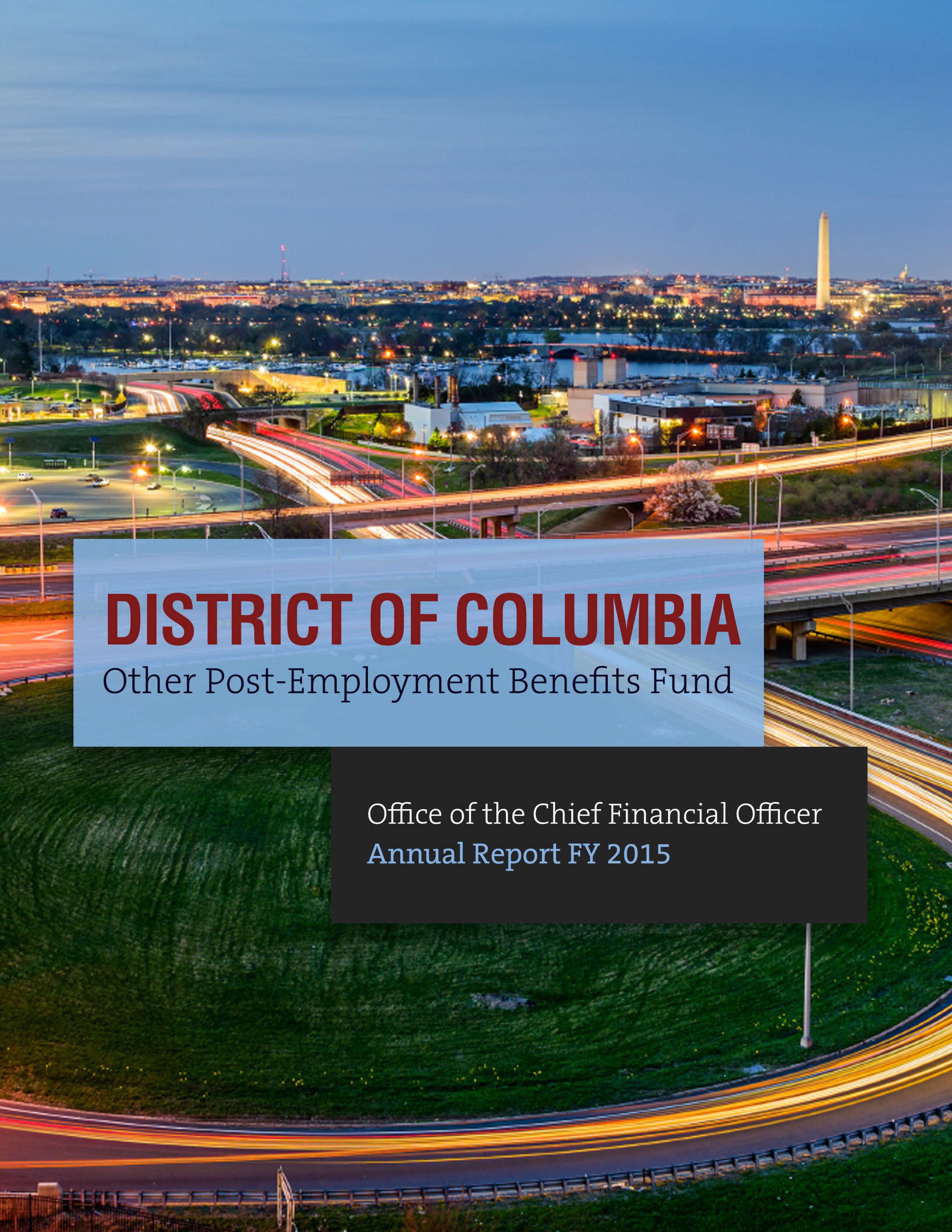

DISTRICT OF COLUMBIA

Other Post-Employment Benefits Fund

Office of the Chief Financial Officer

Annual Report FY 2015

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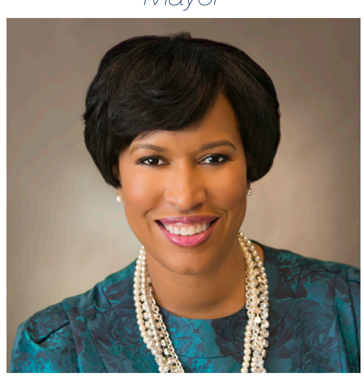
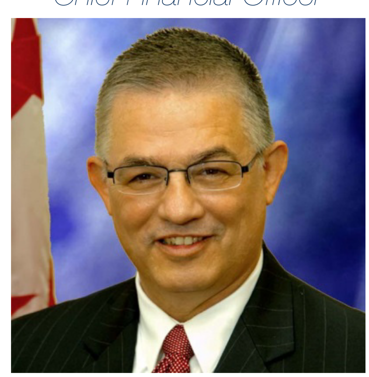
MURIEL BOWSER
Mayor



JEFFREY DEWITT
Chief Financial Officer



EXECUTIVE SUMMARY

INTRODUCTION

We are pleased to present the annual report for the District's Other Post-Employment Benefits Fund. Assets increased 1.3% from the prior year, from $1.051 billion to $1.065 billion as of September 30, 2015.

This was a volatile year for the financial market. The Fund returned a negative 5.24% and lagged our policy benchmark, which declined 3.29%. Domestic equities fell 3.85% versus the benchmark, which fell 0.21%; international equities lost 9.46% versus the benchmark, which lost 8.27%. Emerging market equities fell 19.37% while its benchmark declined 19.28%. In fixed income, our domestic fixed income rose 2.89%, slightly behind its index, which returned 2.94%. However, our international fixed income fell 7.35% while the benchmark dropped 7.67%. Emerging market debt retreated 13.06% versus a benchmark return of 9.56%. It also was a challenging year for commodities, which declined 27.87% and the benchmark dropped 25.99%.

The largest contributors to performance were made by ClearBridge, a mid-cap equity fund, which returned 5.93%; the SSgA Bond Fund, which returned 2.98%; RBC Global Asset fixed income, up 3.03%; and the Bernstein Strategic Core bond fund, which advanced 2.82%.

The annual appropriation for the Fund was $91,400,000 for FY 2015, as compared to $86,600,000 in FY 2014. We used the contribution to increase investment positions in international bonds, international equities and commodities based on our target asset allocation.

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

An actuarial analysis of the Plan's assets and liabilities is performed annually to determine the future funding status of the plan. The plan was 87.2% funded for FY 2015 based on the actuary's "roll forward" analysis. The actuarial report is included in the appendix.

We hope you find that the information in this report helps you gain a better understanding of the operation of the District's Other Post-Employment Benefits 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 generates the required risk-adjusted return so District employees can rest assured this retirement option is fully available for their health and life insurance needs when they retire.

ANNUAL REPORT

This annual report provides information on the District of Columbia Other Post-Employment Benefits Plan. 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 contact personnel.

THE DISTRICT OF COLUMBIA OTHER POST-EMPLOYMENT BENEFITS PLAN

The government of the District of Columbia established the District's Annuitants' Health and Life Insurance Employer Contribution Trust Fund 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 includes a trust fund that is required for the deposit of District contributions. These contributions along with investment earnings are used to pay 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, 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, 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 premiums for participants.

CONTRIBUTIONS

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%. 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 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%.

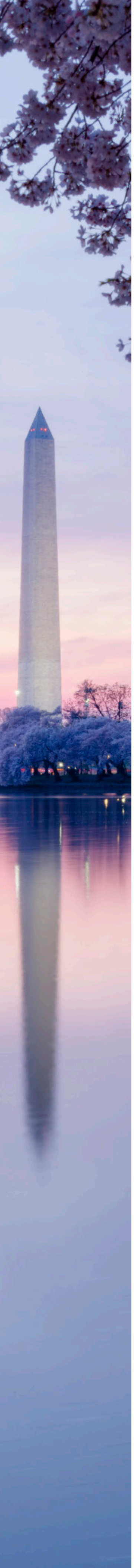
OPERATIONS

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 program. 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

PRM Consulting performs the actuarial study of the Fund. PRM prepares its report in accordance with the Statement of the 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. The purpose of the valuation is to provide an estimate of the Actuarial Accrued Liabilities (AAL) of the Plan and the Annual Required Contribution (ARC). The District's ARC payment to the OPEB fund for fiscal year 2015 was $91.4mm and the Plan had a funding status of 87.2%.



After the fiscal year end the CFO completed an experience study of the OPEB plan and that study led to changes in the participation rate for the actuarial model. The model initially included very conservative participation rates, which are normal for the beginning of a plan. As a result of this analysis, the participation rates were adjusted to reflect a more appropriate percentage. These adjustments, along with changes to the discount rate and the amortization period, had a significant impact on the actuarial funding ratio and the Annual Required Contribution. The actuarial funding ratio as of March 2016 has increased from 87.2% to 120.1%, which allowed for a reduction in the Annual Required Contribution to $29 million for fiscal year 2016 and $31 million for fiscal year 2017. The Office of Finance and Treasury along with our actuarial firm will continue to monitor the participation rates to determine if future adjustments are required. More detailed information will be provided in the fiscal year 2016 annual report.

ADVISORY COMMITTEE

The District established an Advisory Committee to advise the Office of Finance and Treasury (OFT) on the administration and investment management of the OPEB Fund. The Committee shall consist of the following members: four appointed by the CFO; one appointed by the Mayor; one appointed by the Council; and one member who is either a member of the DCRB or a member of DCRB's professional staff.

The current advisory committee consists of the following members:

- Ventris Gibson, Director, District of Columbia Department of Human Resources (Mayor)
- Sheila Morgan-Johnson, Chief Investment Officer, District of Columbia Retirement Board (DCRB Staff)
- Steven Giachetti, Director, Revenue Estimation Office of Revenue Analysis (CFO)
- Ritta McLaughlin, Chief Education Officer, Municipal Securities Rulemaking Board (CFO)
- Mark Kim, Chief Financial Officer, District of Columbia Water (CFO)
- Thompson Sawyer, Deputy Director, Division of Finance, Federal Deposit Insurance Corporation (CFO)

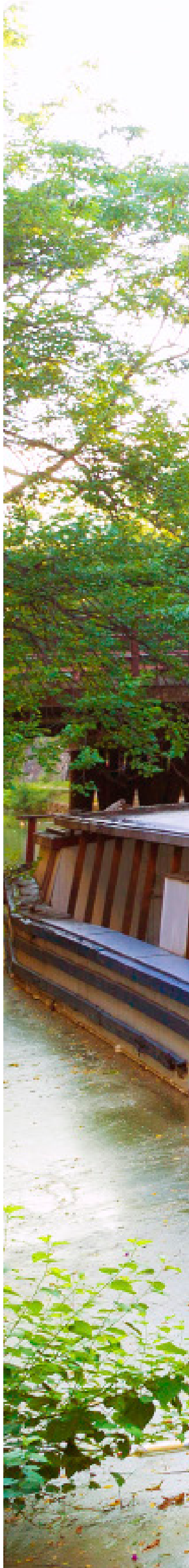
The committee met September 29th, 2015 to discuss performance and the operations of the OPEB Fund. As a result of our discussions and the committee's review of the Fund, we proposed to the committee that we would reduce our allocation to our current active small-cap investment manager, who was underperforming, and place the proceeds in a passive investment strategy and begin the process of identifying a new manager in the small-cap space. We also discussed executing a search for an active manager in emerging markets and we anticipate having an active manager in place by the end of fiscal year 2016.

INVESTMENT MANAGER INFORMATION

INVESTMENT MANAGER	ASSET CLASS	BENCHMARK	INCEPTION DATE
Equity			
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[1]	01/01/2012
Royce & Associates, LLC	U.S. Small-Cap Core	Russell 2000 Index	11/01/2009
Baillie Gifford	Intl Large-Cap Growth	MSCI EAFE Growth NR USD	12/01/2011
Artisan Partners	Intl Large-Cap Value	MSCI EAFE Value NR USD	12/01/2011
Emerging Market Equity			
State Street Global Advisors Emerging Market	Emerging Market Equity	MSCI EM (net)	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
RBC Global Asset Management (US) Inc.	Core	Barclays Capital U.S. Securitized Index	12/01/2011
AllianceBernstein L.P.	Non-U.S. Unhedged	Barclays Capital Global Aggregate	01/01/2012
Emerging Market Debt			
BluBay Emerging Market Bond	Emerging Market Debt	50% JPM EMBI Global Diversified/50% JPM GBI-EM Global Diversified U.S.[2]	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

[1] Benchmark as of 10/01/2012. From 01/01/2012 through 09/30/2012 the benchmark was the S&P Mid-Cap 400 index.

[2] Benchmark as of 02/01/2015. From 11/01/2013 through 01/31/2015 the benchmark was the 50% JPM EMBI Global Diversified/50% JPM GBI-EM Broad Diversified U.S. index.



INVESTMENT MANAGER DESCRIPTIONS

EQUITY

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.

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.

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 strategy 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 is managed using a "passive" or "indexing" investment approach, by which SSgA attempts to match, before expenses, the performance of the MSCI Emerging Markets Index, which is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. SSgA will typically attempt to invest in the equity securities comprising the Index, in approximately the same proportions as they are represented in the Index. Equity securities may include common stocks, preferred stocks, depository receipts, or other securities convertible into common stock. Equity securities held by the fund may be denominated in foreign currencies and may be held outside the United States. In some cases, it may not be possible or practicable to purchase all of the securities comprising the Index, or to hold them in the same weightings as they represent in the Index. In those circumstances, SSgA may employ a sampling or optimization technique to construct the portfolio in question. SSgA may also utilize other pooled investment vehicles, including those managed by SSgA and its affiliates, as substitutes for gaining direct exposure to securities or a group of securities in the Index.

FIXED INCOME

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.

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.'

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.

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.'

EMERGING MARKET DEBT

BLUBAY 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

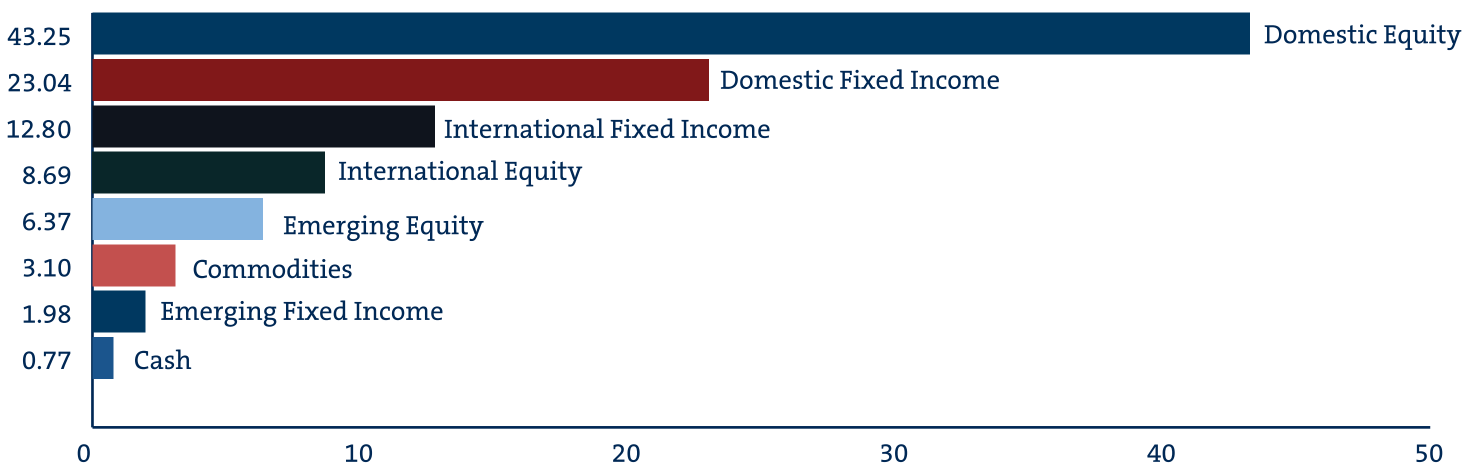
SSGA SHORT TERM INVESTMENT FUND (STIF)

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 strategy 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[1]

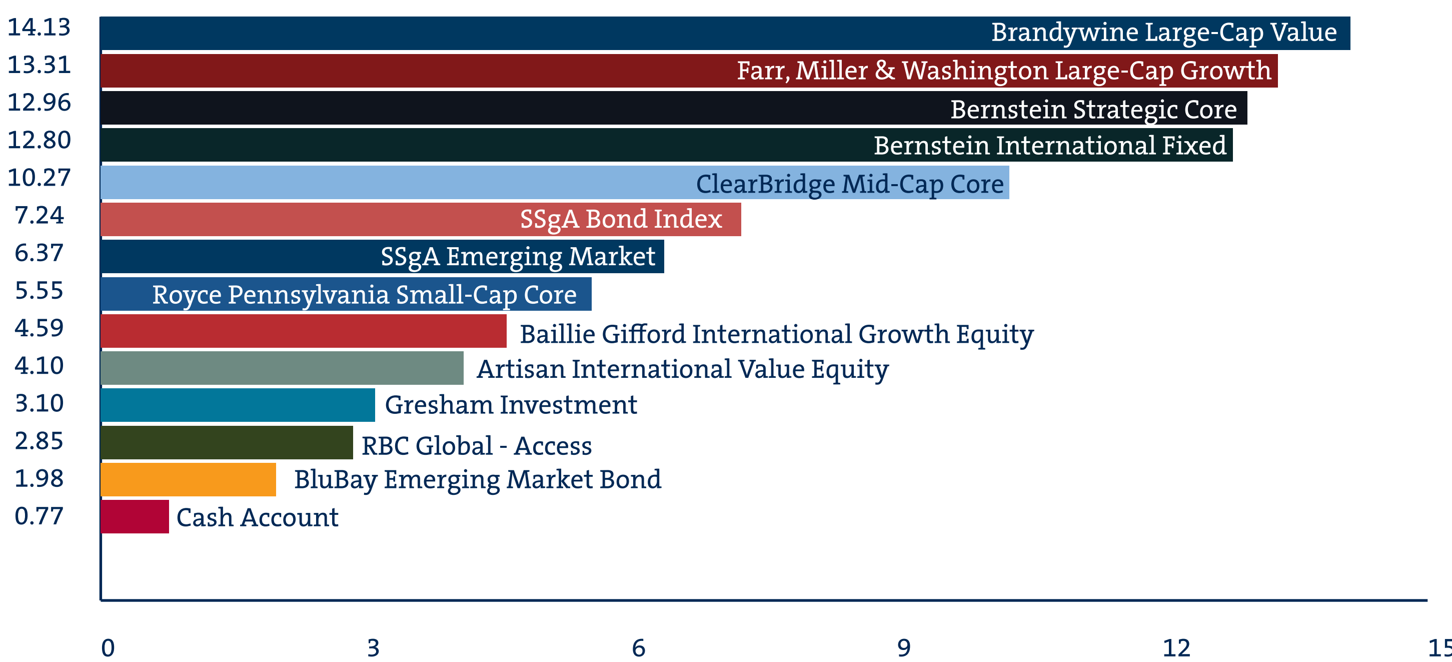
CLASS	MARKET VALUE ($)	ALLOCATION (%)
Domestic Equity	460,685,826	43.25
Domestic Fixed Income	245,403,649	23.04
International Fixed Income	136,296,943	12.80
International Equity	92,541,381	8.69
Emerging Equity	67,832,670	6.37
Commodities	33,001,099	3.10
Emerging Fixed Income	21,129,276	1.98
Cash	8,176,229	0.77
Total	**1,065,067,073.00**	**100.00**



[1] Source: Segal Rogerscasey.

ASSET ALLOCATION BY MANAGER[1]

MANAGER	MARKET VALUE ($)	ALLOCATION (%)
Brandywine Large-Cap Value	150,503,543	14.13
Farr, Miller & Washington Large-Cap Growth	141,716,571	13.31
Bernstein Strategic Core	138,019,274	12.96
Bernstein International Fixed	136,296,943	12.80
ClearBridge Mid-Cap Core	109,333,928	10.27
SSgA Bond Index	77,065,566	7.24
SSgA Emerging Market	67,832,670	6.37
Royce Pennsylvania Small-Cap Core	59,131,783	5.55
Baillie Gifford International Growth Equity	48,907,943	4.59
Artisan International Value Equity	43,633,438	4.10
Gresham Investment	33,001,099	3.10
RBC Global - Access	30,318,810	2.85
BluBay Emerging Market Bond	21,129,276	1.98
Cash Account	8,176,229	0.77
Total	**1,065,067,073.00**	**100.00[2]**



[1] Source: Segal Rogerscasey.

[2] Numbers may not add up to 100% due to rounding.

PERFORMANCE FOR TOTAL FUND AND ASSET CLASS AS OF SEPTEMBER 30, 2015

PERFORMANCE (%)							
	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date[1]
Total Fund Composite	**-5.24**	**5.61**	**6.25**	**6.36**	**3.80**	**5.12**	**01/01/2003**
Policy Index	-3.29	5.38	7.02	6.64	5.22	6.67	
Domestic Equity	**-3.85**	**12.24**	**11.66**	**9.34**	**5.31**	**6.77**	**01/01/2003**
Equity Policy Index	-0.21	12.71	13.27	10.00	6.94	8.84	
U.S. All-Cap Equity (SA+CF) Median	-1.15	12.67	13.30	10.62	7.51		
International Equity	**-9.46**	**6.43**	**4.87**	**2.83**	**1.29**	**5.33**	**01/01/2003**
MSCI EAFE Index	-8.27	6.08	4.45	4.25	3.44	7.72	
IM International Large-Cap Core Equity (SA+CF) Median	-6.89	6.47	5.30	5.15	4.20		
Emerging Market Equity	**-19.37**	**N/A**	**N/A**	**N/A**	**N/A**	**-10.87**	**11/01/2013**
MSCI EM (net)	-19.28	-5.27	-3.57	2.56	4.27	-10.82	
IM Emerging Markets Equity (SA+CF) Median	-17.74	-3.25	-1.90	4.05	5.51		
Domestic Fixed Income	**2.89**	**1.90**	**3.50**	**6.30**	**4.41**	**4.41**	**01/01/2003**
Fixed Income Policy Index	2.94	1.71	3.25	4.92	4.69	4.48	
U.S. Fixed Income (SA+CF) Median	2.03	2.21	3.80	5.72	5.01		
International Fixed Income	**-7.35**	**-3.59**	**N/A**	**N/A**	**N/A**	**-1.49**	**01/01/2012**
Barclays Global Aggregate Ex USD	-7.67	-4.00	-0.85	2.12	2.98	-1.90	
IM International Fixed Income (SA+CF) Median	-6.40	-0.60	2.39	6.27	6.48		
Emerging Market Debt	**-13.06**	**N/A**	**N/A**	**N/A**	**N/A**	**-7.30**	**11/01/2013**
Emerging Market Debt Policy Index	-9.56	N/A	N/A	N/A	N/A	-3.85	
IM Emerging Markets Debt (SA+CF) Median	-6.77	-0.84	3.20	7.76	7.15		
Commodity	**-27.87**	**N/A**	**N/A**	**N/A**	**N/A**	**-18.00**	**11/01/2013**
Bloomberg Commodity Index Total Return	-25.99	-16.02	-8.89	-8.75	-5.67	-16.87	
Cash Account	**N/A**	**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	10 Years	Since Inception	Inception Date[1]
Brandywine Large-Cap Value	**-11.18**	**12.21**	**N/A**	**N/A**	**N/A**	**14.54**	**01/01/2012**
Russell 1000 Value Index	-4.42	11.59	12.29	8.21	5.71	13.51	
IM U.S. Large-Cap Value Equity (SA+CF) Median	-3.32	12.49	12.57	9.28	6.81		
Farr, Miller Washington Large-Cap Growth	**-0.26**	**12.00**	**N/A**	**N/A**	**N/A**	**13.15**	**01/01/2012**
Russell 1000 Growth Index	3.17	13.61	14.47	11.73	8.09	15.43	
IM U.S. Large-Cap Growth Equity (SA+CF) Median	3.83	13.74	13.98	11.15	8.02		
ClearBridge Mid-Cap Core	**5.93**	**15.93**	**N/A**	**N/A**	**N/A**	**16.66**	**01/01/2012**
Russell Mid-Cap Index[2]	-0.25	13.91	N/A	N/A	N/A	14.86	
IM U.S. Mid-Cap Equity (SA+CF) Median	1.71	13.96	13.31	11.62	8.66		
Royce Pennsylvania Small-Cap Core	**-8.30**	**6.97**	**8.10**	**N/A**	**N/A**	**9.78**	**11/01/2009**
Russell 2000 Index	1.25	11.02	11.73	8.63	6.55	13.52	
U.S. Equity Small-Cap Core Funds (MF) Median	0.57	10.95	11.76	8.50	5.70		
Baillie Gifford International Growth Equity	**-12.81**	**3.50**	**N/A**	**N/A**	**N/A**	**4.70**	**12/01/2011**
MSCI EAFE Growth Index	-4.30	6.90	5.19	4.88	4.16	7.87	
IM International Growth Equity (SA+CF) Median	-4.50	6.70	5.82	6.58	5.21		
Artisan International Value Equity	**-5.32**	**9.54**	**N/A**	**N/A**	**N/A**	**11.10**	**12/01/2011**
MSCI EAFE Value	-12.18	5.22	3.63	3.55	2.65	6.58	
IM International Value Equity (SA+CF) Median	-7.69	6.07	4.75	5.01	4.31		
SSgA Emerging Market	**-19.37**	**N/A**	**N/A**	**N/A**	**N/A**	**-10.87**	**11/01/2013**
MSCI EM (net)	-19.28	-5.27	-3.57	2.56	4.27	-10.82	
IM Emerging Markets Equity (SA+CF) Median	-17.74	-3.25	-1.90	4.05	5.51		

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

[2] Benchmark as of 10/01/2012. From 01/01/2012 through 09/30/2012 the benchmark was the S&P Mid-Cap 400 index.

FIXED INCOME PERFORMANCE BY INVESTMENT MANAGER

	PERFORMANCE (%)						
	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date[1]
SSgA Bond Index	**2.98**	**1.74**	**3.10**	**N/A**	**N/A**	**3.27**	**08/01/2010**
Barclays U.S. Aggregate	2.94	1.71	3.10	4.85	4.64	3.27	
U.S. Broad Market Core Fixed Income (SA+CF) Median	3.02	2.04	3.57	5.65	5.06		
Bernstein Strategic Core	**2.82**	**2.04**	**N/A**	**N/A**	**N/A**	**3.15**	**12/01/2011**
Barclays U.S. Aggregate	2.94	1.71	3.10	4.85	4.64	2.67	
IM U.S. Fixed Income (SA+CF) Median	2.03	2.21	3.80	5.72	5.01		
RBC Global—Access	**3.03**	**1.67**	**N/A**	**N/A**	**N/A**	**2.43**	**12/01/2011**
Barclays U.S. Securitized Index	3.43	2.04	N/A	N/A	N/A	2.61	
IM U.S. Broad Market Core Fixed Income (MF) Median	1.92	1.49	3.03	5.14	4.34		
Bernstein Global Plus	**-7.35**	**-3.59**	**N/A**	**N/A**	**N/A**	**-1.49**	**01/01/2012**
Barclays Global Aggregate Ex USD	-7.67	-4.00	-0.85	2.12	2.98	-1.90	
IM International Fixed Income (SA+CF) Median	-6.40	-0.60	2.39	6.27	6.48		

[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	10 Years	Since Inception	Inception Date[1]
BluBay Emerging Market Bond	**-13.06**	**N/A**	**N/A**	**N/A**	**N/A**	**-7.30**	**11/01/2013**
50% JPM EMBI Global Diversified/50% JPM GBI-EM Global Diversified U.S.[2]	-9.56	N/A	N/A	N/A	N/A	-3.85	
IM Emerging Markets Debt (SA+CF) Median	-6.77	-0.84	3.20	7.76	7.15		

COMMODITY PERFORMANCE BY INVESTMENT MANAGER

	PERFORMANCE (%)						
	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date[1]
Gresham Investment	**-27.87**	**N/A**	**N/A**	**N/A**	**N/A**	**-18.00**	**11/01/2013**
Bloomberg Commodity Index Total Return	-25.99	-16.02	-8.89	-8.75	-5.67	-16.87	

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

[2] Benchmark as of 02/01/2015. From 11/01/2013 through 01/31/2015 the benchmark was the 50% JPM EMBI Global Diversified/50% JPM GBI-EM Broad Diversified U.S. index.

HISTORICAL CALENDAR YEAR PERFORMANCE FOR TOTAL FUND AND ASSET CLASS

PERFORMANCE (%)							
	2014	2013	2012	2011	2010	2009	2008
Total Fund Composite	**4.07**	**18.62**	**12.13**	**-0.76**	**10.99**	**26.08**	**-30.77**
Policy Index	5.10	15.60	11.21	2.57	12.66	20.86	-24.34
Domestic Equity	**9.37**	**37.24**	**17.87**	**-4.86**	**15.71**	**33.26**	**-40.37**
Equity Policy Index	12.02	34.31	16.56	1.03	16.93	28.70	-37.60
U.S. All-Cap Equity (SA+CF) Median	10.02	34.74	16.01	-0.22	17.73	30.15	-36.48
International Equity	**-3.49**	**28.39**	**19.38**	**-11.90**	**5.34**	**26.21**	**-48.98**
MSCI EAFE Index	-4.48	23.29	17.90	-11.73	8.21	32.46	-43.06
IM International Large-Cap Core Equity (SA+CF) Median	-3.72	23.16	19.47	-12.25	11.14	33.00	-43.61
Emerging Market Equity	**-2.25**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
MSCI EM (net)	-2.19	-2.60	18.23	-18.42	18.88	78.51	-53.33
IM Emerging Markets Equity (SA+CF) Median	-0.27	0.67	20.53	-18.41	21.69	80.12	-54.03
Domestic Fixed Income	**6.16**	**-1.86**	**5.10**	**8.34**	**8.82**	**21.85**	**-10.05**
Fixed Income Policy Index	5.97	-2.02	4.21	8.32	6.38	6.13	5.24
U.S. Fixed Income (SA+CF) Median	4.45	-0.26	6.84	6.42	7.59	10.53	1.30
International Fixed Income	**-2.30**	**-2.98**	**4.78**	**N/A**	**N/A**	**N/A**	**N/A**
Barclays Global Aggregate Ex USD	-3.08	-3.08	4.09	4.36	4.95	7.53	4.39
IM International Fixed Income (SA+CF) Median	1.48	-4.75	17.37	4.24	13.99	26.99	-10.88
Emerging Market Debt	**-0.38**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Emerging Market Debt Index	2.49	N/A	N/A	N/A	N/A	N/A	N/A
IM Emerging Markets Debt (SA+CF) Median	1.28	-5.97	18.97	2.95	15.17	32.54	-14.94
Commodity	**-17.44**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Bloomberg Commodity Index Total Return	-17.01	-9.52	-1.06	-13.32	16.83	18.91	-35.65
Cash Account	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**

EQUITY PERFORMANCE BY INVESTMENT MANAGER

	PERFORMANCE (%)						
	2014	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
Brandywine Large-Cap Value	**11.47**	**39.77**	**22.69**	**N/A**	**N/A**	**N/A**	**N/A**
Russell 1000 Value Index	13.45	32.53	17.51	0.39	15.51	19.69	-36.85
IM U.S. Large-Cap Value Equity (SA+CF) Median	12.20	34.33	15.73	0.47	14.63	25.28	-35.46
Farr, Miller & Washington Large-Cap Growth	**12.20**	**34.44**	**13.73**	**N/A**	**N/A**	**N/A**	**N/A**
Russell 1000 Growth Index	13.05	33.48	15.26	2.64	16.71	37.21	-38.44
IM U.S. Large-Cap Growth Equity (SA+CF) Median	11.90	34.55	15.19	0.07	16.03	34.13	-38.51
ClearBridge Mid-Cap Core	**9.06**	**38.61**	**19.27**	**N/A**	**N/A**	**N/A**	**N/A**
Russell Mid-Cap Index[1]	13.22	34.76	17.04	N/A	N/A	N/A	N/A
IM U.S. Mid-Cap Equity (SA+CF) Median	9.71	36.06	16.31	-1.10	25.00	37.43	-40.23
Royce Pennsylvania Small-Cap Core	**-0.70**	**35.25**	**14.58**	**-4.17**	**23.86**	**N/A**	**N/A**
Russell 2000 Index	4.89	38.82	16.35	-4.18	26.85	27.17	-33.79
U.S. Equity Small-Cap Core Funds (MF) Median	4.49	38.67	15.01	-2.95	25.62	26.98	-36.16
Baillie Gifford International Growth Equity	**-6.65**	**26.41**	**16.64**	**N/A**	**N/A**	**N/A**	**N/A**
MSCI EAFE Growth Index	-4.06	22.95	17.28	-11.82	12.60	29.90	-42.46
IM International Growth Equity (SA+CF) Median	-3.38	23.51	20.10	-11.92	14.64	39.05	-45.50
Artisan International Value Equity	**-0.23**	**30.25**	**22.06**	**N/A**	**N/A**	**N/A**	**N/A**
MSCI EAFE Value	-4.92	23.59	18.43	-11.65	3.81	35.06	-43.68
IM International Value Equity (SA+CF) Median	-4.02	23.77	18.63	-11.14	11.67	35.67	-41.06
SSgA Emerging Market	**-2.25**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
MSCI EM (net)	-2.19	-2.60	18.23	-18.42	18.88	78.51	-53.33
IM Emerging Markets Equity (SA+CF) Median	-0.27	0.67	20.53	-18.41	21.69	80.12	-54.03

[1] Benchmark as of 10/01/2012. From 01/01/2012 through 09/30/2012 the benchmark was the S&P Mid-Cap 400 index.

FIXED INCOME PERFORMANCE BY INVESTMENT MANAGER

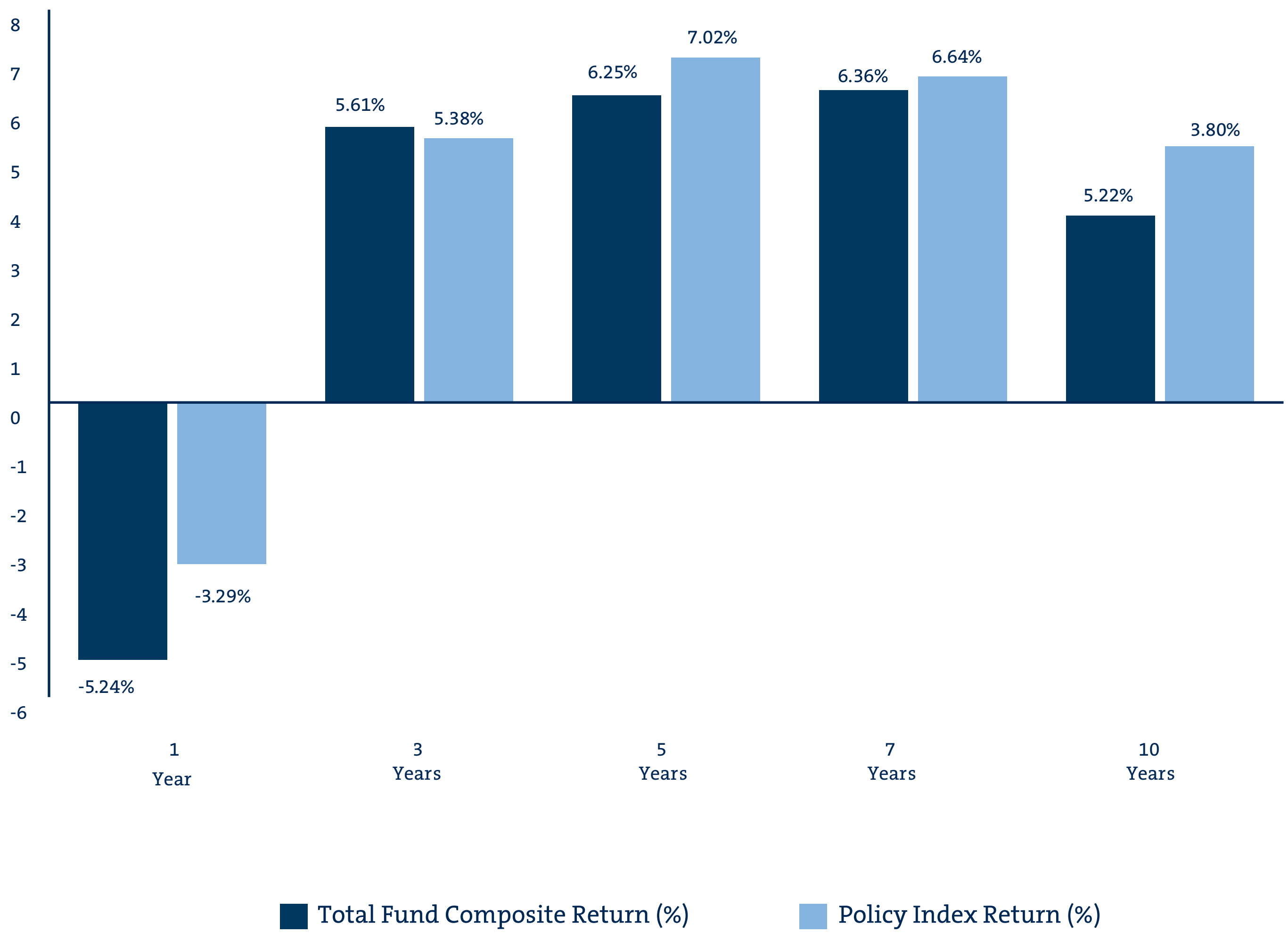
PERFORMANCE (%)							
	2014	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
SSgA Bond Index	**5.98**	**-2.04**	**4.27**	**7.79**	**N/A**	**N/A**	**N/A**
Barclays U.S. Aggregate	5.97	-2.02	4.21	7.84	6.54	5.93	5.24
IM U.S. Broad Market Core Fixed Income (SA+CF) Median	6.16	-1.56	5.78	7.84	7.23	9.84	3.04
Bernstein Strategic Core	**6.34**	**-1.79**	**5.80**	**N/A**	**N/A**	**N/A**	**N/A**
Barclays U.S. Aggregate	5.97	-2.02	4.21	7.84	6.54	5.93	5.24
IM U.S. Fixed Income (SA+CF) Median	4.45	-0.26	6.84	6.42	7.59	10.53	1.30
RBC Global—Access	**5.53**	**-1.65**	**3.52**	**N/A**	**N/A**	**N/A**	**N/A**
Barclays U.S. Securitized Index	5.87	-1.30	3.14	N/A	N/A	N/A	N/A
IM U.S. Broad Market Core Fixed Income (MF) Median	5.54	-1.96	6.01	6.68	7.23	12.13	-3.45
Bernstein International Fixed	**-2.30**	**-2.98**	**4.78**	**N/A**	**N/A**	**N/A**	**N/A**
Barclays Global Aggregate Ex USD	-3.08	-3.08	4.09	4.36	4.95	7.53	4.39
IM International Fixed Income (SA+CF) Median	1.48	-4.75	17.37	4.24	13.99	26.99	-10.88
BluBay Emerging Market Bond	**-0.38**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
50% JPM EMBI Global Diversified/50% JPM GBI-EM Global Diversified U.S.[1]	2.49	N/A	N/A	N/A	N/A	N/A	N/A
IM Emerging Markets Debt (SA+CF) Median	1.28	-5.97	18.97	2.95	15.17	32.54	-14.94
Gresham Investment	**-17.44**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Bloomberg Commodity Index Total Return	-17.01	-9.52	-1.06	-13.32	16.83	18.91	-35.65

[1] Benchmark as of 02/01/2015. From 11/01/2013 through 01/31/2015 the benchmark was the 50% JPM EMBI Global Diversified/50% JPM GBI-EM Broad Diversified U.S. index.

ASSET ALLOCATION POLICY

ASSET CLASS	MINIMUM	MAXIMUM	TARGET	ACTUAL*
Domestic Equity	35%	55%	45%	43.25%
International Equity	4%	14%	9%	8.69%
Emerging Market Equity	0%	9%	4%	6.37%
Domestic Fixed Income	19%	29%	24%	23.04%
International Fixed Income	5%	15%	10%	12.80%
Emerging Market Debt	0%	8%	3%	1.98%
Commodity	0%	10%	5%	3.10%
Cash Account	0%	10%	0%	0.77%

COMPARATIVE PERFORMANCE AS OF SEPTEMBER 30, 2015



COMPARATIVE ANALYSIS TABLES WITH DCRB

ASSET ALLOCATION COMPARATIVE

	DCRB		OPEB FUND	
	Current Allocation	Target Allocation (%)	Current Allocation	Target Allocation (%)
Public Equities	**52.00**	**48.00**	**58.31**	**58.00**
Domestic Equity Assets	23.00	21.00	43.25	45.00
International Developed Market Equity Assets	20.00	18.00	8.69	9.00
International Emerging Market Equity Assets	10.00	9.00	6.37	4.00
Fixed Income	**31.00**	**27.00**	**37.82**	**37.00**
Investment Grade Bond Assets	14.00	12.00	23.04	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	3.00	3.00	1.98	3.00
Foreign Developed Bond Assets	3.00	2.00	12.80	10.00
Bank Loan Assets	2.00	3.00	0.00	0.00
Alternatives	**16.00**	**25.00**	**3.10**	**5.00**
Absolute Return Assets	5.00	10.00	0.00	0.00
Private Equity Assets	5.00	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	2.00	2.00	0.00	0.00
Private Energy Assets	<1.00	1.00	0.00	0.00
Commodities			3.10	5.00
Cash	**1.00**	**0.00**	**0.77**	**0.00**

As of 09/30/15

ACTUARIAL ASSUMPTIONS COMPARATIVE

	DCRB: TEACHERS	DCRB: POLICE AND FIREFIGHTERS	OPEB FUND
Valuation Date:	10/01/2015	10/01/2015	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:	17 Years	17 Years	30 Years Beginning with FYE 09/30/2013, 28 Years for FYE 09/30/2015
Asset Valuation Method:	7 Year Smoothed, Market	7 Year Smoothed, Market	Market Value
	Actuarial Assumptions		Actuarial Assumptions
Investment Rate of Return[1]	6.50%	6.50%	7.00%
Rate of Salary Increase[2]	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

[1] Includes inflation of 3.50% for DCRB, 3.00% for OPEB.

[2] Includes wage inflation of 4.25% for DCRB, 3.75% for OPEB.

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

OTHER POST-EMPLOYMENT BENEFITS FUND

Financial Statements
With Reports of Independent Public Accountants

For The Years Ended September 30, 2015 and 2014

SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OTHER POST-EMPLOYMENT BENEFITS FUND

FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2015 and 2014

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SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Government of District of Columbia Other Post-Employment Benefits Fund (the Fund), a fiduciary fund of the Government of the District of Columbia, as of and for the year ended September 30, 2015, 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

The Fund's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 auditor's 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 financial position of the Fund as of September 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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SB & COMPANY, LLC
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Emphasis of Matter

As discussed in Note 2, the financial statements of the Fund are intended to present only the Fund and do not purport to, and do not, present fairly the financial position of the Government of the District of Columbia as of September 30, 2015 and 2014, 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 the matter.

Other Matters

Prior Year Balances

The financial statements of the Fund as of and for the year ended September 30, 2014, were audited by another auditor who expressed an unmodified opinion on those statements on March 11, 2015.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, funding status, and schedule of employer contributions 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 January 27, 2016, 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 Government of the District of Columbia's internal control over financial reporting and compliance.

Washington, D.C.
January 27, 2016

SB + Company, LLC

Management's Discussion and Analysis
September 30, 2015 and 2014

The following presents our discussion and analysis of the financial performance of the Government of the District of Columbia's (District) Other Post-Employment Benefits Fund (Fund) for the fiscal years (FYs) ended September 30, 2015 and 2014. 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 or Police and Fire Retirement System, or who are eligible for retirement benefits under the Social Security Act, are eligible to participate in the Fund.

Basic Financial Statements

The Fund is required to follow U.S. Generally Accepted Accounting Principles and, as such, the Fund's financial statements must consist of two basic financial statements: (a) Statement of Fund Net Position and (b) Statement of Changes in Fund Net Position.

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

Financial Highlights

	FY 2015	FY 2014	FY 2013
The Fund's Investments	$1,045,586,954	$941,971,328	$773,536,046
District's Contributions	91,400,000	86,600,000	107,800,000

Financial Analysis

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

			FY2015-FY2014			FY2014-FY2013	
	2015	2014	Variance	Variance %	2013	Variance	Variance %
Assets							
Cash and cash equivalents	$ 45,658,951	$ 124,388,169	$ (78,729,218)	-63.3%	$ 151,862,701	$ (27,474,532)	-18.1%
Receivables	16,214,607	22,954,227	(6,739,620)	-29.4%	4,553,226	18,401,001	404.1%
Investments, at fair value	1,045,586,954	941,971,328	103,615,626	11.0%	773,536,046	168,435,282	21.8%
Total assets	1,107,460,512	1,089,313,724	18,146,788	1.7%	929,951,973	159,361,751	17.1%
Liabilities							
Investments payable	30,910,398	37,954,665	(7,044,267)	-18.6%	32,136,760	5,817,905	18.1%
Net Position Held in Trust for Other Post Employment Benefits	$ 1,076,550,114	$ 1,051,359,059	$ 25,191,055	2.4%	$ 897,815,213	$ 153,543,846	17.1%

Table 2-Statement of Changes in Fund Net Position (*In dollars*)

			FY2015-FY2014			FY2014-FY2013	
	2015	2014	Variance	Variance %	2013	Variance	Variance %
Additions							
Contributions	$ 91,810,780	$ 86,902,855	$ 4,907,925	5.6%	$ 108,088,940	$ (21,186,085)	-19.6%
Net investment (loss) income	(59,515,011)	71,610,170	(131,125,181)	-183.1%	101,812,467	(30,202,297)	-29.7%
Total additions	32,295,769	158,513,025	(126,217,256)	-79.6%	209,901,407	(51,388,382)	-24.5%
Deductions							
Insurance premiums	6,739,591	4,729,440	2,010,151	42.5%	4,306,673	422,767	9.8%
Other expenses	365,123	239,739	125,384	52.3%	212,263	27,476	12.9%
Total deductions	7,104,714	4,969,179	2,135,535	43.0%	4,518,936	450,243	10.0%
Net Increase	25,191,055	153,543,846	(128,352,791)	-83.6%	205,382,471	(51,838,625)	-25.2%
Beginning Net Position	1,051,359,059	897,815,213			692,432,742		
Ending Net Position	$ 1,076,550,114	$ 1,051,359,059			$ 897,815,213		

Fund Contributions

For the FYs ended September 30, 2015 and 2014, the District made actuarially based contributions in the amounts of $91,400,000 and $86,600,000, respectively, which were based on congressionally approved budget authority. The District made contributions to the Fund that covered current and future Fund benefits.

Annuitant Contributions

Annuitant contributions for FYs ended September 30, 2015 and 2014 amounted to $410,780 and $302,855, respectively. For FY 2015, 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.

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

Police and Firefighters hired before November 10, 1996, who retire with at least 5 years of creditable District service, the District contribution shall be an amount equal to 75% of the cost of the selected health benefit plan and the annuitant shall contribute 25% of the cost of the selected health benefit plan. For a covered family member of an annuitant, the District contribution shall be an amount equal to 60% of the cost of the selected health benefit plan and the covered family member shall contribute 40% of the cost of the selected health benefit plan.

Police and Fire fighters hired on or after November 10, 1996, with at least 10 years of creditable District service, but less than 25 years of creditable District service, the District contribution to the cost of a health benefit plan selected by the annuitant shall be an amount equal to 30% of the cost of the selected health benefit plan (as secondary to Medicare) for the annuitant, plus an additional 3% for each year of creditable District service over 10 years, and 25% for the covered family member of the annuitant, plus an additional 3% for each year of creditable District service over 10 years; provided, that the District contribution shall not exceed 75% of the cost of the selected health benefits plan for the annuitant and 60% of the cost of the selected health benefits plan for the covered family member of the annuitant. The annuitant and family member shall contribute the applicable balance of the cost of the selected health benefit plan.

Investment Income FY 2015

The Fund, as a whole, had a negative rate of return of -5.18%, with a gross investment loss of $54,110,723 for the FY ended September 30, 2015. The net investment loss for the Fund was a result of negative rates of returns on equities, negative returns on international debt securities and commodities, plus realized and unrealized investment gains and losses, with a net investment value of $1,045,586,954, as of September 30, 2015. Please see the table below for details.

Management's Discussion and Analysis
September 30, 2015 and 2014

Investment	Rate of Return FY 2015	Benchmark FY 2015	Rate of Return FY 2014	Benchmark FY 2014
Access Capital ETI	3.03%	3.43%	3.75%	3.68%
Artisan Int'l Value Equity (Barclays)	-5.32%	-12.18%	6.22%	6.18%
Baillie Gifford Int'l Growth (Barclays)	-12.81%	-4.30%	1.44%	3.22%
Bernstein Global Plus	-7.35%	-7.67%	-0.08%	-0.81%
Bernstein Strategic Core	2.82%	2.94%	4.74%	3.96%
Brandywine Large Cap Value	-11.18%	-4.42%	21.11%	18.89%
ClearBridge Mid Cap	5.93%	-0.25%	10.14%	15.83%
Farr, Miller Washington Large Cap Growth	-0.26%	3.17%	14.42%	19.15%
Royce Pennsylvania Mutual Fund	-8.30%	1.25%	3.29%	3.93%
SSgA Bond Index	2.98%	2.94%	3.97%	3.96%
SSgA Emerging Markets Equity Index	-19.37%	-19.28%	N/A *	4.30%
Blue Bay Emerging Market Debt Fund	-13.06%	-9.56%	N/A *	5.21%
Gresham Commodities Fund	-27.87%	-25.99%	N/A *	-6.58%

*- Fund inception date was November 1, 2013

In 2015, the investments had negative rates of return: led by Gresham Commodities Fund, -27.87%; SSgA Emerging Market Equity Index Fund, -19.37%; BluBay Emerging Market Debt Fund, -13.06%; and Baillie Gifford International Growth Fund, -12.81%. The fund had dividend and interest income in the amount of $22,432,988, and a net depreciation of $76,847,441 for FY 2015.

Investment Income FY2014

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 positive rates of return; plus realized and unrealized investments, with a net investment value of $941,971,328 for the FY ended September 30, 2014. Please see the above table for details.

In 2014, the investments had positive rates of return: led by Brandywine Large Cap Value, 21.11%; Farr, Miller, Washington 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.

Insurance Carrier Premiums

Insurance Carrier Premiums represent amounts paid to the Fund's health and life insurance carriers. There were 22,069 and 21,017 active employees, as of FY September 30, 2015 and 2014, respectively. As of September 30, 2015 and 2014, the Fund had 995 and 938 annuitants receiving benefits, respectively. The 2015 participants were comprised of 765 firefighters, police, and teachers; and 230 general District employees. The 2014 participants were comprised of 740 firefighters, police, and teachers; and 198 general District employees. The premium expenses for the FYs ended September 30, 2015 and 2014, totaled $6,739,591 and $4,729,440, respectively. The insurance premiums attributable to police, fire, and teacher retirees for the FYs 2015 and 2014 totaled $6,182,198 and $3,712,004, respectively. All remaining insurance premiums are attributable to general employee retirees.

Management’s Discussion and Analysis
September 30, 2015 and 2014

The actuarial valuation for the FY ending September 30, 2015 was a roll-forward of the prior year’s valuation. The actuarial roll-forward report issued in February 2015, projected from data as of September 30, 2012, 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, 2013 actuarial report, using September 30, 2012 data, the number of retirees also totaled 555 members,

The September 30, 2015 actuarial report showed that, based on data as of September 30, 2014, the number of annuitants increased to a total of 995 annuitants.

Investment Management Fees

Investment management and custody fees paid during the FYs ended September 30, 2015 and 2014 are detailed in the table below. The debt and equity assets increased to an FY2015 balance of $1,045,586,954, from an FY2014 balance in the amount of $941,971,328, which is an increase of 11.0% from last year, and an increase of 21.8% over the past two years.

Investment Firm (*In dollars*)	Fund Year 2015	Fund Year 2014
Access Capital ETI	$ 197,074	$ 102,226
Artisan Int'l Value Equity (Barclays)	458,151	195,655
Baillie Gifford Int'l Growth (Barclays)	464,625	270,736
Bernstein Strategic Core	595,658	555,606
Brandywine Large Cap Value	1,024,876	706,171
ClearBridge Mid Cap	708,002	648,805
Farr, Miller Washington Large Cap Growth	904,138	811,633
Royce Pennsylvania Mutual Fund	478,967	592,372
SSgA Emerging Markets Equity Index	112,855	25,730
SSgA Bond Index	35,503	45,829
Blue Bay Emerging Market Debt Fund	245,100	210,070
Gresham Commodities Fund	247,508	260,646
State Street Custody Fees	134,042	123,141
Change in Accrual of Management Fees	(202,211)	287,111
Total	$ 5,404,288	$ 4,835,731

Contact Information

This financial report is designed to provide a general overview of the Fund’s finances. Questions concerning any information provided in this report, or requests for additional financial information, should be addressed to the Office of the Chief Financial Officer – Office of Finance and Treasury; Government of the District of Columbia; 1101 4th Street SW, 8th Floor Washington, D.C., 20024.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OTHER POST-EMPLOYMENT BENEFITS FUND

Statements of Fund Net Position
September 30, 2015 and 2014 *(In Dollars)*

	2015	2014
ASSETS		
Cash and cash equivalents	**$ 45,658,951**	$ 124,388,169
Receivables		
Investment	**13,890,285**	21,014,486
Interest and dividends	**2,324,322**	1,939,741
Total receivables	**16,214,607**	22,954,227
Investments, at fair value:		
Equities	**605,446,733**	582,718,696
Bonds	**396,139,142**	317,549,300
Commodities	**44,001,079**	41,703,332
Total investments	**1,045,586,954**	941,971,328
Total Assets	**1,107,460,512**	1,089,313,724
LIABILITIES		
Investments and other payables	**30,910,398**	37,954,665
Net Position Held in Trust for Other Post Employment Benefits	**$ 1,076,550,114**	$ 1,051,359,059

The accompanying notes are an integral part of the financial statements

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OTHER POST-EMPLOYMENT BENEFITS FUND

Statements of Changes in Fund Net Position
September 30, 2015 and 2014 *(In Dollars)*

	2015	2014
ADDITIONS		
Contributions:		
District contributions	$ 91,400,000	$ 86,600,000
Annuitant contributions	410,780	302,855
Total contributions	91,810,780	86,902,855
Investment income:		
Net (depreciation) appreciation in fair value	(76,847,441)	59,224,306
Interest	6,281,701	5,841,332
Dividends	16,151,287	11,767,214
Currency gain (loss) of FX contracts and settlements	18,180	(626,357)
Other income	285,550	239,406
Total income for investment activities	(54,110,723)	76,445,901
Less: Investment management fees	5,404,288	4,835,731
Net investment (loss) income	(59,515,011)	71,610,170
Total additions	32,295,769	158,513,025
DEDUCTIONS		
Insurance carrier premiums	6,739,591	4,729,440
Administrative expenses	365,123	239,739
Total deductions	7,104,714	4,969,179
Change in Plan Net Position	25,191,055	153,543,846
Net Position Held in Trust for Other Post Employment Benefits		
Beginning of the year	1,051,359,059	897,815,213
End of the Year	$ 1,076,550,114	$ 1,051,359,059

The accompanying notes are an integral part of the financial statements

NOTE 1 – FUND DESCRIPTION AND CONTRIBUTIONS

The Government of the District of Columbia (the "District") established the Fund on October 1, 1999, under the Annuitant's Health and Life Insurance Employer Contribution Amendment Act of 1999 (the "Act")(D.C. Law 13-54; D.C. Official Code § 1-621.09). The Fund was established to receive the District's contributions for health and life insurance premiums, from which the District's contributions would be paid. The Fund is managed and 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, pursuant to the terms of the Plan. The Fund is a fiduciary fund of the District.

Fund Description

The Fund 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 or Police and Fire Retirement System, or who are eligible for retirement benefits under the Social Security Act, are eligible to participate in the Fund. The trust fund was established to hold and pay the District's contributions for health and life insurance for annuitants. The purpose of the Fund (as defined in Section 1.02 of the Plan) is to manage and administer the 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 employee was employed less than five years, the employee must have been enrolled for his/her length of employment. Coverage under Medicare is not considered in determining continuous coverage. Dependents are also covered if the employee elects family coverage.

Contributions

Employee contributions are not required, prior to retirement to fund the Fund. Prior to March 2, 2010, the annuitant paid 25% of his/her health premium coverage, and the District paid the remaining 75%. The annuitant contribution was changed to a graded contribution schedule, effective March 2, 2010. For FY 2015, annuitants with at least 10 years of creditable District service, but less than 30 years of creditable District service, the District pays 25% of the insurance premium, 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 with annuitants paying the remainder. 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 insurance premiums.

Covered family members of an annuitant with at least 10 years of creditable District service, but less than 30 years of creditable District service, pay 80% of their health insurance premiums; and the District pays the remaining 20%, plus an additional 2.5% for each year of creditable District service over 10 years, provided that the District's contribution shall not exceed 60% of the cost of the selected health benefit plan for covered family members of an annuitant with 30 or more years of creditable District service and the family member pays 40% of the cost of the selected health benefit plan. The District pays 75% of the cost of the selected health benefit plan, and the family member pays 25% of the cost of the selected health benefit plan for covered family members of annuitants who are injured or killed in the line of duty. The impact this change will have on the District's portion of future OPEB costs has not been determined.

NOTE 1 – FUND DESCRIPTION AND CONTRIBUTIONS (continued)

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP), as prescribed by the Government Accounting Standards Board (GASB).

Reporting Entity

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

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's (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. Most 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 change therein, as of 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 Fund 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Fund 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.

GASB issued Statement 40; *Deposit and Investment Risk Disclosures* provides disclosure guidance requirements on deposits and investments of state and local governments that are exposed to investment risks related to credit risk, concentration of credit risks, interest rate risk, and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. In addition, deposits that are not covered by depository insurance and are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's agent, but not in the depositor-government's name are part of the requirements of this Statement. Also, investment securities that are uninsured, are not registered in the name of the government, and are held by either (a) the counterparty, or (b) the counterpart's trust department or agent but not in the government's name, are also part of the requirements of this Statement. The GASB Statement 40 was effective for periods beginning after June 15, 2004.See note 6 for the related deposits and investment risk disclosures.

In 2012, GASB issued two pronouncements that affect pension plans and state and local government employees. These statements have future implementation dates, but result in significant changes for OPEB.

Future Accounting Standards

In June 2015, the GASB approved the issuance of two new Statements that are designed to improve the usefulness of information about OPEB in the general purpose external financial reports of state and local governmental plans, for making decisions and assessing accountability:

- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses financial reporting by plans that administer OPEB benefits on behalf of governments.
- Statement No 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and financial reporting by government employers.

The new GASB Statements includes requirements for defined benefit OPEB plans that replace the requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. They also include requirements for defined contribution OPEB plans that replace the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, Statement 43; and Statement No. 50, *Pension Disclosures.*

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Effective Dates

The provisions in Statement 74 are effective for financial statements for FY beginning after June 15, 2016. The provisions in Statement 75 are effective for FY beginning after June 15, 2017. Earlier application is encouraged. The Fund is studying the requirements of these standards and will adopt the standards by the required implementation dates.

NOTE 3 – FUND DESCRIPTIONS AND CONTRIBUTION INFORMATION

September 30, 2015

As of September 30, 2015 and 2014, the Fund had 995 and 938 annuitants receiving benefits, respectively. The 2015 participants were comprised of 765 firefighters, police, and teachers; and 230 general District employees. The 2014 participants were comprised of 740 firefighters, police, and teachers; and 198 general District employees. The premium expenses for the FYs ended September 30, 2015 and 2014, totaled $6,739,591 and $4,729,440, respectively. The insurance premiums attributable to police, fire, and teacher retirees for the FYs 2015 and 2014 totaled $6,182,198 and $3,712,004, respectively. All remaining insurance premiums are attributable to general employee retirees.

The actuarial valuation for the FY ending September 30, 2015 was a roll-forward of the prior year's valuation. The actuarial roll-forward report issued in February 2015, projected from data as of September 30, 2012, 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, 2013 actuarial report, using September 30, 2012 data, the number of retirees also totaled 555 members,

The actuarial valuation for the FY 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, 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,

September 30, 2014

As of September 30, 2014, the Fund had 938 annuitants receiving benefits. The participants were comprised of 740 firefighters, police, and teachers; and 198 general District employees. The premium expenses for FYs ended September 30, 2014 and 2013, totaled $4,729,440and $4,306,673, respectively. The insurance premiums attributable to police, fire, and teacher retirees for the FYs 2014 and 2013 totaled $3,712,004and $3,544,252, respectively. All remaining insurance premiums are attributable to general employee retirees.

The actuarial valuation for the FY 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, 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.

Notes to Financial Statements
September 30, 2015 and 2014

NOTE 4 – MASTER CUSTODIAN CONTRACT

The Fund 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, since the Master Custodian provides information on investment transactions from an independent source, as well as provide reporting capabilities for the Trust Fund.

NOTE 5 – CASH AND CASH EQUIVALENTS

Custodial credit risk for Deposits is the risk that, in the event of a financial institution failure, the Fund would not be able to recover the value of cash and cash equivalents. Deposits that are not covered by depository insurance and are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's agent, but not in the depositor-government's name are part of the requirements of this Statement. The Fund maintains cash and cash equivalent in investments accounts, as detailed below:

As of September 30, 2015 (*In Dollars*)

Funds by Investment Firm	Amount	Percentage*
Bernstein Strategic Core	$ 20,141,213	1.85%
Farr, Miller Washington Large Cap Growth	9,727,718	0.89%
Cash Account	8,174,802	0.75%
Brandywine Large Cap Value	4,221,623	0.39%
ClearBridge Mid Cap	2,000,751	0.18%
Bernstein Global Plus	1,392,844	0.13%
Total Investments	$ 45,658,951	4.18%

As of September 30, 2014

Funds by Investment Firm	Amount	Percentage*
Cash account	$ 88,818,946	8.33%
Bernstein Strategic Core	17,784,107	1.67%
Brandywine Large Cap Value	7,415,577	0.70%
Farr, Miller Washington Large Cap Growth	7,296,423	0.68%
ClearBridge Mid Cap	1,846,437	0.17%
Bernstein Global Plus	1,226,679	0.12%
Total Investments	$ 124,388,169	11.66%

*Includes cash and investments

NOTE 6 – INVESTMENTS

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

The majority of the Fund's assets for the years ended September 30, 2015 and 2014 were investments, which totaled $1,045,568,954 and $941,971,328, respectively. The assets are invested with twelve different managers. As of September 30, 2015 and 2014, the funds were invested in equities: (55%) and (55%), and bonds: (36%) and (30%), and Commodities: (4%) and (4%), respectively. The fair value of each fund is as follows:

As of September 30, 2015 *(In Dollars)*

Funds by investment firm	Equity amount	Percentage*
Brandywine Large Cap Value	$ 147,829,500	13.55%
Farr, Miller Washington Large Cap Growth	130,188,561	11.93%
ClearBridge Mid Cap	107,922,838	9.89%
Barclays International	92,541,381	8.48%
SSgA Emerging Markets Equity Index	67,832,670	6.22%
Royce Pennsylvania Mutual Fund	59,131,783	5.42%
Total Equity	$ 605,446,733	55.48%

Funds by investment firm	Bonds amount	Percentage*
Bernstein Strategic Core	$ 134,093,167	12.29%
Bernstein Global Plus	133,532,324	12.24%
SSgA Bond Index	77,065,566	7.06%
Access Capital ETI	30,318,810	2.78%
Blue Bay Emerging Market Debt Fund	21,129,275	1.94%
Total Bonds	$ 396,139,142	36.30%

Funds by investment firm	Commodities amount	Percentage*
Gresham Commodities Fund	$ 44,001,079	4.03%

* Includes cash and investments.

Notes to Financial Statements
September 30, 2015 and 2014

NOTE 6 – INVESTMENTS (continued)

As of September 30, 2014 *(In Dollars)*

Funds by investment firm	Equity amount	Percentage*
Brandywine Large Cap Value	$ 162,517,040	15.24%
Farr, Miller Washington Large Cap Growth	134,718,994	12.63%
ClearBridge Mid Cap	101,014,755	9.47%
Barclays International	86,217,337	8.09%
Royce Pennsylvania Mutual Fund	64,388,267	6.04%
SSgA Emerging Markets Equity Index	33,862,303	3.18%
Total Equity	$ 582,718,696	54.65%

Funds by investment firm	Bonds amount	Percentage*
Bernstein Strategic Core	$ 131,613,091	12.34%
Bernstein Global Plus	74,838,879	7.02%
SSgA Bond Index	73,638,980	6.91%
Access Capital ETI	21,731,362	2.04%
Blue Bay Emerging Market Debt Fund	15,726,988	1.47%
Total Bonds	$ 317,549,300	29.78%

Funds by investment firm	Commodities amount	Percentage*
Gresham Commodities Fund	$ 41,703,332	3.91%

* Includes cash and investments.

As of September 30, 2015 and September 30, 2014, the Fund held the following aggregate investments, which are stated at aggregate fair value, based on quoted market prices:

NOTE 6 – INVESTMENTS (continued)

As of September 30, 2015 *(In Dollars)*

	Aggregate Cost	Unrealized Gain (Loss)	Aggregate Fair Market Value
Bernstein Strategic Core	$ 133,925,203	$ (392,879)	$ 133,532,324
Brandywine Large Cap Value	154,632,454	(6,802,954)	147,829,500
Farr, Miller Washington Large Cap Growth	98,993,947	31,194,614	130,188,561
Bernstein Global Plus	139,466,893	(5,373,726)	134,093,167
ClearBridge Mid Cap	88,061,704	19,861,134	107,922,838
SSgA Bond Index	67,626,580	9,438,986	77,065,566
Barclays International	75,500,000	17,041,381	92,541,381
Royce Pennsylvania Mutual Fund	59,546,118	(414,335)	59,131,783
SSgA Emerging Markets Equity Index	80,000,000	(12,167,330)	67,832,670
BluBay Emerging Markets Debt Fund	24,600,000	(3,470,725)	21,129,275
Access Capital ETI	31,141,145	(822,335)	30,318,810
Gresham Commodities Fund	59,000,000	(14,998,921)	44,001,079
	$ 1,012,494,044	**$ 33,092,910**	**$ 1,045,586,954**

As of September 30, 2014 (*In Dollars)*

	Aggregate Cost	Unrealized Gain (Loss)	Aggregate Fair Market Value
Bernstein Strategic Core	$ 131,214,881	$ 31,615,462	$ 131,613,091
Brandywine Large Cap Value	130,901,578	398,210	162,517,040
Farr, Miller Washington Large Cap Growth	95,205,374	39,513,619	134,718,994
Bernstein Global Plus	75,630,104	(1,991,125)	73,638,980
ClearBridge Mid Cap	79,499,767	21,514,988	101,014,755
SSgA Bond Index	67,626,580	7,212,299	74,838,879
Barclays International	59,500,000	26,717,337	86,217,337
Royce Pennsylvania Mutual Fund	52,137,767	12,250,500	64,388,267
SSgA Emerging Markets Equity Index	34,000,000	(137,697)	33,862,303
BluBay Emerging Markets Debt Fund	22,000,000	(268,638)	21,731,362
Access Capital ETI	16,454,873	(727,885)	15,726,988
Gresham Commodities Fund	44,000,000	(2,296,668)	41,703,332
	$ 808,170,924	**$ 133,800,402**	**$ 941,971,328**

The average duration for Sanford Bernstein US Core Plus was 5.25, and Global XUS Plus was 6.74 for FY ended September 30, 2015. The average duration for Access Capital ETI was 3.79 as of September 30, 2015, the duration of the SSgA Bond Index Fund was 5.59 as of September 30, 2015, and the duration of the Blue Bay Emerging Market Debt Fund was 5.81 as of September 30, 2015.

NOTE 6 – INVESTMENTS (continued)

The average duration for Sanford Bernstein US Core Plus was 5.36, and Global XUS Plus was 6.46 for FY ended September 30, 2014. The average duration for Access Capital ETI was 4.25 as of September 30, 2014, the duration of the SSgA Bond Index Fund was 5.61 as of September 30, 2014, and the duration of the Blue Bay Emerging Market Debt Fund was 5.87 as of September 30, 2014.

The custodial *credit risk* for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The counterparty is the party that pledges collateral or repurchase agreement securities to the government or that sells investments to or buys them for the government.

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

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 Fund does not have a formal policy for limiting its exposure to changes in exchange rates. The Fund's investments as of September 30, 2015 and 2014, held in currencies other than US dollars, were as follows:

As of September 30, 2015 (*In Dollars)*

International Securities	Short Term and Cash	Convertible and Fixed Income	Total
AUSTRALIAN DOLLAR	$ 5,248	$ 3,928,846	$ 3,934,094
BRAZILIAN REAL	31,356	1,212,689	1,244,045
CANADIAN DOLLAR	142,218	17,382,110	17,524,328
EURO CURRENCY	299,962	47,136,677	47,436,639
JAPANESE YEN	13,879,308	27,415,774	41,295,082
NEW ZEALAND DOLLAR	86,946	-	86,946
POUND STERLING	8,668	17,369,962	17,378,630
SINGAPORE DOLLAR	-	291,551	291,551
SOUTH AFRICAN RAND	14,495	262,672	277,167
SWEDISH KRONA	-	1,036,858	1,036,858
Totals	$ 14,468,201	$ 116,037,139	$ 130,505,340

NOTE 6 – INVESTMENTS (continued)

As of September 30, 2014 (*In Dollars)*

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
JAPANESE YEN	83,985	16,147,601	16,231,586
MEXICAN PESO	-	966,229	966,229
NEW ZEALAND DOLLAR	19,585	1,972,856	1,992,441
POUND STERLING	6,971	14,308,068	14,315,039
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

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

Credit Risk is the risk that an issuer to an investment will not fulfill its obligations. The average quality of all of the bond holdings in each investment manager's portfolio should be maintained at "A" or better. The portfolios that were not individually managed have credit quality exceeding the index value of "BBB-". Exchange-traded derivatives that are valued, using quoted prices, are classified within level 1 of the valuation hierarchy. The Fund has not failed to access collateral, when required. Since these derivative products have been established for some time, the Fund uses models that are widely accepted in the financial services industry. These models reflect the contractual terms of the derivatives, including the period to maturity; and market-based parameters such as interest rates, volatility, and the credit quality of the counterparty. Further, many of these models do not contain a high level of subjectivity, as the methodologies used in the models do not require significant judgment, and inputs to the model are readily observable from actively quoted contracts and credit default swaps. Such instruments are generally classified within level 2 on the valuation hierarchy. The aggregate fair value of derivatives in net asset positions, net of collateral posted by the counter party and the effect of master netting arrangements are reflected in net unrealized gain (loss) on Foreign Currency Spot Forward Contracts, in the table above. Although the Fund executes hedging derivative instruments with various counter parties, eight contracts comprising approximately 90 percent of the net exposure to credit risk are based with two counterparties. As of September 30, 2015, the average quality ratings of those counterparties were as follows: SSgA was Aa2, and Access Capital was AAA. There are no significant concentrations of net exposure to credit risk that has not been reduced by collateral and other setoffs. As of September 30, 2014, the average quality rating of the investment manager's portfolio is maintained at A or better.

Notes to Financial Statements
September 30, 2015 and 2014

NOTE 6 – INVESTMENTS (continued)

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

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 in order 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 2015, the Fund invested directly in forward currency contracts.

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 contract is a commitment to purchase or sell a foreign currency at a future date and at a negotiated price. The credit risk of currency contracts that are exchange-traded lies with the clearinghouse of the exchange where the contracts are traded. The credit risk of currency contracts traded over the counter lies with the counterparty, and exposure usually is equal to the unrealized profit on in-the-money contracts. All counterparties are rated A or better. The market risk in foreign currency contracts is related to adverse movements in currency exchange rates.

As of September 30, 2015

	Change in Fair Value		Fair Value as of September 30, 2015		
Investment Derivatives	**Classification**	**Amount**	**Classification**	**Amount**	**Notional Amount**
Credit Default Swaps Bought	Investment Revenue	$ 71,110	Swaps	$ 58,660	$ 506,000
Credit Default Swaps Written	Investment Revenue	(16,502)	Swaps	27,218	2,420,000
Fixed Income Futures Long	Investment Revenue	186,314	Futures	-	21,413,520
Fixed Income Futures Short	Investment Revenue	(465,644)	Futures	-	(11,630,123)
FX Forwards	Investment Revenue	(21,352)	Long Term Instruments	(37,712)	91,530,346
Pay Fixed Interest Rate Swaps	Investment Revenue	(527,323)	Swaps	(461,629)	33,293,695
Receive Fixed Interest Rate Swaps	Investment Revenue	297,623	Swaps	166,320	8,458,383
Total		$ (475,774)		$ (247,143)	

As of September 30, 2014

	Change in Fair Value		Fair Value as of September 30, 2014		
Investment Derivatives	**Classification**	**Amount**	**Classification**	**Amount**	**Notional Amount**
Credit Default Swaps Bought	Investment Revenue	$ 6,681	Swaps	$ 43,720	$ 2,420,000
Fixed Income Futures Long	Investment Revenue	(16,944)	Futures	-	1,002,780
Fixed Income Futures Short	Investment Revenue	(139,341)	Futures	-	(8,800,000)
FX Forwards	Investment Revenue	(467,657)	Long Term Instruments	(262,822)	58,553,045
Pay Fixed Interest Rate Swaps	Investment Revenue	(51,629)	Swaps	(65,490)	4,776,518
Receive Fixed Interest Rate Swaps	Investment Revenue	67,766	Swaps	41,118	2,041,982
Total		$ (601,124)		$ (243,474)	

NOTE 6 – INVESTMENTS (continued)

Contingencies:

As of September 30, 2015:

All of the Fund's derivative instruments include provisions that require the Fund to post collateral in the event its credit rating falls below "AA" as issued by Standard & Poor's, or "Aa" as issued by Moody's Investors Services. The collateral posted is to be in the form of U.S. Treasury funds in the amount of the fair value hedging derivative instruments in liability positions, net of the effect of applicable netting arrangements. If the Fund does not post collateral, the hedging derivative instrument may be terminated by the counterparty. As of September 30, 2015, the aggregate fair value of all hedging derivative instruments with these collateral posting provisions is $83,170. If the collateral posting requirements were triggered at September 30, 2015, the Fund would be required to post $83,170 in collateral to its counterparties. The District has an "Aa" rating; therefore, no collateral has been posted as of September 30, 2015.

As of September 30, 2014:

All of the Fund's derivative instruments include provisions that require the Fund to post collateral in the event its credit rating falls below "AA" as issued by Standard & Poor's or "Aa" as issued by Moody's investors Services. The collateral posted is to be in the form of U.S. Treasury funds in the amount of the fair value hedging derivative instruments in liability positions net of the effect of applicable netting arrangements. If the Fund does not post collateral, the hedging derivative instrument may be terminated by the counterparty. As of September 30, 2014, the aggregate fair value of all hedging derivative instruments with these collateral posting provisions is $259,917.If the collateral posting requirements were triggered at September 30, 2014, The Fund would be required to post $259,917 in collateral to its counterparties. The District has a "Aa" rating, therefore no collateral has been posted as of September 30, 2014.

Notes to Financial Statements
September 30, 2015 and 2014

NOTE 6 – INVESTMENTS (continued)

As of September 30, 2015

Foreign Currency Contracts Purchased	Cost	Unrealized Gain/(Loss)
AUSTRALIAN DOLLAR	$ 337,183	$ (3,285)
BRAZILIAN REAL	434,242	(989)
BRAZILIAN REAL	1,390,828	4,370
BRAZILIAN REAL	956,586	(2,179)
CANADIAN DOLLAR	628,434	(7,284)
CANADIAN DOLLAR	11,343,256	(18,559)
SWISS FRANC	1,686,707	(6,516)
SWISS FRANC	151,525	(413)
CZECH KORUNA	114,921	(809)
DANISH KRONE	681,824	(9,646)
EURO CURRENCY	1,238,627	(11,846)
EURO CURRENCY	9,563,025	(127,910)
EURO CURRENCY	6,108,221	13,952
EURO CURRENCY	152,040	(106)
GREAT BRITAIN POUND	1,573,422	(22,755)
GREAT BRITAIN POUND	5,773,192	(40,473)
INDONESIAN RUPIAH	1,084,813	(43,673)
INDONESIAN RUPIAH	141,989	(3,811)
ISRAELI SHEKEL	218,076	(3,687)
ISRAELI SHEKEL	218,076	300
JAPANESE YEN	4,810,819	11,071
JAPANESE YEN	18,364,458	49,242
SOUTH KOREAN WON	335,141	47
SOUTH KOREAN WON	2,605,774	6,592
MEXICAN PESO	772,758	2,860
MALAYSIAN RINGGIT	575,254	(19,870)
MALAYSIAN RINGGIT	353,912	(14,081)
MALAYSIAN RINGGIT	185,242	(9,740)
NORWEGIAN KRONE	270,450	(11,263)
NEW ZEALAND DOLLAR	283,556	(9,481)
POLISH ZLOTY	441,524	(3,214)
RUSSIAN ROUBLE	108,478	4,192
SWEDISH KRONA	1,436,874	(23,693)
THAI BAHT	534,931	(5,725)
TURKISH LIRA	333,460	5,938
SOUTH AFRICAN RAND	110,335	(2,194)
SOUTH AFRICAN RAND	87,455	(1,133)
SOUTH AFRICAN RAND	88,359	(3,163)
SOUTH AFRICAN RAND	176,747	(6,495)
Total Contracts Purchased		$ (315,429)

NOTE 6 – INVESTMENTS (continued)

Foreign Currency Contracts Sold	Cost	Unrealized Gain/(Loss)
AUSTRALIAN DOLLAR	$ 814,444	$ (828)
AUSTRALIAN DOLLAR	447,335	(1,060)
BRAZILIAN REAL	1,390,828	3,168
BRAZILIAN REAL	1,390,828	(4,400)
BRAZILIAN REAL	956,586	94,977
BRAZILIAN REAL	434,242	5,095
CANADIAN DOLLAR	147,498	979
CANADIAN DOLLAR	11,343,256	18,002
CANADIAN DOLLAR	8,600,822	(41)
CANADIAN DOLLAR	3,370,868	42,359
EURO CURRENCY	546,944	7,316
EURO CURRENCY	249,588	871
EURO CURRENCY	4,651,946	17,243
EURO CURRENCY	239,072	4,588
EURO CURRENCY	1,159,344	16,287
EURO CURRENCY	152,040	100
EURO CURRENCY	182,237	4,427
GREAT BRITAIN POUND	4,518,515	32,760
GREAT BRITAIN POUND	5,036,914	69,874
INDONESIAN RUPIAH	176,946	(360)
INDONESIAN RUPIAH	239,167	(2,132)
INDONESIAN RUPIAH	26,576	(237)
INDONESIAN RUPIAH	239	(2)
INDONESIAN RUPIAH	67,441	(342)
INDONESIAN RUPIAH	116,617	(560)
INDONESIAN RUPIAH	117	(1)
INDONESIAN RUPIAH	2,070	(10)
INDONESIAN RUPIAH	522,521	(885)
INDONESIAN RUPIAH	66,138	(534)
ISRAELI SHEKEL	218,076	(420)
JAPANESE YEN	2,087,421	1,414
JAPANESE YEN	6,846,742	(52,730)
JAPANESE YEN	1,669,937	975
JAPANESE YEN	3,172,880	(102,680)
JAPANESE YEN	2,454,442	2,437
JAPANESE YEN	4,644,939	(36,102)
MALAYSIAN RINGGIT	429,570	31,881
MALAYSIAN RINGGIT	113,863	7,356
SWEDISH KRONA	221,067	(945)
SWEDISH KRONA	1,235,769	14,415
SINGAPORE DOLLAR	2,324,496	38,165
SINGAPORE DOLLAR	278,006	763
TAIWAN DOLLAR	564,893	9,006
SOUTH AFRICAN RAND	267,646	12,070
Total Contracts Sold		232,259
Net unrealized gain (loss) on foreign currency spot and forward contracts		$ (83,170)

NOTE 6 – INVESTMENTS (continued)

As of September 30, 2014

Foreign Currency Contracts Purchased	Cost	Unrealized Gain/(Loss)
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 BRITAIN 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)
SOUTH 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)

Notes to Financial Statements
September 30, 2015 and 2014

NOTE 6 – INVESTMENTS (continued)

Foreign Currency Contracts Sold	Cost	Unrealized Gain/(Loss)
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
AUSTRALIAN DOLLAR	704,055	28,424
Total Contracts Sold		1,175,116
Net unrealized gain (loss) on foreign currency spot and forward contracts		$ 257,555

Notes to Financial Statements
September 30, 2015 and 2014

NOTE 7 – DISTRICT CONTRIBUTIONS

The District, historically, makes its contributions to the Fund near the completion of the FY, and the contribution is distributed by the Fund to the investment managers within a month of receipt from the District. Consequently, the significant cash balances in the Fund as of September 30, 2015 and 2014 were due to the receipt of the FY contribution of $91,400,000 and $86,600,000, respectively. The funds were distributed as follows:

(In Dollars)

FUND	For the Year Ended September 30, 2015	
Bernstein Global Plus	$	46,400,000
SSgA Emerging Markets Equity Index		15,000,000
Gresham Commodities Fund		11,000,000
State Street – Cash on Hand		10,000,000
Access Capital ETI		9,000,000
Total	$	91,400,000

FUND	For the Year Ended September 30, 2014	
SSgA Emerging Markets Equity Index	$	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		5,000,000
Gresham Commodities Fund		4,000,000
Blue Bay Emerging Market Debt Fund		2,600,000
Total	$	86,600,000

NOTE 8 – CONTINGENCIES

As of September 30, 2015 and September 30, 2014, there were no matters of litigation involving the Fund, which would materially affect the Fund’s financial position, should any court decisions on pending matters not be favorable to the Fund.

The Fund invests in various investment securities. Investment securities are exposed to various risks, such as interest rate risk, market risk, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect participants’ account balances and the amounts reported in the accompanying statements of net position.

NOTE 9 – ACTUARIAL INFORMATION

Actuarial valuations of an ongoing Fund 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 Fund (the Fund as understood by the employer and the Fund 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 Fund 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.

In consultation with the District, and in order to accommodate the needs of the District with respect to budgeting for contributions to the Plan, the valuation results obtained from the September 30, 2014 valuation will not be used to compute the ARC and other GASB disclosure items for the 2014 and 2015 FYs. The disclosure information for the 2014-2015 FYs is based on a roll-forward valuation of the results obtained from the valuation measurement performed as of the beginning of the 2012-2013 FYs. This time lag is used to better coordinate the District's budget timing with the timing for publication of valuation results. Budgets are generally set early in the calendar year, for the FY beginning on the upcoming October 1 of the calendar year.

The entry age actuarial cost method was used to prepare the September 30, 2014 actuarial valuations. The 2014 actuarial assumptions included a 7.0% investment rate of return, a discount rate of 7.0%; 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 2013 actuarial assumptions included a 7.0% investment rate of return, a discount rate of 7.0%; 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 2014 valuation, was the level percent of pay closed method. The remaining amortization period at September 30, 2014 was 28 years; and at September 30, 2013, was 29 years.

The September 30, 2014, estimated actuarial liability was $1,188.3 million, and the actuarial value of the assets was $1,036.6 million, resulting in an estimated unfunded actuarial accrued liability (UAAL) of $151.7 million. The estimated covered payroll (annual payroll of active employees covered by the Plan) was $1,484.3 million, and the ratio of UAAL to covered payroll, was 10.2%.

The September 30, 2013 estimated actuarial liability was $1,048.0 million, and the actuarial value of the assets was $897.8 million, which resulted in an estimated UAAL of $150.2 million. The estimated covered payroll (annual payroll of active employees covered by the Plan) was $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, resulting in an estimated unfunded actuarial accrued liability (UAAL) of $226.4 million. The estimated covered payroll (annual payroll of active employees covered by the Fund) was $1,399.1 million, and the ratio was 16.2%.

REQUIRED SUPPLEMENTARY INFORMATION

GOVERNMENT OF DISTRICT OF COLUMBIA
OTHER POST-EMPLOYMENT BENEFITS FUND

Required Supplementary Information
Schedule of Funding Progress (in millions)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
9/30/2014	$ 1,036.6	$ 1,188.3	$ 151.7	87.23%	$ 1,484.3	10.22%
9/30/2013	897.8	1,048.0	150.2	85.67%	1,441.1	10.42%
9/30/2012	693.3	919.7	226.4	75.38%	1,399.1	16.18%
9/30/2011	511.5	866.6	355.1	59.02%	1,559.8	22.77%
9/30/2010	424.3	784.9	360.6	54.06%	1,544.5	23.35%
9/30/2009	309.1	625.9	316.8	49.38%	1,579.9	20.05%
10/1/2008	219.7	745.2	525.5	29.48%	1,107.1	47.47%

GOVERNMENT OF DISTRICT OF COLUMBIA
OTHER POST-EMPLOYMENT BENEFITS FUND

Required Supplementary Information
Schedule of Employer Contributions (in millions)

FY Ended September	Annual Required Contribution (ARC)	Percentage Contribution (%)
2009	$ 130.9	62.0%
2010	92.2	98.4%
2011	94.2	100.0%
2012	95.5	115.0%
2013	85.2	126.5%
2014	86.6	100.0%
2015	91.4	100.0%

Required Supplementary Information
Notes to Required Supplementary Information

An independent actuary performed an actuarial analysis of the Fund's assets and liabilities as of September 30, 2014; September 30, 2013; and September 30 2012 to determine the future funding status of the Fund, which is outlined below. The analysis was based on census data as of September 30, 2012.

This data is presented below:

Valuation Date	September 30, 2014 (Projected from September, 2012 census)	September 30, 2013 (Projected from September, 2012 census)	September 30, 2012 (Based on September 2012 census)
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent of Pay, Closed	Level Percent of Pay, Closed	Level Percent of Pay,
Remaining Amortization Period	28 years	29 years	30 years
Asset Valuation Method	Market Value	Market Value	Market Value
Actuarial Assumptions:			
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)	3.75% (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	8.0% (pre-Medicare) or 6.5% (post-Medicare), grading to 4.00% over 70 years

As the Fund's actuarial calculations are presented, based on the year for which they were prepared, the table on the previous page presents the seven 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 Fund's funding status on a going concern basis. Analysis of this percentage over time indicates whether the Fund is becoming financially stronger or weaker. Generally, the greater the percentage of assets is to liabilities, the stronger the Fund.

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 Fund'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 Fund.

Required Supplementary Information
Notes to Required Supplementary Information

The Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of Fund 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 Fund 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 Fund 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 annuitant. 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.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS 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 Other Post-Employment Benefits Fund (the Fund) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated January 27, 2016.

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 (internal control) 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*.

1299 Pennsylvania Avenue NW • Suite 1120 • Washington • District of Columbia 20004 • P 202.803.2335 • F 202.756.1301

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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.

SB & Company, LLC

Washington, D.C.
January 27, 2016

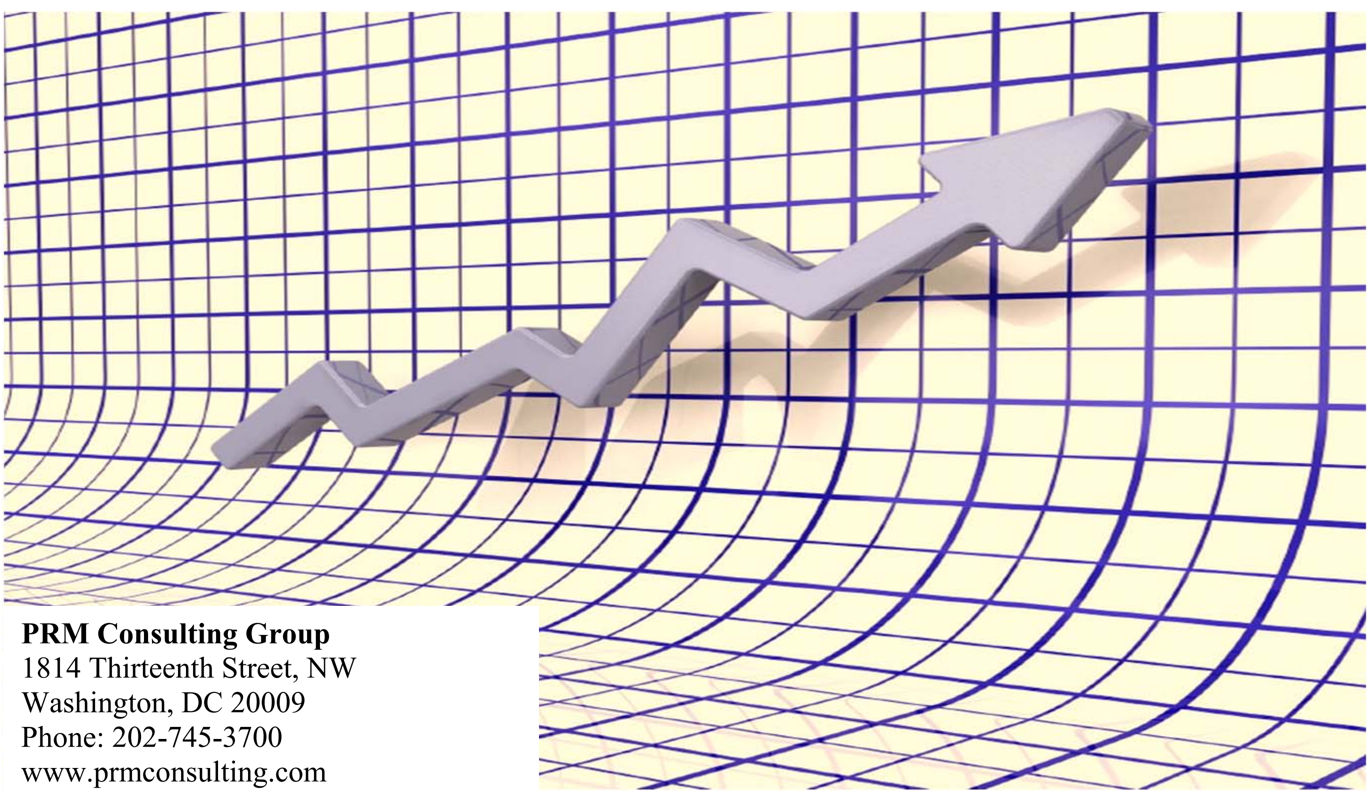
District of Columbia
Postretirement Life & Health Plans

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
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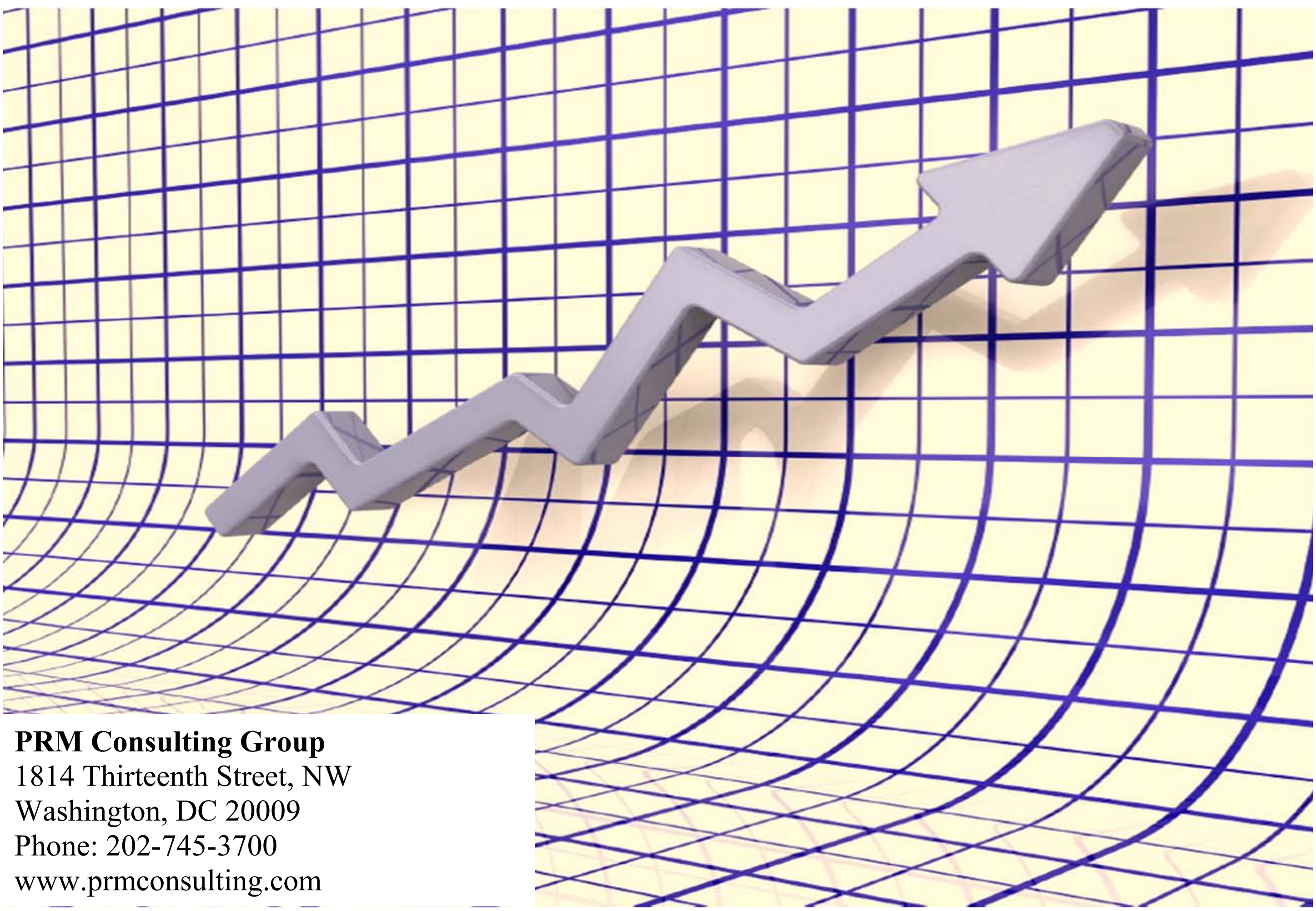
Washington, DC 20009
Phone: 202-745-3700
www.prmconsulting.com

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



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Robert G. Sanford, Jr.
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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, 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.

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.

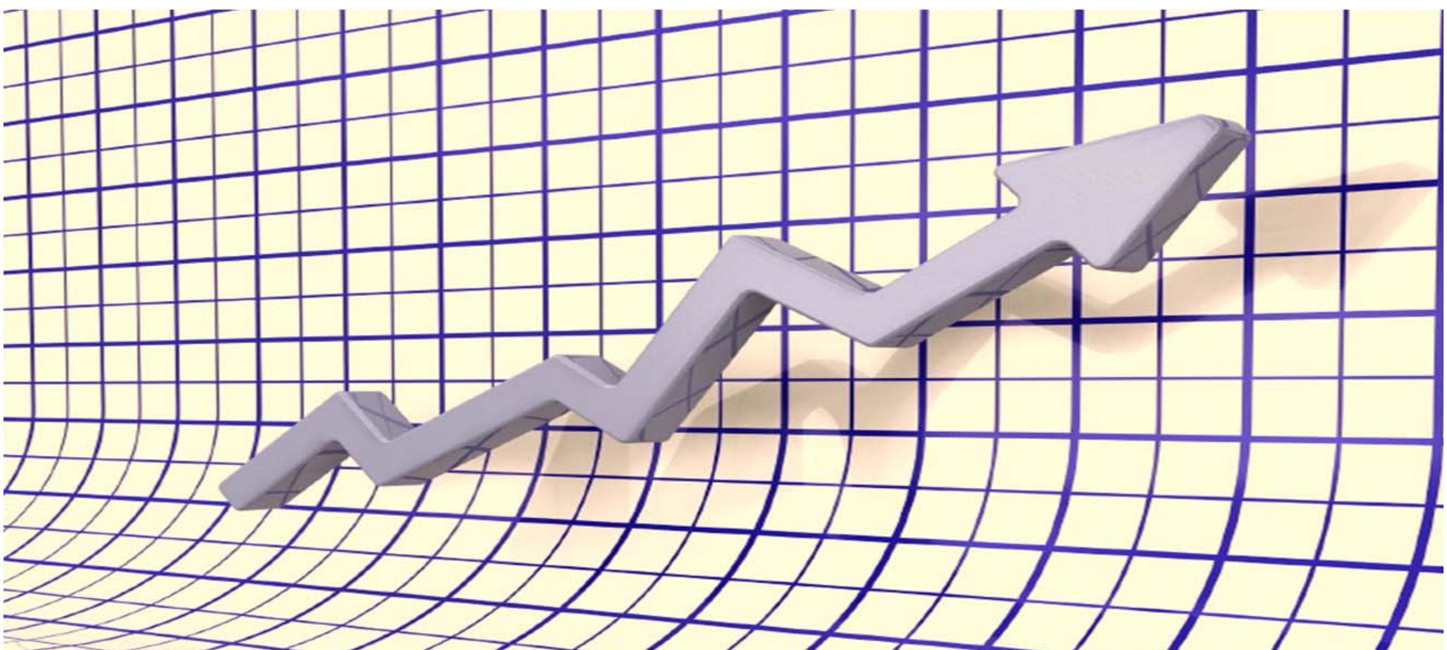
February 24, 2015

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



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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.

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.

Actuarial Assumptions

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.

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.

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 (HMO) 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 them 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 Choice plan include:

- Lower out-of-pocket costs for network care
- No claim forms or bills to worry about
- UnitedHealthcare's Web site myuhc.com, which 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 percent 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 the 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

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