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

Office of the Chief Financial Officer

ANNUAL REPORT FY 2014

TABLE OF CONTENTS

MURIEL BOWSER
Mayor

JEFFREY DEWITT
Chief Financial Officer

MESSAGE FROM THE D.C. TREASURER AND DEPUTY CHIEF FINANCIAL OFFICER

JEFFREY BARNETTE
Treasurer and Deputy Chief Financial Officer

I am pleased to present the annual report for the District's Annuitants' Health and Life Insurance Employer Contribution Trust Fund, now known as the Other Post-Employment Benefits Fund (OPEB), hereinafter referred to as the "Fund". Fund assets increased 17.1% from the prior year, from $897.8 million to $1.05 billion as of September 30, 2014.

The Fund had a positive rate of return of 7.67% outperforming our target return of 7.00% but slightly lagged our policy benchmark which returned 8.28%. The policy benchmark is a standard process to measure the performance of the mangers investing the Fund's assets. Domestic equities returned 14.06% and international equities returned 3.94%. For domestic fixed income we achieved a return of 4.41% and our international fixed income investment fell -0.08%.

The largest contributions to performance were made by Brandywine Large Cap Value, which returned 21.11%; Farr, Miller and Washington, a Large Cap Growth fund, which returned 14.42%; Clearbridge, a Mid-Cap equity fund, which returned 10.14%; and Artisan International Value, an International Large-Cap value fund, which returned 6.22%. Net investment income for fiscal year 2014 was $71.6 million.

An actuarial analysis of the Fund's assets and liabilities is performed annually to determine the Annual Required Contribution (ARC) and the future funding status of the plan. The annual contribution for the Fund was $86.6 million for FY 2014 as compared to $107.8 million in FY 2013. The Fund has a funding ratio of 87.2% for 2015 up from 85.7%. A new, full actuarial analysis will be performed in fiscal year 2015. The most recent actuarial roll forward report is included in the appendix.

The financial statements for the Fund are prepared by Regis CPA, a local accounting firm. The operations of the Fund and its assets are examined each year by an independent accounting firm as part of the District's annual CAFR audit. The Fund received an unqualified (clean) opinion from KPMG. The audit is included in this annual report as an appendix.

Finally, the District introduced new legislation in reference to the Health Trust, which was signed by the Mayor on August 19, 2014. A brief overview of this legislation is included in the executive summary.

I hope the information in this report helps you gain a better understanding of the operation of the Fund as well as the oversight performed on an ongoing basis by the Office of Finance and Treasury and the D.C. Department of Human Resources. We strive to ensure the Fund operates properly so District employees and annuitants can be assured this benefit is fully available for their retirement health and life insurance needs.

Sincerely,

Jeffrey Barnette
Treasurer and Deputy Chief Financial Officer

EXECUTIVE SUMMARY

INTRODUCTION

The annual report provides information on the District Annuitants' Health and Life Insurance Employer Contribution Trust Fund. The report summarizes the plan, its operations and describes the roles of the District departments that manage the Fund. The report presents information on the performance of the Fund, a description of the account managers, the amount invested with each manager, and the Fund's asset allocation policy. Also included are the audited financial statements, the actuarial analysis, comparative analysis information, provider descriptions and the contact personnel.

THE ANNUITANTS' HEALTH AND LIFE INSURANCE EMPLOYER CONTRIBUTION TRUST FUND

The government of the District of Columbia established the Trust Fund pursuant to the Annuitants' Health and Life Insurance Employer Contribution Amendment Act of 1999 (the "Act") (D.C. Official Code § 1-621.09). The Act authorized the Chief Financial Officer to deposit into the Fund the amount that has been appropriated for the purpose of funding the District's contribution for the health and life insurance premiums of annuitants and from which the District's contribution for health and life insurance for annuitants will be paid. The District established the District of Columbia Annuitant's Health and Life Insurance Employer Contribution Plan (hereinafter referred to as the "Plan") to manage, administer, and carry out the purposes of the Fund. The District's contributions to the Fund, along with the investment earnings, are used to pay for future benefits on behalf of qualified participants. The Plan is administered jointly by the District's Office of Finance and Treasury ("OFT") within the District's Office of the Chief Financial Officer ("OCFO"), and the District's Office of Human Resources ("DCHR").

PLAN DESCRIPTION

The Fund is managed and administered pursuant to the Annuitants' Health and Life Insurance Employer Contribution Trust Fund Plan. The Plan is a single employer defined benefit plan that provides health and life insurance benefits to retired eligible District employees. All employees hired after September 30, 1987, who retired under the Teachers Retirement System, Police and Fire Retirement Systems, or who are eligible for retirement benefits under the Social Security Act, are eligible to participate in the Plan. The Fund was established to hold and pay the District's contributions for health and life insurance premiums for participants.

This fiscal year in an effort to improve the operations and transparency of the Fund the Council of the District of Columbia introduced new legislation with that objective. The new legislation was introduced and signed by the Mayor in August of 2014. This legislation specifies the requirements for payment and calculation of the District's annual contribution to the Fund, the preparation of actuarial analysis, requirements for providing information needed by the Fund, the preparation of studies for the Fund, the re-bidding of contracts, the creation of an annual audit requirement, the preparation of an annual report and establishes an Advisory Committee for the Fund.

CONTRIBUTIONS

Prior to March 2, 2010 each Plan participant paid 25% of his/her health premium coverage and the District paid the remaining 75% out of the Fund. The participant contribution was changed to a graded contribution schedule beginning March 2, 2010. Participants with at least 10 years of creditable District service but less than 30 years of creditable District service pay 75% of their health insurance premiums and the District pays the remaining 25%. The scale is adjusted by an additional 2.5% for each year of creditable service over 10 years provided that the District's contribution shall not exceed 75% of the cost of the selected health benefit plan. For participants with 30 or more years of creditable District service or participants who are injured in the line of duty, the District pays 75% of the cost of the selected health benefit plan and the participant pays 25%.

OPERATIONS

The Office of Finance and Treasury (OFT) is responsible for the oversight of the investments in the Fund and has established an investment policy and procedures for the Fund. The duties and responsibilities of OFT include, but are not limited to, the financial administration and management of the Fund, the selection and monitoring of investment managers, the establishment of investment objectives, the determination of the investment policy, the establishment of management policies, and the overall management and control of Fund assets.

The D.C. Department of Human Resources counsels employees regarding their retirement benefits, enrolls them in the selected programs and informs OFT of their choices.

ACTUARIAL INFORMATION

This fiscal year our actuary firm, PRM Consulting, executed a "roll forward" actuarial analysis. PRM prepared its report in accordance with Statement of Government Accounting Standards Board (GASB) 43 and 45. The standards require a full actuarial study every two years and a roll-forward study during the interim periods. As we institute best practices we will execute a full study annually. The purpose of the actuarial analysis is to provide an estimate of the Actuarial Accrued Liabilities (AAL) of the Fund and the Annual Required Contribution (ARC). The District's ARC payment to the Fund for fiscal year 2014 was $86.6 million. For fiscal year 2014 the Fund achieved a funding ratio of 85.7%.

INVESTMENT MANAGER INFORMATION

Investment Manager	Asset Class	Benchmark	Inception Date
Equity			
Royce & Associates, LLC	U.S. Small-Cap Core	Russell 2000 Index	11/01/2009
Brandywine Global Investment Management, LLC	U.S. Large-Cap Value	Russell 1000 Value Index	01/01/2012
Farr, Miller & Washington, LLC	U.S. Large-Cap Growth	Russell 1000 Growth Index	01/01/2012
ClearBridge Advisors	U.S. Mid-Cap Core	Russell Mid-Cap Index	01/01/2012
Baillie Gifford	Intl Large-Cap Growth	MSCI EAFE Growth NR USD	12/01/2011
Artisan Partners	Intl All-Cap	MSCI EAFE Value NR USD	12/01/2011
Emerging Market Equity			
State Street Global Advisors Emerging Market	Emerging Market Equity	MSCI EM	11/01/2013
Fixed Income			
State Street Global Advisors	Core	Barclays Capital Aggregate Bond Index	08/01/2010
AllianceBernstein L.P.	Core Plus	Barclays Capital Aggregate Bond Index	12/01/2011
AllianceBernstein L.P.	Non-U.S. Unhedged	Barclays Capital Global Aggregate	01/01/2012
RBC Global Asset Management (US) Inc.	Core	Barclays Capital U.S. Securitized Index	12/01/2011
Emerging Market Debt			
BluBay Emerging Market Bond	Emerging Market Debt	50% JPM EMBI Global Diversified/ 50% JPM GBI-EM Broad Diversified U.S.	11/01/2013
Commodity			
Gresham Investment	Commodities	Bloomberg Commodity Index Total Return	11/01/2013
Cash			
State Street Global Advisors	Cash	ML U.S. Treasury Bill 3 Month	09/01/2009


11 ST NW
1100

INVESTMENT MANAGER DESCRIPTIONS

EQUITY

Royce Pennsylvania Small-Cap Core

Royce & Associates, LLC ("Royce"), the Fund's investment adviser, invests the Fund's assets primarily in equity securities of small-cap companies with stock market capitalizations up to $3 billion that it believes are trading below its estimate of their current worth. Royce looks at several factors in making this determination, including strong balance sheets and/or the ability to generate and effectively allocate excess cash flow. Royce also considers companies with strong business prospects and the potential for improvement in internal rates of return. In addition, it seeks companies that have what it believes are attractively undervalued assets and turnaround potential following business difficulties.

Normally, the Fund invests at least 65% of its net assets in equity securities of such small-cap companies. Although the Fund normally focuses on securities of U.S. companies, it may invest up to 25% of its net assets (measured at the time of investment) in securities of companies headquartered in foreign countries. The Fund may invest in other investment companies that invest in equity securities.

Brandywine Large-Cap Value

The Classic Large-Cap Value Equity strategy seeks attractive total return, a dividend yield greater than the benchmark, and style consistency, while maintaining a focus on bottom-up stock picking. The team's focus on free cash flow metrics is one of the primary factors differentiating the team from style peers. Although bottom-up stock-picking drives portfolio construction, the team spends significant effort to recognize the impact of macroeconomic changes when analyzing and researching companies.

Farr, Miller & Washington Large-Cap Growth

This portfolio is a conservative diversified portfolio consisting of 30 to 40 high-quality growth companies. The portfolio employs a buy-to-hold philosophy and ignores short-term noise in favor of long-term fundamentals. The goal is to exceed the performance of the market over a full market cycle (three to five years) without taking on more risk than the overall market. Their research analysts focus on the long-term fundamentals by seeking leading companies in industries with attractive secular growth prospects that have strong management teams, great long-term track records, conservative balance sheets, high returns on capital, and sustainable free cash flow. The risk/reward proposition must make sense for long-term investors and their focus on valuation provides downside protection and preservation of capital in weak markets.

ClearBridge Mid-Cap Core

This fund invests in a diversified portfolio focused primarily on mid-sized companies. It seeks long-term capital appreciation through a disciplined, consistent and transparent investment process. It employs an investment strategy that is driven by stock selection, with a focus on companies that exhibit high free cash flow, strong balance sheets, undervalued growth potential and management teams that exercise capital discipline.

Baillie Gifford International Growth Equity

The fund is designed to pursue long-term capital appreciation by investing in high-quality, attractively valued, non-U.S. growth companies of all market capitalizations. Baillie Gifford's investment philosophy is built on three fundamental viewpoints:

1. share prices follow company fundamentals;
2. companies that grow their earnings and cash flows faster than average outperform the market;
3. company analysis is more useful than economic data.

Their investment process is based on a highly analytical research-driven process and builds portfolios from the bottom-up. The fund invests primarily in developed markets, but also may invest up to 20% of the Fund's net assets at market value, at the time of purchase, in emerging markets. Currency hedging is used for defensive purposes and only used under certain conditions.

Artisan International Value Equity

This fund seeks to invest in undervalued companies that are generating high returns on capital, are financially strong and are managed by people who are working to build value over time. The investment team seeks to invest in companies with histories of generating strong free cash flow, improving returns on capital and strong competitive positions in their industries. This criteria helps rule out businesses that are statistically cheap, but whose values are deteriorating over time. The team believes that investing in companies with strong balance sheets helps to reduce the potential for capital risk and provides company management the ability to build value when attractive opportunities are available.

SSgA Emerging Market

The fund seeks to provide maximum total return, primarily through capital appreciation, by investing primarily in securities of foreign issuers. Under normal circumstances, the fund will invest at least 80% of its assets in equity securities, equity swaps, structured equity notes, equity linked notes and depositary receipts issued by companies domiciled, or doing a substantial portion of their business, in countries determined by the fund's management team to have a developing or emerging economy or securities market. The fund will diversify investments across many countries (typically at least 10) in order to reduce volatility associated with specific markets. The countries in which the fund invests will be expanded over time as the stock markets in other countries evolve. In determining securities in which to invest, the management team will evaluate the countries' economic and political climates with prospects for sustained macro- and microeconomic growth. The fund's management team will take into account traditional securities valuation methods, including (but not limited to) an analysis of price in relation to assets, earnings, cash flows, projected earnings growth, inflation and interest rates. Liquidity and transaction costs will also be considered.

FIXED INCOME

Bernstein Strategic Core – Plus

This is a multisector fixed-income strategy with a research-driven investment approach. This fund has as its neutral composition both strategic overweights to non-Treasury sectors, such as investment-grade corporates and mortgages, and strategic allocations to high-yield, non-U.S. and emerging market debt; these allocations are neutral targets around which portfolio exposures vary in accordance with perceived opportunity. The goal is to outperform the Barclays U.S. Aggregate Index by 100 to 200 basis points annually, before fees, over full market cycles. The strategy has a minimum average credit quality of 'A.'

Bernstein Global Plus

This is an actively managed global bond strategy with a research-driven investment approach. This fund invests in the sovereign debt of developed countries other than the U.S., investment-grade credits, agencies, mortgages, commercial mortgage-backed securities, and asset-backed securities, and takes opportunistic positions in high yield and emerging-market debt, where permitted by client guidelines.The goal is to outperform the Barclays Global Aggregate Index by 100 to 200 basis points annually, before fees, over full market cycles. The strategy has a minimum average credit quality of 'A.'

RBC Global - Access

The fund's investment objective is to invest in geographically specific debt securities located in portions of the United States designated by fund investors. The fund engages in socially responsible investing that helps build stronger communities through its support of low- and moderate-income home buyers, affordable rental housing units, small business administration loans and economic development projects. The fund invests at least 75% of the fund in securities rated AAA or equivalent and has avoided recent trouble spots—no exposure to subprime mortgages, ARMs or jumbo loans.

SSgA Bond Index

The fund seeks an investment return that approximates as closely as practicable, before expenses, the performance of the Barclays Capital U.S. Aggregate Bond Index (the "Index") over the long term. The fund is managed using a "passive" or "indexing" investment approach, by which SSgA attempts to replicate, before expenses, the performance of the Index. The fund may attempt to invest in the securities comprising the Index in the same proportions as they are represented in the Index. However, due to the large number of securities in the Index and the fact that many of the securities comprising the Index may be unavailable for purchase, it may not be possible for the fund to purchase some of the securities comprising the Index.

EMERGING MARKET DEBT

BlueBay Emerging Market Bond

This fund invests predominantly in fixed income securities issued by emerging market countries or issuers based in such countries. The fund seeks to generate excess returns via superior country and issue selection through an in-depth country and security selections process focusing on value in external credit spreads, local currencies and local interest rates. Particular emphasis is given to avoiding deteriorating credits and one-off currency devaluations. The fund has a focus on absolute returns, both their long only and alternative strategies use short exposures (either directly or via credit derivatives) as one of a number of techniques designed to deliver absolute-style returns. There is a strong emphasis on capital preservation; the use of credit derivatives helps to maximize portfolio efficiency and potentially minimize risk.

COMMODITY

Gresham Strategic Commodities Fund

This fund seeks to provide diversified exposure to commodities using long-only, fully collateralized commodity futures. Gresham's Tangible Asset Program (TAP), is a long-only, diversified, tangible commodity futures investment strategy with a 26-year real-time track record. The TAP methodology balances rules-based construction with market-driven implementation and is designed to maximize return through effective trading and minimize volatility by constraining sector and individual commodity weightings as well as a systematic interim rebalancing strategy. The fund also generates return through investment of the collateral.

CASH

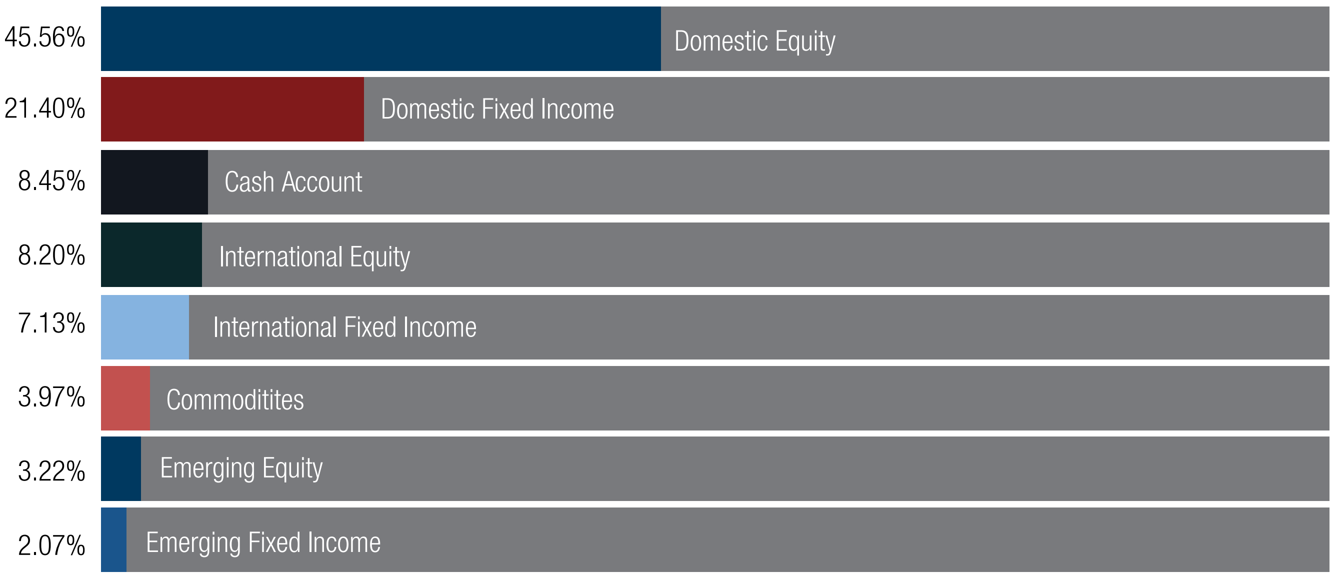
SSgA Short Term Investment Fund (STIF)

The fund invests principally in high-quality, short-term securities and other instruments including, but not limited to, U.S. Treasury bills, notes and bonds, other obligations issued or guaranteed as to principal or interest by the U.S. Government, its agencies or instrumentalities, corporate debt obligations (including commercial paper of U.S. and foreign companies), instruments of U.S. and foreign banks, including time deposits (including Eurodollar Time Deposits), certificates of deposit (including Eurodollar and Yankee Certificates of Deposit) and banker's acceptances, supranational and sovereign debt obligations (including obligations of foreign government subdivisions), mortgage-backed and asset-backed securities, repurchase agreements, funding agreements, and money market mutual funds subject to SEC Rule 2a-7, and other investment pools that SSgA determines to be consistent with the strategy's investment objective. All securities held by the fund shall be U.S. dollar denominated. The fund may concentrate its investments in one or more industries or groups of industries, such as investments in obligations of U.S. or non-U.S. banks.

ASSET ALLOCATION AND INVESTMENT PERFORMANCE

ASSET ALLOCATION BY CLASS

	Market Value ($)	Allocation (%)
Domestic Equity	479,119,795	45.56
Domestic Fixed Income	225,042,836	21.40
Cash Account	88,819,134	8.45[1]
International Equity	86,217,337	8.20
International Fixed Income	74,979,058	7.13
Commodities	41,703,347	3.97
Emerging Equity	33,862,303	3.22
Emerging Fixed Income	21,731,362	2.07
Total	**$1,051,475,172**	**100.00%**



[1] The large cash balance reflects the receipt of the annual appropriation, which occurred on 09/30/14. The Plan administrative team plans to implement a process where the annual appropriation will be made throughout the year so the cash balance at year end is reflective of the Plan's actual un-invested cash balance. Post investment cash allowance was 0.57% as of the 12/13/14 quarter ended investment report.

ASSET ALLOCATION BY MANAGER

	Market Value ($)	Allocation (%)
Brandywine Large-Cap Value	169,439,463	16.11
Farr, Miller & Washington Large-Cap Growth	142,082,341	13.51
Bernstein Strategic Core	134,476,969	12.78
ClearBridge Mid-Cap Core	103,209,724	9.82
Cash Account	88,819,134	8.45[1]
Bernstein Global Plus	74,979,058	7.13
SSgA Bond Index	74,838,879	7.12
Royce Pennsylvania Small-Cap Core	64,388,267	6.12
Artisan International Value Equity	46,083,048	4.38
Gresham Investment	41,703,347	3.97
Baillie Gifford International Growth Equity	40,134,289	3.82
SSgA Emerging Market	33,862,303	3.22
BluBay Emerging Market Bond	21,731,362	2.07
RBC Global - Access	15,726,988	1.50
Total	**$1,051,475,172**	**100.00%**

[1] The large cash balance reflects the receipt of the annual appropriation, which occurred on 09/30/14. The Plan administrative team plans to implement a process where the annual appropriation will be made throughout the year so the cash balance at year end is reflective of the Plan's actual un-invested cash balance. Post investment cash allowance was 0.57% as of the 12/13/14 quarter ended investment report.

PERFORMANCE FOR TOTAL FUND AND ASSET CLASS AS OF SEPTEMBER 30, 2014

	Performance (%)					
	1 Year	3 Years	5 Years	7 Years	Since Inception	Inception Date[1]
Total Fund Composite	**7.67**	**12.76**	**9.20**	**3.63**	**6.06**	**01/01/2003**
Policy Index	8.28	12.59	9.79	4.87	7.57	
Domestic Equity	**14.06**	**23.37**	**14.48**	**5.11**	**7.72**	**01/01/2003**
Equity Policy Index	16.05	22.94	15.78	6.18	9.65	
U.S. All-Cap Equity (SA+CF) Median	15.29	22.42	15.62	7.15	11.44	
International Equity	**3.94**	**15.51**	**7.30**	**-2.22**	**6.70**	**01/01/2003**
MSCI EAFE Index	4.70	14.16	7.04	0.27	9.20	
IM International Large-Cap Core Equity (SA+CF) Median	6.14	15.03	8.13	0.94	10.04	
Emerging Market Equity	**N/A**	**N/A**	**N/A**	**N/A**	**-0.52**	**11/01/2013**
MSCI EM (net)	4.30	7.19	4.42	-0.18	-0.53	
IM Emerging Markets Equity (SA+CF) Median	5.93	9.29	6.08	0.95	1.28	
Domestic Fixed Income	**4.41**	**2.99**	**5.45**	**4.90**	**4.54**	**01/01/2003**
Fixed Income Policy Index	3.96	2.58	4.22	5.02	4.61	
U.S. Fixed Income (SA+CF) Median	4.58	3.79	5.11	5.45	5.06	
International Fixed Income	**-0.08**	**N/A**	**N/A**	**N/A**	**0.72**	**01/01/2012**
Barclays Global Aggregate Ex USD	-0.81	0.14	1.68	3.60	0.29	
IM International Fixed Income (SA+CF) Median	5.54	6.37	6.79	6.71	5.79	
Emerging Market Debt	**N/A**	**N/A**	**N/A**	**N/A**	**-0.54**	**11/01/2013**
50% JPM EMBI Global Diversified/50% JPM GBI-EM Broad Diversified U.S.	5.21	5.38	6.30	6.54	2.56	
IM Emerging Markets Debt (SA+CF) Median	6.80	7.48	8.17	7.49	3.87	
Commodity	**N/A**	**N/A**	**N/A**	**N/A**	**-5.22**	**11/01/2013**
Bloomberg Commodity Index Total Return	-6.58	-5.34	-1.37	-5.24	-5.18	
Cash Account	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**09/01/2009**

[1] Historical performance measurement data begins on 01/01/2003.

EQUITY PERFORMANCE BY INVESTMENT MANAGER

	Performance (%)					
	1 Year	3 Years	5 Years	7 Years	Since Inception	Inception Date[1]
Brandywine Large-Cap Value	**21.11**	**N/A**	**N/A**	**N/A**	**25.63**	**01/01/2012**
Russell 1000 Value Index	18.89	23.93	15.26	4.81	20.84	
IM U.S. Large-Cap Value Equity (SA+CF) Median	18.16	23.41	15.56	6.22	20.50	
Farr, Miller & Washington Large-Cap Growth	**14.42**	**N/A**	**N/A**	**N/A**	**18.46**	**01/01/2012**
Russell 1000 Growth Index	19.15	22.45	16.50	7.57	20.23	
IM U.S. Large-Cap Growth Equity (SA+CF) Median	18.02	22.39	15.82	7.09	20.46	
Clearbridge Mid-Cap Core	**10.14**	**N/A**	**N/A**	**N/A**	**20.83**	**01/01/2012**
Clearbridge Policy Index	15.83	N/A	N/A	N/A	20.91	
IM U.S. Mid-Cap Equity (SA+CF) Median	13.24	22.47	16.56	7.92	19.78	
Royce Pennsylvania Small-Cap Core	**3.29**	**18.32**	**12.56**	**N/A**	**13.88**	**11/01/2009**
Russell 2000 Index	3.93	21.26	14.29	6.04	16.19	
U.S. Equity Small-Cap Core Funds (MF) Median	4.30	21.19	14.37	5.32	16.16	
Baillie Gifford International Growth Equity	**1.44**	**N/A**	**N/A**	**N/A**	**11.68**	**12/01/2011**
MSCI EAFE Growth Index	3.22	13.73	7.92	0.67	12.52	
IM International Growth Equity (SA+CF) Median	5.12	15.00	9.12	2.08	13.53	
Artisan International Value Equity	**6.22**	**N/A**	**N/A**	**N/A**	**17.55**	**12/01/2011**
MSCI EAFE Value	6.18	14.55	6.11	-0.19	14.11	
IM International Value Equity (SA+CF) Median	5.72	14.16	8.17	1.36	13.13	
SSgA Emerging Market	**N/A**	**N/A**	**N/A**	**N/A**	**-0.52**	**11/01/2013**
MSCI EM (net)	4.30	7.19	4.42	-0.18	-0.53	
IM Emerging Markets Equity (SA+CF) Median	5.93	9.29	6.08	0.95	1.28	

[1] Historical performance measurement data begins on 01/01/2003.

FIXED INCOME PERFORMANCE BY INVESTMENT MANAGER

	Performance (%)					
	1 Year	3 Years	5 Years	7 Years	Since Inception	Inception Date[1]
SSgA Bond Index	**3.97**	**2.46**	**N/A**	**N/A**	**3.34**	**08/01/2010**
Barclays U.S. Aggregate	3.96	2.43	4.12	4.95	3.35	
U.S. Broad Market Core Fixed Income (SA+CF) Median	4.51	3.24	4.86	5.47	4.01	
Bernstein Strategic Core	**4.74**	**N/A**	**N/A**	**N/A**	**3.27**	**12/01/2011**
Barclays U.S. Aggregate	3.96	2.43	4.12	4.95	2.57	
IM U.S. Fixed Income (SA+CF) Median	4.58	3.79	5.11	5.45	3.95	
RBC Global—Access	**3.75**	**N/A**	**N/A**	**N/A**	**2.22**	**12/01/2011**
Barclays U.S. Securitized Index	3.68	2.28	N/A	N/A	2.32	
IM U.S. Broad Market Core Fixed Income (MF) Median	4.25	3.10	4.61	4.85	3.27	
Bernstein Global Plus	**-0.08**	**N/A**	**N/A**	**N/A**	**0.72**	**01/01/2012**
Barclays Global Aggregate Ex USD	-0.81	0.14	1.68	3.60	0.29	
IM International Fixed Income (SA+CF) Median	5.54	6.37	6.79	6.71	5.79	

[1] Historical performance measurement data begins on 01/01/2003.

EMERGING MARKET DEBT PERFORMANCE BY INVESTMENT MANAGER

	Performance (%)					
	1 Year	3 Years	5 Years	7 Years	Since Inception	Inception Date[1]
BluBay Emerging Market Bond	**N/A**	**N/A**	**N/A**	**N/A**	**-0.54**	**11/01/2013**
50% JPM EMBI Global Diversified/50% JPM GBI-EM Broad Diversified U.S.	5.21	5.38	6.30	6.54	2.56	
IM Emerging Markets Debt (SA+CF) Median	6.80	7.48	8.17	7.49	3.87	

COMMODITY PERFORMANCE BY INVESTMENT MANAGER

	Performance (%)					
	1 Year	3 Years	5 Years	7 Years	Since Inception	Inception Date[1]
Gresham Investment	**N/A**	**N/A**	**N/A**	**N/A**	**-5.22**	**11/01/2013**
Bloomberg Commodity Index Total Return	-6.58	-5.34	-1.37	-5.24	-5.18	

[1] Historical performance measurement data begins on 01/01/2003.

HISTORICAL CALENDAR YEAR PERFORMANCE FOR TOTAL FUND AND ASSET CLASS

	Performance (%)						
	2013	2012	2011	2010	2009	2008	2007
Total Fund Composite	**18.62**	**12.13**	**-0.76**	**10.99**	**26.08**	**-30.77**	**5.01**
Policy Index	15.60	11.21	2.57	12.66	20.86	-24.34	6.94
Domestic Equity	**37.24**	**17.87**	**-4.86**	**15.71**	**33.26**	**-40.37**	**5.01**
Equity Policy Index	34.31	16.56	1.03	16.93	28.70	-37.60	5.77
U.S. All-Cap Equity (SA+CF) Median	34.74	16.09	-0.30	17.82	30.15	-36.48	8.43
International Equity	**28.39**	**19.38**	**-11.90**	**5.34**	**26.21**	**-48.98**	**8.68**
MSCI EAFE Index	23.29	17.90	-11.73	8.21	32.46	-43.06	11.63
IM International Large-Cap Core Equity (SA+CF) Median	23.31	19.45	-12.27	11.14	33.50	-43.65	12.37
Emerging Market Equity	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
MSCI EM (net)	-2.60	18.23	-18.42	18.88	78.51	-53.33	39.38
IM Emerging Markets Equity (SA+CF) Median	0.52	20.53	-18.44	21.60	80.01	-54.04	40.36
Domestic Fixed Income	**-1.86**	**5.10**	**8.34**	**8.82**	**21.85**	**-10.05**	**2.70**
Fixed Income Policy Index	-2.02	4.21	8.32	6.38	6.13	5.24	6.97
U.S. Fixed Income (SA+CF) Median	-0.28	6.77	6.42	7.58	10.47	1.32	6.23
International Fixed Income	**-2.98**	**4.78**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Barclays Global Aggregate Ex USD	-3.08	4.09	4.36	4.95	7.53	4.39	11.03
IM International Fixed Income (SA+CF) Median	-4.75	17.22	4.36	14.10	27.08	-11.09	8.11
Emerging Market Debt	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
50% JPM EMBI Global Diversified/50% JPM GBI-EM Broad Diversified U.S.	-6.23	16.17	2.78	13.24	22.83	-7.33	11.05
IM Emerging Markets Debt (SA+CF) Median	-5.95	18.97	2.85	15.43	32.68	-14.97	7.64
Commodity	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Bloomberg Commodity Index Total Return	-9.52	-1.06	-13.32	16.83	18.91	-35.65	16.23
Cash Account	N/A	N/A	N/A	N/A	N/A	N/A	N/A

EQUITY PERFORMANCE BY INVESTMENT MANAGER

	Performance (%)						
	2013	2012	2011	2010	2009	2008	2007
Brandywine Large-Cap Value	**39.77**	**22.69**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Russell 1000 Value Index	32.53	17.51	0.39	15.51	19.69	-36.85	-0.17
IM U.S. Large-Cap Value Equity (SA+CF) Median	34.32	15.75	0.47	14.55	25.36	-35.46	3.86
Farr, Miller & Washington Large-Cap Growth	**34.44**	**13.73**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Russell 1000 Growth Index	33.48	15.26	2.64	16.71	37.21	-38.44	11.81
IM U.S. Large-Cap Growth Equity (SA+CF) Median	34.62	15.19	0.08	16.00	34.35	-38.55	13.62
Clearbridge Mid-Cap Core	**38.61**	**19.27**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Clearbridge Policy Index	34.76	17.04	N/A	N/A	N/A	N/A	N/A
IM U.S. Mid-Cap Equity (SA+CF) Median	36.06	16.26	-1.27	24.97	37.45	-40.24	9.99
Royce Pennsylvania Small-Cap Core	**35.25**	**14.58**	**-4.17**	**23.86**	**N/A**	**N/A**	**N/A**
Russell 2000 Index	38.82	16.35	-4.18	26.85	27.17	-33.79	-1.57
U.S. Equity Small-Cap Core Funds (MF) Median	38.64	15.22	-3.04	25.78	26.94	-36.22	-3.00
Baillie Gifford International Growth Equity	**26.41**	**16.64**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
MSCI EAFE Growth Index	22.95	17.28	-11.82	12.60	29.90	-42.46	16.84
IM International Growth Equity (SA+CF) Median	23.48	20.00	-12.05	14.64	38.73	-45.28	17.31
Artisan International Value Equity	**30.25**	**22.06**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
MSCI EAFE Value	23.59	18.43	-11.65	3.81	35.06	-43.68	6.49
IM International Value Equity (SA+CF) Median	23.80	18.52	-11.14	11.47	35.62	-41.06	10.29
SSgA Emerging Market	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
MSCI EM (net)	-2.60	18.23	-18.42	18.88	78.51	-53.33	39.38
IM Emerging Markets Equity (SA+CF) Median	0.52	20.53	-18.44	21.60	80.01	-54.04	40.36

FIXED INCOME PERFORMANCE BY INVESTMENT MANAGER

	Performance (%)						
	2013	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
SSgA Bond Index	**-2.04**	**4.27**	**7.79**	**N/A**	**N/A**	**N/A**	**N/A**
Barclays U.S. Aggregate	-2.02	4.21	7.84	6.54	5.93	5.24	6.97
IM U.S. Broad Market Core Fixed Income (SA+CF) Median	-1.56	5.73	7.84	7.22	9.79	3.13	6.86
Bernstein Strategic Core	**-1.79**	**5.80**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Barclays U.S. Aggregate	-2.02	4.21	7.84	6.54	5.93	5.24	6.97
IM U.S. Fixed Income (SA+CF) Median	-0.28	6.77	6.42	7.58	10.47	1.32	6.23
RBC Global—Access	**-1.65**	**3.52**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Barclays U.S. Securitized Index	-1.30	3.14	N/A	N/A	N/A	N/A	N/A
IM U.S. Broad Market Core Fixed Income (MF) Median	-1.93	6.04	6.66	7.25	12.24	-3.79	5.27
Bernstein Global Plus	**-2.98**	**4.78**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Barclays Global Aggregate Ex USD	-3.08	4.09	4.36	4.95	7.53	4.39	11.03
IM International Fixed Income (SA+CF) Median	-4.75	17.22	4.36	14.10	27.08	-11.09	8.11

EMERGING MARKET DEBT PERFORMANCE BY INVESTMENT MANAGER

BluBay Emerging Market Bond	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
50% JPM EMBI Global Diversified/50% JPM GBI-EM Broad Diversified U.S.	-6.23	16.17	2.78	13.24	22.83	-7.33	11.05
IM Emerging Markets Debt (SA+CF) Median	-5.95	18.97	2.85	15.43	32.68	-14.97	7.64

COMMODITY PERFORMANCE BY INVESTMENT MANAGER

Gresham Investment	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Bloomberg Commodity Index Total Return	-9.52	-1.06	-13.32	16.83	18.91	-35.65	16.23

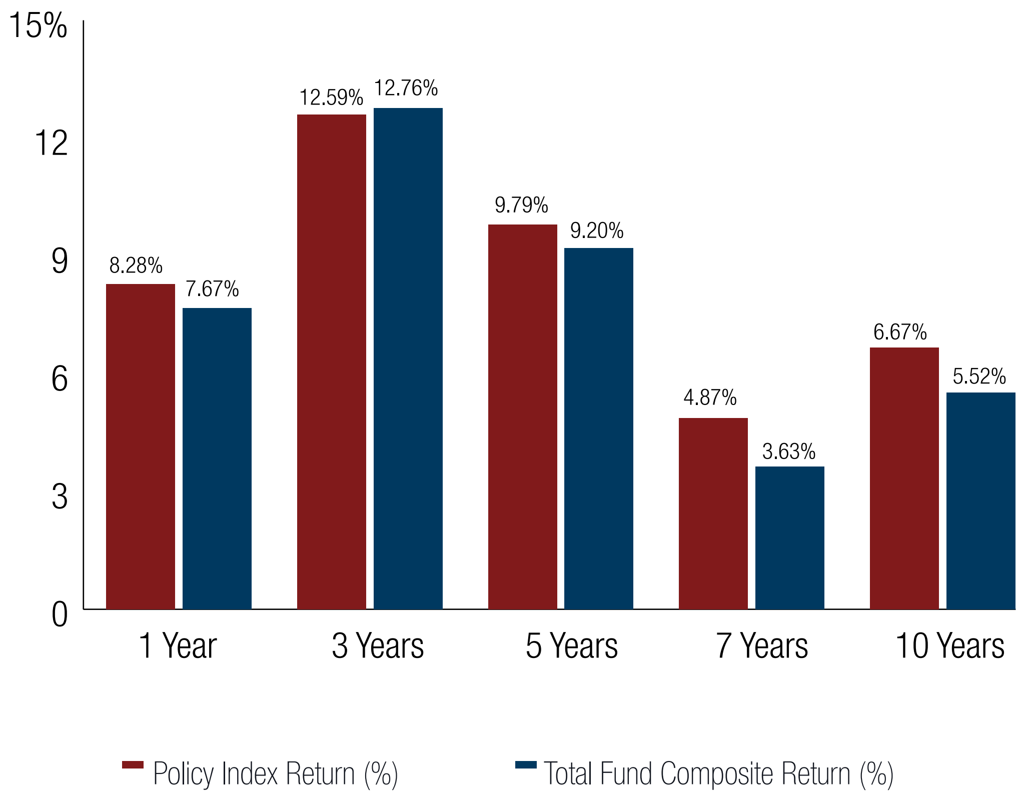
ASSET ALLOCATION POLICY

Asset Class	Minimum	Maximum	Target	Actual*
Domestic Equity	35%	55%	45%	46%
International Equity	4%	14%	9%	8%
Emerging Market Equity	0%	9%	4%	3%
Domestic Fixed Income	19%	29%	24%	21%
International Fixed Income	5%	15%	10%	7%
Emerging Market Debt	0%	8%	3%	2%
Commodities	0%	10%	5%	4%
Cash[1]	0%	10%	0%	9%

***Percentage rounded**

[1]The large cash balance reflects the receipt of the annual appropriation, which occurred on 09/30/14. The Plan administrative team plans to implement a process where the annual appropriation will be made throughout the year so the cash balance at year end is reflective of the Plan's actual un-invested cash balance. Post investment cash allowance was 0.57% as of the 12/13/14 quarter ended investment report.

COMPARATIVE PERFORMANCE AS OF SEPTEMBER 30, 2014



COMPARATIVE ANALYSIS TABLES

ASSET ALLOCATION COMPARATIVE

		DCRB		OPEB Fund	
		Current Allocation	Target Allocation (%)	Current Allocation	Target Allocation (%)
Public Equities		**54.00**	**48.00**	**56.98**	**58.00**
	Domestic Equity Assets	24.00	21.00	45.56	45.00
	International Developed Market Equity Assets	20.00	18.00	8.20	9.00
	International Emerging Market Equity Assets	11.00	9.00	3.22	4.00
Fixed Income		**30.00**	**27.00**	**30.60**	**37.00**
	Investment Grade Bond Assets	12.00	12.00	21.40	24.00
	TIPS Assets	5.00	4.00	0.00	0.00
	High Yield Assets	4.00	3.00	0.00	0.00
	Emerging Market Debt Assets	4.00	3.00	2.07	3.00
	Bank Loan Assets	2.00	3.00	0.00	0.00
	Foreign Developed Bond Assets	3.00	2.00	7.13	10.00
Alternatives		**16.00**	**25.00**	**3.97**	**5.00**
	Absolute Return Assets	4.00	10.00	0.00	0.00
	Private Equity Assets	6.00	8.00	0.00	0.00
	Real Assets	6.00	7.00	0.00	0.00
	Real Estate Assets	4.00	4.00	0.00	0.00
	Infrastructure/Opportunistic Assets	1.00	2.00	0.00	0.00
	Private Energy Assets	<1.00	1.00	0.00	0.00
	Commodities			3.97	5.00
Cash[1]		**<1.00**	**0.00**	**8.45**	**0.00**

As of 09/30/14

[1] The large cash balance reflects the receipt of the annual appropriation, which occurred on 09/30/14. The Plan administrative team plans to implement a process where the annual appropriation will be made throughout the year so the cash balance at year end is reflective of the Plan's actual un-invested cash balance. Post investment cash allowance was 0.57% as of the 12/13/14 quarter ended investment report.

ACTUARIAL ASSUMPTIONS COMPARATIVE

	DCRB: Teachers	DCRB: Police and Firefighters	OPEB Fund
Valuation Date:	10/01/2014	10/01/2014	09/30/2014
Actuarial Cost Method:	Entry Age Normal	Entry Age Normal	Entry Age Normal, Level Percentage of Pay
Amortization Method:	Level Dollar Closed	Level Dollar Closed	Level Percentage of Pay, Closed
Remaining Amortization Period:	18 Years	18 Years	30 Years Beginning with FYE 09/30/2013, 29 Years for FYE 09/30/2014
Asset Valuation Method:	7 Year Smoothed, Market	7 Year Smoothed, Market	Market Value
	Actuarial Assumptions		**Actuarial Assumptions**
Investment Rate of Return*	6.50%	6.50%	7.00%
Rate of Salary Increase**	4.45 - 8.25%	4.45 - 9.25%	3.75% (plus merit scale)
Cost of Living Adjustments/ Medical Trend:	3.50% (COLA limited to 3.00% for those hired after 11/01/1996)	3.50% (COLA limited to 3.00% for those hired after 11/10/1996)	Pre-Medicare: 8.0%, grading down to 4.0% Post Medicare: 6.5%, grading down to 4.0% Both assumptions utilize the Society of Actuaries Getzen Medical Trend Model, and reach the ultimate medical inflation rate in 2084

*** Includes inflation of 3.50% for DCRB, 3.00% for OPEB.**

**** Includes wage inflation of 4.25% for DCRB, 3.75% for OPEB.**

APPENDIX A: AUDIT REPORT

KPMG

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

ANNUITANTS' HEALTH AND LIFE INSURANCE
EMPLOYER CONTRIBUTION TRUST FUND

FINANCIAL STATEMENTS
AND
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013

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

ANNUITANTS' HEALTH AND LIFE INSURANCE EMPLOYER CONTRIBUTION TRUST FUND

FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013

TABLE OF CONTENTS

1400 Eye Street, NW, Suite 425, Washington, D.C. 20005 Tel 202-296-7101 Fax 202-296-7284

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

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the Statements of Plan Net Position of the Government of the District of Columbia Annuitants' Health and Life Insurance Employer Contribution Trust Fund (the Fund) as of September 30, 2014 and 2013 and the Statements of Changes in Plan Net Position for the years then ended, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective plan net position of the Fund as of September 30, 2014 and 2013, and the respective changes in plan net position for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 2, the financial statements referred to above are intended to present the plan net position and the changes in plan net position of the Fund. As a result, they do not purport to, and do not, present fairly the financial position of the Government of the District of Columbia as of September 30, 2014 and September 30, 2013 and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis and Required Supplementary Information Actuarial Analyses on pages 3 through 7 and 23 through 24, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 basic financial statements, and other knowledge we obtained during our audit of the 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2015 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

KPMG LLP

Washington, DC
March 11, 2015

GOVERNMENT OF THE DISTRICT OF COLUMBIA
ANNUITANTS' HEALTH AND LIFE INSURANCE
EMPLOYER CONTRIBUTION TRUST FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
SEPTEMBER 30, 2014 and 2013

The following presents our discussion and analysis of the financial performance of the Government of the District of Columbia's (District) Annuitants' Health and Life Insurance Employer Contribution Trust Fund (Fund) for the fiscal years (FYs) ended September 30, 2014 and 2013. This discussion and analysis should be read in conjunction with the financial statements and note disclosures.

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

Basic Financial Statements

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

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

Financial Highlights

		FY 2014		FY 2013		FY 2012
The Plan's investments	$	941,971,328	$	773,536,046	$	567,635,222
District's contributions	$	86,600,000	$	107,800,000	$	109,800,000

Table 1 - Statement of Plan Net Position (*In dollars*)

	2014	2013	Change from 2013 Variance	Change from 2013 % Variance	2012	Change from 2012 Variance	Change from 2012 % Variance
Assets							
Cash	$ 124,388,169	$151,862,701	$(27,474,532)	-18.1%	$129,303,268	$22,559,433	17.4%
Receivables	22,954,227	4,553,226	18,401,001	404.1%	5,308,530	(755,304)	-14.2%
Investments	941,971,328	773,536,046	168,435,282	21.8%	567,635,222	205,900,824	36.3%
Total Assets	1,089,313,724	929,951,973	159,361,751	17.1%	702,247,020	227,704,953	32.4%
Liabilities							
Payable Investments	37,954,665	32,136,760	5,817,905	18.1%	9,814,278	22,322,482	227.4%
Total Liabilities	37,954,665	32,136,760	5,817,905	18.1%	9,814,278	22,322,482	227.4%
Net Position held in trust for other postemployment benefits	$1,051,359,059	$897,815,213	$153,543,846	17.1%	$692,432,742	$205,382,471	29.7%

Table 2 - Statement of Changes in Plan Net Position (*In Dollars*)

	2014	2013	Change from 2013 Variance	Change from 2013 % Variance	2012	Change from 2012 Variance	Change from 2012 % Variance
Additions							
Contributions	$ 86,902,855	$108,088,940	$(21,186,085)	-19.6 %	$110.080,752	$(1,991,812)	-1.8 %
Net Investment Income	71,610,170	101,812,467	(30,202,297)	-29.7%	75,428,397	26,384,070	35.0%
Total Additions	158,513,025	209,901,407	(51,265,241)	-24.5%	185,509,149	24,392,258	13.1%
Deductions							
Insurance Premiums	4,729,440	4,306,673	422,767	9.8%	3,943,720	362,953	9.2%
Other Expenses	239,739	212,263	27,476	12.9%	232,900	(20,637)	-8.9%
Total Deductions	4,969,179	4,518,936	450,243	10.0%	4,176,620	342,316	8.2%
Net Increase	$ 153,543,846	$205,382,471	$(51,838,625)	-25.2%	$181,332,529	$24,049,942	13.3%
Beginning Net Position	897,815,213	692,432,742			511,100,213		
Ending Net Position	$1,051,359,059	$897,815,213			$692,432,742		

4

Plan Contributions

For FYs ended September 30, 2014 and 2013, the District made actuarially based contributions in the amounts of $86,600,000 and $107,800,000, respectively, which were based on congressionally approved budget authority. The District made contributions to the Plan that covered current and past Plan benefits.

Participant Contributions

Participant contributions for FYs ended September 30, 2014 and 2013 amounted to $302,855 and $288,940, respectively. For FY 2014 and FY 2013, annuitants with at least 10 years of creditable District service but less than 30 years of creditable District service pay 75% of their health insurance premiums and the District pays the remaining 25%, plus an additional 2.5% for each year of creditable service over 10 years, provided that the District's contribution shall not exceed 75% of the cost of the selected health benefit plan. For annuitants with 30 or more years of creditable District service or annuitants who are injured in the line of duty, the District pays 75% of the cost of the selected health benefit plan and the annuitant pays 25% of the cost of the selected health benefit plan.

Investment Income FY 2014

The Fund as a whole had a positive rate of return of 7.67% with gross investment income of $76,445,901 for the FY ended September 30, 2014. The net investment gain for the Fund was a result of dividends and interest plus realized and unrealized investment gains, with a net investment value of $941,971,328 for the FY ended September 30, 2014. Please see the table for details.

Investment	Rate of Return FY 2014	Benchmark FY 2014	Rate of Return FY 2013	Benchmark FY 2013
Access Capital ETI-PRI	3.75%	3.68%	-1.69%	-0.92%
Artisan Int'l Value Equity	6.22%	6.18%	30.70%	24.91%
Baillie Gifford Int'l Growth	1.44%	3.22%	25.35%	23.67%
Bernstein Global Plus	-0.08%	-0.81%	-3.19%	-3.39%
Bernstein Strategic Core	4.74%	3.96%	-1.36%	-1.68%
Brandywine Large Cap Value	21.11%	18.89%	31.34%	22.30%
ClearBridge Mid Cap - PRI	10.14%	15.83%	33.54%	27.91%
FMW Large Cap Growth	14.42%	19.15%	23.12%	19.27%
Royce FD	3.29%	3.93%	29.23%	30.06%
SSgA U.S. Aggregate Bond Index	3.97%	3.96%	-1.65%	-1.68%
SSgA U.S. Emerging Mkt Equity	N/A *	4.3%	N/A	N/A
Blue Bay Emerging Mrk-Debt	N/A *	5.21%	N/A	N/A
Gresham Commodities Fund	N/A *	-6.58%	N/A	N/A

* The Fund was held less than a year. The inception date was November 1, 2013.

In 2014, the investments had positive rates of return led by Brandywine Large Cap Value, 21.11%, FMW Large Cap Growth, 14.42% and ClearBridge Mid Cap, 10.14%. The fund had dividend and interest income in the amount of $17,608,546 and net appreciation of $59,224,306 for FY 2014.

Investment Income FY 2013

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

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

Insurance Carrier Premiums

Insurance Carrier Premiums represent amounts paid to the Plan's health and life insurance carriers. The premium expenses for FYs ended September 30, 2014 and 2013, totaled $4,729,440 and $4,306,673, respectively. The insurance premiums attributable to police, fire and teacher retirees for FYs ended September 30, 2014 and 2013 totaled $3,712,004 and $3,544,252 respectively. All remaining insurance premiums are attributable to general employee retires. The September 30, 2013 actuarial report showed that, based on data as of September 30, 2012, the total number of retirees was 555. This consists of 418 firefighters, police, and teachers, and 137 general employees. As of September 30, 2014, the number of retirees totaled 938 members (740 firefighters, police, and teachers, and 198 general employees), which represents an increase of 69.01% in retiree membership

Investment Management Fees and Custody Fees

Investment management and custody fees paid during the FYs ended September 30, 2014 and 2013 are detailed in the table below. The debt and equity assets increased to a FY 2014 balance of $941,971,328 from FY 2013 balance in the amount of $773,536,046 that is an increase of 21.8% from last year and an increase of 65.9% over the past two years.

Investment Firm	Plan Year 2014	Plan Year 2013
Access Capital ETI-PRI	$ 102,225	$ 100,042
Artisan Int'l Value Equity	195,655	417,190
Baillie Gifford Int'l Growth	270,736	227,804
Bernstein Strategic Core	555,606	576,842
Brandywine Large Cap Value	706,171	399,793
Clearbridge Mid Cap - PRI	648,805	484,026
FMW Large Cap Growth	811,633	645,906
Royce FD	592,372	572,892
SSgA U.S. Emerging Mkt Equity	25,730	34,132
SSgA U.S. Aggregate Bond Index	45,829	0
BlueBay Emerging Mkt-Debt	210,070	0
Gresham Commodities Fund	260,646	0
State Street Custody Fees	123,141	133.080
Change in Accrual of Management Fees	287,111	27,314
Total	$ 4,835,731	$ 3,619,021

7

GOVERNMENT OF THE DISTRICT OF COLUMBIA
ANNUITANTS' HEALTH AND LIFE INSURANCE
EMPLOYER CONTRIBUTION TRUST FUND
STATEMENT OF PLAN NET POSITION
SEPTEMBER 30, 2014 and 2013

	2014	2013
Assets		
Cash and Cash Equivalent (Note 5)	$ 124,388,169	$ 151,862,701
Receivables:		
Investment	21,014,486	2,769,692
Interest and dividends	1,939,741	1,783,534
Total Receivables	22,954,227	4,553,226
Investments, at fair value:		
Equities (Note 4 & 6)	582,718,696	482,524,553
Bonds (Note 4 & 6)	317,549,300	291,011,493
Commodities (Note 4 & 6)	41,703,332	-
Total Investments	941,971,328	773,536,046
Total Assets	1,089,313,724	929,951,973
Liabilities		
Payables:		
Accounts Payable and other	37,954,665	32,136,760
Total Liabilities	37,954,665	32,136,760
Net Position held in trust for other post employment benefits	$ 1,051,359,059	$ 897,815,213

See accompanying notes to basic financial statements.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
ANNUITANTS' HEALTH AND LIFE INSURANCE
EMPLOYER CONTRIBUTION TRUST FUND
STATEMENT OF CHANGES IN PLAN NET POSTION
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013

	2014	2013
Additions		
Contributions:		
District Contributions (Note 7)	$ 86,600,000	$ 107,800,000
Retiree Contributions	302,855	288,940
Total Contributions	86,902,855	108,088,940
Investment Income:		
Net Appreciation/(Depreciation) in the Fair Value of Investments	59,224,306	91,044,993
Interest	5,841,332	5,731,603
Dividends	11,767,214	10,473,731
Currency gain/(loss) on FX contracts settlements	(626,357)	(2,109,825)
Other Income/(loss)	239,406	290,986
Total Income for Investment Activities	76,445,901	105,431,488
Less Investment Activities Expenses:		
Management and Custody Fees	4,835,731	3,619,021
Net Investment Income	71,610,170	101,812,467
Total Additions	158,513,025	209,901,407
Deductions		
Insurance Carrier Premiums	4,729,440	4,306,673
Administrative Expenses	239,739	212,263
Total Deductions	4,969,179	4,518,936
Change in Net Position	153,543,846	205,382,471
Net Position Held in Trust for Other Postemployment Benefits		
Beginning of Year	897,815,213	692,432,742
End of Year	$ 1,051,359,059	$ 897,815,213

See accompanying notes to basic financial statements.

NOTE 1 PLAN DESCRIPTION AND CONTRIBUTIONS

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

Plan Description

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

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

Contributions

Participant contributions for FYs ended September 30, 2014 and 2013 amounted to $302,855 and $288,940, respectively. For FY 2014, and FY 2013, annuitants with at least 10 years of creditable District service but less than 30 years of creditable District service pay 75% of their health insurance premiums and the District pays the remaining 25%, plus an additional 2.5% for each year of creditable service over 10 years, provided that the District's contribution shall not exceed 75% of the cost of the selected health benefit plan. For annuitants with 30 or more years of creditable District service or annuitants who are injured in the line of duty, the District pays 75% of the cost of the selected health benefit plan and the annuitant pays 25% of the cost of the selected health benefit plan.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Reporting Entity

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Use of Estimates

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

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

Investment Valuation and Income Recognition

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

NOTE 3 PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION

As of September 30, 2014, there were 938 participants receiving benefits. The participants comprised of 740 teachers, police, and firefighters, and 198 general District retirees.

The actuarial valuation for the fiscal year ending September 30, 2014 was a roll-forward of the prior year's valuation. The actuarial roll-forward report issued in April 2014 projected from data as of September 30, 2012, and showed that there were a total of 555 retired participants. They consist of 418 firefighters, police, and teachers, and 137 general employees. In the September 30, 2012 actuarial report, using September 30, 2012 data, the number of retirees also totaled 555 members.

NOTE 4 MASTER CUSTODIAN CONTRACT

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

NOTE 5 CASH AND CASH EQUIVALENT

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

As of September 30, 2014

FUND			AMOUNT	PERCENTAGE OF CASH IN FUND
State Street – Cash on Hand	Cash	$	88,818,946	8.5%
Bernstein Strategic Core	Cash		17,784,107	1.7%
Brandywine Large Cap Value	Cash		7,415,577	0.7%
FMW Large Cap Growth	Cash		7,296,423	0.7%
ClearBridge Mid Cap - PRI	Cash		1,846,437	0.2%
Bernstein Global Plus	Cash		1,226,679	0.1%
		$	124,388,169	11.9%

As of September 30, 2013

FUND			AMOUNT	PERCENTAGE OF CASH IN FUND
Brandywine Large Cap Value	Cash	$	4,895,644	0.5%
ClearBridge Mid Cap - PRI	Cash		4,758,296	0.5%
Bernstein Strategic Core	Cash		21,256,961	2.3%
State Street – Cash on Hand	Cash		109,400,451	11.8%
Bernstein Global Plus	Cash		2,963,439	0.3%
FMW Large Cap Growth	Cash		8,587,910	0.9%
		$	151,862,701	16.3%

NOTE 6 INVESTMENTS

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

The majority of the Plan's assets for the years ended September 30, 2014 and 2013 were investments, which totaled $941,971,328 and $773,536,046 respectively. The assets are invested with nine different managers: SSgA, BlueBay; Sanford Bernstein, Royce; Brandywine Global; Access Capital; Barclays Capital; ClearBridge Advisors; and Farr, Miller & Washington (FMW). At September 30, 2014 and 2013, the funds were invested in equities: (61.9%) and (52.2%), bonds: (33.7%) and (31.5%), and commodities: (4.4%) and (0%), respectively. The fair value of each fund is as follows:

As of September 30, 2014

FUND			Amount	Percentage
Brandywine Large Cap	Equity	$	162,517,040	15.2%
FMW Large Cap Growth	Equity		134,718,994	12.6%
ClearBridge Mid Cap - PRI	Equity		101,014,755	9.5%
Barclays International	Equity		86,217,337	8.1%
Royce FD	Equity		64,388,267	6.0%
SSgA U.S. Emerging Markets Equity	Equity		33,862,303	3.2%
		$	582,718,696	54.7%
Bernstein Strategic Core	Bonds	$	131,613,091	12.3%
SSgA U.S. Aggregate Bond Index	Bonds		74,838,879	6.9%
Bernstein Global Plus	Bonds		73,638,980	2.0%
BlueBay Emerging Markets	Bonds		21,731,362	7.0%
Access Capital ETI-PRI	Bonds		15,726,988	1.4%
			317,549,300	29.7%
Gresham Commodities	Commodities	$	41,703,332	3.9%

As of September 30, 2013

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

NOTE 6 INVESTMENTS (*Continued*)

At September 30, 2014 and September 30, 2013, the Plan held the following aggregate investments, which are stated at aggregate fair value based on quoted market prices:

As of September 30, 2014

FUNDS	**Aggregate Fair Market Value**
Bernstein Strategic Core	$ 131,613,091
Brandywine Large Cap Value	162,517,040
FMW Large Cap Growth	134,718,994
Bernstein Global Plus	73,638,980
ClearBridge Mid Cap – PRI	101,014,755
SSgA U.S. Aggregate Bond Index	74,838,879
Barclays International	86,217,337
Royce FD	64,388,267
SSgA U.S. Emerging Markets Equity	33,862,303
Blue Bay Emerging Mkt-Debt	21,731,362
Access Capital ETI-PRI	15,726,988
Gresham Commodities Fund	41,703,332
	$ 941,971,328

As of September 30, 2013

FUNDS	**Aggregate Fair Market Value**
Bernstein Strategic Core	$ 131,079,814
Brandywine Large Cap Value	137,958,757
FMW Large Cap Growth	115,544,501
Bernstein Global Plus	72,789,290
ClearBridge Mid Cap – PRI	89,285,110
SSgA U.S. Aggregate Bond Index	71,984,498
Barclays International	77,465,353
Royce FD	62,270,832
Access Capital ETI – PRI	15,157,891
	$ 773,536,046

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

Credit Risk is the risk that an issuer to an investment will not fulfill its obligations. The average quality of all the bond holdings in each investment manager's portfolio should be maintained at "A" or better. The Plan does not invest more than 15% of the Plan's assets in securities rated below "A". As of September 30, 2014, the average quality rating of the SSgA was Aa2, Access Capital was AAA, and Sanford Bernstein portfolios were AA-. The average quality for the Blue Bay Emerging Market debt portfolio was "BBB". This is not individually managed account and its credit quality exceeded the index value of "BBB-". As of September 30, 2013 the average quality rating of investment manager's portfolio is maintained at A or better.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The plan addresses interest rate risk through a process that focuses on the review of investment managers and fund returns. The plan also uses an independent consultant to review assets and recommend any appropriate changes.

NOTE 6 INVESTMENTS (*Continued*)

The average duration for Sanford Bernstein Strategic Core was 5.36 years, and Global Plus was 6.46 years for FY ended September 30, 2014. The average duration for Access Capital was 4.25 years as of September 30, 2014 and the duration of the SSgA Bond Index Fund was 5.61 years as of as of September 30, 2014, and the duration of the BlueBay Emerging Market Fund was 5.87 years as of September 30, 2014.

The average duration for Sanford Bernstein Strategic Core was 5.56 and Global Plus was 6.22 years for FY ended September 30, 2013. The average duration for Access Capital was 4.51 years as of September 30, 2013 and the duration of the SSgA Bond Index Fund was 5.49 years as of September 30, 2013.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment in a foreign financial institution. The Plan does not have a formal policy for limiting its exposure to changes in exchange rates. The Plan's investments at September 30, 2014, held in currencies other than US dollars were as follows:

International Securities	Short Term and Cash	Convertible and Fixed Income	Total
Australian Dollar	$ 62,697	$ 1,325,447	$ 1,388,144
Canadian Dollar	1	3,993,508	3,993,509
Euro Currency	38,277	26,624,783	26,663,060
Pound Sterling	6,971	14,308,068	14,315,039
Japanese Yen	83,985	16,147,601	16,231,586
New Zealand Dollar	19,585	1,972,856	1,992,441
Mexican Peso	-	966,229	966,229
Singapore Dollar	-	362,722	362,722
South African Rand	-	192,745	192,745
Swedish Krona	-	677,904	677,904
Totals	**$ 211,516**	**$ 66,571,863**	**$ 66,783,379**

NOTE 6 INVESTMENTS (*Continued*)

The Plan's investments at September 30, 2013, held in currencies other than US dollars were as follows:

International Securities	Short Term and Cash	Convertible and Fixed Income	Total
Australian Dollar	$ -	$ 2,621,837	$ 2,621,837
Canadian Dollar	52,694	3,302,430	3,355,124
Czech Koruna	38,011	-	38,011
Euro Currency	122,115	27,830,468	27,952,583
Pound Sterling	44,628	12,054,921	12,099,549
Japanese Yen	87,707	16,922,703	17,010,410
Mexican Peso	-	1,065,828	1,065,828
Norwegian Krone	-	723,757	723,757
Peruvian Nouveau Sol	-	213,362	213,362
Polish Zloty	-	380,506	380,506
Swedish Krona	-	331,759	331,759
Singapore Dollar	-	171,593	171,593
Turkish Lira	(709)	-	(709)
Totals	**$ 344,446**	**$ 65,619,164**	**$ 65,963,610**

Derivative Financial Instruments. In accordance with the Fund's investment policies, the Fund regularly invests in derivative financial instruments with off-balance-sheet risk in the normal course of its investing activities to enhance return on investment and manage exposure to certain risks within the fund. Derivative instruments are financial contracts whose values depend on the value of one or more underlying assets, reference rates or financial indices. During FY 2014, the Fund invested directly in forward currency contracts.

At September 30, 2014 and September 30, 2013, the only off balance sheet derivative financial instruments the Fund was invested in was currency forwards.

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

NOTE 6 INVESTMENTS (*Continued*)

As of September 30, 2014

Transaction Type
Foreign Currency Contracts Purchased

Foreign Currency Contracts Purchased	Purchased/Sold ($US)	Unrealized Gain/(Loss) ($US)
Canadian Dollar	$ 46,767	$ (941)
Canadian Dollar	67,620	(950)
Swiss Franc	1,022,082	(19,067)
Czech Koruna	131,593	(3,059)
Danish Krone	424,049	(16,103)
Euro Currency	7,458,457	(317,852)
Euro Currency	78,376	(1,873)
Great British Pound	102,968	(799)
Israeli Shekel	125,918	(1,403)
Japanese Yen	4,614,681	(18,083)
Japanese Yen	3,548,749	(84,015)
Japanese Yen	224,824	(9,404)
Japanese Yen	8,134,692	(360,918)
Japanese Yen	758,137	(2,783)
Korean Won	1,553,631	(28,924)
Norwegian Kroner	212,524	(1,736)
Norwegian Kroner	926,131	(27,559)
Polish Zloty	301,314	(5,509)
Russian Rouble	188,662	(8,781)
Swedish Krona	88,365	(2,393)
Thai Baht	294,582	(3,341)
Turkish Lira	182,954	(1,363)
South African Rand	96,246	(705)
Total Contracts Purchased		**$ (917,561)**

NOTE 6 INVESTMENTS (*Continued*)

Foreign Currency Contracts Sold	Purchased/Sold ($US)	Unrealized Gain/(Loss) ($US)
Japanese Yen	$ 4,967,461	$ 370,863
Japanese Yen	3,552,597	84,503
Euro Currency	905,580	38,592
Japanese Yen	3,709,307	244,574
Great Britain Pound	197,421	4,797
Canadian Dollar	657,527	12,524
New Zealand Dollar	2,626,074	115,478
Japanese Yen	757,625	17,440
Great Britain Pound	5,606,828	136,651
Canadian Dollar	1,163,556	22,162
Great Britain Pound	771,015	23,229
Japanese Yen	103,043	4,327
Swedish Krona	100,910	2,723
Mexican Peso	540,284	12,856
Norwegian Krone	723,552	7,780
Australian Dollar	1,121,636	47,021
Singapore Dollar	153,230	1,172
Australia Dollar	704,055	28,424
Euro Currency	132,601	2,362
Total Contracts Sold		**$ 1,177,478**
Net Unrealized Gain (Loss) on Foreign Currency Spot and Forward Contracts		**$ 259,917**

NOTE 6 INVESTMENTS (*Continued*)

As of September 30, 2013

Foreign Currency Contracts Purchased	**Purchased/Sold ($US)**	**Unrealized Gain/(Loss) ($US)**
Brazilian Real	$ 140,500	$ (262)
Brazilian Real	139,989	248
Canadian dollar	803,916	17,330
Canadian Dollar	181,479	445
Canadian Dollar	19,940	80
Swiss Franc	1,125,164	16,729
Czech Koruna	528,943	9,342
Czech Koruna	417,668	370
Danish Krone	508,257	14,396
Euro Currency	5,989,057	80,116
Euro Currency	1,794,883	7,056
Indonesian Rupiah	247,301	(2,280)
Israeli Shekel	127,696	2,345
Japanese Yen	1,607,397	22,246
Japanese Yen	7,334,291	114,808
South Korean Won	1,332,004	785
Mexican Peso	48,928	(1,064)
Malaysian Ringgit	211,965	(2,535)
New Zealand Dollar	203,231	3,206
Swedish Krona	378,197	11,766
Singapore Dollar	205,801	759
Thailand Baht	297,737	3,574
South African Rand	307,761	12,942
Total Contract Purchased		**$ 312,402**

NOTE 6 INVESTMENTS (*Continued*)

Foreign Currency Contracts Sold	**Purchased/Sold ($US)**	**Unrealized Gain/(Loss) ($US)**
Australian Dollar	$ 1,718,536	$ (8,730)
Brazilian Real	129,166	(11,072)
Brazilian Real	139,989	(248)
Brazilian Real	139,508	364
Canadian Dollar	420,179	(9,187)
Canadian Dollar	181,407	(517)
Czech Koruna	827,846	(19,360)
Euro Currency	748,751	(9,959)
Euro Currency	533,455	(7,588)
Euro Currency	414,756	301
Pound Sterling	182,034	(3,385)
Pound Sterling	3,648,736	(65,993)
Pound Sterling	1,235,704	(12,932)
Pound Sterling	18,170	(23)
Indonesian Rupiah	262,500	8,848
Japanese Yen	2,683,527	(26,722)
Japanese Yen	3,843,956	(29,823)
Japanese Yen	604,839	(8,639)
Mexican Peso	760,839	20,613
Norwegian Krone	513,022	(6,041)
Peruvian Nouveau Sole	250,272	4,136
Polish Zloty	59,428	(1,126)
Singapore Dollar	172,816	(56)
Total Contracts Sold		**$ (187,139)**
Net Unrealized Gain (Loss) on Foreign Currency Spot and Forward Contracts		**$ 125,263**

NOTE 7 DISTRICT CONTRIBUTIONS

The District historically makes its contributions to the Fund near the completion of the FY, and the contribution is being distributed by the Fund to the investment managers within a month of receipt from the District. Consequently, the significant cash balance in the Plan as of September 30, 2014 and 2013 was due to the receipt of the FY contribution of $86,600,000 and $107,800,000, respectively. This contribution was deposited into the State Street cash account on September 29, 2014 and September 28, 2013, and was subsequently distributed to the investment managers on October 8, 2014 and October 2, 2013, respectively. The funds were distributed as follows:

As of September 30, 2014

FUND		AMOUNT
SSgA U.S. Emerging Markets Equity	$	31,000,000
Bernstein Global Plus		22,000,000
Barclays International		16,000,000
State Street – Cash on Hand		6,000,000
Access Capital ETI-PRI		5,000,000
Gresham Commodities Fund		4,000,000
BlueBay Emerging Mkt-Debt		2,600,000
Total	$	86,600,000

As of September 30, 2013

FUND		AMOUNT
Blue Bay Emerging Mkt-Debt	$	22,000,000
Gresham Commodities Fund		44,000,000
SSgA U.S. Emerging Markets Equity		34,000,000
State Street – Cash on Hand		7,800,000
Total	$	107,800,000

NOTE 8 CONTINGENCIES

At September 30, 2014 and September 30, 2013, there were no matters of litigation involving the Plan which would materially affect the Plan's financial position should any court decisions on pending matters not be favorable to the Plan.

NOTE 9 ACTUARIAL INFORMATION

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

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

The entry age actuarial cost method was used to prepare the September 30, 2013 actuarial valuations. The 2013 actuarial assumptions included a 7.00% investment rate of return, a discount rate of 7.00%; a 3.75% salary increase rate (plus merit scale); and a medical inflation rate ranging between 8.0% (pre-Medicare) and 6.5% (post-Medicare) grading to 4.00% over 70 years.

The 2012 actuarial assumptions included a 7.00% investment rate of return, a discount rate of 7.00%; a 3.75% salary increase rate (plus merit scale); and a medical inflation rate ranging between 8.0% (pre-Medicare) and 6.5% (post-Medicare) grading to 4.0% over 70 years.

The amortization method applied beginning with the 2013 valuation was the level percent closed method. The remaining amortization period at September 30, 2013 was 29 years; and at September 30, 2012 was 30 years.

The September 30, 2013 estimated actuarial liability is $1,048.0 million and the actuarial value of the assets is $897.8 million resulting in an estimated unfunded actuarial accrued liability (UAAL) of $150.2 million. The estimated covered payroll (annual payroll of active employees covered by the Plan) is $1,441.1 million and the ratio of UAAL to covered payroll was 10.4%.

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

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

An independent actuary performed an actuarial analysis of the Plan's assets and liabilities as of September 30, 2013, September 30, 2012, and September 30, 2011 to determine the future funding status of the Plan, which is outlined below. The analysis was based on census data as of September 30, 2012 and September 30, 2010.

This data is presented below.

Valuation Date	September 30, 2013 (Projected from September, 2012 census)	September 30, 2012 (Based on September, 2012 census)	September 30, 2011 (Projected from September, 2010 census)
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent of pay, closed	Level Percent of pay, open	Level Percent Open
Remaining Amortization	29 Years	30 Years	30 Years
Asset Valuation Method	Market Value	Market Value	Market Value
Actuarial Assumption:			
Investment Rate of Return	7.00%	7.00%	7.00%
Discount Rate	7.00%	7.00%	7.00%
Rate of Salary Increase	3.75% (plus merit scale)	3.75% (plus merit scale)	4.25% (plus merit scale)
Rate of Medical Inflation	8.0% (pre-Medicare) or 6.5% (post Medicare), grading to 4.00% over 70 years	8.0% (pre-Medicare) or 6.5% (post Medicare), grading to 4.00% over 70 years	9.5% (pre-Medicare) or 8.5% (post Medicare), grading to 5.25% over 15 years

Funding Status (in millions)

Actual Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
9/30/2013	$ 897.8	$ 1,048.0	$ 150.2	85.7%	$ 1,441.1	10.4%
9/30/2012	693.3	919.7	226.4	75.4%	1,399.1	16.2%
9/30/2011	511.5	866.6	355.1	59.0%	1,559.8	22.8%
9/30/2010	424.3	784.9	360.6	54.1%	1,544.5	23.3%
9/30/2009	309.1	625.9	316.8	49.4%	1,579.9	20.1%
10/1/2008	219.7	745.2	525.5	29.5%	1,107.1	47.5%

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

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

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

Required Supplementary Information Actuarial Analyses (*Continued*)

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

Determination of the Annual Required Contribution (ARC)

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

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(In millions)

FY Ended September	Annual Required Contribution (ARC)	Percentage Contribution (%)
2009	$130.90	62.0
2010	$92.20	98.4
2011	$94.20	100.0
2012	$95.50	115.0
2013	$85.20	126.5
2014	$86.60	100.0

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Government of the District of Columbia's Annuitants' Health and Life Insurance Employer Contribution Trust Fund (the Fund) as of and for the year ended September 30, 2014 and 2013, and have issued our report thereon dated March 11, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

KPMG LLP

Washington, DC
March 11, 2015

APPENDIX B: ACTUARIAL REPORT

District of Columbia
Postretirement Life & Health Plans

Actuarial Valuation
as of September 30, 2013
and
February, 2015 ARC Projections

District of Columbia
Office of the Chief Financial Officer
Contract #: CFOPD-13-C-017

March 2015

prm CONSULTING GROUP

PRM Consulting Group
1814 Thirteenth Street, NW
Washington, DC 20009
Phone: 202-745-3700
www.prmconsulting.com

District of Columbia
Postretirement Life & Health Plans

February, 2015 ARC Projections

District of Columbia
Office of the Chief Financial Officer
Contract #: CFOPD-13-C-017

February 2015

PRM Consulting Group
1814 Thirteenth Street, NW
Washington, DC 20009
Phone: 202-745-3700
www.prmconsulting.com

prm CONSULTING GROUP

P. O Box 304
Rockville, VA 23146

Robert G. Sanford, Jr.
Bob.Sanford@prmconsulting.com

(804)-749-8787 (phone)
(804)-749-4469 (fax)
(804)-928-1904 (cell)

February 24, 2015

Mr. John S. Henry
Associate Treasurer - Asset Management
Office of Finance and Treasury
Government of the District of Columbia
1101 4th Street SW, Suite 850 West
Washington, DC 20024

Re: Projection of Annual Required Contribution (ARC) to DC OPEB Plan

Dear John:

Enclosed please find material which summarizes actuarial valuation results for the Other Post-Employment Benefit (OPEB) Plans maintained by the District of Columbia. An exhibit is enclosed which projects the ARC over four fiscal years, through the fiscal year ending 9/30/2016. It is our understanding that the FYE2016 budget process is currently underway and soon to be finalized, so this projection information is supplied in order to facilitate your budget process.

In addition to the ARC projections, we have included a write-up that memorializes the valuation process and timing that will be utilized in the future. Specifically, it indicates that the ARC computation through the FYE2016 budget cycle will be based on a projection of the FYE13 valuation results. Thereafter, the valuation process will get into regular cycles whereby a full valuation is prepared biennially, with roll-forward valuations used for interim fiscal years. The valuation we are currently preparing, based on a population as of the beginning of the 2014-2015 fiscal year, will be used to set the ARC budget for FYE 2017 and FYE 2018. The valuation prepared as of the beginning of the 2016-2017 fiscal year will be used to set the ARC budget for FYE 2019 and FYE 2020, and so on.

We feel that both the biennial valuations and the interim-year valuations do constitute “valuations” in the spirit of the legislation you provided under DC Act 20-421, adopted on August 19, 2014. Thus, valuations are being performed at least once every year, and thus the requirement that valuations be performed at least once every year is satisfied.

If there are questions regarding any of the information contained herein, please let me know.

Sincerely,

Robert G. Sanford

Robert G. Sanford, Jr., FSA, MAAA, EA

cc: Mr. Edward Obaza, DC OCFO

District of Columbia Other Post-Employment Benefits Fund

Projection of Annual Required Contribution (ARC)

($ in 000s)

	Fiscal Year Ending September 30,			
	2013	**2014**	**2015**	**2016**
Normal Cost	$ 71,900	$ 77,600	$ 82,100	$ 86,900
Actuarial Accrued Liability (AAL)	919,700	1,048,000	1,188,300	1,339,900
Plan Assets	693,300	897,800	1,036,600	1,202,700
Unfunded AAL (UAAL)	226,400	150,200	151,700	137,200
Funded Ratio	75.4%	85.7%	87.2%	89.8%
Annual Required Contribution (ARC)	$ 85,200	$ 86,600	$ 91,400	$ 95,400
Assumed District Contribution for Fiscal Year	$ 107,800	$ 86,600	$ 91,400	$ 95,400
Amortization Period for UAAL (years)	30	29	28	27

Note all actuarial liabilities are based on a discount rate of 7%, an assumed rate of return on plan assets of 7%, an assumed inflation rate of 3% and an assumed annual increase in covered population of 2%. All other assumptions are as described in PRM Consulting Group's September 30, 2012 Actuarial Report. The actual District contribution was used for FYE 2013. Thereafter, District contributions are assumed to be equal to the ARC.

The amounts shown above for the FYs ending 9/30/2013, 2014, 2015 & 2016 are based on the most recent (2012) actuarial valuation for the Plan done by PRM Consulting as of 9/30/2012. The results for years after the FYE 9/30/2013 are based on liability projections from the 9/30/2012 valuation. The actual value of Plan assets as of 9/30/2013 was used in the projection of the ARC for FYE 9/30/2014 and 2015. The actual value of Plan assets as of 9/30/2014 was used in the projection of the ARC for FYE 9/30/2016.

There have been no material changes in the design or provisions of the OPEB plan since the valuation performed by PRM Consulting as of 9/30/2012.

prm CONSULTING GROUP

District of Columbia OPEB Valuations

Completion of Annual Valuations and Use of Roll-Forward Techniques

It is the intent of the Chief Financial Officer of the District of Columbia Government to perform a valuation of the Other Postemployment Benefits Fund each year, with a full valuation performed once every two years and with interim year valuation results based on a roll-forward of the prior year's full valuation. Further, it is the desire of the Chief Financial Officer to use the results of the latest valuation in the budget process for the next two fiscal years.

The Code of Professional Conduct for actuaries requires actuaries to comply with Actuarial Standards of Practice (ASOPs). The ASOP covering Other Postemployment Benefits permits actuaries to use valuation results from a prior valuation report and project the results ("roll-forward") rather than conduct a new measurement each year. The ASOP states that in general, the actuary should not rely on prior measurement results if the measurement date is three or more years earlier than the current measurement date. Therefore the proposed use of the biennial valuations for purposes of budgeting and disclosure for the subsequent two years will be in accordance with the Actuarial Standard of Practice. However, due to the timing of the current (2014) biennial valuation, the results will not be available in time for the CFO to submit the budget for FY16 and were not available for submission of the budget for FY15. Therefore in transitioning to the biennial cycle and use of the biennial results for budgeting, the actuaries will need to rely on the results of the prior measurement beyond the three years prescribed by the ASOP. This is a unique situation applicable to the initial transition period only; following transition, the full, biennial valuation results will only be used for two DC budget cycles.

The ASOP sets out that the roll-forward techniques may be used to reduce the frequency of the valuations. There is no intent by the CFO to reduce the frequency of the valuations to less frequent than once every two years. The use of valuation results beyond the three year limitation is permitted with this documentation and disclosure.

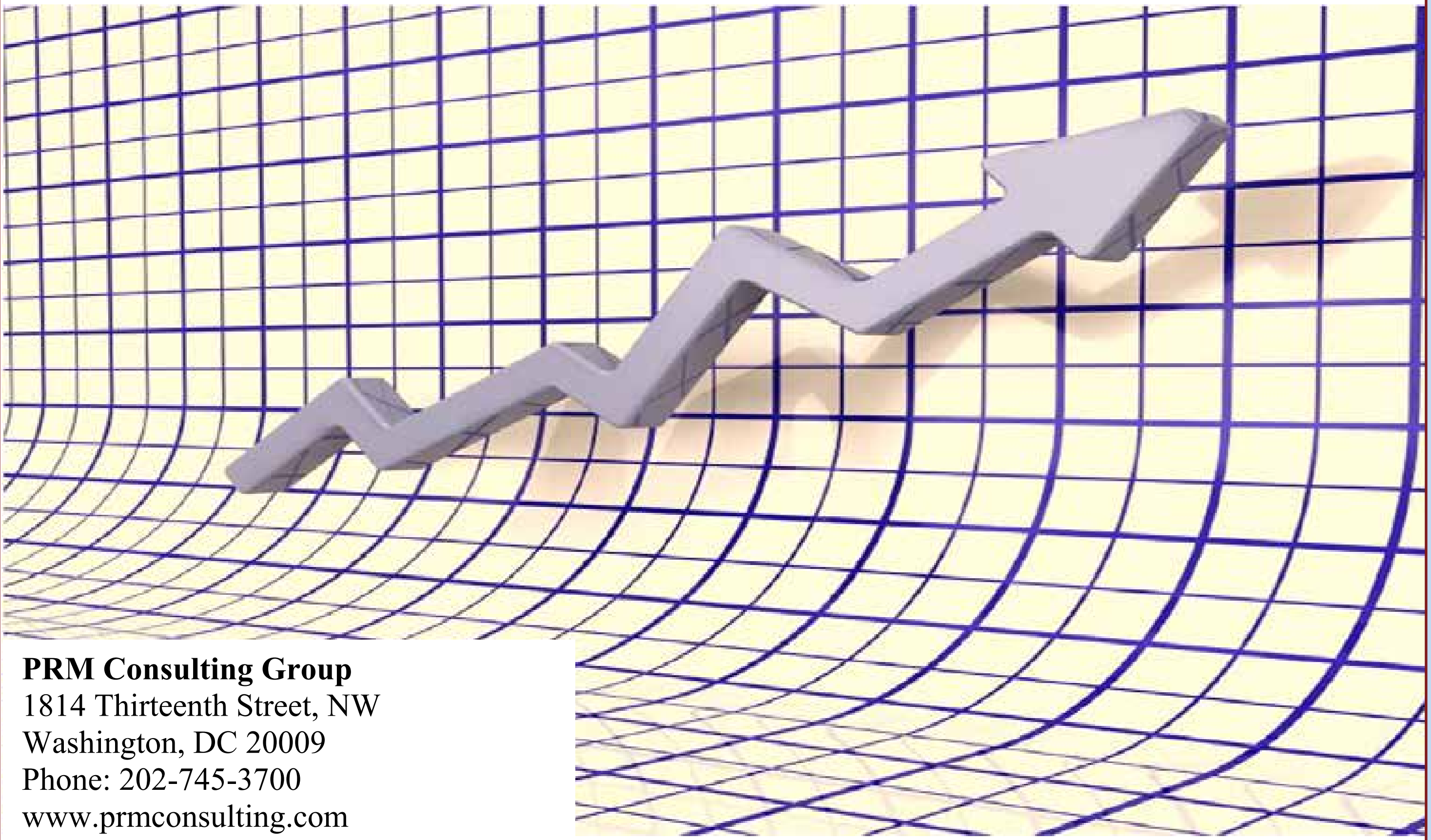
February 24, 2015

ACTUARIAL VALUATION OF POSTRETIREMENT LIFE & HEALTH PLANS as of SEPTEMBER 30, 2013

District of Columbia
Office of the Chief Financial Officer
Contract #: CFOPD-13-C-017

April 2014

prm CONSULTING GROUP



PRM Consulting Group
1814 Thirteenth Street, NW
Washington, DC 20009
Phone: 202-745-3700
www.prmconsulting.com

Contents Page

All actuarial terms used in this report have been defined in Section 8 – *Glossary of Actuarial Terms* for your reference. The first instance of these terms have been bolded.

SECTION 1 - Executive Summary

PRM Consulting Group ("PRM") has been retained by the District of Columbia (the "District) to perform an actuarial valuation of the District of Columbia Annuitants' Health and Life Insurance Employer Contribution Plan (the "Plan") as of September 30, 2013. The purpose of the valuation is to provide an estimate of the actuarial accrued liabilities of the Plan and the Annual Required Contribution in accordance with the Statements of the Governmental Accounting Standards Board (GASB) numbered 43 and 45. Use of the valuation results for other purposes may not be appropriate.

For the September 30, 2013 valuation, a "roll-forward" valuation was performed. Thus, plan liabilities as of the 2013 valuation date were computed based on projections of 2012 valuation results and the assumption that all of the **actuarial assumptions** used in the 2012 valuation were exactly realized. For the 2013 valuation of assets, actual asset amounts as of September 30, 2013 were used.

Valuations undertaken for the Plan prior to the 2012 valuation were performed by another actuarial firm. A copy of the prior valuation reports was provided to us by the District, and for convenience, entries based on the prior actuarial valuation results are included in this report.

A summary of key valuation results for the current and prior year are shown as follows:

Valuation Date	September 30, 2013	September 30, 2012
Number of Active Employees Included in valuation	21,017	21,017
Number of Retired Employees Included in valuation	555	555
Actuarial Accrued Liability ($000s)	$1,048,000	$919,700
Value of Plan Assets ($000s)	$897,800	$693,300
Unfunded Actuarial Accrued Liability ($000s)	$150,200	$226,400
Annual Required Contribution (ARC) ($000s)	$ 86,600	$ 85,200
Net OPEB Obligation ($000s)	$ 9,924	$ 32,206

Our valuation report provides further detail regarding the valuation results and describes the models and actuarial assumptions used to determine the valuation results. Specifically, the following information is provided:

- A description of the requirements of the Statement of the GASB No. 45, including a discussion of the components of Plan costs and liabilities that must be reflected in the District's Consolidated Annual Financial Report (CAFR).
- A presentation of detailed valuation results as of the last "full" valuation date (09/30/2012), shown separately for the four component groups (Fire, Police, Teachers and General Employees), as well as in total for all groups.

- A summary of actuarial assumptions used in the valuation, including assumptions regarding general inflation, medical inflation, mortality, retirement, disability, termination of service, salary increase, plan participation, etc. PRM reviewed this assumption set and received its approval by representatives of the District Office of the Chief Financial Officer as part of the valuation project.

- A presentation of Plan CAFR disclosure information, including the development of the ARC, Schedule of Funding Progress, Schedule of Employer Contributions and the development of the Annual OPEB Cost (AOC) and Net OPEB Obligation, and other disclosure items.

- A summary of the principal Plan Provisions that were valued as part of the valuation. Prior to completion of the 2012 valuation, this Summary was shared with and approved by the District Human Resources office to ensure that the Plan features had been identified correctly.

- A summary of the participant data used in the 2012 valuation. Data was received from a number of sources, including the District Human Resources Department and the District of Columbia Retirement Board. We did not perform a detailed audit or reconciliation of participant data. We did, however, review the data to ensure that it was reasonable and appropriate for use in the valuation.

  It should be noted that, following the production of 2012 valuation results, it was determined that data was missing for some covered employees of the University of the District of Columbia (UDC). It was later determined that 400 employees had been excluded, and it is unclear whether these UDC employees had been included in prior valuations. Given the fact that actuarial valuations are necessarily broad estimates of future Plan costs and liabilities, along with the relatively small number of UDC employees found to be missing from initial 2012 valuation results, the valuation results were not re-computed including the UDC employee group. The impact of this exclusion is not significant. Rather, the knowledge gained through this exercise will ensure that UDC employees will be included in subsequent valuations for the Plan.

Comparison of Results to Prior Valuation

As discussed earlier, the liability amounts used in the 2013 valuation were based on a roll-forward of 2012 valuation results, assuming that all 2012 valuation assumptions had been realized. For the asset values used in the 2013 valuation, actual 2013 asset information was used. For the 2013-2014 year, the value of Plan assets is up significantly from the prior valuation, reflecting the fact that the District made a contribution that exceeded the ARC for FYE 2013, and the fact that the Plan assets returned in excess of the assumed 7% rate for FYE 2013. Both of these factors have served to decrease the **Unfunded Actuarial Accrued Liability** (UAAL) more than would have otherwise been expected.

Cadillac Tax

The Patient Protection and Affordable Care Act (the ACA), which made sweeping reforms to health care coverage access, includes a 40 percent per year excise tax ("Cadillac Tax") on health coverage providers beginning in 2018 to the extent that the aggregate value of employer-sponsored health coverage for an employee exceeds a threshold amount. The Cadillac Tax applies to all employer-sponsored group health plans, including governmental plans. Regulatory or other official guidance regarding the calculation and application of the Cadillac Tax has not yet been issued, and thus future guidance could significantly alter the conclusions discussed herein. The threshold dollar limits for 2018 are:

- $10,200 for an employee with self-only coverage, and
- $27,500 for all other coverages (e.g., employee and spouse, family).

Certain adjustments are allowed for these thresholds, including inflation adjustments that can occur if inflation exceeds expected levels prior to 2018, and adjustments are allowed for retirees as well as high-risk occupations such as fire and police.

As part of the 2012 valuation, we performed a quantitative analysis to assess if or when the Cadillac tax might apply to the Plan. To make this analysis, we projected both age-based and age-blended Plan costs into the future using the valuation medical inflation assumptions. The results of this analysis were that the Cadillac tax could apply as early as 2018 for some age groups with single coverage, and could apply as late as 2048 for other groups with family coverage.

Due to the lack of specific guidance as to how the Cadillac tax is to be applied, particularly with respect to plans covering retirees, no specific provision was made in the 2012 valuation regarding Plan liabilities for the Cadillac tax. Obviously, if the Cadillac tax were to apply, the costs associated with the Plan would be inefficient from the perspective of both the District and the retiree, and Plan participation rates would be significantly be affected. Thus, it is likely that the actuarial liability associated with any increases in future Plan costs due to the application of the Cadillac tax would be more than offset by decreases in such liabilities due to decreases in the future Plan participation rates.

As guidance is forthcoming over the next several years regarding specifics the Cadillac tax application, the design of the Plan and future valuations of Plan liabilities will be need to be adjusted to reflect such guidance. In the meantime, we have included this discussion of our current analysis regarding the Cadillac tax in an effort to highlight the risk to the Plan and the District of this provision of the ACA.

Actuarial Certification

This valuation has been conducted in accordance with generally accepted actuarial principles and practices.

The results shown in this report are reasonable actuarial results. However, a different set of results could also be considered reasonable actuarial results. The reason for this is that the selection of the best estimate assumption requires professional judgment from the actuary. Thus, reasonable results differing from those presented in this report could have been developed by another actuary.

The actuaries certifying to this valuation are members of the Society of Actuaries and other professional actuarial organizations, and meet the General Qualification Standards of the American Academy of Actuaries for purposes of issuing Statements of Actuarial Opinion. They are available to answer questions or to provide further information regarding the contents of this report.

Respectfully submitted,

Robert Sanford, FSA, MAAA, EA
PRM Consulting Group, Inc.
April 2014

Adam J. Reese, FSA, MAAA, EA
PRM Consulting Group, Inc.
April 2014

Mark Knecht, ASA, MAAA, EA
PRM Consulting Group, Inc.
April 2014

SECTION 2 - DESCRIPTION OF GASB 45

Governmental Accounting Standards Board (GASB)

In June, 2004, the Governmental Accounting Standards Board (GASB) issued its long awaited standard on *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEBs).

The standard covers both post-retirement and post-employment benefits. The types of benefits covered include:

- Medical
- Dental
- Vision
- Hearing
- Life insurance
- Long term disability
- Long term care

However, if any of these benefits are provided through a pension plan they would be accounted for under GASB 67 — otherwise they will be accounted for under GASB 45.

The effective date for the standard depended on the size of the employer. For entities with revenues in FY 2000 over $100 million, the effective date was the fiscal year beginning after December 15, 2006. The District adopted the standard with the FY 2008 financial reporting year beginning October 1, 2007. The standard requires that actuarial valuations be performed at least biennially for plans with a total member ship of 200 or more.

The purpose of the standard is to treat post-retirement benefits in a manner similar to pensions. Governmental employers should recognize that OPEBs constitute compensation for employee service and they should recognize the cost of benefits during the periods when employee service is rendered. GASB believes that appropriate accrual accounting for OPEBs will improve the relevance and usefulness of financial reporting, provide information about the size of the liabilities and the extent to which they are funded, and ensure systematic accrual-basis measurement over employee service.

While the standard requires governmental employers to adopt accrual accounting, the standard sets out a broad range of options for employers. These options include the ability to choose, within limits, the:

- **Actuarial cost method**;
- Period for amortizing the **unfunded actuarial accrued liability**;
- Measurement date; and

- Frequency of valuations.

The most common and most expensive of the OPEBs are retiree medical benefits, which provide a valuable component in employees' retirement benefits program. Most governmental employers fund their retiree medical plans on a pay-as-you-go (PAYG) basis. The GASB standard does not require employers to advance fund these benefits. However, certain aspects of the measurement do provide benefits for employers that choose to advance fund the OPEB liability.

Actuarial Cost Method

A fundamental principle in financing the liabilities of any retirement program is that the cost of the benefits should be related to the period during which benefits are earned, rather than to the period of benefit distribution. There are several acceptable actuarial methods prescribed by the GASB standard as acceptable. The District has selected the Entry Age Normal (EAN) method.

The Entry Age Normal actuarial cost method was used to value the plan's actuarial liability and to set the **normal cost**. Under this method, the normal cost rate is the level percentage of pay contribution which would be sufficient to fund the plan benefit if it were paid from each member's date of hire until termination or retirement.

Actuarial Accrued Liability

The **actuarial accrued liability** is that portion of the **present value of projected benefits** which has been accrued during the employee's working life from the date of hire to the valuation date. Another way of viewing this liability is as the portion of the present value of projected benefits that will not be funded by future normal costs. Therefore, as long as participants have no past service credit (as is assumed in this case), there is no actuarial liability for a new entrant. Furthermore, the full present value of benefits is accrued by the end of each employee's working life.

The difference between the actuarial accrued liability and the funds accumulated as of the valuation date is referred to as the unfunded actuarial accrued liability. Unfunded actuarial accrued liabilities generally exist when (1) the liabilities are not funded, (2) benefits have been earned for periods in which no normal cost has been paid or (3) the amounts that have been funded were inadequate because of losses, changes in assumptions, changes in the funding method, or benefit improvements. The unfunded actuarial accrued liability equals the actuarial accrued liability less the value of the fund.

Development of the Normal Cost

The normal cost represents the benefits earned during the current reporting period. As stated in the previous section, the Entry Age Normal actuarial cost method is used in determining the normal cost.

Funding Policy

With adoption of GASB 45, the District established a restricted trust and began making payments to the trust. Since adoption of GASB 45 the District has contributed 99% of the Annual Required Contribution, including the contribution made for FYE 2013. For FYE 2012 and FYE 2013, the District has contributed 120% of the combined ARC for these two fiscal years, in an effort to make significant progress towards meeting their goal of fully funding the ARC on a cumulative basis.

Discount Rate

The valuation results are dependent on the discount rate. GASB 45 specifies that the assumed discount rate should be based on the rate of return expected to be earned by the assets used to pay the benefits. As the District has established a trust, annual funding to the trust far exceeds benefit payments made from the trust, with assets now close to $900 million invested in a diversified portfolio, the District expects the assets to be used to pay all benefits so the valuation discount rate used for the 2012 and 2013 valuations is 7 percent, the same rate as was used in the 2010 and 2011 valuations.

SECTION 3 - The Valuation Results

Table 3.1 shows the actuarial accrued liability (AAL), assets and the resulting unfunded actuarial accrued liability (UAAL) at a 7.0% discount rate.

For the 2012 valuation, the table shows the results for four separate populations:

- Firefighters
- Police
- Teachers, and
- General Employees

Table 3.1
Actuarial Accrued Liabilities & Plan Assets
(in dollars)

	9/30/2012 Valuation					9/.30/2013 Valuation
AAL	**Fire**	**Police**	**General**	**Teachers**	**Total**	**Total**
Total AAL	$130,341,357	$345,468,632	$332,722,024	$111,173,517	$919,705,530	$1,048,000,000
Plan Assets*	98,261,231	260,440,538	250,831,175	83,811,056	693,344,000	897,815,213
UAAL	32,080,126	85,028,094	81,890,849	27,362,461	$226,361,530	$150,184,787

** For the 2012 valuation, allocated to employee subgroups (i.e. Fire, Police, etc.) in proportion to each subgroup's AAL*

Table 3.2 shows the computation of the Annual Required Contribution (ARC). The first component of the ARC is the Normal Cost, which is the annual plan cost attributable to participant's service rendered during the current fiscal year. The second component of the ARC is the amortization of the UAAL. The District has elected to amortize the UAAL over a closed, 30-year period beginning with the 2012-2013 year, utilizing an amortization method whereby the annual **amortization payment** is designed to be a level percentage of anticipated payroll.

Table 3.2
Annual Required Contribution
(in dollars)

	9/30/2012 Valuation					9/30/2013 Valuation
	Fire	**Police**	**General**	**Teachers**	**Total**	**Total**
Normal Cost	$ 8,596,949	$ 20,538,711	$ 37,599,660	$ 5,126,726	$ 71,862,046	$77,600,000
Amortization of UAAL	1,883,915	4,993,300	4,809,064	1,606,869	13,293,148	8,982,955
Total	10,480,864	25,532,011	42,408,724	6,733,595	$85,155,194	$86,582,955

SECTION 4 - Actuarial Assumptions

The selection of all actuarial assumptions used in valuing a post-retirement health care plan, including the health care cost trend rate, should be guided by Actuarial Standard of Practice No. 6, Measuring Retiree Group Benefit Obligations (as revised from time to time by the Actuarial Standards Board). Accordingly, actuarial assumptions should be based on the actual experience of the covered group, to the extent that credible experience data are available, but should emphasize expected long-term future trends rather than give undue weight to recent past experience. The reasonableness of each actuarial assumption should be considered independently based on its own merits, its consistency with each other assumption, and the combined impact of all the assumptions.

The actuarial assumptions which were used in the 2012 and 2013 valuations to value the post-retirement medical liabilities are summarized below and can be categorized into three groups: economic assumptions, healthcare cost assumptions, and demographic assumptions.

Economic Assumptions

The two economic assumptions used in the valuation are the discount rate and the health care cost trend rates. The economic assumptions are used to account for changes in the cost of benefits over time and to discount future benefit payments for the time value of money.

Discount Rate

The investment return assumption (discount rate) should be the estimated long-term investment yield on the investments that are expected to be used to finance the payments of benefits. These investments would be plan assets for funded plans, assets of the employer for **pay-as-you-go** plans, or a proportionate combination of the two for plans that are being partially funded.

The discount rate chosen for the September 30, 2012 valuation and carried forward for the 2013 valuation is 7%, which is unchanged from the prior (2010 and 2011) valuations.

Health Care Cost Trend Rates

The medical trend assumptions used in the valuation were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The SOA model was released in December 2007.

Actuarial Assumptions

The following assumptions were used as input variables into this model:

Actuarial Assumptions	
Variable	**Rate**
Rate of Inflation	3.0%
Rate of Growth in Real Income / GDP per capita	1.0%
Income Multiplier for Health Spending	1.0
Extra Trend due to Technology	
2016 to 2025	1.1%
2026 to 2035	1.0%
2036 & later	0.9%
Health Share of GDP Resistance Point	25.0%
Year for Limiting Cost Growth to GDP Growth	2075

The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection and reasonable ranges for input variables have been developed under the guidance of the SOA Project Oversight Group.

Table 4.1 shows the medical cost trends used in the valuation and are an output of the SOA Long-Run Medical Cost Trend Model, version 12.2. The set of health care trend rates has an initial health care cost trend rate of 8.0 percent for cost prior to Medicare eligibility and 6.5 percent for costs after Medicare eligibility. The rates decline gradually, over 70 years, to an ultimate rate of 4.0 percent.

Table 4.1 Health Care Cost Trend Rate		
FYE	**Annual Trend PreMedicare**	**Annual Trend PostMedicare**
2013	8.0%	6.5%
2014	7.5%	6.0%
2015	7.0%	6.0%
2020	5.1%	5.1%
2030	4.9%	4.9%
2040	4.8%	4.8%
2050	4.7%	4.7%
2075	4.4%	4.4%

Salary Increases and Inflation

The base inflation rate used in the 2012 and 2013 valuations was 3.00%, plus a productivity increase of .75%   Merit increases are additional and are shown in Table 4.2 below.

Table 4.2 Salary Increases			
Service	**Teachers**	**Police**	**Fire**
0	4.00	5.00	2.50
5	4.00	3.56	2.50
10	3.00	2.58	2.50
15	0.50	2.31	2.50
20	0.20	2.50	2.50
30	0.20	0.50	2.50

HEALTHCARE COST ASSUMPTIONS

The monthly health care costs used in the September 30, 2013 roll-forward valuation were based on the 2012 health care cost amounts, increased by the annual percentage increase for 2013 as shown in Table 4.1 above. Table 4.3 table shows the 2012 total monthly health care cost by age, before taking into account any retiree premiums paid by the participants.

The medical cost reduces substantially at age 65 when retirees become eligible for Medicare and Medicare is primary for their hospital and physician visit services.

Table 4.3 Monthly Health Care Cost										
	Aetna HMO		**Aetna PPO**		**Kaiser**		**UHC POS**		**Aetna CDHP**	
Actives & Retirees <65	**M**	**F**	**M**	**F**	**M**	**F**	**M**	**F**	**M**	**F**
<30	362	362	366	366	331	331	328	328	313	313
30-39	379	379	384	384	347	347	344	344	329	329
40-44	428	428	434	434	393	393	388	388	371	371
45-49	495	495	502	502	454	454	449	449	429	429
50-54	590	590	598	598	541	541	534	534	511	511
55-59	716	716	726	726	656	656	649	649	621	621
60-64	895	895	907	907	820	820	811	811	776	776
65+	1036	1036	1049	1049	949	949	938	938	898	898
Retirees >65										
65-69	439	439	444	444	402	402	397	397	380	380
70-74	484	484	490	490	444	444	439	439	420	420
75-79	529	529	536	536	485	485	480	480	459	459
80-84	544	544	552	552	499	499	493	493	472	472
85+	544	544	552	552	499	499	493	493	472	472

Demographic Assumptions

The demographic assumptions include the rate of mortality, the rate of withdrawal, the rate of retirement, and the rate of disability. Ancillary demographic assumptions include the age of female spouses, coverage rates, and participation rates. The complete set of demographic assumptions is shown below.

Mortality Rates

The RP-2000 Mortality Table with Projection Scale AA projected to 2015 was used for the valuation, with a setback of 3 years for female General and Teacher participants and a set forward of 1 year for female Police and Fire participants.

Withdrawal Rates

The withdrawal rates for participants in each group vary by age and service with the District. Sample rates are shown in the tables below.

Table 4.4a Teachers/General			
Age	Years of Service		
	<4	4-9	10+
20	25.00%	0.00%	0.00%
25	23.50%	20.00%	0.00%
30	22.00%	16.00%	3.75%
35	20.50%	14.00%	3.75%
40	19.00%	12.00%	3.75%
45	17.50%	10.00%	3.75%
50	16.00%	10.00%	3.75%
55	14.50%	10.00%	3.75%
60	13.00%	10.00%	3.75%
65+	0.00%	0.00%	0.00%

Table 4.4b Police				
Age	**Male**		**Female**	
	<3 years of service	**3+ years of service**	**<3 years of service**	**3+ years of service**
20	10.00%	0.00%	10.00%	0.00%
25	10.00%	6.00%	10.00%	2.50%
30	10.00%	4.25%	10.00%	3.50%
35	10.00%	2.50%	10.00%	2.00%
40	10.00%	1.75%	10.00%	1.50%
45	10.00%	1.25%	10.00%	1.25%
50	10.00%	1.25%	10.00%	1.25%
55	10.00%	1.25%	10.00%	1.25%
60+	0.00%	0.00%	0.00%	0.00%

Table 4.4c Fire Fighters		
Age	**< 2 years of service**	**2+ years of service**
20	9.00%	3.50%
25	9.00%	3.50%
30	9.00%	2.00%
35	9.00%	1.00%
40	9.00%	1.00%
45	9.00%	1.50%
50	9.00%	1.50%
55	9.00%	0.00%

Disability Rates

The disability rates for each group vary by age. Sample rates are shown in the table below:

Table 4.5 Disability Rates				
	Teachers/ General	Police		Fire Fighters
Age	Unisex	Male	Female	Unisex
20	0.03%	0.02%	0.04%	0.01%
25	0.03%	0.05%	0.08%	0.02%
30	0.05%	0.10%	0.12%	0.15%
35	0.07%	0.22%	0.28%	0.20%
40	0.09%	0.25%	0.40%	0.35%
45	0.15%	0.30%	0.62%	0.45%
50	0.22%	0.40%	0.70%	0.52%
55	0.32%	0.60%	0.75%	0.60%
60	0.40%	0.80%	0.90%	0.70%
65	0.00%	0.00%	0.00%	0.00%

Retirement Rates

The retirement rates for each group vary by age and service with the District. Sample rates are shown in the tables below.

Table 4.6a General	
Age	Rate
62	50.0%
65	100.0%

Table 4.6b Teachers		
	<30 years of service	30+ years of service
50	2.50%	2.50%
55	6.00%	33.00%
60	27.00%	25.00%
65	20.00%	25.00%
70	30.00%	30.00%
75	100.00%	100.00%

Table 4.6c Police					
Hired Prior to February 15, 1980		Hired Prior to November 10, 1996		Hired on or after November 10, 1996	
Service	Rate	Service	Rate	Service	Rate
20-24	12.5%	20-24	0.0%	20-24	0.0%
25	22.0%	25	22.0%	25	22.0%
30	15.0%	30	15.0%	30	15.0%
35+	20.0%	35+	20.0%	35+	20.0%
		Minimum Retirement Age = 50			
100% of Police are assumed to retire at Age 65					

Table 4.6d Fire Fighters					
Hired Prior to February 15,1980		Hired Prior to November 10,1996		Hired After November 10, 1996	
Service	Rate	Service	Rate	Service	Rate
20-29	12.5%	25-29	12.5%	25-29	12.5%
30	20.0%	30	20.0%	30	20.0%
31	30.0%	31	30.0%	31	30.0%
32+	40.0%	32+	40.0%	32+	40.0%
		Minimum Retirement age = 50			
100% of Firefighters are assumed to retire at Age 60					

Participation Rates for the Healthcare Benefit Plan--Participants

95 percent of Police and Fire participants, 80 percent of General participants, and 75 percent of Teacher participants are assumed to elect the Healthcare Benefit Plan.

Participation Rates for the Healthcare Benefit Plan--Spouses

70 percent of Police and Fire participant's spouses, 50 percent of male General participant's spouses, 25 percent of female General participant's spouses, 45 percent of male Teacher participant's spouses and 30 percent of female Teacher participant's spouses are assumed to elect the Healthcare Benefit Plan.

Spousal Age Assumption

Husbands are assumed to be 3 years older than wives.

Changes in Assumptions since the Prior Valuation

For the September 30, 2013 valuation, a "roll-forward" valuation was performed. Thus, there were no changes in actuarial assumptions since the prior valuation. Rather, plan liabilities as of the 2013 valuation date were computed based on projections of 2012 valuation results and the assumption that all of the actuarial assumptions used in the 2012 valuation were exactly realized.

SECTION 5 - Financial Accounting Information

In addition to establishing the Annual Required Contribution (ARC), this report shows the progress toward funding of the plan benefits. This section includes a schedule of the funding progress, which is a statement of disclosure to report the Required Supplementary Information in compliance with Governmental Accounting Standards Board (GASB) Statement No. 43.

Also included is a schedule of employer contributions. This schedule compares the expected contribution to the plan with the Annual Required Contribution. Since there is a lag-period between the determination of the ARC and the determination of the amounts actually funded, the tables show estimated amounts based on the funding policy as of the measurement date.

GASB 45 accounting standard sets out the requirements for governmental employers to determine the Annual Required Contribution for the postretirement benefit plan costs. GASB 43 sets out the required disclosures for the plans.

The following tables have been prepared as of the measurement date and include historical information from the District's financial reports.

GASB 43 Disclosures

Table 5.1 shows the schedule of funding progress for the District. The District has made substantial progress in funding the obligation with the funded ratio increasing from 75.4% as of September 30, 2012 to 85.7% as of September 30, 2013.

Table 5.1
Schedule of Funding Progress for Fiscal Year Ending September 30, 2014
(dollars in millions)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	*(b)*	*(c) = (b-a)*	*(d) = (a)/(b)*	*(e)*	*(f) = (c) / (e)*
2007	$164.2	$600.1	$435.9	27.4%	$1,090.9	39.96%
2008	$219.7	$745.2	$525.5	29.5%	$1,107.1	47.47%
2009	$309.1	$625.9	$316.8	49.4%	$1,579.9	20.05%
2010	$424.3	$784.9	$360.6	54.1%	$1,544.5	23.35%
2011	$511.5	$866.6	$355.1	59.0%	$1,559.8	22.77%
2012	$693.3	$919.7	$226.4	75.4%	$1,399.1	16.18%
2013	$897.8	$1,048.0	$150.2	85.7%	$1,441.1*	10.42%

*Estimated to be 3% larger than prior valuation year

Table 5.2 shows the calculation Annual Required Contribution (ARC) for the FYE 2012 and 2013.

Table 5.2 Development of the ARC ($000s)		
	FYE 2013	**FYE 2014**
Normal Cost	$71,900	$77,600
Amortization of Unfunded Actuarial Accrued Liability	$13,300	$ 9,000
Total	$85,200	$86,600

Table 5.3 shows the Schedule of Employer Contributions, which compares the annual ARC with the actual District contributions to the plan.

Table 5.3 Schedule of Employer Contributions (dollars in millions)			
Fiscal Year Ending Sep 30	**Annual Required Contribution**	**Employer Contribution**	**Percentage Contributed**
	(a)	**(b)**	**(c) = (b) / (a)**
2008	$103.40	$110.80	107.2%
2009	130.90	81.10	62.0%
2010	92.19	90.70	98.4%
2011	94.17	94.20	100.0%
2012	95.50	109.84	115.0%
2013	85.20	107.80	126.5%
2014	86.60	TBD	

Table 5.4 provides the development of the Net OPEB Obligation that has occurred since the adoption of the GASB standards for FYE 2008. Table 5.4 provides the actuarial information that will be included in the District's CAFR. The table can be completed only after the actual employer contribution has been made.

Table 5.4 Development of Net OPEB Obligation (Asset) (dollars in millions)							
Actuarial Valuation Date	ARC	Interest on Unfunded ARC	Adjustment of the ARC	Annual OPEB Cost	Actual Contribution	Increase (decrease) in OPEB obligation	Net OPEB obligation (asset) at end of year
	(a)	(b)	(c)	(d) = (a) + (b) + (c)	(e)	(f) = (d) – (e)	(g) = prior year (g) + (f)
9/30/2007	$103.4	$0.0	$0.0	$103.4	$110.8	($7.4)	($7.4)
9/30/2008	$130.9	($0.5)	$0.2	$130.6	$81.1	$48.7	$42.1
9/30/2009	$92.2	$3.1	($1.9)	$93.3	$90.7	$2.6	$44.7
9/30/2010	$94.2	$3.1	($2.2)	$95.1	$94.2	$0.9	$45.6
9/30/2011	$95.5	$3.2	($2.3)	$96.4	$109.8	($13.4)	$32.2
9/30/2012	$85.2	$2.2	($1.9)	$85.5	$107.8	($22.3)	$9.9
9/30/2013	$86.6	$.7	($.6)	$86.7	TBD	TBD	TBD

Finally, the following table 5.5 includes a description of the primary assumptions and methods that were used in the 2013 roll-forward valuation, to be included as part of the Required Supplementary Information in the District's CAFR:

Table 5.5 Summary of Principal Assumptions	
Valuation Date:	September 30, 2013
Actuarial Cost Method:	Entry Age Normal, Level Percentage of Pay
Amortization Method:	Level percentage of pay, closed
Amortization Period:	30 years beginning with FYE 9/30/2013; 29 years for FYE 9/30/2014
Asset Valuation Method:	Market Value
	Actuarial Assumptions:
Investment Return/Discount Rate:	7% per annum
Rate of Salary Increase:	3.75% (plus merit scale)
Rate of Medical Inflation:	Pre-Medicare: 8.0%, grading down to 4.0% Post-Medicare: 6.5%, grading down to 4.0% Both assumptions utilize the Society of Actuaries Getzen Medical Trend Model, and reach the ultimate medical inflation rate in 2084.

SECTION 6 - Summary of Plan Provisions

Eligibility: Employees hired after September 30, 1987 are eligible for post-retirement health and life insurance coverage if they have been continuously enrolled in a District health benefit plan for at least 5 years and they:

1. Have at least 10 years of creditable District service and retire under the District Retirement Benefit Program, the Teachers' Retirement System, the Judges' Retirement System or the Teachers' Insurance and Annuity Association program; or

2. Retire under the Police Officers' & Firefighters' Retirement Plan with at least 10 years of creditable District service (5 years if hired before 11/10/1996).

Teachers, Police Officers and Firefighters become eligible for retirement in accordance with the following:

Eligibility				
Plan	Criteria to qualify for retirement			
	Unreduced		Reduced	
	Age	Service	Age	Service
Teachers (note: service must include 5 years of school service)	55*	30	50	20
	60	20	Any	25
	62	5		
Police & Firefighters – hired before 11/10/1996**	50	25	NA	NA
	60	5	NA	NA
Police & Firefighters – hired on or after 11/10/1996	Any	25	NA	NA
	60	None	NA	NA

*If hired on or after 11/1/1996, there is no age requirement if have 30 years of service
**If hired prior to 2/15/1980, retirement available after 20 year of service, regardless of age

Surviving spouses may continue healthcare coverage upon the retiree's death.

Summary of Plan Provisions

Plan of Benefits: Medical coverage is provided through one of five Plans, offered by either Aetna, Kaiser Permanente or United Healthcare. The plans that are available for active employees are available to retirees. There is no change in the plans available once a retiree reaches Medicare eligibility, although Medicare becomes primary once Medicare eligibility is reached. The principal benefit provisions of the available plans are summarized as follows:

	Plan of Benefits				
	Aetna CDHP	**Aetna PPO**	**Aetna HMO**	**Kaiser Permanente HMO**	**United Healthcare Choice**
Copay – Office Visits	NA	$15 Non-specialist; $30 Specialist (deductible waived)	$10 PCP; $20 Specialist	$10 PCP; $20 Specialist	$10 PCP; $20 Specialist
100% Coverage for Routine Physicals, Gynecology Exams and Child Well Exams?	Yes	Yes	Yes	No	No
Deductible	$1,250 individual/$2,500 family in-network	$750 individual/ $1,500 family in-network	None	None	None
Coinsurance	15%	15%	NA	NA	NA
Annual Maximum Out-of-Pocket	$6,050 individual/$12,100 Family	$1,500 individual/ $3,000 Family	$3,500 individual/ $9,400 Family	$3,500 individual/ $9,400 Family	$3,500 individual/ $9,400 Family
Out-of-Network Benefit	Deductibles are doubled; 40% coinsurance	Deductibles, out-of-pockets are doubled; 25% coinsurance	None, other than ER	None, other than ER	None, other than ER
Hospital Inpatient Copay/Coinsurance	15% after deductible	0% after deductible	$100 Copay	$100 Copay	$100 Copay
Outpatient Surgery Copay/Coinsurance	15% after deductible	0% after deductible	$50 Copay	$50 Copay	$50 Copay
Emergency Room	15% after deductible	$100 Copay (waived if admitted)	$50 Copay	$50 Copay	$50 Copay
Outpatient Mental Health and Substance Abuse Copay	15% after deductible	0% after deductible (inpatient); $15 copy with deductible waived (outpatient)	$10 Visit	$10 Visit/ $5 Group visit	$10 Visit
Pharmacy copay (30-day supply)	Generic: $5; Formulary: $10 Non-formulary: $25 (in-network, after deductible) Out-of-network 50% of cost after in-network copay and after deductible	Generic: $10; Formulary: $20 Non-formulary: $40 No out-of-network pharmacy benefit is provided	Generic: $8-$20; Formulary: $18-$40 Non-formulary: $33-$55	Generic: $8-$20; Preferred: $18-$40 Non-preferred: $33-$55	Tier 1: $16-$20; Tier 2: $36-$40 Tier 3: $55-$66

Retiree Contributions:

General

Retirees under the age of 62 pay the full aggregate active-life rate for coverage. Thus, prior to age 62, the retiree healthcare plan is an access-only plan. Once a retiree attains age 62, the retiree pays a portion of the aggregate, active-life rate, as determined under the following schedule:

General		
Annuitant's Years of Service	Percentage of Plan Aggregate Cost Rate Paid By Retiree for:	
	Retiree Coverage	Dependent/Survivor's Coverage
Less than 10	100%	100%
10-25	75% minus 2.5% for each year of service in excess of 10	80% minus 2.5% for each year of service in excess of 10
26-29	75% minus 2.5% for each year of service in excess of 10	40%
30 or more	25%	40%

Teachers

For annuitants who are injured in the line of duty, the retiree contributes 25% of the plan aggregate, active-life rate for both retiree and dependent coverage, regardless of years of service.

Teachers		
Annuitant's Years of Service	Percentage of Plan Aggregate Cost Rate Paid By Retiree for:	
	Retiree Coverage	Dependent/Survivor's Coverage
Less than 10	100%	100%
10-25	75% minus 2.5% for each year of service in excess of 10	80% minus 2.5% for each year of service in excess of 10
26-29	75% minus 2.5% for each year of service in excess of 10	40%
30 or more	25%	40%

Police & Fire

For annuitants who are injured in the line of duty, the retiree contributes 25% of the plan aggregate, active-life rate for both retiree and dependent coverage, regardless of years of service.

Police & Fire		
Annuitant's Years of Service	Percentage of Plan Aggregate Cost Rate Paid By Retiree for:	
	Retiree Coverage	Dependent/Survivor's Coverage
Hired before 11/10/1996		
Less than 5	100%	100%
5 or more	25%	40%
Hired on or after 11/10/1996		
Less than 10	100%	100%
10-21	70% minus 3.0% for each year of service in excess of 10	75% minus 3.0% for each year of service in excess of 10
22-24	70% minus 3.0% for each year of service in excess of 10	40%
25 or more	25%	40%

For annuitants who are injured in the line of duty, the retiree contributes 25% of the plan aggregate, active-life rate for both retiree and dependent coverage, regardless of years of service.

For all groups, there is no change in the cost of the plans once a retiree reaches Medicare eligibility, although Medicare becomes primary once Medicare eligibility is reached.

Total Plan Costs: The total, aggregate plan cost rates applicable to the medical plans for 2012 are set forth as follows:

Total Plan Costs		
Healthcare Plan	Aggregate Cost Rate	
	Employee Only	Employee and Spouse
Aetna Healthcare CDHP	$ 442.14	$ 869.13
Aetna PPO	516.89	1,016.05
Aetna HMO	510.08	1,002.67
Kaiser Permanente HMO	467.55	935.09
United Healthcare Choice Nationwide	462.27	882.93

Post-retirement Life Insurance Benefit: A post-retirement life insurance benefit is available for retirees. Participants may elect to continue the amount of the basic preretirement group life insurance amount in retirement, which is one times earnings, plus $2,000. Under the 75% reduction option, participant biweekly premiums of $0.0455 per $1,000 of insurance are required until age 65, with no participant contributions thereafter. Under the 75% reduction option, coverage reduces 2% per year after age 65 until the coverage amount reaches 25% of the original insurance amount and then is level thereafter.

Retirees may also elect a 50% or a 0% reduction option, which require additional retiree contributions. Retirees may also purchase additional life insurance coverage beyond the basic coverage, on a retiree-pay-all basis.

SECTION 7 - Participant Data

The following tables show the current retired participants, and the potential participants who are currently active. This data summary represents the populations as of the most recent full valuation date on September 30, 2012. All current employees hired on or before September 30, 2012 are included in this population; only retirees who are actually participating in the postretirement benefit plan are included.

This population is the basis for the roll-forward valuation performed as of September 30, 2013.

Table 7.1
Participant Data as of 09/30/2012

	Fire	Police	General	Teachers	Total
Active Employees	1,800	3,745	12,690	2,782	21,017
Average Age	41	43	40	41	41
Average Service	15	16	11	10	12
Average Salary	68,771	73,083	64,039	67,913	66,569
Retirees	23	149	137	246	555

SECTION 8 – Glossary of Actuarial Terms

Actuarial Accrued Liability: The portion of the Actuarial Present Value which is allocated to periods of service ending prior to the current valuation year. This also represents the portion of the Actuarial Present Value that will not be provided for by future Normal Costs.

Actuarial Assumptions: Assumptions used in the determination of the Actuarial Present Value regarding the occurrence of future events, such as mortality, withdrawal, retirement, inflation, investment earnings, etc.

Actuarial Cost Method: A method for allocating the Actuarial Present Value associated with a particular plan of benefits over the time period during which the benefits are earned by employees.

Actuarial Gain or Loss: The difference in the *actual* Actuarial Present Value measured as of a given date from that *expected* based on a set of Actuarial Assumptions.

Actuarial Present Value: The value of a payment or series of payments made at various points in time, each of which is adjusted for (1) the financial effect of intervening events (e.g. compensation changes or medical inflation), (2) the probability that such payment will be made based on the factors on which the payment is conditioned (e.g. continued employment until retirement age or becoming disabled), and (3) discounted to the current date to reflect the time value of money.

Actuarial Value of Assets or Valuation Assets: The value of plan investments that is dedicated to or "belongs" to a plan and is used as the value of assets in applying the Actuarial Cost Method.

Amortization Payment: The portion of the annual plan cost that consists of a principal and interest payment and is designed to pay down the Unfunded Actuarial Accrued Liability over a fixed number of years.

Level Dollar Amortization Method: A funding policy whereby the annual amortization payment is an equal dollar amount for a fixed number of years.

Level Percentage of Payroll Amortization Method: A funding policy whereby the annual amortization payments are computed to be a constant percentage of anticipated payroll for the group of employees covered under the plan. Since payroll amounts are expected to increase over time, the *dollar amount* of the amortization payment will also increase.

Normal Cost: The portion of the Actuarial Present Value that is allocated to the current valuation year under the Actuarial Cost Method being used.

Glossary of Actuarial Terms

Present Value of Total Projected Benefits: The Actuarial Present Value, measured at a specific date, of all benefits projected to be paid under the plan, based on the current population of active and retired employees.

Pay-As-You-Go: The practice of financing a benefit plan by making contributions to a plan only as and when benefits are due to plan participants.

Unfunded Actuarial Accrued Liability: The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets.

APPENDIX C: HEALTH AND LIFE INSURANCE PROVIDER DESCRIPTIONS

Preferred Provider Organization (PPO) Plan: Aetna

A PPO or Preferred Provider Organization is a group system of health care organized by an insurance company. Physicians, health care providers of all types, hospitals and clinics sign contracts with the PPO system to provide care to its insured participants. These medical providers accept the PPO's fee schedule and guidelines for its managed medical care.

Advantages of a PPO include the flexibility of seeking care with an out-of-network provider if so desired, even though there is more of an out-of-pocket expense for you. PPO networks also have prescription services, which provide prescription drugs at a reduced cost.

Health Maintenance Organization (HMO) Plans: Aetna and Kaiser

A health maintenance organization contracts with health care professionals and facilities to create a "provider network." If you choose HMO insurance, you'll typically pay just a small co-payment if you visit a physician or hospital within the plan's network. HMO insurance often features lower premiums and co-pays than other plans.

In general, HMOs offer you the lowest out-of-pocket costs for your care. The tradeoff is that your access to care outside the network is extremely limited.

Consumer-Driven Health Care (CDHC) plan: Aetna

A consumer-driven health care plan allows members to use a Health Savings Account (HSA), Health Reimbursement Account (HRA), or similar medical payment product to pay routine health care expenses directly, while a high deductible health plan (HDHP) protects members from catastrophic medical expenses. High deductible policies cost less, but you pay routine medical claims using a pre-funded spending account, often with a special debit card provided by a bank or insurance plan. If the balance on this account runs out, you then pay claims just like under a regular deductible. You keep any unused balance or "rollover" at the end of the year to increase future balances, or to invest for future expenses.

This system of health care is referred to as "consumer-driven health care" because routine claims are paid using a consumer-controlled account versus a fixed health insurance benefit. That gives patients greater control over their own health budgets.

Open Access Plan (OAP): UnitedHealthcare Choice

UnitedHealthcare Choice is an "open access" health care plan. You can choose any provider you would like to see in the UnitedHealthcare national network. There are over 645,000 physicians and health care professionals and 5,105 hospitals in the network nationwide. You must stay in the network to receive benefits. You have the freedom to choose your physician or specialist without visiting a "primary care physician" for a referral.

Added Features include:

- Fixed dollar co-payments
- Co-insurance options
- Access to UnitedHealthcare Care Coordination℠ services.

Advantages of the plan include:

- Lower out-of-pocket costs for network care
- No claim forms or bills to worry about
- UnitedHealthcare's website, myuhc.com, gives you information on benefit eligibility, coverage, account history, claims status, network physicians and hospitals, estimated out-of pocket costs, health plan options, health and wellness topics, health records and the ability to ask medical professionals questions online.

Group Life Insurance: Standard Life Insurance Company

Term life insurance provides coverage equal to your annual salary rounded to the next thousand, plus an additional $2,000. The cost of the monthly premium is shared with the District. You pay two-thirds of the total cost and the government pays one-third. Additional life insurance levels are available for employees and their dependents at low costs. Standard Insurance Company is the life insurance provider.

Optional life insurance is available at a low cost for you and your dependents, but you pay 100% of the cost of optional life insurance. In order to carry newly elected life insurance coverage into retirement, new coverage must be in effect for the five years of service immediately preceding your retirement date or the entire period of service during which coverage was available (if this period is less than five years).

Three optional forms of life insurance are available:

Option A Standard	Provides $10,000 coverage	Cost determined by age
Option B Additional	Provides coverage up to five times the employee's annual salary	Cost determined by age and employee's salary
Option C Family	Provides $5,000 coverage for the eligible spouse and $2,500 coverage for each eligible child.	Cost determined by age

CONTACT INFORMATION

D.C. Office of Finance and Treasury

1101 4th Street, SW
Suite 850
Washington, DC 20024
202-727-6055

Jeffrey Barnette
D.C. Treasurer and Deputy Chief Financial Officer

John Henry
Associate Treasurer

Edward F. Obaza
Pension Analyst

D.C. Department of Human Resources

441 4th Street, NW
Suite 340 North
Washington, DC 20001
202-442-9655

Karla Kirby
Interim Director

Kameron Kima-Cherry
Associate Director