includes assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new assumptions are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The entry age actuarial cost method was used to prepare the September 30, 2012 and September 30, 2011 actuarial valuations. The 2012 actuarial assumptions included a 7.00% investment rate of return, a discount rate of 7.00%; a 3.75% salary increase rate (plus merit scale); and a medical inflation rate ranging between 8.0% (pre-Medicare) and 6.5% (post-Medicare) grading to 4.00% over 70 years.

The 2011 actuarial assumptions included a 7.00% investment rate of return, a discount rate of 7.00%; a 4.25% salary increase rate (plus merit scale); and a medical inflation rate ranging between 9.5% (pre-Medicare) and 8.5% (post-Medicare) grading to 5.25% over 15 years.

The amortization method applied was the level percent open method. The remaining amortization period at September 30, 2012 and September 30, 2011 was 30 years.

The September 30, 2012 estimated actuarial liability is $919.7 million and the actuarial value of the assets is $693.3 million resulting in an estimated unfunded actuarial accrued liability (UAAL) of $226.4 million. The estimated covered payroll (annual payroll of active employees covered by the Plan) is $1,399.1 million and the ratio is 16.2%.

The September 30, 2011 estimated actuarial liability was $866.6 million and the actuarial value of the assets was $511.5 million resulting in an estimated unfunded actuarial accrued liability (UAAL) of $355.1 million. The estimated covered payroll (annual payroll of active employees covered by the Plan) was $1,559.8 million and the ratio was 22.8%.

GOVERNMENT OF DISTRICT OF COLUMBIA
ANNUITANTS' HEALTH AND LIFE INSURANCE
EMPLOYER CONTRIBUTION TRUST FUND
(*UNAUDITED*)
REQUIRED SUPPLEMENTARY INFORMATION
ACTUARIAL ANALYSES

An independent actuary performed an actuarial analysis of the Plan's assets and liabilities as of September 30, 2012, and September 30, 2011, and September 30, 2010 to determine the future funding status of the Plan, which is outlined below. The analysis was based on census data as of September 30, 2012, and September 30, 2011, and September 30 2010.

This data is presented below.

Valuation Date	September 30, 2012 (Projected from September, 2012 census)	September 30, 2011 (Projected from September, 2010 census)	September 30, 2010 (Projected from September, 2010 census)
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent of pay, open	Level Percent Open	Level Percent Open
Remaining Amortization	30 Years	30 Years	30 Years
Asset Valuation Method	Market Value	Market Value	Market Value
Actuarial Assumption:			
Investment Rate of Return	7.00%	7.00%	7.00%
Discount Rate	7.00%	7.00%	7.00%
Rate of Salary Increase	3.75% (plus merit scale)	4.25% (plus merit scale)	4.25% (plus merit scale)
Rate of Medical Inflation	8.0% (pre-Medicare) or 6.5% (post Medicare), grading to 4.00% over 70 years	9.5% (pre-Medicare) or 8.5% (post Medicare), grading to 5.25% over 15 years	9.5% (pre-Medicare) or 8.5% (post Medicare), grading to 5.25% over 15 years

Funding Status (in millions)

Actual Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
9/30/2012	$ 693.3	$ 919.7	$ 226.4	75.4%	$ 1,399.1	16.2%
9/30/2011	511.5	866.6	355.1	59.0%	1,559.8	22.8%
9/30/2010	424.3	784.9	360.6	54.1%	1,544.5	23.3%
9/30/2009	309.1	625.9	316.8	49.4%	1,579.9	20.1%
10/1/2008	219.7	745.2	525.5	29.5%	1,107.1	47.5%

As the Fund's actuarial calculations are presented based on the year that they were prepared for, the table above presents the five most recent valuations prepared one year in arrears to the FY for which they were prepared.

Analysis of the dollar amounts of actuarial valued assets, actuarial liability, and unfunded actuarial liability in isolation can be misleading. Expressing actuarial valued assets as a percentage of the actuarial liability provides one indication of the Plan's funding status on a going concern basis. Analysis of this percentage over time indicates whether the Plan is becoming financially stronger or weaker. Generally, the greater the percentage of assets is to liabilities, the stronger the Plan.

Trends in the unfunded actuarial liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids in the analysis of the Plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the percentage of unfunded actuarial liability is to annual covered payroll, the stronger the Plan.

The Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitation on the pattern of cost sharing between the employer and plan members in the future.

Determination of the Annual Required Contribution (ARC)

In determining the Annual Required Contribution (ARC), the rate of employer contributions to the Plan is composed of the Normal Cost plus amortization of the Unfunded Actuarial Liability. The Normal Cost is a level percent of payroll cost which, along with the member contributions, will pay for projected benefits at retirement for the average plan participant. The Actuarial Liability is that portion of the Present Value of Projected Benefits that will not be paid by Future Employer Normal Cost or active employee contributions. The difference between this liability and the funds accumulated as of the same date is the Unfunded Actuarial Liability.

The District's (employer) annual contribution expense is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. For purpose of calculating the ARC, which the Fund has to report each year, the rate of District (employer) contributions to the Fund is composed of the Normal Cost plus amortization of the UAAL.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(In millions)

FY Ended September	Annual Required Contribution (ARC)	Percentage Contribution (%)
2008	$103.40	107.20
2009	$130.90	62.60
2010	$92.20	98.40
2011	$94.20	100.00
2012	$95.50	115.00
2013	$85.20	126.50

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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Mayor and The Council of the Government of the District of Columbia
Inspector General of the Government of the District of Columbia:

We have audited, in accordance with the 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, the financial statements of the Government of the District of Columbia's Annuitant's Health and Life Insurance Employer Contribution Trust Fund (the Fund) as of and for the year ended September 30, 2013 and 2012, and have issued our report thereon dated February 28, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

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results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
February 28, 2014