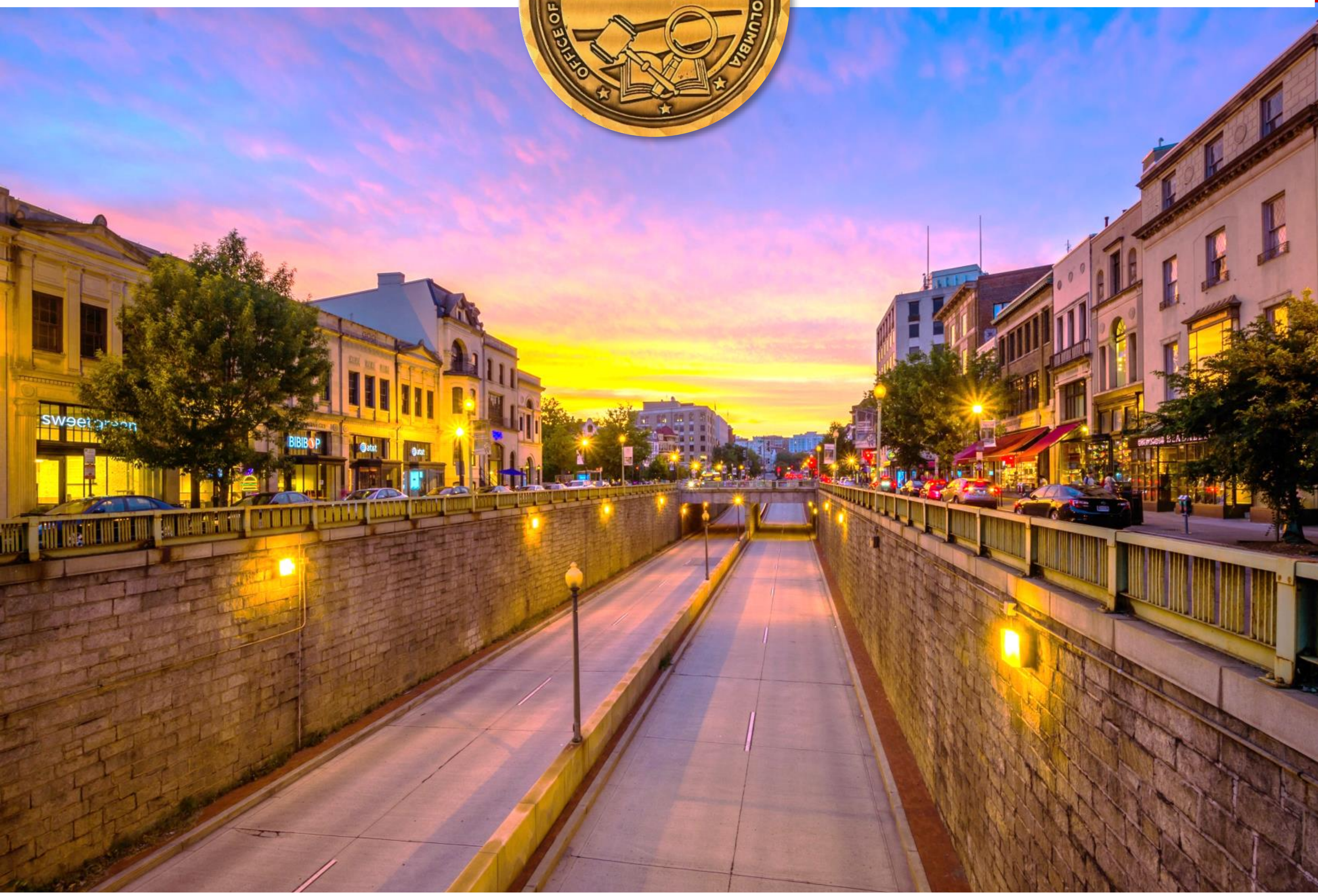
OFFICE OF THE
**INSPECTOR GENERAL**
DISTRICT OF COLUMBIA GOVERNMENT

# AUDIT REPORT

## Teacher's Retirement Fund and the Police Officers and Firefighters' Retirement Fund

### Financial Statements and Independent Auditor's Reports
### Fiscal Year 2024
### OIG No. 24-1-18MA

January 31, 2025



**DANIEL W. LUCAS**
INSPECTOR GENERAL

## OUR MISSION

We independently audit, inspect, and investigate matters pertaining to the District of Columbia government in order to:

- prevent and detect corruption, mismanagement, waste, fraud, and abuse;
- promote economy, efficiency, effectiveness, and accountability;
- inform stakeholders about issues relating to District programs and operations; and
- recommend and track the implementation of corrective actions.

## OUR VISION

We strive to be a world-class Office of the Inspector General that is customer focused and sets the standard for oversight excellence!

## OUR VALUES

**Accountability:** We recognize that our duty extends beyond oversight; it encompasses responsibility. By holding ourselves accountable, we ensure that every action we take contributes to the greater good of the District.

**Continuous Improvement:** We view challenges not as obstacles, but as opportunities for growth. Our commitment to continuous improvement drives us to evolve, adapt, and enhance our practices.

**Excellence:** Mediocrity has no place in our lexicon. We strive for excellence in every facet of our work.

**Integrity:** Our integrity is non-negotiable. We act with honesty, transparency, and unwavering ethics. Upholding the public's trust demands nothing less.

**Professionalism:** As stewards of oversight, we maintain the utmost professionalism. Our interactions, decisions, and conduct exemplify the dignity of our role.

**Transparency:** Sunlight is our ally. Transparency illuminates our processes, decisions, and outcomes. By sharing information openly, we empower stakeholders, promote understanding, and reinforce our commitment to accountability.

# MEMORANDUM

To: The Honorable Muriel Bowser
Mayor of the District of Columbia

The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

From: Daniel W. Lucas
Inspector General

Date: January 31, 2025

Subject: **Teacher's Retirement Fund and the Police Officers and Firefighters' Retirement Fund Annual Financial Statements**
**OIG No. 24-1-18MA**

This memorandum transmits the final *Teacher's Retirement Fund and the Police Officers and Firefighters' Retirement Fund Financial Statements and Independent Auditor's Reports* for fiscal year 2024. McConnell Jones, LLP (MJ) provided these reports to the Office of the Inspector General as part of the annual audit of the District of Columbia's general-purpose financial statements for fiscal year 2024. As part of their contract, MJ reviewed the work papers of Watson Rice, LLP (WR), which audited the financial statements of the Teacher's Retirement Fund and the Police Officers' and Firefighters' Retirement Fund to independently determine whether the financial statements are fairly presented.

On December 12, 2024, WR issued its opinion and concluded that the financial statements are presented fairly in all material respects, in accordance with accounting principles generally accepted in the United States of America. WR found no material weaknesses in internal control over financial reporting. MJ concurred with WR's opinion and conclusions.

Should you have questions or concerns, please contact me or Dr. Slemo Warigon, Assistant Inspector General for Audits, at (202) 792-5684.

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Years ended September 30, 2024, and 2023

Teacher's Retirement Fund and Police Officers and Firefighters Retirement Fund
of the District of Columbia Government
as managed by the District of Columbia Retirement Board


# FINANCIAL SECTION



**FINANCIAL STATEMENTS**



**FINANCIAL SECTION - REQUIRED SUPPLEMENTARY INFORMATION**



**FINANCIAL SECTION - SUPPLEMENTARY INFORMATION**





WatsonRice
Accountants & Advisors

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Washington, DC 20036 www.watsonrice.com

# INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees, District of Columbia Retirement Board for
District of Columbia Teachers' Retirement Fund and
District of Columbia Police Officers and Fire Fighters' Retirement Fund

## Report on the Funds' Financial Statements

### *Opinions*

We have audited the accompanying combining financial statements of District of Columbia Teachers' Retirement Fund and District of Columbia Police Officers and Fire Fighters' Retirement Fund (the Funds), Pension Trust Funds of the Government of the District of Columbia (the District), which comprise the Combining Statements of Fiduciary Net Position as of September 30, 2024 and 2023, and the related Combining Statements of Changes in Fiduciary Net Position for the years then ended, and the related notes to the Funds combining financial statements, which collectively comprise the Funds' basic financial statements.

In our opinion, the Funds' basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Funds, as of September 30, 2024 and 2023, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Funds and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Emphasis of Matter*

As discussed in Note 1, these financial statements are intended to present the financial position and changes in financial position of the Funds, and do not purport to, and do not present fairly the financial position of the District of Columbia, as of September 30, 2024 and 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Funds' ability to continue as a going concern for one year from the date of the financial statements, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Funds' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Funds' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

U.S. GAAP require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employer contributions, and schedule of investment returns, as listed in the table of contents, be presented to supplement the Funds' basic financial statements. Such information, although not a part of the Funds' basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the Funds' basic 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 Funds' basic financial statements, and other knowledge we obtained during our audit of the Funds' basic 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 Information***

Our audit was conducted for the purpose of forming an opinion on the Funds' basic financial statements. The supplementary information, such as schedules of administrative expenses, schedules of investment expenses and schedules of payments to consultants, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the Funds' basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of the Funds' management and was derived from and relate directly to the underlying accounting and other records used to prepare the Funds' basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the Funds' 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 Funds' basic financial statements or to the Funds' basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of administrative expenses, schedules of investment expenses and schedules of payments to consultants are fairly stated, in all material respects, in relation to the Funds' basic financial statements as a whole.

The introductory, investment, actuarial, statistical, and additional disclosures sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the Funds' basic financial statements, and accordingly, we do not express an opinion, or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2024, on our consideration of the Funds' 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 Funds' internal control over financial reporting and compliance.

Washington, D.C. Watson Rice LLP
December 12, 2024

# Management's Discussion and Analysis (Unaudited)

## INTRODUCTION

This discussion and analysis provide 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 years ended September 30, 2024 and 2023, which collectively will be referred to as the "District Retirement Funds" or the "Fund." 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 (the District or D.C.) Government. The Board is responsible for managing the assets of the District Retirement Funds. As authorized by D.C. 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 position. The Board maintains financial records of contributions, purchases of service, benefit payments, refunds, investment earnings, investment expenses, and administrative expenses.

Effective September 26, 2005, the Board entered 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 U.S. Treasury also provides certain administrative services related to the administration of pension benefits under the District of Columbia Teachers' Retirement Plan and the District of Columbia Police Officers and Firefighters' Retirement Plan (the Plans). The administrative costs incurred while administering the pension benefits are shared by DCRB and the U.S. 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 Fiduciary Net Position*** are 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 Position (Assets – Liabilities = Net Position) represents the value of assets restricted for pensions net of liabilities owed as of the financial statement date.

***The Combining Statements of Changes in Fiduciary Net Position*** display the effect of financial transactions that occurred during the fiscal year, where Additions – Deductions = Change in Net Position. This increase (or decrease) in Net Position reflects the change in the value of Net Position Restricted for Pensions.

***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*** consists of schedules of changes of employers' net pension liability and related ratios, employer contributions, and the money-weighted rate of investment returns.

***The Supplementary Information*** includes additional information on the District Retirement Funds including schedules of administrative expenses, investment expenses, and payments to consultants. These schedules include more detailed information pertaining to the Plans.

## Management's Discussion and Analysis (Unaudited)

### FINANCIAL HIGHLIGHTS

DCRB’s combined total net position increased by $1.7 billion, or 16.4 % during fiscal year 2024.

DCRB’s rate of return on investments, net of fees, for fiscal year 2024 was 17.5% compared with 11.9% in fiscal year 2023. This was due to improved market conditions and above average performance in 2024. These returns were benefited by changes in the Fund's asset allocation which included reducing volatility, modestly increasing the markets allocation, introducing short-term TIPS as an inflation hedge, rebalancing public equity in line with the broad market, and replacing investment grade bonds with intermediate government bonds. DCRB had a net pension liability of $22.8 million for TRF and a net pension asset of $(1,168.7) billion for POFRF. As a percentage of covered payroll, the net pension liability was 3.6% for TRF and the net pension asset was (233.1)% for POFRF as of September 30, 2024. The Funding status for TRF and POFRF were 99.3% and 115.2%, respectively.

### ANALYSIS OF FINANCIAL INFORMATION

DCRB’s funding objective is to meet long-term benefit obligations with net investment income and employer and member contributions. 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 Funds.

The following Condensed and Combining Statements of Fiduciary Net Position present financial information for the combined Funds and compare fiscal years 2024, 2023, and 2022.

| | 2024 | 2023 | FY 2024 - FY 2023 Variance in Dollars | Variance % | 2022 | FY 2023 - FY 2022 Variance in Dollars | Variance % |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and Short-Term Investments | $ 89,887 | $ 118,689 | $ (28,802) | (24.27)% | $ 228,526 | $ (109,837) | (48.1)% |
| Receivables | 1,146,970 | 20,741 | 1,126,229 | 5529.96% | 18,529 | 2,212 | 11.9% |
| Investments at Fair Value | 11,684,276 | 10,427,680 | 1,256,596 | 12.05% | 9,265,761 | 1,161,919 | 12.5% |
| Net Capital Assets | - | 322 | (322) | (100.00)% | 325 | (3) | 0.9% |
| Right to Use Asset | 7,427 | 8,924 | (1,497) | (16.77)% | 10,225 | (1,301) | (12.7)% |
| Total Assets | 12,928,560 | 10,576,356 | 2,352,204 | 22.24% | 9,523,366 | 1,052,990 | |
| **Liabilities** | | | | | | | |
| Accounts Payable and Other Liabilities | 9,814 | 8,500 | 1,314 | 15.46% | 8,424 | 76 | 0.9% |
| Due to Federal Government | 800 | 750 | 50 | 6.67% | 658 | 92 | 14.0% |
| Investment Payables | 645,486 | 18,923 | 626,563 | 3311.12% | 29,446 | (10,523) | 35.7% |
| Right to Use Obligation | 8,454 | 10,103 | (1,649) | (16.32)% | 11,437 | (1,334) | (11.7)% |
| Total Liabilities | 664,554 | 38,276 | 626,278 | 1636.22% | 49,965 | 11,688 | 23.4% |
| Net Position Restricted for Pensions | $ 12,264,006 | $ 10,538,080 | $ 1,725,926 | 16.38% | $ 9,473,401 | $ 1,041,302 | |

### Assets

In fiscal year 2024, cash and short-term investments decreased by $28.8 million and receivables increased by $1,126.2 million or 5,430.0% over fiscal year 2023. The decrease in cash and short-term investments was the result of DCRB's investment strategy and favorable market conditions. The increase in receivables was due to several factors. These factors included rebalancing of our investment portfolio during the fourth quarter, an increase in employee contributions receivable at the end of the fiscal year and an increase in the amount of unsettled trades at the end of the fiscal year.

In fiscal year 2024, investment assets increased by $ 1,256.6 million or 12.1% over fiscal year 2023. This was due to higher-than-expected returns as the result of improved market conditions and overall performance over fiscal year 2023.

During fiscal year 2024, the right-to-use assets decreased by $1.5 million or 16.8 % because of the annually required amortization.

## Liabilities

Accounts payable and other liabilities include accrued payroll, and accrued administrative expenses. In fiscal year 2024, accounts payable and other liabilities increased by $1.3 million or 15.5 % from fiscal year 2023.

Investment and administrative assets and liabilities are commingled and allocated between TRF and POFRF Funds based on their proportionate net position in the pool. Please see the “Allocation” section in the Notes to Financial Statements section for details. There was an increase in Investment payables related to asset manager account activity including trades that were pending but not setlled at year end.

The following Condensed and Combining Statements of Changes in Fiduciary Net Position present financial information for the combined Funds and compare fiscal years 2024, 2023, and 2022.

(Dollars in thousands)

| | 2024 | 2023 | FY 2024 - FY 2023 Variance in $ | Variance % | 2022 | FY 2023 - FY 2022 Variance in $ | Variance % |
|---|---|---|---|---|---|---|---|
| **Additions** | | | | | | | |
| Contributions: | | | | | | | |
| District Government | $ 130,107 | $ 125,343 | $ 4,764 | 3.80% | $ 184,025 | $ (58,682) | (31.9)% |
| Plan Members | 99,372 | 102,940 | (3,567) | (3.47)% | 83,911 | 19,029 | 22.7% |
| Net Investment Income (Loss) | 1,858,251 | 1,171,317 | 686,934 | 58.65% | (1,434,126) | 2,605,443 | (181.7)% |
| Other Income | 3,513 | 3,528 | (15) | (0.43)% | 3,209 | 319 | 9.9% |
| Total Additions (Reductions) | 2,091,243 | 1,403,128 | 688,115 | 49.04% | (1,162,981) | 2,566,109 | (220.6)% |
| **Deductions** | | | | | | | |
| Annuitant Benefit Payments | 337,226 | 311,183 | 26,043 | 8.37% | 275,336 | 35,847 | 13.0% |
| Refunds | 8,202 | 7,838 | 364 | 4.64% | 7,413 | 425 | 5.7% |
| Administrative Expenses | 19,888 | 19,428 | 460 | 2.37% | 16,571 | 2,857 | 17.2% |
| Total Deductions | 365,316 | 338,449 | 26,867 | 7.94% | 299,320 | 39,129 | 13.1% |
| **Changes in Fiduciary Net Position** | 1,725,927 | 1,064,679 | 661,248 | 162.11% | (1,462,301) | 2,526,980 | 172.8% |
| **Beginning Balance** | 10,538,080 | 9,473,401 | 1,064,679 | 11.24% | 10,935,702 | (1,462,301) | 13.4% |
| **Net Position Restricted for Pensions** | $ 12,264,006 | $ 10,538,080 | $ 1,725,926 | 16.38% | $ 9,473,401 | $ 1,064,678 | 11.2% |

## Additions

Additions to net position are comprised of employer contributions, employee contributions, other income and net investment income. For fiscal year 2024, these additions totaled $2,091 million, an increase of $688 million from the fiscal year 2023 amount of $1,403 million. The increase was primarily due to the increase in investment income as a result of favorable market conditions. This increase in investment income resulted in a 5.6% year over year increase in the rate of returns for investments net of fees.

## Management's Discussion and Analysis (Unaudited)

Employer contributions in fiscal year 2024 totaled $130 million, a increase of $5 million or 3.8 % from the fiscal year 2023 amount of $125 million. The employer contributions were determined for TRF and POFRF separately by the actuarial valuations based on the experience study completed in 2021. In 2024, 38.6 % of the employer contribution was for TRF and 61.4% was for POFRF. The employer contributions for TRF and POFRF were 38.2% and 61.8% in 2023, and 40.8% and 59.2% in 2022, respectively.

Plan member contributions in fiscal year 2024 totaled $99 million, a decrease of $4 million or 3.5 % over the fiscal year 2023 amount of $103 million. Member contributions consist of amounts paid by members for future retirement benefits. The amount contributed in fiscal year 2024 includes: bi-weekly employee contributions, and purchase of service (POS).

For fiscal year 2024, there was a net investment gain of $1,858 million, an increase of $687 million from fiscal year 2023's net investment income of $1,171 million. The investment returns net of fees was 17.5% in 2024, 11.9% in fiscal year 2023, and -12.5% in fiscal year 2022. Investment management fees reflected in the statement of changes in fiduciary net position were $38,805 thousand and $33,152 thousand for fiscal years 2024 and 2023, respectively. The increase is consistent with the improved market conditions and investment performance in 2024 compared with the gains made in 2023. The fees represent only amounts billed by public and certain private managers during the year. The fees do not include amounts earned by certain managers, who report investment performance net of fees. Overall, the Board estimates that public managers' fees range from 0.01% to 0.65% (an estimated average of 0.15%) of net asset position. It is estimated that fees with private managers range on average from 0.55% to 2.5% which includes fees on capital calls as well as performance-based fees. Investments with public managers represent approximately 80% of total investments.

Other income in fiscal year 2024 decreased slightly from $3.528 million in fiscal year 2023 to $3.513 million in fiscal year in 2024. This change represented a (0.4) % year over year decrease in other income. Other income consists mainly of reimbursements of administrative expenses from the U.S. Treasury, which do not fluctuate significantly from year to year.

### Deductions

The statutory mandate of DCRB is to provide retirement, survivor, and disability benefits to eligible 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 Plans.

Deductions are comprised of benefit payments, refunds, and administrative expenses. During fiscal year 2024, these deductions totaled $365 million, an increase of $27 million 7.9 % over the fiscal year 2023 amount of $338 million.

Benefit payments for 2024 totaled $337 million, an increase of $26 million or 8.4 % over the fiscal year 2023 amount of $311 million. This increase is due to the demographic change of retirees and survivors receiving benefits as well as a change in the percentages DCRB is paying vs. US Treasury as the plan continues to grow. Another factor is labor contract and retro payments that took effect all at once. The benefit payments for members who retired after June 30, 1997, are paid by the District only and the number of these post 1997 retirees increased by 212 members in fiscal year 2024, 173 members in fiscal year 2023, and 251 members in fiscal year 2022. The fiscal year 2024 increase in retirees was in the POFRF. Benefit payments made on behalf of retirees, disabled, and other beneficiaries comprised 92.3 % and 91.9 % of the funds' expenses in fiscal years 2024 and 2023, respectively.

Refunds of member contributions in fiscal year 2024 totaled $8.2 million, an increase of $0.4 million or 4.6 % over the fiscal year 2023 amount of $7.8 million. Refunds are typically higher in the TRF than in the POFRF because the annual turnover for teachers is higher than for public safety employees. These refunds of member contributions are at the discretion of the member and vary from year to year.

## Management's Discussion and Analysis (Unaudited)

Administrative expenses in fiscal year 2024 totaled $19.9 million, an increase of $0.5 million 2.4% from the fiscal year 2023 amount of $19.4 million. Administrative expenses consist of administrative personnel costs, payments to the U.S. Treasury for processing monthly retiree benefit payment services, professional fees, rent expenses, and other miscellaneous operational expenses. The primary drivers of the administrative expense increase were personnel services and professional fees.

### Funding Status

As of September 30, 2024 (the date of the most recent actuarial valuation), the funding status was 99.3% for TRF and 115.1% for POFRF. DCRB is a well-funded yet immature system as a result of the 1999 asset split with U.S. Treasury, in which U.S. Treasury assumed responsibility for all benefit obligations prior to July 1, 1997. As the system continues to mature, investment income is beginning to 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.

As of September 30, 2024, the actuarial determined liability was $22.8 million for the TRF and $-1,168.7 billion for the POFRF for a total of $-1,145.9 billion. The fair value of these assets as of September 30, 2024, included on the financial statements of DCRB, was $3.4 billion for the TRF and $8.9 billion for the POFRF for a total of $12.3 billion.

### ADDITIONAL INFORMATION

These financial statements of the District Retirement Funds are presented 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, D.C. 20001.

## Combining Statements of Fiduciary Net Position

As of September 30, 2024 and 2023
(Dollars in thousands)

| | 2024 Teachers' Retirement Fund | 2024 Police Officers and Firefighters' Retirement Fund | 2024 Total | 2023 Teachers' Retirement Fund | 2023 Police Officers and Firefighters' Retirement Fund | 2023 Total |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash and Short-Term Investments | $ 24,809 | $ 65,078 | $ 89,887 | $ 32,461 | $ 86,228 | $ 118,689 |
| Receivables: | | | | | | |
| Federal Government | 245 | 643 | 888 | 259 | 688 | 947 |
| Investment Receivables | 312,101 | 818,700 | 1,130,801 | 1,334 | 3,544 | 4,878 |
| Interest and Dividends Receivable | 2,501 | 6,561 | 9,062 | 2,566 | 6,816 | 9,382 |
| Employee Contributions | 3,665 | 2,532 | 6,197 | 3,245 | 2,289 | 5,534 |
| Other Receivables | 22 | - | 22 | - | - | - |
| Total Receivables | 318,534 | 828,436 | 1,146,970 | 7,404 | 13,337 | 20,741 |
| Investments at Fair Value: | | | | | | |
| Domestic Equity | 819,257 | 2,149,362 | 2,968,619 | 589,212 | 1,565,127 | 2,154,339 |
| International Equity | 703,224 | 1,844,939 | 2,548,163 | 792,079 | 2,104,006 | 2,896,085 |
| Fixed Income | 714,753 | 1,875,184 | 2,589,937 | 641,970 | 1,705,270 | 2,347,240 |
| Real Assets | 490,627 | 1,287,007 | 1,777,634 | 361,586 | 960,484 | 1,322,070 |
| Private Equity | 496,779 | 1,303,144 | 1,799,923 | 467,123 | 1,240,823 | 1,707,946 |
| Total Investments at Fair Value | 3,224,640 | 8,459,636 | 11,684,276 | 2,851,970 | 7,575,710 | 10,427,680 |
| Capital Assets | 91 | 240 | 331 | 168 | 447 | 615 |
| Less Depreciation | (91) | (240) | (331) | (80) | (213) | (293) |
| Net Capital Assets | - | - | - | 88 | 234 | 322 |
| Right-to-Use Asset (net) | 2,050 | 5,377 | 7,427 | 2,441 | 6,483 | 8,924 |
| Total Assets | 3,570,033 | 9,358,527 | 12,928,560 | 2,894,364 | 7,681,992 | 10,576,356 |
| **LIABILITIES** | | | | | | |
| Accounts Payable and Other Liabilities | 2,709 | 7,105 | 9,814 | 2,325 | 6,175 | 8,500 |
| Due to Federal Government | 221 | 579 | 800 | 205 | 545 | 750 |
| Investment Payables | 178,154 | 467,332 | 645,486 | 5,176 | 13,747 | 18,923 |
| Right-to-Use Obligation | 2,333 | 6,121 | 8,454 | 2,763 | 7,340 | 10,103 |
| Total Liabilities | 183,417 | 481,137 | 664,554 | 10,469 | 27,807 | 38,276 |
| **Net Position Restricted for Pensions** | $ 3,386,616 | $ 8,877,390 | $ 12,264,006 | $ 2,883,895 | $ 7,654,185 | $ 10,538,080 |

See accompanying Notes to Combining Financial Statements

## Combining Statements of Changes in Fiduciary Net Position

For the Years Ended September 30, 2024 and 2023
(Dollars in thousands)

| | 2024 Teachers' Retirement Fund | 2024 Police Officers and Firefighters' Retirement Fund | 2024 Total | 2023 Teachers' Retirement Fund | 2023 Police Officers and Firefighters' Retirement Fund | 2023 Total |
|---|---|---|---|---|---|---|
| **Additions** | | | | | | |
| Contributions: | | | | | | |
| District Government | $ 50,224 | $ 79,883 | $ 130,107 | $ 47,835 | $ 77,508 | $ 125,343 |
| Plan Members | 58,497 | 40,875 | 99,372 | 58,691 | 44,249 | 102,940 |
| Total Contributions | 108,721 | 120,758 | 229,479 | 106,526 | 121,757 | 228,283 |
| Investment Income | | | | | | |
| Net Appreciation in Fair Value of Investments | 486,592 | 1,276,422 | 1,763,013 | 294,659 | 786,444 | 1,081,103 |
| Interest | 19,227 | 50,580 | 69,807 | 15,601 | 41,544 | 57,145 |
| Dividends | 6,194 | 16,279 | 22,473 | 9,022 | 24,032 | 33,054 |
| Other Investment Income | 11,506 | 30,256 | 41,762 | 9,056 | 24,111 | 33,167 |
| Total Investment Income | 523,519 | 1,373,537 | 1,897,056 | 328,338 | 876,131 | 1,204,469 |
| Less: | | | | | | |
| Investment Expenses | 10,710 | 28,095 | 38,805 | 12,266 | 20,886 | 33,152 |
| Net Investment Income | 512,809 | 1,345,442 | 1,858,251 | 316,072 | 855,245 | 1,171,317 |
| Other Income | 969 | 2,544 | 3,513 | 965 | 2,563 | 3,528 |
| Total Additions | 622,499 | 1,468,744 | 2,091,243 | 423,563 | 979,565 | 1,403,128 |
| **Deductions** | | | | | | |
| Annuitant Benefit Payments | 108,764 | 228,462 | 337,226 | 104,339 | 206,844 | 311,183 |
| Refunds | 5,520 | 2,682 | 8,202 | 5,689 | 2,149 | 7,838 |
| Administrative Expenses | 5,494 | 14,394 | 19,888 | 2,573 | 16,855 | 19,428 |
| Total Deductions | 119,778 | 245,538 | 365,316 | 112,601 | 225,848 | 338,449 |
| Change in Fiduciary Net Position | 502,721 | 1,223,206 | 1,725,927 | 310,962 | 753,717 | 1,064,679 |
| **Net Position Restricted for Pensions:** | | | | | | |
| Beginning of Year | 2,883,895 | 7,654,185 | 10,538,080 | 2,572,933 | 6,900,468 | 9,473,401 |
| **End of Year** | $ 3,386,616 | $ 8,877,390 | $ 12,264,006 | $ 2,883,895 | $ 7,654,185 | $ 10,538,080 |

See accompanying Notes to Combining Financial Statements

## Notes to 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), collectively referred to as the Fund or the District Retirement Funds, are two separate single-employer defined benefit pension plans that 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 (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 fund this liability partially.

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 District Retirement 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 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 to pay benefits to the participants of that Fund and certain administrative expenses.

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

### NOTE 2: FUND ADMINISTRATION AND DESCRIPTION

#### District of Columbia Retirement Board

DCRB's Board of Trustees (the Board) has 12 members, 6 of whom are elected by the participant groups, 3 of whom are appointed by the Mayor, and 3 of whom are appointed by the District Council. In addition, the D.C. Treasurer (representing the District's Chief Financial Officer) serves on the Board as an ex-officio (non-voting) member. The Trustees, who are fiduciaries, must act solely in the interest of all Plan members.

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 5 standing committees: Benefits, Audit, Investments, Legislative, and Operations. To implement its policies, the Board retains an Executive Director and other staff responsible for the day-to-day management of the District Retirement Funds and the administration of the benefits paid from the Funds.

#### Teachers' Retirement Fund

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

## Notes to Financial Statements

**Teachers' Retirement Fund (Continued)**

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

***Eligibility*** – Permanent, temporary, part-time, and probationary teachers and certain other employees of the District of Columbia public day schools are automatically enrolled in the Teachers' Retirement Plan on their date of employment. Certain conditions apply to part-time teachers. Substitute teachers and employees of the Department of School Attendance and Work Permits are not covered.

Certain former DCPS Teachers Retirement Plan members employed by a D.C. Public Charter School are also eligible to participate if they elect to continue Plan participation within 60 days of their last day of service with DCPS.

Title 38, Chapter 20 of the D.C. Official Code (D.C. Code § 38-2021.01 et seq. ) establishes benefit provisions which the District Council may amend. For employees hired before November 1, 1996, the annual retirement benefit is the average salary, as defined, multiplied by 1.5% for each of the first years of service, plus 1.75% for each of the second 5 years, plus 2% for each additional year over 10 years. For employees hired on or after November 1, 1996, the annual retirement benefit is the average salary, as defined, multiplied by 2% for each year of service. The average salary is the highest average consecutive 36 months of pay.

The annuity may be further increased by crediting unused sick leave as of the participant's retirement date. Participants receiving retirement benefits receive an annual benefit increase proportional to changes in the Consumer Price Index; however, the annual 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 DCPS 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 in the same manner as a retirement benefit; however, a minimum disability benefit applies.

Voluntary 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; if hired before November 1, 1996; or
- at any age with 30 years of service, if hired by DCPS on or after November 1, 1996.

Employees who are involuntarily separated other than for cause and who have 5 years of school service, may be eligible for retirement at any age with 25 years of service or at age 50 with 20 years of service.

An involuntary retirement benefit is reduced if, at the time of its commencement, the participant is under the age of 55.

**Police Officers and Firefighters' 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 reviews. The Police and Fire Clinic determines medical eligibility for disability retirement.

## Notes to Financial Statements

**Police Officers and Firefighters' Retirement Fund (Continued)**

***Benefits Calculation*** – DCRB's 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. Effective 2013, DCRB began conducting annual disability income reviews.

***Eligibility*** – A participant becomes a member when he or she begins work as a police officer or firefighter in the District. Cadets are not eligible to join the Plan.

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.

***Members Hired Before February 15, 1980*** – Members are eligible for optional retirement with full benefits at any age after 20 years of departmental service, or for deferred retirement at age 55 after 5 years of departmental service. The annual basic retirement benefit equals 2.5% of average base pay, which is defined as the highest average 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 other creditable service; however, the aggregate annual basic retirement benefit may not exceed 80% of the member's average base pay. Members terminated after 5 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. Retirement benefits are increased by the same percentage in base pay granted to active participants.

Members with a service-related disability receive a disability retirement benefit of 2.5% of average base pay multiplied by the number of years of creditable service. A minimum annual disability retirement benefit of 66⅔% of average base pay and a maximum annual disability retirement benefit of 70% of average base pay applies.

Members with a nonservice-related disability and at least 5 years of departmental service receive a disability retirement benefit of 2% of average base pay multiplied by the number of years of creditable service. A minimum annual disability retirement benefit of 40% of average base pay and a maximum annual disability retirement benefit of 70% of average base pay apply.

***Members Hired on or After February 15, 1980 and Before 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 5 years of departmental service. The annual basic retirement benefit equals 2.5% of average base pay, which is defined as the highest average 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 other creditable service; however, the aggregate annual basic retirement benefit may not exceed 80% of the member's average base pay. Members separated from the Police or Fire Department after 5 years of departmental service are entitled to a deferred pension beginning at age 55.

Members with a service-related disability receive a disability retirement benefit of 70% of base pay multiplied by the percentage of disability. A minimum annual disability retirement benefit of 40% of base pay applies.

Members with a nonservice-related disability and at least 5 years of departmental service receive a disability retirement benefit of 70% of base pay multiplied by the percentage of disability. A minimum annual disability retirement benefit of 30% of base pay applies.

## Notes to Financial Statements

**Police Officers and Firefighters' Retirement Fund (Continued)**

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, defined as the highest average 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 pay. Members separated after 5 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, however, the increase is capped at 3%.

Members with a service-related disability receive a disability retirement benefit of 70% of base pay multiplied by the percentage of disability. A minimum annual disability retirement benefit of 40% of base pay applies.

Members with a nonservice-related disability and at least 5 years of departmental service receive a disability retirement benefit of 70% of base pay multiplied by the percentage of disability. A minimum annual disability retirement benefit of 30% of base pay applies.

Prior to reaching age 50, a disability retirement benefit will be reduced or terminated if outside earnings exceed a certain limit.

**Participant Data**

The number of participants used in the actuarial valuation as of September 30, 2024 and 2023 were as follows:

| Teachers' Retirement Fund | 2024 | 2023 |
|---|---|---|
| Service Retired, Disabled and Beneficiaries (Post June 30, 1997) | 4,040 | 5,910 |
| Active Plan Members | 6,259 | 6,171 |
| Vested Terminations | 2,007 | 1,287 |
| Nonvested Terminations | 1,589 | - |
| Total Participants | 13,895 | 13,368 |

| Police Officers and Firefighters' Retirement Fund | 2024 | 2023 |
|---|---|---|
| Service Retired, Disabled and Beneficiaries (Post June 30, 1997) | 4,712 | 4,936 |
| Active Plan Members | 5,074 | 5,033 |
| Vested Terminations | 399 | 272 |
| Nonvested Terminations | 292 | - |
| Total Participants | 10,477 | 10,241 |

| Total | 2024 | 2023 |
|---|---|---|
| Service Retired, Disabled and Beneficiaries (Post June 30, 1997) | 8,752 | 10,846 |
| Active Plan Members | 11,333 | 11,204 |
| Vested Terminations | 2,406 | 1,559 |
| Not-Vested Terminations | 1,881 | - |
| Total Participants | 24,372 | 23,609 |

## Notes to Financial Statements

### Contributions

As a condition of participation, members must contribute certain percentages of salaries as authorized by statute. Plan members contribute by salary deductions at rates established by D.C. Code § 5-706 (for police officers and firefighters) and D.C. Code 38-2021.01 (for teachers). 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. District contributions for fiscal years 2024 and 2023 were equal to the amounts computed by the Board's independent actuary.

Statutory employee and employer contribution requirements to the Fund may be amended by the City Council.

### NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Accounting

DCRB's financial statements were prepared in accordance with United States generally accepted accounting principles (GAAP) using the accrual basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles. Employee contributions are recognized at the time compensation is paid to Plan members. Employer contributions 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 Plans commitment.

### Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The fair value of private investment funds, including private equity and private real assets, is determined using unit values supplied by the fund managers, based on the fund managers' appraisals of the funds' underlying holdings. Such values involve subjective judgement and may differ from amounts which would be realized if such holdings were sold. The fair value of limited partnership investments is based on valuations of the underlying assets of the limited partnerships as reported by the general partner. A significant number of investment managers provide account valuations net of management expenses. Those expenses are netted against investment income.

### Use of Estimates

Preparing financial statements in conformity with GAAP requires the Board to make estimates and assumptions that affect the reported amounts of assets, and liabilities, at the date of the financial statements and additions and deductions during the reporting period. Significant estimates include the pension obligations and useful lives of capital assets. Actual results could differ from those estimates.

## Notes to Financial Statements

**Allocation**

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 of the Plan in which the recipient participates. Investment performance and administrative expenditures are allocated between the two Funds based upon their proportionate net position in the pool.

The allocation percentages fluctuate slightly between the TRF and POFRF every month. The allocation percentages were 27.60% for TRF and 72.40% for POFRF as of September 30, 2024 compared to 27.35% for TRF and 72.65% for POFRF as of September 30, 2023.

**Recent Accounting Pronouncements**

GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*, was issued in June 2022. The Statement's objective is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023. The implementation of GASB Statement No. 100 had no impact on the fiscal year 2024 financial statements for DCRB.

GASB Statement No. 101, *Compensated Absences*, was issued in June 2022. The Statement objective is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023. DCRB will evaluate the impact of the Statement and will adopt it, if applicable.

GASB Statement No.102, *Certain Risk Disclosures* was issued in December 2023. This GASB requires entities to disclose critical information about their exposure to risks due to certain concentrations or constraints and related events that may have a substantial impact or negatively affect the level of service a government provides. GASB 102 requires state and local governments to disclose material concentrations and constraints in the notes of the financial statements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, which is fiscal year 2025 for DCRB.

GASB Statement No. 103, *Financial Reporting Model Improvements* was issued in April 2024. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountablity. DCRB will evaluate the impact of the Statement and will adopt it, if applicable.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* was issued in September 2024. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. State and local governments are required to provide detailed information about capital assets in the notes to financial statements. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. DCRB will evaluate the impact of the Statement and will adopt it, if applicable.

**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).

## Notes to Financial Statements

### NOTE 4: LEASES

The Board is a leasee for a building lease entered on September 1, 2005, including the term of the First Amendment to the lease, which extended the lease to until February 28, 2029. Effective September 1, 2021, the Board recognized a right-to-use asset and liability of $14.3 million related to this agreement. The Board used the District's incremental borrowing rate of 1.57478% to recompute the initial leased asset and liability amounts recognized.

The Board is also a leasee for a copier lease entered on September 1, 2024 which extends to July of 2029. Effective September 1, 2024, the Board recognized a right-to-use asset liability of $171 thousand related to the Copier Lease agreement. The Board used the District's incremental borrowing rate of 4.65979% to recompute the initial copier leased asset and liability amounts recognized.

#### Right-to-use leased asset

Right-to-use leased asset activity for the years ended September 30, 2024 and 2023 is as follows (in thousands):

| | 30-Sep-23 | Additions | Deductions | 30-Sep-24 |
|---|---|---|---|---|
| **Right-to-use leased asset** | | | | |
| Building | $ 14,259 | $ - | $ - | $ 14,259 |
| Copier | - | 173 | - | 173 |
| Less: accumulated amortization | 5,768 | 1,603 | - | 7,371 |
| | $ 8,491 | $ (1,430) | $ - | $ 7,061 |

| | 30-Sep-22 | Additions | Deductions | 30-Sep-23 |
|---|---|---|---|---|
| **Right-to-use leased asset** | | | | |
| Building | $ 14,259 | $ - | $ - | $ 14,259 |
| Less: accumulated amortization | 4,200 | 1,568 | - | 5,768 |
| | | | - | |
| | $ 10,059 | $ (1,568) | $ - | $ 8,491 |

#### Lease Liabilities

The net present value of the Board's minimum future lease payments for non-cancelable leases, as of September 30, 2024 is as follows (in thousands):

| Fiscal Year | Principal | Interest | Total | Lease Liability |
|---|---|---|---|---|
| 2025 | $ 1,740 | $ 121 | $ 1,861 | $ 6,498 |
| 2026 | 1,814 | 92 | 1,906 | 4,684 |
| 2027 | 1,891 | 62 | 1,953 | 2,793 |
| 2028 | 1,970 | 31 | 2,001 | 823 |
| 2029 | 823 | 3 | 826 | - |
| | $ 8,238 | $ 309 | $ 8,547 | |

**Notes to Financial Statements**

## NOTE 5: SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)

DCRB implemented GASB 96 as of the fiscal year ended September 30, 2023. The Board has 6 SBITA contracts for the year ended September 30, 2024. Since the interest rate is not readily determinable, DCRB utilizes the Districts' incremental borrowing rate at the time of inception to discount the subscription payments. The Board ended the year with subscription assets valued at $365,643 and subscription liabilities of $214,023.

Right-to-use subscription asset activity for the years ended September 30, 2024 and 2023 is as follows (in thousands):

| | 30-Sep-23 | Additions | Deductions | 30-Sept-24 |
|---|---|---|---|---|
| **Right-to-use SBITA Asset** | | | | |
| SBITA Asset | $ 494 | $ 210 | $ 223 | $ 481 |
| Less: accumulated amortization | 61 | 114 | 60 | 115 |
| | $ 433 | $ 96 | $ 163 | $ 366 |

| | 30-Sep-22 | Additions | Deductions | 30-Sept-23 |
|---|---|---|---|---|
| **Right-to-use SBITA Asset** | | | | |
| SBITA Asset | $ 181 | $ 313 | $ - | $ 494 |
| Less: accumulated amortization | 15 | 46 | - | 61 |
| | $ 166 | $ 267 | $ - | $ 433 |

As of September 30, 2024, the Board had minimum principal and interest payment requirements for SBITA activities with remaining term in excess of one year as follows (in thousands):

| Fiscal Year | Principal | Interest | Total | SBITA liability |
|---|---|---|---|---|
| 2025 | $ 144 | $ 5 | $ 149 | $ 70 |
| 2026 | 36 | 2 | 38 | 34 |
| 2027 | 27 | 1 | 28 | 7 |
| 2028 | 7 | | 7 | - |
| | $ 214 | $ 8 | $ 222 | |

## Notes to Financial Statements

### NOTE 6: 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 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).

***Master Trust*** – The Board has pooled all assets under its management (the Investment Pool), as is authorized by D.C. Code § 1-903(b), 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.

The following is the Board's approved asset allocation policy.

| Asset Class | Target Allocation | | Allowable Ranges | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| ***Public Equities*** | ***46 %*** | ***46 %*** | ***34-58%*** | ***34 - 58%*** |
| U.S. Equities | 20 | 20 | 15-25 | 15 - 25 |
| International Developed Market Equities | 16 | 16 | 12-20 | 12 - 20 |
| Emerging Market Equities | 10 | 10 | 7-13 | 7 - 13 |
| ***Fixed Income*** | ***25*** | ***25*** | ***11-37*** | ***11 - 37*** |
| U.S. Core Fixed Income | 7 | 7 | 3-11 | 3 - 11 |
| U.S. Long-Term Government Bonds | 3 | 3 | 0-10 | 0 - 10 |
| Treasury Inflation-Protected Securities | 5 | 5 | 0-10 | 0 - 10 |
| Bank Loans | 2 | 2 | 0-4 | 0 - 4 |
| Emerging Market Debt | 4 | 4 | 0-8 | 0 - 8 |
| High Yield Bonds | 2 | 2 | 0-4 | 0 - 4 |
| Foreign Bonds | 2 | 2 | 0-4 | 0 - 4 |
| ***Alternatives*** | ***28*** | ***28*** | ***15-45*** | ***15 - 45*** |
| Private Equity | 9 | 9 | 4-14 | 4 - 14 |
| Private Credit | 3 | 3 | 0-8 | 0 - 8 |
| Real Assets | 16 | 16 | 10-20 | 10 - 20 |
| Real Estate | 8 | 8 | 6-10 | 6 - 10 |
| Infrastructure/Opportunistic | 6 | 6 | 4-8 | 4 - 8 |
| Natural Resources | 2 | 2 | 1-3 | 1 - 3 |
| ***Cash*** | ***1*** | ***1*** | ***0-5*** | ***0 - 5*** |

***Custodial Credit Risk –*** Custodial credit risk is the risk that, in the event of the failure of the counterparty, DCRB will not be able to recover the value of its investments that are in the possession of an outside party. Investments held by the custodian on behalf of DCRB are held in an account in the name of DCRB. Funds not invested at the end of a given day are placed in overnight instruments in the name of DCRB.

***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 measures 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. Generally, the risk and return of the Board's fixed income segment of the portfolio is compared to the Barclays Capital U.S. 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.

## Notes to Financial Statements

**NOTE 6: INVESTMENTS (continued)**

***Credit Risk*** – Generally, credit risk is the risk that the 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 4 rating categories by a recognized statistical rating service.

As of September 30, 2024, the Investment Pool held the following debt instruments:

(Dollars in thousands)

| Investment Type | Rating* | Fair Value | Duration (Years) | Percentage of Portfolio |
|---|---|---|---|---|
| Bank Loans | B | $ 6,633 | - | 0.26 % |
| | B- | 10,682 | 0.01 | 0.41 |
| | CCC+ | 18,008 | 0.02 | 0.70 |
| | CCC | 11,477 | - | 0.44 |
| | CCC- | 1,275 | (0.04) | 0.05 |
| | NR | 21,874 | (0.01) | 0.84 |
| Corporate Bonds - US | BBB- | 932 | 0.04 | 0.04 |
| (including convertible bonds) | BB | 3,632 | 0.12 | 0.14 |
| | BB- | 14,805 | 0.50 | 0.57 |
| | B+ | 4,710 | 0.12 | 0.18 |
| | B | 29,944 | 0.71 | 1.16 |
| | B- | 16,600 | 0.34 | 0.64 |
| | CCC+ | 30,091 | 0.78 | 1.16 |
| | CCC | 13,154 | 0.40 | 0.51 |
| | NR | 22,167 | - | 0.86 |
| Corporate Bonds - Foreign | B- | 4,107 | 0.32 | 0.16 |
| | CCC+ | 785 | - | 0.03 |
| | CCC | 8,913 | 1.06 | 0.34 |
| U.S. Treasury | AA+ | 1,833,848 | - | 70.81 |
| Fixed Income Pooled Funds | NR | 536,300 | N/A | 20.71 |
| Total Fixed Income | | $ 2,589,937 | | 100.00 % |

* Using credit quality ratings provided by Standard & Poor's

## Notes to Financial Statements

**NOTE 6: INVESTMENTS (continued)**

As of September 30, 2023, the Investment Pool held the following debt instruments:

(Dollars in thousands)

| Investment Type | Rating* | Fair Value | Duration (Years) | Percentage of Portfolio |
|---|---|---|---|---|
| Bank Loans | B | $ 14,608 | (0.02) | 0.52 % |
| | B- | 10,331 | (0.01) | 0.37 |
| | CCC+ | 22,692 | (0.03) | 0.81 |
| | CCC | 24,968 | (0.12) | 0.90 |
| | CCC- | 3,948 | (0.02) | 0.14 |
| | NR | 27,906 | (0.11) | 1.00 |
| Corporate Bonds - US | BBB- | 1,107 | 0.04 | 0.04 |
| (including convertible bonds) | BB+ | 2,725 | 0.10 | 0.10 |
| | BB | 481 | 0.02 | 0.02 |
| | B+ | 9,675 | 0.32 | 0.35 |
| | B | 21,888 | 0.72 | 0.78 |
| | B- | 19,200 | 0.34 | 0.69 |
| | CCC+ | 21,886 | 0.62 | 0.78 |
| | CCC | 20,812 | 0.52 | 0.75 |
| | CCC- | 697 | 0.02 | 0.02 |
| | C | 1,332 | 0.04 | 0.05 |
| | NR | 22,404 | (0.01) | 0.80 |
| Corporate Bonds - Foreign | B- | 10,508 | 1.34 | 0.38 |
| | CCC | 8,287 | 0.84 | 0.30 |
| U.S. Treasury | AA+ | 1,367,501 | - | 49.04 |
| Fixed Income Pooled Funds | NR | 1,175,491 | N/A | 42.16 |
| Total Fixed Income | | $ 2,788,444 | | 100.00 % |

* Using credit quality ratings provided by Standard & Poor’s

## Notes to Financial Statements

**NOTE 6: INVESTMENTS (continued)**

***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. For the years ended September 30, 2024 and 2023, total investments in foreign currencies were approximately $364 million and $328 million, respectively.

As of September 30, 2024, the investments that were denominated in a currency other than the United States Dollar, are summarized below:

(Dollars in thousands)

| International Securities | Equity | Private Equity | Real Assets | Short-term and Other | Total Non-U.S. Dollar |
|---|---|---|---|---|---|
| Euro | $ - | $ 164,624 | $ 47,875 | $ - | $ 212,499 |
| British pound sterling | - | 81,074 | - | - | 81,074 |
| Canadian dollar | - | 69,704 | - | - | 69,704 |
| Australian dollar | 428 | - | - | - | 428 |
| | $ 428 | $ 315,402 | $ 47,875 | $ - | $ 363,705 |

As of September 30, 2023, the investments that were denominated in a currency other than the United States Dollar, are summarized below:

(Dollars in thousands)

| International Securities | Equity | Private Equity | Real Assets | Short-term and Other | Total Non-U.S. Dollar |
|---|---|---|---|---|---|
| Euro | $ - | $ 120,813 | $ 49,758 | $ - | $ 170,571 |
| British pound sterling | - | 98,116 | - | - | 98,116 |
| Canadian dollar | - | 58,673 | - | - | 58,673 |
| Australian dollar | 531 | - | - | - | 531 |
| | $ 531 | $ 277,602 | $ 49,758 | $ - | $ 327,891 |

***Securities Lending Transactions*** – 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.

The Board may participate in securities lending through its custodian in the future; however, it did not do so in fiscal years 2024 and 2023.

## Notes to Financial Statements

**NOTE 6: INVESTMENTS (continued)**

***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 are legally permissible in accordance with approved investment policies.

In accordance with the investment policies of the Board, the Funds' investment managers used various derivative instruments to increase potential earnings and/or to hedge against potential losses during fiscal year 2024 and 2023.

TBAs ("to-be-announced", sometimes referred to as "dollar rolls") are used by the Funds' investment managers as an alternative to hold mortgage-backed securities outright to raise the potential yield and to reduce transaction costs. TBAs are used because they are expected to behave similarly to mortgage-backed securities with identical credit, coupon, and maturity features. Credit risk is managed by limiting these transactions to primary dealers. The market risk for TBAs is not significantly different from the market risk for mortgage-backed securities.

Foreign currency forwards, futures, and options are generally used for defensive purposes. These contracts can reduce the Funds' exposure to particular currencies when adverse movements in exchange rates are expected. Foreign currency forwards and futures can introduce 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 underlying foreign exchange rates. Credit risk is managed by limiting derivative transactions to counterparties with short-term credit ratings of AI or PI or by trading on organized exchanges. Currency options can increase or decrease the Funds' exposure to foreign currencies.

Equity index futures were also used by the Funds to gain exposure to equity markets. Equity index futures are more efficient and cheaper than investing in all 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 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 organized futures exchanges.

Liquid exchange-traded and over-the-counter bond futures and options were used by the Funds to gain exposure to fixed income markets more efficiently than purchasing the underlying bonds. Market risk for these derivatives may be larger or smaller than the risk of the underlying fixed-income market itself. Credit risk is managed by limiting transactions to counterparties with investment-grade ratings or by trading with member firms of organized exchanges.

Warrants were used by the Funds to gain equity exposure and to enhance performance. Warrants are often distributed by issuers of common stocks and bonds and are held for the same fundamental reasons as the original common stock and/or bonds. Stock 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. The Funds' external investment managers monitor and manage all such risk, who have full discretion over such investment decisions within a contractual set of investment guidelines.

## Notes to Financial Statements

**NOTE 6: INVESTMENTS (continued)**

Swaps represent an agreement between 2 or more parties to exchange a sequence of cash flows during a predetermined timeframe. The Funds utilize swaps for several different reasons: to manage interest rate fluctuations, to protect against a borrower default, and/or to gain market exposure without having to own the asset.

The Funds may manage credit exposure using 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 Funds may hold derivative instruments directly via separately managed accounts or indirectly via pooled, commingled, or short-term funds. Information regarding risks associated with indirect holdings may not be disclosed.

***Fair Value Measurements*** - DCRB categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. It gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Level 1 – Unadjusted quoted prices for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the Net Asset Value (NAV) per share (or its equivalent) are not classified in the fair value hierarchy as they do not have a readily determinable fair value.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. DCRB's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Plan management evaluated the significance of transfers between levels based on the nature of the investments and size of the transfer relative to total net assets available for benefits. Investments in private funds have been placed under Level 3 based on management's reevaluation of its valuation methodology.

Equity securities classified in Level 1 of the fair value hierarchy are valued at the last sale price or official close price as of the close of trading on the applicable exchange where the security principally trades.

## Notes to Financial Statements

**NOTE 6: INVESTMENTS (continued)**

Equity and fixed income securities classified in Level 2 of the fair value hierarchy are valued at prices provided by independent pricing vendors. The vendors provide these prices after evaluating observable inputs including, but not limited to: quoted prices for similar securities, the mean between the last reported bid and ask prices (or the last bid price in the absence of an asked price), yield curves, yield spreads, credit ratings, deal terms, tranche level attributes, default rates, cash flows, prepayment speeds, broker/dealer quotations, inflation and reported trades.

Equity and fixed income securities classified in Level 3 are valued with last trade data having limited trading volume. Real assets classified in Level 3 are real asset investments generally valued using the income approach by internal manager reviews or independent external appraisers. The private equity program spans a range of underlying strategies including buyouts, growth equity/venture, private debt, secondaries, and fund-of-funds. The real asset program includes investments in a broad range of real estate strategies (i.e., core, value-added, opportunistic), infrastructure, and natural resources funds.

***Investments Measured at the Net Asset Value (NAV)*** – The unfunded commitment and redemption frequency and notice period for investments measured at the net asset value (NAV) per share (or its equivalent) are presented in the tables on pages 27 and 28.

*Domestic and International Equities* – DCRB has investments in 5 funds with a domestic focus and 4 funds with an international focus, in which the equity securities maintain some level of market exposure; however, the level of market exposure may vary through time.

*Fixed Income* – DCRB has investments in 6 funds, including corporate bonds, and U.S. Treasury obligations, with redemption notifications not greater than 30 days.

*Real Assets* – DCRB committed to purchase partnership interests in real asset funds as part of its long-term asset allocation plan for private markets.

## Notes to Financial Statements

### NOTE 6: INVESTMENTS (continued)

**Investments Measured at Fair Value (Dollars in thousands)**

| | September 30, 2024 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| **Investments by Fair Value Level** | | | | |
| Domestic Equity | $ 384,361 | $ 367,106 | $ 1,913 | $ 15,342 |
| International Equity | 307,345 | 428 | - | 306,917 |
| Fixed Income | 492,787 | - | 195,899 | 296,888 |
| Real Assets | 1,473,706 | - | - | 1,473,706 |
| Private Equity | 1,799,923 | - | - | 1,799,923 |
| Total Investments by Fair Value Level | 4,458,122 | $ 367,534 | $ 197,812 | $ 3,892,776 |
| **Investment Measured at the Net Asset Value (NAV)** | | | | |
| Domestic Equity | 2,584,258 | | | |
| International Equity | 2,240,818 | | | |
| Fixed Income | 2,097,150 | | | |
| Real Assets | 303,928 | | | |
| Total Investments Measured at NAV | 7,226,154 | | | |
| Total Investments | $ 11,684,276 | | | |

Additional information for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the table below (Dollars in thousands):

| | September 30, 2024 | Unfunded Commitments | Redemption Frequency | Redemption Notice |
|---|---|---|---|---|
| **Investment Measured at the Net Asset Value (NAV)** | | | | |
| Domestic Equity | $ 2,584,258 | $ - | Daily, Quarterly | 0-5 days |
| International Equity | 2,240,818 | - | Daily, Monthly | 1-10 days |
| Fixed Income | 2,097,150 | - | Daily, Monthly | 0-5 days |
| Real Assets | 303,928 | - | Daily, Quarterly | 0-45 days |
| Total Investments Measured at NAV | $ 7,226,154 | $ - | | |

Investments derivative instruments (Dollars in thousands)

| | Fair Value September 30, 2024 |
|---|---|
| Assets - Forwards | $ 26,929 |
| Liabilities - Forwards | (27,243) |
| Rights-Warrants | 5 |
| Swaps | - |
| Total | $ (309) |

## Notes to Financial Statements

### Investments Measured at Fair Value (Dollars in thousands)

| | September 30, 2023 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| **Investments by Fair Value Level** | | | | |
| Domestic Equity | $ 307,471 | $ 289,620 | $ 4,997 | $ 12,854 |
| International Equity | 255,538 | 2,792 | - | 252,746 |
| Fixed Income | 511,863 | - | 217,938 | 293,925 |
| Real Assets | 1,073,375 | - | - | 1,073,375 |
| Private Equity | 1,707,947 | - | - | 1,707,947 |
| Total Investments by Fair Value Level | 3,856,194 | $ 292,412 | $ 222,935 | $ 3,340,847 |
| **Investment Measured at the Net Asset Value (NAV)** | | | | |
| Domestic Equity | 1,846,867 | | | |
| International Equity | 2,640,547 | | | |
| Fixed Income | 1,835,377 | | | |
| Real Assets | 248,695 | | | |
| Total Investments Measured at NAV | 6,571,486 | | | |
| Total Investments | $ 10,427,680 | | | |

Additional information for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the table below (Dollars in thousands):

| | September 30, 2023 | Unfunded Commitments | Redemption Frequency | Redemption Notice |
|---|---|---|---|---|
| **Investment Measured at the Net Asset Value (NAV)** | | | | |
| Domestic Equity | $ 1,846,867 | $ - | Daily, Monthly | 0-5 days |
| International Equity | 2,640,547 | - | Daily, Monthly | 1-10 days |
| Fixed Income | 1,835,377 | - | Daily, Monthly | 0-5 days |
| Real Assets | 248,965 | - | Daily, Quarterly | 0-45 days |
| Total Investments Measured at NAV | $ 6,571,756 | $ - | | |

Investments derivative instruments (Dollars in thousands):

| | Fair Value September 30, 2023 |
|---|---|
| Assets - Forwards | $ 27,684 |
| Liabilities - Forwards | (28,086) |
| Rights-Warrants | 5 |
| Swaps | (73) |
| Total | $ (471) |

## Notes to Financial Statements

### NOTE 7: NET PENSION LIABILITY (ASSET)

The components of the net pension liability (asset) of the District Retirement Funds on September 30, 2024 and 2023 were as follows:

(Dollars in thousands)

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | TRF | POFRF | TRF | POFRF |
| Total Pension Liability | $ 3,409,385 | $ 7,708,727 | $ 3,229,928 | $ 7,358,696 |
| Plan Fiduciary Net Position | 3,386,616 | 8,877,390 | 2,883,895 | 7,654,185 |
| Net Pension Liability (Asset) | $ 22,769 | $ (1,168,663) | $ 346,033 | $ (295,489) |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/Asset | 99.33% | 115.16% | 89.29% | 104.02% |

***Actuarial Assumptions*** - The total pension liability was determined based on an actuarial valuation as of September 30, 2024 and 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

| Teachers' Retirement Fund | 2024 | 2023 |
|---|---|---|
| Actuarial cost method | Entry age normal | Entry age normal |
| Amortization method | Level dollar, closed | Level dollar, closed |
| Asset valuation method | 5-year smoothed market | 5-year smoothed market |
| Inflation | 3.00% | 3.00% |
| Salary increases | 4.00% - 7.10% | 4.00% - 7.10% |
| Investment rate of return | 6.25%, net of pension plan investment expense | 6.25%, net of pension plan investment expense |
| Mortality (Healthy) | Pub-2010 General Employee and Healthy Retiree Mortality with generational projection using MP-2021 improvement scale | Pub-2010 General Employee and Healthy Retiree Mortality with generational projection using MP-2021 improvement scale |
| Mortality (Disabled) | Pub-2010 General Disabled Retiree Mortality with generational projection using MP-2021 improvement scale | Pub-2010 General Disabled Retiree Mortality with generational projection using MP-2021 improvement scale |
| Cost of living adjustments | 3.25% for members hired before November 10, 1996 and 2.75% for members hired on or after November 10, 1996 | 2.75% for members hired on or after November 10, 1996 |

## Notes to Financial Statements

**NOTE 7: NET PENSION LIABILITY (ASSET) (continued)**

| Police and Firefighters' Retirement Fund | 2024 | 2023 |
|---|---|---|
| Actuarial cost method | Entry age normal | Entry age normal |
| Amortization method | Level dollar, closed | Level dollar, closed |
| Asset valuation method | 5-year smoothed market | 5-year smoothed market |
| Inflation | 3.0% | 3.0% |
| Salary increases | 6.25% - 7.25% for police, 4.50% to 6.05% for firefighters | 5.15% - 7.80% for police, 4.25% - 7.30% for firefighters |
| Investment rate of return | 6.25%, net of pension plan investment expense | 6.25%, net of pension plan investment expense |
| Mortality (Healthy) | Pub-2010 Public Safety Employee and Healthy Retiree Mortality with males set forward 1 year, generational projection using MP-2021 improvement scale | Pub-2010 Public Safety Employee and Healthy Retiree Mortality with males set forward 1 year, generational projection using MP-2021 improvement scale |
| Mortality (Disabled) | Pub-2010 Public Safety Disabled Retiree Mortality with generational projection using MP-2021 improvement scale | Pub-2010 Public Safety Disabled Retiree Mortality with generational projection using MP-2021 improvement scale |
| Cost of living adjustments | 3.25% for members hired before November 10, 1996 and 2.75% for members hired on or after November 10,1996 | 2.75% for members hired on or after November 10, 1996 |

All assets and liabilities are computed as of October 1, 2024. Demographic information was collected as of June 30, 2024. The actuarial assumptions used were based on the results of the most recent actuarial experience investigation for the period July 1, 2015 to June 30, 2020, dated October 12, 2021.

The discount rate used to measure the total pension liability was 6.25% for both 2024 and 2023. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that the District contributions will be made in accordance with the Board's funding policy adopted in 2012 and revised in 2021. Based on those assumptions, the pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## Notes to Financial Statements

**NOTE 7: NET PENSION LIABILITY (ASSET) (continued)**

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2024 and 2023 are summarized in the following table:

| Asset Class | Target Allocation 2024 | Target Allocation 2023 | Long-Term Expected Real Rate of Return 2024 | Long-Term Expected Real Rate of Return 2023 |
|---|---|---|---|---|
| Domestic Equity | 20.0 % | 20.0 % | 8.5 % | 8.7% |
| International Developed Equity | 16.0 | 16.0 | 8.9 | 9.8 |
| Emerging Market Equity | 10.0 | 10.0 | 8.9 | 10.0 |
| U.S. Core Fixed Income | 7.0 | 7.0 | 4.8 | 2.4 |
| U.S. Long-Term Government Bonds | 3.0 | 3.0 | 5.0 | 5.0 |
| Treasury Inflation - Protected Securities | 5.0 | 5.0 | 4.7 | 4.5 |
| Bank Loans | 2.0 | 2.0 | 6.6 | 7.0 |
| Emerging Market Debt | 4.0 | 4.0 | 6.2 | 6.0 |
| High Yield Bonds | 2.0 | 2.0 | 6.8 | 7.3 |
| Foreign Bonds | 2.0 | 2.0 | 3.9 | 4.0 |
| Private Equity | 9.0 | 9.0 | 11.2 | 11.0 |
| Private Credit | 3.0 | 3.0 | 9.2 | 7.3 |
| Real Estate | 8.0 | 8.0 | 8.0 | 7.8 |
| Infrastructure | 6.0 | 6.0 | 9.0 | 8.3 |
| Natural Resources | 2.0 | 2.0 | 9.3 | 8.6 |
| Cash | 1.0 | 1.0 | 2.5 | 2.9 |
| Total | 100.0 % | 100.0 % | | |

***Disclosure of the Sensitivity of the Net Pension Liability to Changes in the Discount Rate -*** The following presents the net pension liability of the Teachers' Retirement Fund and the Police Officers and Firefighters' Retirement Fund, calculated using the discount rate of 6.25% for both 2024 and 2023, as well as what the Fund's net pension liability calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

## Notes to Financial Statements

**NOTE 7: NET PENSION LIABILITY (ASSET) (continued)**

(Dollars in thousands)

| 2024 | 1% Decrease (5.25)% | Current Discount Rate (6.25%) | 1% Increase (7.25)% |
|---|---|---|---|
| Teachers' Retirement Fund<br>Net Pension Liability (Asset) | $ 640,880 | $ 22,769 | $ (465,857) |
| Police Officers and Firefighters' Retirement Fund<br>Net Pension Asset | $ 115,525 | $ (1,168,663) | $ (2,195,935) |

| 2023 | 1% Decrease (5.25)% | Current Discount Rate (6.25%) | 1% Increase (7.25)% |
|---|---|---|---|
| Teachers' Retirement Fund<br>Net Pension Liability (Asset) | $ 930,596 | $ 346,033 | $ (115,901) |
| Police Officers and Firefighters' Retirement Fund<br>Net Pension Asset | $ 948,625 | $ 295,490 | $ (1,288,720) |

**NOTE 8: CONTINGENCIES**

DCRB is party to various legal proceedings, many of which occur in the normal course of its operations. These legal proceedings are not likely to have a material adverse impact on the Funds' financial position as of September 30, 2024 and 2023.

**NOTE 9: SUBSEQUENT EVENTS**

DCRB has evaluated events subsequent to September 30, 2024 and through December 13, 2024, the date the financial statements were available to be issued and determined that there have not been any events that have occurred that would require adjustments to the financial statements.

## Schedules of Changes in the Net Pension Liability (Asset) and Related Ratios

### Teachers Retirement Funds (Dollars in thousands)

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total Pension Liability** | | | | | | | | | | |
| Service Cost | $ 102,043 | $ 90,372 | $ 88,666 | $ 87,984 | $ 80,242 | $ 72,429 | $ 67,877 | $ 65,911 | $ 61,599 | $ 53,297 |
| Interest | 198,299 | 176,035 | 165,520 | 168,636 | 159,186 | 144,165 | 137,704 | 131,657 | 124,370 | 118,378 |
| Difference Between Expected and Actual Experience | (6,601) | 201,979 | 19,354 | (16,580) | (2,364) | 103,719 | (19,505) | (37,230) | 2,656 | (7,246) |
| Changes in Assumptions | | | - | (89,404) | - | - | - | 14,106 | - | - |
| Benefit Payments | (108,764) | (104,339) | (95,352) | (89,404) | (85,679) | (81,471) | (78,430) | (72,069) | (69,093) | (64,076) |
| Refunds | (5,520) | (5,689) | (5,236) | (3,417) | (4,873) | (6,418) | (6,126) | (6,166) | (6,205) | (5,576) |
| Net Change in Total Pension Liability | 179,457 | 358,358 | 172,952 | 57,815 | 146,512 | 232,424 | 101,520 | 96,209 | 113,327 | 94,777 |
| Total Pension Liability - Beginning | 3,229,928 | 2,871,570 | 2,698,618 | 2,640,803 | 2,494,291 | 2,261,867 | 2,160,347 | 2,064,138 | 1,950,811 | 1,856,034 |
| Total Pension Liability - Ending (a) | $ 3,409,385 | $ 3,229,928 | 2,871,570 | 2,698,618 | 2,640,803 | 2,494,291 | 2,261,867 | 2,160,347 | 2,064,138 | 1,950,811 |
| **Fund Fiduciary Net Position** | | | | | | | | | | |
| Contributions - District Government | 50,224 | 47,835 | 75,060 | 70,478 | 58,888 | 53,343 | 59,046 | 56,781 | 44,469 | 39,513 |
| Contributions - Plan Member | 58,497 | 58,691 | 46,914 | 45,689 | 42,356 | 40,432 | 40,324 | 34,364 | 33,591 | 31,621 |
| Net Investment Income (Loss) | 512,809 | 316,072 | (389,391) | 513,322 | 138,924 | 85,047 | 94,129 | 239,554 | 152,262 | (72,647) |
| Other Income | 969 | 965 | 871 | 953 | 803 | 883 | 1,038 | 907 | 1,033 | 385 |
| Benefit Payments | (108,764) | (104,339) | (95,352) | (89,404) | (85,679) | (81,471) | (78,430) | (72,069) | (69,093) | (64,076) |
| Administrative Expense | (5,494) | (2,565) | (4,488) | (4,127) | (3,511) | (3,440) | (4,474) | (4,721) | (4,746) | (4,543) |
| Refunds | (5,520) | (5,689) | (5,236) | (3,417) | (4,873) | (6,418) | (6,126) | (6,166) | (6,205) | (5,576) |
| Change in Fiduciary Net Position | 502,721 | 310,970 | (371,622) | 533,494 | 146,908 | 88,376 | 105,507 | 248,650 | 151,311 | (75,323) |
| Fund Fiduciary Net Position - Beginning | 2,883,895 | 2,573,262 | 2,944,884 | 2,411,390 | 2,264,482 | 2,176,106 | 2,070,599 | 1,821,949 | 1,670,638 | 1,745,961 |
| Adjustment for final asset - Beginning | | (337) | | | | | | | | |
| Fund Fiduciary Net Position - Ending (b) | 3,386,616 | 2,883,895 | 2,573,262 | 2,944,884 | 2,411,390 | 2,264,482 | 2,176,106 | 2,070,599 | 1,821,949 | 1,670,638 |
| Net Pension Liability (Asset) - Ending (a) - (b) | $ 22,769 | $ 346,033 | $ 298,308 | $ (246,266) | $ 229,413 | $ 229,809 | $ 85,761 | $ 89,748 | $ 242,189 | $ 280,173 |
| Ratio of Fund Fiduciary Net Position to Total Pension Liability (Asset) - (b) / (a) | 99.33% | 89.29% | 89.61% | 109.13% | 91.31% | 90.79% | 96.21% | 95.85% | 88.27% | 85.64% |
| Covered Payroll | $ 636,961 | $ 624,500 | $ 575,288 | $ 538,565 | $ 490,756 | $ 466,792 | $ 470,749 | $ 447,762 | $ 438,079 | $ 417,090 |
| Net Pension Liability (Asset) as a Percentage of Covered Payroll | 3.57% | 55.41% | 51.85% | (45.73)% | 46.75% | 49.23% | 18.22% | 20.04% | 55.28% | 67.17% |

Note: Schedule is intended to show information for 10 years.

## Schedules of Changes in the Net Pension Liability (Asset) and Related Ratios

### Police and Firefighters Retirement Fund (Dollars in thousands)

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total Pension Liability** | | | | | | | | | | |
| Service Cost | $ 211,027 | $ 195,420 | $ 203,080 | $ 217,495 | $ 209,411 | $ 180,928 | $ 182,641 | $ 196,629 | $ 198,020 | $ 192,114 |
| Interest | 452,695 | 408,414 | 380,658 | 386,386 | 359,706 | 338,288 | 318,719 | 300,626 | 282,285 | 257,943 |
| Difference Between Expected and Actual Experience | (82,546) | 324,730 | 55,933 | (189,740) | (8,567) | (57,642) | (84,452) | (188,549) | (106,840) | (2,477) |
| Changes in Assumptions | | - | - | (97,495) | - | - | - | 67,256 | - | - |
| Benefit Payments | (228,462) | (206,844) | (179,984) | (156,455) | (140,044) | (121,342) | (106,794) | (92,537) | (79,137) | (63,634) |
| Refunds | (2,682) | (2,149) | (2,177) | (2,420) | (1,236) | (1,533) | (1,580) | (1,647) | (2,179) | (1,396) |
| Net Change in Total Pension Liability | 350,032 | 719,571 | 457,510 | 157,771 | 419,270 | 338,699 | 308,534 | 281,778 | 292,149 | 382,550 |
| Total Pension Liability - Beginning | 7,358,695 | 6,639,124 | 6,181,614 | 6,023,843 | 5,604,573 | 5,265,874 | 4,957,340 | 4,675,562 | 4,383,413 | 4,000,863 |
| Total Pension Liability - Ending (a) | $ 7,708,727 | $ 7,358,695 | 6,639,124 | 6,181,614 | 6,023,843 | 5,604,573 | 5,265,874 | 4,957,340 | 4,675,562 | 4,383,413 |
| **Fund Fiduciary Net Position** | | | | | | | | | | |
| Contributions - District Government | 79,883 | 77,508 | 108,965 | 109,933 | 93,061 | 91,284 | 105,596 | 145,631 | 136,115 | 103,430 |
| Contributions - Plan Member | 40,875 | 44,249 | 36,997 | 37,433 | 37,880 | 38,243 | 34,478 | 33,424 | 32,785 | 33,679 |
| Net Investment Income (Loss) | 1,345,441 | 855,245 | (1,044,735) | 1,391,936 | 381,607 | 232,987 | 316,842 | 655,310 | 415,157 | (187,283) |
| Other Income | 2,544 | 2,563 | 2,338 | 2,585 | 2,207 | 2,435 | 2,356 | 2,468 | 2,810 | 1,012 |
| Benefit Payments | (228,462) | (206,844) | (179,984) | (156,455) | (140,044) | (121,342) | (106,794) | (92,537) | (79,137) | (63,634) |
| Administrative Expense | (14,394) | (16,832) | (12,047) | (11,208) | (9,648) | (9,481) | (11,570) | (12,838) | (12,918) | (11,939) |
| Refunds | (2,682) | (2,149) | (2,177) | (2,420) | (1,236) | (1,533) | (1,580) | (1,647) | (2,179) | (1,396) |
| Change in Fiduciary Net Position | 1,223,205 | 753,740 | (1,090,643) | 1,371,804 | 363,827 | 232,593 | 339,328 | 729,811 | 492,633 | (126,131) |
| Fund Fiduciary Net Position - Beginning | 7,654,185 | 6,901,351 | 7,991,994 | 6,620,190 | 6,256,363 | 6,023,770 | 5,684,442 | 4,954,631 | 4,461,998 | 4,588,129 |
| Adjustment for final assets | | (906) | | | | | | | | |
| Fund Fiduciary Net Position - Ending (b) | $ 8,877,390 | $ 7,654,185 | 6,901,351 | 7,991,994 | 6,620,190 | 6,256,363 | 6,023,770 | 5,684,442 | 4,954,631 | 4,461,998 |
| Net Pension Liability (Asset) - Ending (a) - (b) | $ (1,168,663) | $ (295,490) | $ (262,227) | $(1,810,380) | $ (596,347) | $ (651,790) | $ (757,896) | $ (727,102) | $ (279,069) | $ (78,585) |
| Ratio of Fund Fiduciary Net Position to Total Pension Liability (Asset) - (b) / (a) | 115.16% | 104.02% | 103.95% | 129.29% | 109.90% | 111.63% | 114.39% | 114.67% | 105.97% | 101.79% |
| Covered Payroll | $ 501,375 | $ 512,498 | $ 528,910 | $ 516,881 | $ 473,513 | $ 460,686 | $ 454,209 | $ 441,904 | $ 438,114 | $ 446,201 |
| Net Pension Liability (Asset) as a Percentage of Covered Payroll | (233.09)% | (57.66)% | (49.58)% | (350.25)% | (125.94)% | (141.48)% | (166.86)% | (164.54)% | (63.70)% | (17.61)% |

Note: Schedule is intended to show information for 10 years.

## Schedules of Employer Contributions
### Teachers' Retirement Fund (Dollars in Thousands)

| Teachers' Retirement Fund<br>Fiscal Year Ended September 30 | Actuarially Determined Employer Contribution | Actual Employer Contribution | Contribution Deficiency (Excess) | Covered Payroll | Actual Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2015 | 39,513 | 39,513 | - | 417,090 | 9.47 % |
| 2016 | 44,469 | 44,469 | - | 438,079 | 10.15 |
| 2017 | 56,781 | 56,781 | - | 447,762 | 12.68 |
| 2018 | 59,046 | 59,046 | - | 470,749 | 12.54 |
| 2019 | 53,343 | 53,343 | - | 466,792 | 11.43 |
| 2020 | 58,888 | 58,888 | - | 490,756 | 12.00 |
| 2021 | 70,478 | 70,478 | - | 538,565 | 13.09 |
| 2022 | 75,060 | 75,060 | - | 575,288 | 13.05 |
| 2023 | 47,835 | 47,835 | - | 624,500 | 7.66 |
| 2024 | 50,224 | 50,224 | - | 636,961 | 7.88 |

**Notes to Schedule**:

Valuation Date: For the fiscal year 2024 and prior, actuarially determined contribution amounts are calculated as of the beginning of the fiscal year. Actual contributions are based on valuations as of October 1, two years prior to the end of the fiscal year in which contributions are reported. Actuarial valuations are performed every year. The assumptions shown below are from the currently approved assumptions, and the assumptions used to determine contributions in the past may not have been the same.

| | |
|---|---|
| Actuarial cost method | Entry age normal |
| Amortization method | Level dollar, closed |
| Remaining amortization period | 20 years |
| Asset valuation method | 5-year smoothed market |
| Inflation | 3.00% |
| Salary increases | 4.00% to 7.10%; includes wage inflation of 3.00% |
| Investment rate of return | 6.25%, net of pension plan investment expense |
| Mortality | Pre-retirement and post-retirement mortality rates were based on the Pub - 2010 General Employee and Healthy Retiree Mortality Table. Post-disability mortality rates were based on the Pub - 2010 General Disabled Retiree Mortality Table. |
| Cost of living adjustments | Increases at the rate of 3.25% per year for members hired prior to November 10, 1996, and 2.75% per year for members hired after November 10, 1996. |

## Schedules of Employer Contributions

### Police and Firefighters Fund (Dollar amounts in thousands)

| Police Officers and Firefighters' Retirement Fund | | | | | |
|---|---|---|---|---|---|
| Fiscal Year Ended September 30 | Actuarially Determined Employer Contribution | Actual Employer Contribution | Contribution Deficiency (Excess) | Covered Payroll | Actual Contributions as a Percentage of Covered Payroll |
| 2015 | 103,430 | 103,430 | - | 446,201 | 23.18 % |
| 2016 | 136,115 | 136,115 | - | 438,114 | 31.07 |
| 2017 | 145,631 | 145,631 | - | 441,904 | 32.96 |
| 2018 | 105,596 | 105,596 | - | 454,209 | 23.25 |
| 2019 | 91,284 | 91,284 | - | 460,686 | 19.81 |
| 2020 | 93,061 | 93,061 | - | 473,513 | 19.65 |
| 2021 | 109,933 | 109,933 | - | 516,881 | 21.27 |
| 2022 | 108,965 | 108,965 | - | 528,910 | 20.60 |
| 2023 | 77,508 | 77,508 | - | 512,498 | 15.12 |
| 2024 | 79,883 | 79,883 | - | 501,375 | 15.93 |

**Notes to Schedule:**

Valuation Date: For the fiscal year 2024 and prior, actuarially determined contribution amounts are calculated as of the beginning of the fiscal year. Actual contributions are based on valuations as of October 1, two years prior to the end of the fiscal year in which contributions are reported. Actuarial valuations are performed every year. The assumptions shown below are from the currently approved assumptions, and the assumptions used to determine contributions in the past may not have been the same.

| | |
|---|---|
| Actuarial cost method | Entry age normal |
| Amortization method | Level dollar, closed |
| Remaining amortization period | Plan surplus is amortized over 30 years |
| Asset valuation method | 5-year smoothed market |
| Inflation | 3.00% |
| Salary increases | 4.50% to 7.25%; includes wage inflation of 3.00% |
| Investment rate of return | 6.25%, net of pension plan investment expense |
| Mortality | Pre-retirement and post-retirement mortality rates were based on the Pub - 2010 Public Safety Employee and Healthy Retiree Mortality with males set forward 1 year, with generational projection using MP-2021 improvement scale. Post-disability mortality rates were based on the Pub - 2010 Public Safety Disabled Retiree Mortality with generational projections using MP-2021 improvement scale |
| Cost of living adjustments | Increases at the rate of 3.25% per year for members hired prior to November 10, 1996 and 2.75% for members hired on or after November 10, 1996. |

## Schedule of Investment Returns

### Annual Money-Weighted Rates of Return, Net of Fees

| | FY 2024 | FY 2023 | FY 2022 | FY 2021 | FY 2020 | FY 2019 | FY 2018 | FY 2017 | FY 2016 | FY 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Portfolio | 17.500% | 11.880% | (12.500)% | 20.900% | 5.270% | 3.840% | 5.340% | 12.970% | 9.346% | (4.006)% |

Note: This schedule is intended to show information for 10 years.

## Schedules of Administrative Expenses

For the years ended September 30, 2024, and 2023

| | 2024 | 2023 |
|---|---|---|
| **Personal Services** | | |
| Salaries | $ 9,909,287 | $ 8,342,469 |
| Fringe Benefits | 2,342,517 | 1,913,566 |
| Total Personal Services | 12,251,804 | 10,256,035 |
| **Nonpersonal Services** | | |
| Office Supplies | 173,465 | 158,265 |
| Telephone | 41,520 | 12,957 |
| Rent | 154,722 | - |
| Travel | 212,772 | 183,686 |
| Professional Fees | 1,391,623 | 2,898,934 |
| Postage | 6,967 | 10,480 |
| Printing | 12,376 | 4,239 |
| Insurance | 485,300 | 467,071 |
| Dues and Memberships | 46,279 | 42,843 |
| Audit Costs | 83,796 | 144,642 |
| Actuarial Fees | 203,036 | 124,182 |
| Legal Fees | 746,207 | 862,756 |
| Investment Fees | 37,418,308 | 31,943,723 |
| Contractual Services (STAR) | 3,570,392 | 3,378,381 |
| Equipment and Rental | 87,940 | 99,456 |
| Amortization | 1,806,322 | 1,993,000 |
| Total Nonpersonal Services | 46,441,025 | 42,324,615 |
| Total Administrative Expenses | 58,692,829 | 52,580,650 |
| Investment Expenses | (38,804,907) | (33,152,468) |
| Net Administrative Expenses | $ 19,887,922 | $ 19,428,182 |

## Schedules of Investment Expenses

For the years ended September 30, 2024 and 2023

| | 2024 | 2023 |
|---|---|---|
| Investment Managers* | $ 36,163,808 | $ 30,588,306 |
| Investment Administrative Expense | 1,387,016 | 1,208,745 |
| Investment Consultants | 904,083 | 920,000 |
| Investment Custodian | 350,000 | 435,417 |
| Total Investment Expenses | $ 38,804,907 | $ 33,152,468 |

*Investment managers' fees include mainly traditional managers' fees, as well as some non-traditional managers.

## Schedules of Payments to Consultants

### For the years ended September 30, 2024 and 2023

| Professional/Consultant | Nature of Service | FY2024 | FY 2023 |
|---|---|---|---|
| U.S. Treasury Office of D.C. Pensions | Benefit Payment Processing | 2,970,345 | 3,038,881 |
| Morgan, Lewis & Bockius | Legal Counsel | 240,024 | 730,231 |
| Funston Advisory Services, LLC | Audit and Consulting Services | - | 147,332 |
| Jones Day | Executive Consulting | 381,716 | 1,166,769 |
| Bolton Partners, Inc. | Actuarial Services | 184,280 | 124,182 |
| Office of Contract and Procurement | Procurement Services | | - |
| Polihire Strategy Corp | Recruitment Consulting | | - |
| Phaidon International US, Inc. | Professional Services | 97,535 | 56,000 |
| Colmore, Inc. | Investment Consulting | 154,000 | 255,938 |
| NJ3Q Technology, LLC | Information Technology Consulting | - | 24,812 |
| Raymond C. Fay dba Fay Law Group PLLC | Legal Counsel | - | 30,000 |
| Wilmer Cutler Pickering Hale and Dorr LLP | Legal Counsel | 49,777 | - |
| Supretech, Inc | IT Equipment Purchase | 76,044 | - |
| DC Net | Information Technology Consulting | 110,839 | - |
| Global Governance Advisors LLC | Professional Services | 31,498 | |
| Capitol Document Solutions | Information Technology Consulting | 38,529 | 38,483 |
| Advent Software, Inc. | Investment Consulting | 29,401 | 37,508 |
| Diligent Corp | Information Technology Consulting | 62,000 | 67,378 |
| CDW LLC dba CDW Government LLC | Information Technology Consulting | 4,804 | 11,109 |
| Election-America, Inc, | Trustee Elections | 19,853 | 15,681 |
| D.C. Office of the Chief Technology | Information Technology Consulting | 533,281 | 479,231 |
| eVestment Alliance | Online Investment Service | - | 25,447 |
| vTech Solutions, Inc. | Benefits Staffing Services | 51,707 | 87,136 |
| Dell Marketing LP | IT Equipment Purchase | - | 6,050 |
| Crowe LLP | Professional Services | 27,500 | 130,930 |
| Groom Law Group | Legal Counsel | 74,691 | 102,525 |
| WatsonRice LLP | Audit Costs | 82,805 | 61,837 |
| Document Systems, Inc | IT Software Maintenance | 26,252 | 25,612 |
| The Seaprompt Corporation | IT Software Maintenance | 80,612 | 74,360 |
| Globalscape, Inc. | IT Software Maintenance | - | 33,729 |
| Preqin Limited | IT Software Maintenance | 49,803 | - |
| Networking for Future, Inc. dba NFF, Inc. | IT Software Maintenance | - | 25,130 |
| Changing Technologies, Inc. | IT Software Maintenance | 10,779 | 8,760 |
| CJEN, Inc. | IT Software Purchase | - | 6,999 |
| HBP, Inc. | Graphic Design for Publications | - | 4,188 |
| Office of Finance and Resource Management | Information Technology Consulting | 30,389 | 6,369 |
| D.C. Department of Human Resources | Professional Services | 54,660 | 57,626 |
| Prism International, LLC | IT Software Maintenance | - | 22,854 |
| Techflairs, Inc. | Benefits Staffing Services | - | - |
| Kastle Systems, LLC | Office Security | 16,108 | 13,343 |
| Hartford Casualty Insurance Company | Insurance Consulting | 12,166 | 11,341 |
| Midtown Personnel, Inc. | Benefits Staffing Services | 67,779 | 107,654 |
| Institutional Shareholder Services, Inc. | Investment Consulting | 18,760 | 12,302 |
| RSM US LLP formerly RSM McGladrey, Inc. | IT Software Maintenance/Financial System Consulting | 73,588 | 114,662 |
| **Total Administrative Consultants** | | 5,661,525 | 7,162,389 |

(Continued on next page)

## Schedules of Payments to Consultants

### For the years ended September 30, 2024 and 2023

| Professional/Consultant | Nature of Service | FY2024 | FY 2023 |
|---|---|---|---|
| **Investment Consulting** | | | |
| Meketa Investment Group | Investment Consultant | 860,083 | 828,000 |
| Abel Noser Solutions, LLC | Investment Consultant | - | 10,000 |
| CEM Benchmarking, Inc. | Investment Consultant | 44,000 | 82,000 |
| **Total Investment Consultants** | | 904,083 | 920,000 |
| | | | |
| **Total Payments to Consultants** | | 6,565,608 | 8,082,389 |

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# 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.*

To the Board of Trustees, District of Columbia Retirement Board for
District of Columbia Teachers' Retirement Fund and
District of Columbia Police Officers and Fire Fighters' Retirement Fund

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 combining financial statements of District of Columbia Teachers' Retirement Fund and District of Columbia Police Officers and Fire Fighters' Retirement Fund (the Funds), Pension Trust Funds of the Government of the District of Columbia, which comprise the Combining Statement of Fiduciary Net Position as of September 30, 2024, and the related Combining Statement of Changes in Fiduciary Net Position for the year then ended, and the related notes to the Funds combining financial statements, which collectively comprise the Funds' basic financial statements, and have issued our report thereon dated December 12, 2024.

## Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Funds' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Funds financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control. Accordingly, we do not express an opinion on the effectiveness of the Funds' 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Funds' 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. 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 Funds' basic financial statements are free of 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 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 Funds' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Funds' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Trustees and management and is not intended to be and should not be used by anyone other than these specified parties.

Lanham, MD Watson Rice LLP
December 12, 2024

**REPORT WASTE, FRAUD, ABUSE, AND MISMANAGEMENT.**


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