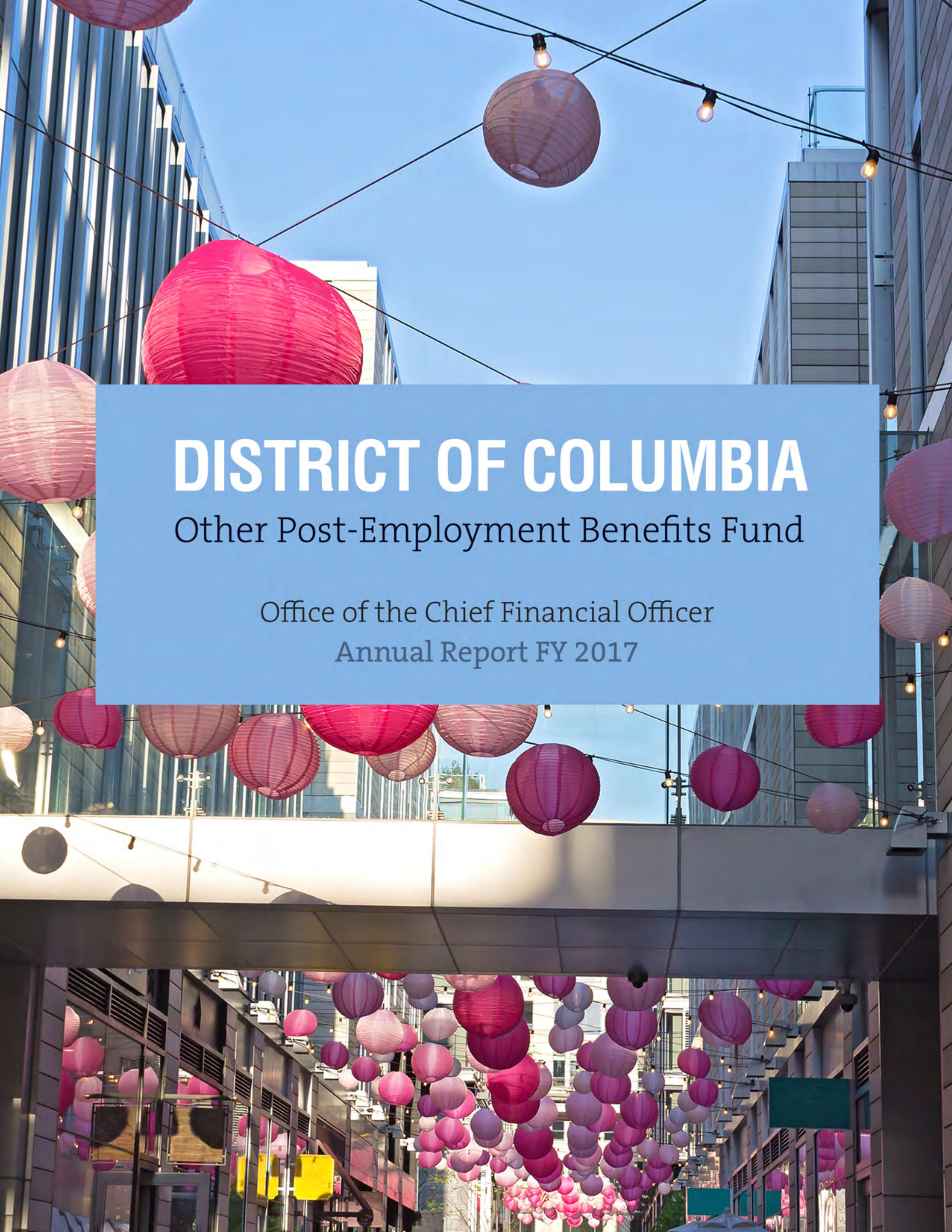

DISTRICT OF COLUMBIA

Other Post-Employment Benefits Fund

Office of the Chief Financial Officer

Annual Report FY 2017

MURIEL BOWSER
Mayor

JEFFREY DEWITT
Chief Financial Officer

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EXECUTIVE SUMMARY

INTRODUCTION

We are pleased to present the annual report for the District's Other Post-Employment Benefits Fund. Assets increased from $1.197 billion to $1.366 billion as of September 30, 2017.

This was a solid year for just about all segments of the financial market. The Fund rose 11.98%, ahead of our policy benchmark, which advanced 10.65%. The Fund had a return of 7.51% for the five-year period ending September 30, 2017. This is above our target rate of return of 6.50%. The fund generated net investment income of $150.5 million.

The annual contribution to the Trust Fund was $31.0 million for FY 2017 as compared to $29.0 million in FY 2016. The contribution budgeted for FY 2018 is $44.5 million.

An actuarial analysis of the Plan's assets and liabilities is performed annually to determine the funding status of the Plan. The Plan had a funding ratio of 111.57% for the year ending September 30, 2017, as stated in the enclosed financial statements. The latest actuarial report, dated March 2018, based on September 30, 2017, data, is included in the appendix.

The financial statements for the Plan were prepared by Regis & Associates, PC, a local 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 & Company, LLC. The audit is included in this annual report as an appendix.

We hope this information helps you gain a better understanding of the operation of the District's Other Post-Employment Benefits Fund and the oversight performed on an ongoing basis by the Office of Finance and Treasury and the DC Department of Human Resources.

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 (DC 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.

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

ACTUARIAL INFORMATION

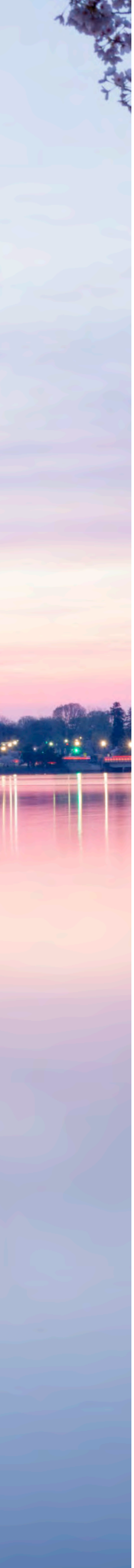
PRM Consulting performs the actuarial study of the Fund. PRM prepares its report in accordance with the Statement of the Government Accounting Standards Board (GASB) 45 and 74. Valuations are undertaken for each fiscal year. The purpose of the valuation is to provide an estimate of the Total OPEB Liability and the Actuarially Determined Contribution.

INVESTMENT CONSULTANT

The Segal Marco Advisors ("Segal Marco") investment consulting firm provides guidance and advice to the Office of Finance and Treasury in managing the assets of the Other Post-Employment Benefits Fund. This includes, but is not limited to, assisting with investment manager search and evaluation, developing and recommending target asset allocations and conducting ongoing due diligence on the investment program, including quarterly performance. Segal Marco meets with the Office of Finance and Treasury regularly to review the portfolio structure and manager line-up.

CONTRIBUTIONS

Cost sharing arrangements for annuitants vary depending on whether the employee was a General Employee, Teacher, Police Officer or Firefighter. For General Employees and Teachers, annuitants with at least 10 years of creditable District service but less than 30 years of creditable District service pay a percentage of their health insurance premiums and the District pays the remainder. The percentage paid by the annuitant is 75%, reduced by an additional 2.50% for each year of creditable service over 10 years, up to a maximum of 20 such additional years. Thus, 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, 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 General Employee and Teacher annuitants with at least 10 years of creditable District service but less than 30 years of creditable District service pay a percentage of their health insurance premiums and the District pays the remainder. The percentage paid by the covered family member is 80%, reduced by an additional 1.00% for each year of creditable District service over 10 years, up to a maximum of 20 such additional years. Thus, the District's contribution shall not exceed 40% of the cost of the selected health benefit plan for covered family members of an annuitant with 30 or more years of creditable District service, and the family members of an annuitant with 30 or more years of creditable District service pay up to 60% of the cost of the selected health benefit plan.

For Police Officers and Firefighters, annuitants with at least 10 years of creditable District service but less than 25 years of creditable District service pay a percentage of their health insurance premiums and the District pays the remainder. The percentage paid by the annuitant is 70%, reduced by an additional 3.00% for each year of creditable service over 10 years, up to a maximum of 15 such additional years. Thus, the District's contribution shall not exceed 75% of the cost of the selected health benefit plan. For annuitants with 25 or more years of creditable District service, or Police Officer or Firefighter annuitants who are injured in the line of duty, the District pays 75% of cost of the selected health benefit plan and the annuitant pays 25% of the cost of the selected health benefit plan. Special rules apply for Police Officers and Firefighters who were hired before November 10, 1996.

Covered family members of Police Officers and Firefighter annuitants with at least 10 years of creditable District service but less than 25 years of creditable District service pay a percentage of their health insurance premiums and the District pays the remainder. The percentage paid by the covered family members is 75%, reduced by an additional 3.00% for each year of creditable District service over 10 years. However, the portion paid by the covered family member is never less than 40%, and the District's contribution shall not exceed 60%, of the cost of the selected health benefit plan; the family member pays 40% of the cost of the selected health benefit plan for covered family members of Police Officers or Firefighters who were hired before November 10, 1996.

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, Executive Director, District of Columbia Retirement Board (DCRB Staff)
- Ritta McLaughlin, Chief Education Officer, Municipal Securities Rulemaking Board (CFO)
- Matthew Brown, Chief Financial Officer, District of Columbia Water (CFO)
- Thompson Sawyer, Deputy Director, Division of Finance, Federal Deposit Insurance Corporation (CFO)
- Deborah Freis, Director, Office of Revenue and Analysis (CFO)

*** Mark Kim resigned from the Advisory Committee during the fiscal year.**

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 Midcap Index[1]	01/01/2012
State Street Global Advisors	U.S. Small-Cap Core	Russell 2000 Index	11/01/2015
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 MidCap 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.

SSgA RUSSELL 2000 INDEX FUND

The strategy seeks an investment return that approximates as closely as practicable, before expenses, the performance of its benchmark index ("Index") over the long term. The Russell 2000® Index is comprised of approximately 2,000 of the smallest U.S. securities in the U.S. Market and accounts for approximately 8% of the U.S. stock market capitalization.

The strategy is managed using a "passive" or "indexing" investment approach, by which SSgA attempts to match, before expenses, the performance of the Index. 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. The strategy may purchase securities in their initial public offerings ("IPOs"). In some cases, it may not be possible or practicable to purchase all 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. From time to time securities are added to or removed from the Index. SSgA may sell securities that are represented in the Index, or purchase securities that are not yet represented in the Index, prior to or after their removal or addition to the Index.

The strategy may at times purchase or sell index futures contracts, or options on those futures, or engage in other transactions involving the use of derivatives, in lieu of investment directly in the securities making up the Index or to enhance the strategy's replication of the Index return. The strategy's return may not match the return of the Index.

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; and
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 INDEX FUND

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 U.S. AGGREGATE BOND INDEX FUND

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 homebuyers, 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	610,061,036	44.66
Domestic Fixed Income	259,546,660	18.99
International Equity	158,291,567	11.58
International Fixed Income	152,559,519	11.16
Emerging Equity	96,779,401	7.08
Commodities	42,621,483	3.12
Emerging Fixed Income	25,153,272	1.84
Cash	21,413,177	1.57
Total	1,366,426,115[2]	100.00[3]

ASSET ALLOCATION BY MANAGER[4]

MANAGER	MARKET VALUE ($)	ALLOCATION (%)
Brandywine Large Cap Value	203,948,772	14.94
Farr, Miller & Washington Large Cap Growth	186,911,092	13.68
Bernstein International Fixed	152,559,519	11.16
Bernstein Strategic Core	147,048,188	10.76
ClearBridge Mid Cap Core	138,307,468	10.12
SSgA Emerging Market Index Fund	96,779,401	7.08
Baillie Gifford International Growth Equity	86,391,637	6.32
SSgA U.S. Aggregate Bond Index Fund	81,159,099	5.94
SSgA Russell 2000 Index Fund	80,893,703	5.92
Artisan International Value Equity	71,899,930	5.26
Gresham Investment	42,621,483	3.12
RBC Global – Access	31,339,373	2.29
BluBay Emerging Market Bond	25,153,272	1.84
Cash Account	21,413,178	1.57
Total	1,366,426,115[5]	100.00[6]

[1, 4] Source: The Northern Trust Company.

[2, 5] Asset total will differ from the financial statements due to accrual reporting of certain expenses in the financial statements.

[3, 6] Numbers may not add up to 100% due to rounding.

PERFORMANCE FOR TOTAL FUND AND ASSET CLASS AS OF SEPTEMBER 30, 2017

PERFORMANCE (%)							
	1 Year[1]	3 Years[2]	5 Years[3]	7 Years[4]	10 Years[5]	Since Inception[6]	Inception Date[7]
Total Fund Composite	**11.98**	**5.09**	**7.51**	**7.67**	**4.19**	**7.48**	**01/01/2003**
Policy Index	10.65	6.96	8.29	8.08	5.17	8.72	
Domestic Equity	**19.60**	**8.39**	**13.37**	**12.62**	**6.08**	**7.86**	**01/01/2003**
Equity Policy Index	18.29	10.69	14.25	14.21	7.51	9.86	
U.S. All Cap Equity (SA+CF) Median	18.64	9.66	13.82	13.78	7.88		
International Equity	**26.76**	**9.05**	**11.54**	**8.90**	**1.03**	**7.17**	**01/01/2003**
MSCI EAFE Index	19.65	5.53	8.87	6.87	1.82	8.44	
IM International Large Cap Core Equity (SA+CF) Median	20.20	6.39	9.56	7.79	2.60		
Emerging Market Equity	**22.35**	**4.78**	**N/A**	**N/A**	**N/A**	**3.50**	**11/01/2013**
MSCI EM (net)	22.46	4.90	3.99	2.54	1.32	3.59	
IM Emerging Markets Equity (SA+CF) Median	22.62	5.84	5.72	4.31	2.72		
Domestic Fixed Income	**0.38**	**2.81**	**1.59**	**3.36**	**4.32**	**3.20**	**01/01/2003**
Fixed Income Policy Index	0.07	2.71	2.06	3.06	4.32	4.22	
U.S. Fixed Income (SA+CF) Median	1.40	3.17	2.78	3.67	4.77		
International Fixed Income	**-0.66**	**1.26**	**-0.04**	**N/A**	**N/A**	**0.82**	**01/01/2012**
Barclays Global Aggregate Ex USD	-2.42	0.20	-0.73	0.62	2.57	0.31	
IM International Fixed Income (SA+CF) Median	-2.42	0.20	-0.73	N/A	N/A		
Emerging Market Debt	**5.40**	**1.15**	**N/A**	**N/A**	**N/A**	**0.74**	**11/01/2013**
Emerging Market Debt Policy Index	5.98	3.82	N/A	N/A	N/A	3.58	
IM Emerging Markets Debt (SA+CF) Median	7.82	5.11	3.54	5.68	7.16		
Commodity	**2.26**	**-11.11**	**N/A**	**N/A**	**N/A**	**-9.87**	**11/01/2013**
Bloomberg Commodity Index Total Return	2.26	-10.41	-10.47	-6.82	-6.83	-9.32	
Cash Account	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**09/01/2009**

[1, 2, 3, 6] Performance provided by The Northern Trust Company.

[4, 5] Performance provided by Segal Marco Advisors.

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

PERFORMANCE BY INVESTMENT MANAGER

	PERFORMANCE (%)						
	1 Year[1]	3 Years[2]	5 Years[3]	7 Years[4]	10 Years[5]	Since Inception[6]	Inception Date[7]
Domestic Equity							
Brandywine Large Cap Value	**22.84**	**6.37**	**13.85**	**N/A**	**N/A**	**15.17**	**01/01/2012**
Russell 1000 Value Index	15.12	8.53	13.20	13.24	5.92	14.25	
IM U.S. Large Cap Value Equity (SA+CF) Median	17.99	9.13	13.82	13.56	7.00		
Farr, Miller Washington Large Cap Growth	**17.11**	**9.57**	**13.14**	**N/A**	**N/A**	**13.74**	**01/01/2012**
Russell 1000 Growth Index	21.94	12.69	15.26	15.41	9.08	16.24	
IM U.S. Large Cap Growth Equity (SA+CF) Median	20.80	11.75	14.81	14.64	8.85		
Clearbridge Mid Cap Core	**17.85**	**10.26**	**14.52**	**N/A**	**N/A**	**15.18**	**01/01/2012**
Russell Midcap Index[8]	15.32	9.54	14.26	N/A	N/A	14.88	
IM U.S. Mid Cap Equity (SA+CF) Median	17.67	10.18	14.41	14.03	8.95		
SSgA Russell 2000 Index Fund	**20.81**	**N/A**	**N/A**	**N/A**	**N/A**	**14.94**	**11/01/2015**
Russell 2000 Index	20.74	12.18	13.79	13.51	7.85	14.31	
U.S. Equity Small Cap Core Funds (MF) Median	20.02	11.25	13.67	13.14	7.42		
International Equity							
Baillie Gifford International Growth Equity	**32.72**	**10.68**	**12.17**	**N/A**	**N/A**	**9.59**	**12/01/2011**
MSCI EAFE Growth Index	16.11	6.89	9.29	7.36	2.49	8.19	
IM International Growth Equity (SA+CF) Median	20.04	8.21	9.94	8.47	3.90		
Artisan International Value Equity	**20.27**	**7.38**	**11.89**	**N/A**	**N/A**	**10.98**	**12/01/2011**
MSCI EAFE Value	23.22	4.07	8.38	6.31	1.07	7.65	
IM International Value Equity (SA+CF) Median	20.98	6.59	9.48	7.76	3.29		
Emerging Market Equity							
SSgA Emerging Market Index Fund	**22.35**	**4.78**	**N/A**	**N/A**	**N/A**	**3.50**	**11/01/2013**
MSCI EM (net)	22.46	4.90	3.99	2.54	1.32	3.59	
IM Emerging Markets Equity (SA+CF) Median	22.62	5.84	5.72	4.31	2.72		

[1, 2, 3, 6] Performance provided by The Northern Trust Company.

[4, 5] Performance provided by Segal Marco Advisors.

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

[8] Benchmark as of 10/01/2012. From 01/01/2012 through 09/30/2012 the benchmark was the S&P MidCap 400 Index.

PERFORMANCE BY INVESTMENT MANAGER *(CONTINUED)*

	PERFORMANCE (%)						
	1 Year[1]	3 Years[2]	5 Years[3]	7 Years[4]	10 Years[5]	Since Inception[6]	Inception Date[7]
Domestic Fixed Income							
SSgA U.S. Aggregate Bond Index Fund	**0.09**	**2.74**	**2.10**	**2.97**	**N/A**	**3.10**	**08/01/2010**
Barclays U.S. Aggregate	0.07	2.71	2.06	2.95	4.27	3.09	
U.S. Broad Market Core Fixed Income (SA+CF) Median	0.60	3.01	2.46	3.47	4.78		
Bernstein Strategic Core	**0.57**	**3.01**	**2.40**	**N/A**	**N/A**	**3.05**	**12/01/2011**
Barclays U.S. Aggregate	0.07	2.71	2.06	2.95	4.27	2.64	
IM U.S. Fixed Income (SA+CF) Median	1.40	3.17	2.78	3.67	4.77		
RBC Global – Access	**0.22**	**2.09**	**1.58**	**N/A**	**N/A**	**2.10**	**12/01/2011**
Barclays U.S. Securitized Index	0.29	2.45	1.98	N/A	N/A	2.36	
IM U.S. Broad Market Core Fixed Income (MF) Median	0.47	2.49	1.99	2.99	4.17		
International Fixed Income							
Bernstein Global Plus	**-0.66**	**1.26**	**-0.04**	**N/A**	**N/A**	**0.82**	**01/01/2012**
Barclays Global Aggregate Ex USD	-2.42	0.20	-0.73	0.62	2.57	0.31	
IM International Fixed Income (SA+CF) Median	2.59	2.26	2.56	3.12	4.29		

[1, 2, 3, 6] Performance provided by The Northern Trust Company.

[4, 5] Performance provided by Segal Marco Advisors.

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

PERFORMANCE BY INVESTMENT MANAGER *(CONTINUED)*

	PERFORMANCE (%)						
	1 Year[1]	3 Years[2]	5 Years[3]	7 Years[4]	10 Years[5]	Since Inception[6]	Inception Date[7]
Emerging Market Debt							
BluBay Emerging Market Bond	**5.40**	**1.12**	**N/A**	**N/A**	**N/A**	**0.72**	**11/01/2013**
Emerging Market Debt Policy Index (50% JPM EMBI Global Diversified/50% JPM GBI-EM Broad Diversified U.S.)[8]	5.98	3.82	N/A	N/A	N/A	3.58	
IM Emerging Markets Debt (SA+CF) Median	7.82	5.11	3.54	5.68	7.16		
Commodity							
Gresham Investment	**2.26**	**-11.11**	**N/A**	**N/A**	**N/A**	**-9.87**	**11/01/2013**
Bloomberg Commodity Index Total Return	-0.29	-10.41	-10.47	-6.82	-6.83	-9.32	

[1, 2, 3, 6] Performance provided by The Northern Trust Company.

[4, 5] Performance provided by Segal Marco Advisors.

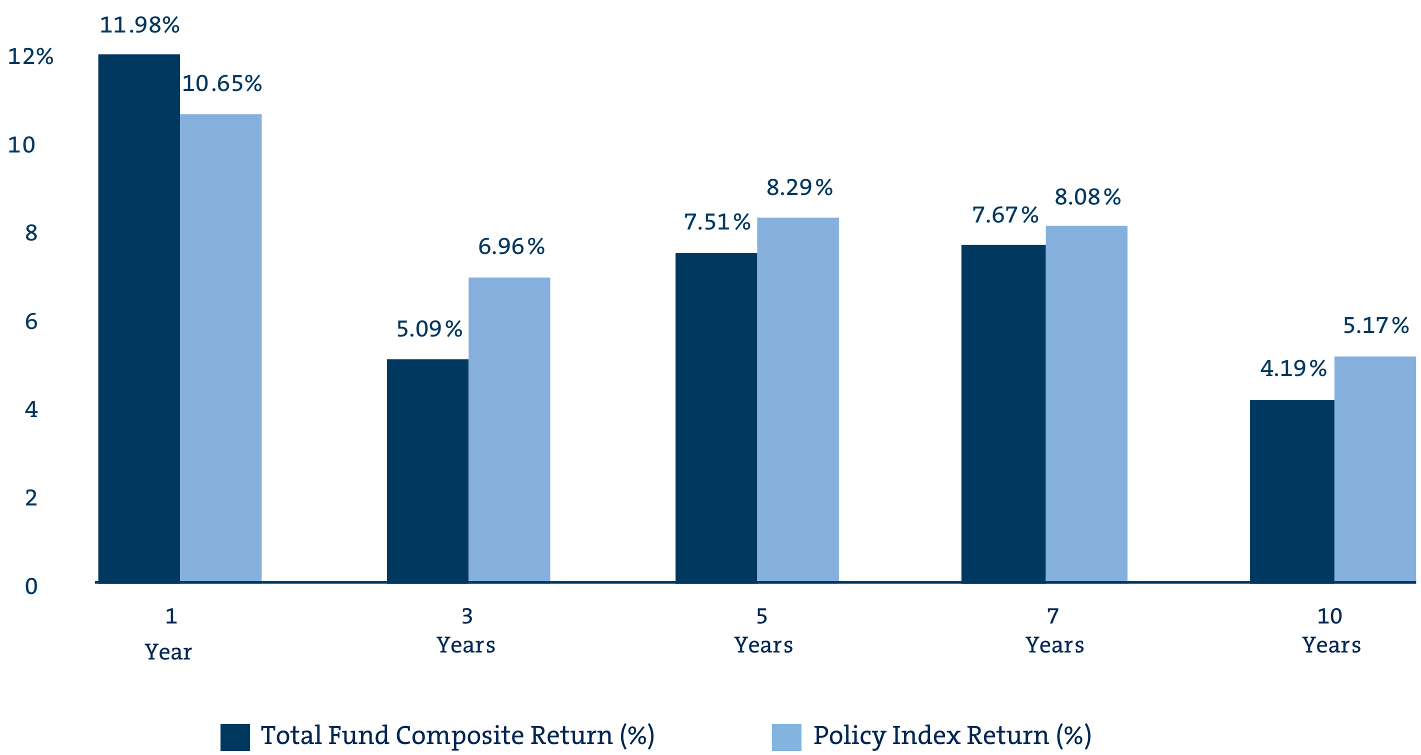
[7] Historical performance measurement data begins on 01/01/2003.

[8] 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%	44.66%
International Equity	4%	14%	9%	11.58%
Emerging Market Equity	0%	9%	4%	7.08%
Domestic Fixed Income	19%	29%	24%	18.99%
International Fixed Income	5%	15%	10%	11.16%
Emerging Market Debt	0%	8%	3%	1.84%
Commodity	0%	10%	5%	3.12%
Cash Account	0%	10%	0%	1.57%

COMPARATIVE PERFORMANCE AS OF SEPTEMBER 30, 2017



COMPARATIVE ANALYSIS TABLES WITH DCRB

ASSET ALLOCATION COMPARATIVE

	DCRB		OPEB FUND	
	Current Allocation	Target Allocation (%)	Current Allocation	Target Allocation (%)
Public Equities	**53.00**	**46.00**	**63.32**	**58.00**
Domestic Equity Assets	22.00	20.00	44.66	45.00
International Developed Market Equity Assets	19.00	16.00	11.58	9.00
International Emerging Market Equity Assets	12.00	10.00	7.08	4.00
Fixed Income	**30.00**	**30.00**	**31.99**	**37.00**
Investment Grade Bond	10.00	11.00	18.99	24.00
TIPS Assets	7.00	6.00	0.00	0.00
High Yield Assets	4.00	4.00	0.00	0.00
Emerging Market Debt Assets	4.00	4.00	1.84	3.00
Foreign Developed Bond Assets	2.00	2.00	11.16	10.00
Bank Loan Assets	3.00	3.00	0.00	0.00
Alternatives	**16.00**	**24.00**	**3.12**	**5.00**
Absolute Return Assets	4.00	4.00	0.00	0.00
Private Equity Assets	4.00	9.00	0.00	0.00
Real Estate Assets	6.00	6.00	0.00	0.00
Infrastructure/Opportunistic Assets	2.00	3.00	0.00	0.00
Private Energy Assets	1.00	2.00	0.00	0.00
Commodities			3.12	5.00
Cash	**1.00**	**0.00**	**1.57**	**0.00**

As of 09/30/17

ACTUARIAL ASSUMPTIONS COMPARATIVE

	DCRB	OPEB FUND
Valuation Date:	10/01/2016	09/30/2017
Actuarial Cost Method:	Entry Age Normal	Entry Age Normal, Level Percentage of Pay
Amortization Method:	Level Dollar Closed	Level Percentage of Pay, Closed
Remaining Amortization Period:	16 Years	19 Years Beginning with 09/30/2017
Asset Valuation Method:	5 Year Smoothed, Market	5 Year Smoothed, Market
	Actuarial Assumptions	
Investment Rate of Return[1]	6.50%	6.50%
Rate of Salary Increase[2]	4.45 - 9.25%	3.50% (plus merit scale)
Cost of Living Adjustments/ Medical Trend:	3.50% (COLA limited to 3.00% for those hired after 11/10/1996)	5.50% grading down to 3.90% The Society of Actuaries Getzen Medical Trend Model, reaching the ultimate medical inflation rate in 2040

[1] Includes inflation of 3.50% for DCRB, 2.75% for OPEB.

[2] Includes wage inflation of 4.25% for DCRB, 3.50% 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
Together with Reports of Independent Public Accountants

For The Years Ended September 30, 2017 and 2016

SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

SEPTEMBER 30, 2017 AND 2016

CONTENTS

SB & COMPANY, LLC
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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Government of the 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 years ended September 30, 2017 and 2016, 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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 controls 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 controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2017 and 2016, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 2, the financial statements of the Fund are intended to present only the financial position of 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, 2017 and 2016, and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the net OPEB (asset) liability, schedule of contributions and related ratios, schedule of investment returns, and notes to the required supplementary information 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 5, 2018 on our consideration of the Fund's internal controls 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 controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

Washington, D.C.
January 5, 2018

SB & Company, LLC

Management's Discussion and Analysis
September 30, 2017 and 2016

The following presents our discussion and analysis of the financial performance of the Government of the District of Columbia's (the District) Other Post-Employment Benefits Fund (the Fund), a fiduciary fund of the Government of the District of Columbia, for the fiscal years ended September 30, 2017, 2016 and 2015. 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.

Overview of the 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 Changes in Fund Net Position presents the additions to, and deductions from, the Fund's net position.
- The Notes to Financial Statements provide additional information that is essential for a full understanding of the financial statements. The notes are an integral part of the financial statements and include detailed information not readily evident in the basic financial statements such as accounting policies, plan membership and benefits, and summary disclosures of selected financial data.
- The Required Supplementary Schedules immediately following the notes to financial statements provides schedules illustrating the schedule of funding progress and schedule of employer contributions.

During the fiscal year ended September 30, 2017, the Fund adopted Government Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which addresses accounting and financial reporting issues related to measurement of the total and net OPEB liability, as well as financial reporting by plans that administer OPEB benefits on behalf of governments.

Financial Highlights

	FY 2017	**FY 2016**	**FY 2015**
The Fund's Investments	**$1,299,091,485**	$1,173,912,217	$1,045,586,954
District's Contributions	**31,000,000**	29,000,000	91,400,000

Management's Discussion and Analysis *(continued)*
September 30, 2017 and 2016

			FY2017-FY2016			FY2016-FY2015	
	2017	**2016**	**Variance**	**Variance %**	**2015**	**Variance**	**Variance %**
Assets							
Cash and cash equivalents	**$ 82,057,838**	$ 37,032,445	$ 45,025,393	121.6%	$ 45,658,951	$ (8,626,506)	-18.9%
Receivables	**3,606,182**	16,890,545	(13,284,363)	-78.6%	16,214,607	675,938	4.2%
Investments, at fair value	**1,299,091,485**	1,173,912,217	125,179,268	10.7%	1,045,586,954	128,325,263	12.3%
Total assets	**1,384,755,505**	1,227,835,207	156,920,298	12.8%	1,107,460,512	120,374,695	10.9%
Liabilities							
Investments payable and other	**18,473,444**	30,393,993	(11,920,549)	-39.2%	30,910,398	(516,405)	-1.7%
Net Position Held in Trust for Other Post Employment Benefits	**$ 1,366,282,061**	$ 1,197,441,214	$ 168,840,847	14.1%	$ 1,076,550,114	$ 120,891,100	11.2%

			FY2017-FY2016			FY2016-FY2015	
	2017	**2016**	**Variance**	**Variance %**	**2015**	**Variance**	**Variance %**
Additions							
Contributions	**$ 31,521,466**	$ 29,430,587	$ 2,090,879	7.1%	$ 91,810,780	$ (62,380,193)	-67.9%
Net investment income	**150,514,898**	101,796,714	48,718,184	47.9%	(59,515,011)	161,311,725	-271.0%
Total additions	**182,036,364**	131,227,301	50,809,063	38.7%	32,295,769	98,931,532	306.3%
Deductions							
Insurance premiums	**12,891,620**	10,043,719	2,847,901	28.4%	6,739,591	3,304,128	49.0%
Other expenses	**303,897**	292,482	11,415	3.9%	365,123	(72,641)	-19.9%
Total deductions	**13,195,517**	10,336,201	2,859,316	27.7%	7,104,714	3,231,487	45.5%
Net Increase	**168,840,847**	120,891,100	$ 47,949,747	39.7%	25,191,055	$ 95,700,045	379.9%
Beginning Net Position	**1,197,441,214**	1,076,550,114			1,051,359,059		
Ending Net Position	**$ 1,366,282,061**	$ 1,197,441,214			$ 1,076,550,114		

Management's Discussion and Analysis *(continued)*
September 30, 2017 and 2016

Fund Contributions

For fiscal years ended September 30, 2017, 2016 and 2015, the District made actuarially based contributions in the amounts of $31,000,000, $29,000,000, and $91,400,000, 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 for years ended September 30, 2017, 2016 and 2015, amounted to $521,466, $430,587, and $410,780, respectively.

Investment Income

For fiscal years ended September 30, 2017; 2016; and 2015; the Fund had a rate of return of 11.98%, 9.17%, and (6.00%), respectively, and net investment income of $150,514,898, $101,796,714, and ($59,515,011), respectively. The net investment income for the Fund was a result of positive rates of returns on domestic and international equities, domestic and international fixed income, and a minor negative return in commodities, plus realized and unrealized gains in investments. The rate of return, by investment fund manager, is listed in the table below.

Investment	Rate of Return FY 2017	Benchmark FY 2017	Rate of Return FY 2016	Benchmark FY 2016	Rate of Return FY 2015	Benchmark FY 2015
Access Capital ETI	**0.22%**	**0.29%**	3.14%	3.69%	3.03%	3.43%
Artisan Int'l Value Equity (Barclays)	**20.27%**	**23.22%**	8.71%	4.16%	-5.32%	-12.18%
Baillie Gifford Int'l Growth (Barclays)	**32.72%**	**16.11%**	17.22%	9.90%	-12.81%	-4.30%
Bernstein Global Plus	**-0.66%**	**-2.42%**	13.08%	11.67%	-7.35%	-7.67%
Bernstein Strategic Core	**0.57%**	**0.07%**	6.13%	5.19%	2.82%	2.94%
Brandywine Large Cap Value	**22.84%**	**15.12%**	10.30%	16.19%	-11.18%	-4.42%
ClearBridge Mid Cap	**17.85%**	**15.32%**	7.37%	14.25%	5.93%	-0.25%
Farr, Miller Washington Large Cap Growth	**17.11%**	**21.94%**	12.62%	13.76%	-0.26%	3.17%
Royce Pennsylvania Mutual Fund	**N/A****	**N/A****	16.54%	15.47%	-8.30%	1.25%
Nothern Trust Cash Fund	**0.65%**	**0.66%**	0.00%	0.00%	0.00%	0.00%
SSgA Bond Index	**0.09%**	**0.07%**	5.22%	5.19%	2.98%	2.94%
SSgA Emerging Markets Equity Index	**22.35%**	**22.46%**	16.61%	16.78%	-19.37%	-19.28%
SSGA Russel Sm Cap Ind Fund	**20.81%**	**20.74%**	N/A*	15.47%	0.00%	0.00%
Blue Bay Emerging Markets Debt Fund	**5.40%**	**5.92%**	12.95%	16.75%	-13.06%	-9.56%
Gresham Commodities Fund	**2.26%**	**-0.29%**	-5.28%	-2.59%	-27.87%	-25.99%

*-Fund inception date was November 24, 2015.
**Fund closed on October 1, 2016

Management's Discussion and Analysis *(continued)*
September 30, 2017 and 2016

In 2017, the investment firm managers had positive rates of return: led by Baillie Gifford Int'l. Growth Fund, 32.72%; Brandywine Large Cap Value Fund, 22.84%; SSgA Emerging Market Equity Index Fund, 22.35%; and SSgA Russell Small Cap Index Funds, 20.81%. The Fund had dividend and interest income in the amount of $13,971,814, a net appreciation of $141,292,317, and a currency loss on FX contracts and settlements of $(1,573,378) for the year ended September 30, 2017.

In 2016, the investment firm managers had positive rates of return: led by Baillie Gifford Int'l. Growth Equity Fund, 17.22%; SSgA Emerging Markets Equity Index, 16.61%; Royce Pennsylvania Mutual Fund, 16.54%; and Bernstein Global Plus Fund, 13.08%. The Fund had dividend and interest income in the amount of $17,711,990, a net appreciation of $84,291,776; and a currency gain on FX contracts and settlements of $3,004,326 for the year ended September 30, 2016.

In 2015, the Fund, as a whole, had a rate of return of -6.0%, with a net investment loss of $59,515,011 for the year 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, which resulted in a net investment value of $1,045,586,954, as of September 30, 2015. Additionally, the investment firm managers had negative rates of return: led by Gresham Commodities Fund, -27.87%; SSgA Emerging Markets Equity Index, -19.37%; Blue Bay Emerging Markets 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 the year ended September 30, 2015.

Insurance Carrier Premiums

Insurance carrier premiums represent amounts paid to the Fund's health and life insurance carriers. The premium expenses for the years ended September 30, 2017, 2016, and 2015 totaled $12,891,620, $10,043,719, and $6,739,591, respectively. The Defined Benefit Fund insurance premiums for the years ended September 30, 2017, 2016, and 2015 totaled $11,458,432, $8,853,071, and $6,182,198, respectively. All remaining insurance premiums are attributable to general employee retirees. The insurance premiums increased in fiscal year 2017, when compared to 2016 and 2015, due to rising national health care costs. The rising costs resulted in an increase in coverage cost for District employees. As of September 30, 2017, 2016, and 2015, the Fund had 1,498, 1,279, and 995 annuitants receiving benefits, respectively.

Management's Discussion and Analysis *(continued)*
September 30, 2017 and 2016

Summary of Actuarial Analysis

The results of the actuarial analysis are summarized below:

	September 30, 2017
Total OPEB Liability	$ 1,224,600,000
Fund Fiduciary Net Position	1,366,282,061
Net OPEB (Asset) Liability	$ (141,682,061)
Fund Fiduciary Net Position as a percentage of the Total OPEB (Asset) Liability	111.57%

An independent actuary was retained by 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, 2016. The purpose of the valuation was to provide an estimate of the total OPEB liability and the Fund's fiduciary net position.

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.

The District executed an experience study during the 2016 and 2015 fiscal years. The study examined participation assumptions for the Fund. The number of current retirees under the Fund is quite small because the benefit is only available to retirees who were hired by the District after September 30, 1987. Since there is currently not substantial participation experience, the participation assumption chosen for valuations prior to the 2014 valuation purposely contained a large to scale margin when compared to current actual rates of participation. As a result of the recent experience study, the District adopted updated assumed participation rates, which reflect actual experience but continue to include an element of conservatism. The District also adjusted the discount rate to reflect more conservative expectations of future investment returns. The District will continue to track actual rates of participation in the future, and will continue to compile participation data so that updated analyses of participation rates can be made as part of future valuations. The District will plan to maintain a funding ratio between 90% and 120% indicating that the plan is fully funded.

There were 25,110 and 22,821 active employees, based on the September 30, 2017 and 2016 actuarial reports, respectively. The 2017 actuarial report showed that, based on data as of September 30, 2016, the number of annuitants increased to a total of 1,359 members. They consist of 1,065 firefighters, police, and teachers; and 294 general employees. In comparison to the 2016 actuarial report, using September 30, 2014 data, the number of annuitants totaled 938 members, which represents an increase of 45% in membership.

Investment Management Fees

Investment management and custody fees for the years ended September 30, 2017, 2016 and 2015, are detailed in the table below. Investments increased to $1,299,091,485 as of September 30, 2017, from $1,173,912,217 as of September 30, 2016, which is an increase of 10.66% from the prior year, and an increase of 24.25% over the past two years.

	September 30,		
Investment Firm (*In dollars*)	**2017**	**2016**	**2015**
Farr, Miller Washington Large Cap Growth	$ 1,016,939	$ 902,643	$ 904,138
Brandywine Large Cap Value	808,142	749,144	1,024,876
ClearBridge Mid Cap	594,028	721,199	545,241
Bernstein Global Plus	395,487	396,569	268,670
Bernstein Strategic Core	341,309	337,301	326,988
SSgA Emerging Markets Equity	121,555	80,714	145,656
SSgA Custody Fees	98,583	151,087	134,042
SSgA Russell Sm. CAP Index Fund-Bond*	46,983	33,542	-
SSgA Index Bond	36,990	27,681	35,503
Royce Pennsylvania Mutual Fund**	-	242,980	478,967
Subtotal Management Fees from Investment Managers	3,460,016	3,642,860	3,864,081
Management Fees from Net Asset Valuation			
Access Capital ETI	157,171	203,261	197,074
Blue Bay Emerging Markets - Debt Fund	291,778	276,830	238,116
Gresham Commodities Fund - Equity	319,661	312,590	182,241
Baillie Gifford Int'l. Growth	820,721	656,386	464,625
Artisan Int'l. Value Equity (Barclays)	754,949	627,734	458,151
Subtotal Management Fees from Net Asset Valuation	2,344,280	2,076,801	1,540,207
Total Investment Management Fees	$ 5,804,296	$ 5,719,661	$ 5,404,288

Note: Management Fees paid from the Net Asset Valuation are now shown as part of Net Appreciation in Fair Values.

* Fund inception date was November 24, 2015.
** Fund closed on October 1, 2016.

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, DC, 20024.

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

Statements of Fiduciary Net Position
September 30, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	**$ 82,057,838**	$ 37,032,445
Receivables		
Investment	**1,078,699**	14,170,160
Interest and dividends	**2,527,483**	2,720,385
Total receivables	**3,606,182**	16,890,545
Investments, at fair value:		
Equities	**824,476,663**	694,373,770
Debt securities	**431,993,339**	437,859,844
Commodities	**42,621,483**	41,678,603
Total investments	**1,299,091,485**	1,173,912,217
Total Assets	**1,384,755,505**	1,227,835,207
LIABILITIES		
Investments and other payables	**18,473,444**	30,393,993
Net Position Restricted for Other Post Employment Benefits	**$ 1,366,282,061**	$ 1,197,441,214

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

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

Statements of Changes in Fiduciary Net Position
For the Years Ended September 30, 2017 and 2016

	2017	2016
ADDITIONS		
Contributions:		
District contributions	**$ 31,000,000**	$ 29,000,000
Annuitant contributions	**521,466**	430,587
Total contributions	**31,521,466**	29,430,587
Investment income:		
Net appreciation in fair value	**141,292,317**	84,291,776
Interest	**7,781,262**	8,314,360
Dividends	**6,190,552**	9,397,630
Currency (loss) gain on FX contracts and settlements	**(1,573,378)**	3,004,326
Other income	**284,161**	431,482
Total income from investment activities	**153,974,914**	105,439,574
Less: Investment management fees	**3,460,016**	3,642,860
Net investment income	**150,514,898**	101,796,714
Total Additions	**182,036,364**	131,227,301
DEDUCTIONS		
Insurance carrier premiums	**12,891,620**	10,043,719
Administrative expenses	**303,897**	292,482
Total Deductions	**13,195,517**	10,336,201
Change in Plan Net Position	**168,840,847**	120,891,100
Net Position Restricted for Other Post Employment Benefits		
Beginning of the year	**1,197,441,214**	1,076,550,114
End of the Year	**$ 1,366,282,061**	$ 1,197,441,214

The accompanying notes are an integral part of these 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 Annuitants' Health and Life Insurance Employer Contribution Amendment Act of 1999 (the "Act"). 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.

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

The current advisory committee has two vacancies, and consists of the following members:

- Director, District of Columbia Department of Human Resources
- Executive Director, District of Columbia Retirement Board
- Chief Education Officer, Municipal Securities Rulemaking Board
- Deputy Director, Division of Finance, Federal Deposit Insurance Corporation
- Director, Office of Revenue and Analysis

Fund Description

The Fund is a single employer defined benefit Fund 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 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.

Notes to Financial Statements
September 30, 2017 and 2016

NOTE 1 – FUND DESCRIPTION AND CONTRIBUTIONS (*continued)*

Contributions

Cost sharing arrangements for annuitants vary depending on whether the employee was a General Employee, Teacher, Police Officer or Firefighter. For General Employees and Teachers, annuitants with at least 10 years of creditable District service but less than 30 years of creditable District service pay a percentage of their health insurance premiums and the District pays the remainder. The percentage paid by the annuitant is 75%, reduced by an additional 2.50% for each year of creditable service over 10 years up to a maximum of 20 such additional years. Thus, 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, 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 General Employees and Teacher annuitants with at least 10 years of creditable District service but less than 30 years of creditable District service pay a percentage of their health insurance premiums and the District pays the remainder. The percentage paid by the covered family member is 80%, reduced by an additional 1.00% for each year of creditable District service over 10 years up to a maximum of 20 such additional years. Thus, the District's contribution shall not exceed 40% of the cost of the selected health benefit plan for covered family members of an annuitant with 30 or more years of creditable District service and the family members of an annuitant with 30 or more years of creditable District service pays up to 60% of the cost of the selected health benefit plan.

For Police Officers and Firefighters, annuitants with at least 10 years of creditable District service but less than 25 years of creditable District service pay a percentage of their health insurance premiums and the District pays the remainder. The percentage paid by the annuitant is 70%, reduced by an additional 3.00% for each year of creditable service over 10 years up to a maximum of 15 such additional years. Thus, the District's contribution shall not exceed 75% of the cost of the selected health benefit plan. For annuitants with 25 or more years of creditable District service or Police Officer or Firefighter annuitants who are injured in the line of duty, the District pays 75% of cost of the selected health benefit plan and the annuitant pays 25% of the cost of the selected health benefit plan. Special rules apply for Police Officers and Firefighters who were hired before November 10, 1996.

Covered family members of Police Officers and Firefighter annuitants with at least 10 years of creditable District service but less than 25 years of creditable District service pay a percentage of their health insurance premiums and the District pays the remainder. The percentage paid by the covered family members is 75%, reduced by an additional 3.00% for each year of creditable District service over 10 years. However, the portion paid by the covered family member is never less than 40% and the District's contribution shall not exceed 60% of the cost of the selected health benefit plan; the family member pays 40% of the cost of the selected health benefit plan for covered family members of Police Officers or Firefighters who were hired before November 10, 1996.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Reporting Entity

The District established the Fund, which is a single employer defined benefit fund, on October 1, 1999. As of September 30, 2009, the District finalized all 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 2007; and is administered as an irrevocable trust, through which assets are accumulated, and benefits are paid as they become due, in accordance with the Fund's plan document.

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 (employee salaries) 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)*

Fair Value Measurements

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. Fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, inputs are observable for similar transactions or the inputs are unobservable. However, the objective of fair value measurement in all cases is to determine the price at which an orderly transaction to sell assets or to transfer liability would take place between market participants at the measurement date under current market conditions. The Trustee has delegated to each investment firm the responsibility to determine the fair value of an investment security when a price is not available from a pricing service or broker-dealer. The investment firm's Portfolio Management and Performance Committee (Valuation Committee) is responsible for determining whether the price provided by a pricing service or broker-dealer does not approximate fair value.

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. 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 counterparty's trust department or agent, but not in the government's name, are also part of the requirements of Statement 40. See Note 6 for the related deposits and investment risk disclosures.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued)*

Investment Valuation and Income Recognition *(continued)*

GASB Statement 72, *Fair Value Measurement and Application*, provides disclosure guidance requirements on fair value measurement of 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. GASB 72 also clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosures about the use of fair value measurements. GASB 72 established a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – observable market inputs that are unadjusted quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 – inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly (for example, quoted prices for similar assets or liabilities in active markets).

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement (including the District's own assumptions in determining the fair value of investments).

Recent Accounting Pronouncements

In June 2015, 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.

The new GASB Statements include 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)*

Recent Accounting Pronouncements *(continued)*

The Fund adopted GASB Statement No. 74 for the year ended September 30, 2017. See Note 7 for more information on net OPEB liability.

GASB issued Statement No. 82, *Pension Issues - an Amendment of GASB Statements* No. 67, No. 68, and No. 73; Statement No. 85, *Omnibus* 2017 effective for the year ending June 30, 2018; and Statement No. 84, *Fiduciary Activities* effective for the year ending June 30, 2020. The Fund has not completed the process of evaluating the impact that will result from adopting these GASB statements, but does not expect that these GASB statements would have a material effect on the financial statements. The Fund will adopt these GASB statements, as applicable, by their effective date.

Reclassification

Certain 2016 amounts have been reclassified to conform to the 2017 financial statement presentation.

NOTE 3 – FUND DESCRIPTIONS AND CONTRIBUTION INFORMATION

As of September 30, 2017, and 2016, the Fund had 1,498 and 1,279 annuitants receiving benefits, respectively. The 2017 participants were comprised of 1,156 Firefighters, Police, and Teachers; and 342 general District employees. The 2016 participants were comprised of 982 Firefighters, Police, and Teachers; and 297 general District employees. The premium expenses for the fiscal years ended September 30, 2017 and 2016, totaled $12,891,620 and $10,043,719, respectively. The insurance premiums attributable to Police, Firefighter, and Teacher retirees for the fiscal years 2017 and 2016 totaled $11,458,432 and $8,853,071, respectively. All remaining insurance premiums are attributable to general employee retirees.

The actuarial valuation for the fiscal year ended September 30, 2017, was based on the actuarial valuation performed as of September 30, 2016. The actuarial report, which was issued in April 2017, showed that there was a total of 1,359 retired participants. They consisted of 1,065 Firefighters, Police, and Teachers; and 294 general employees.

The actuarial valuation for the fiscal year ended September 30, 2016 was a roll-forward of the prior year's valuation. The actuarial roll-forward report issued in March 2016, projected from data as of September 30, 2014, showed that there was a total of 938 retired participants. They consisted of 740 Firefighters, Police, and Teachers; and 198 general employees.

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 providing reporting capabilities for the Fund. On May 1, 2017, the Fund changed the Master Custodian of the plan from State Street Bank and Trust Company to the Northern Trust Company.

NOTE 5 – CASH AND CASH EQUIVALENTS

Custodial credit risk for cash and cash equivalents is the risk that, in the event of a financial institution failure, the Fund may not be able to recover the value of cash and cash equivalents. The Fund, through its investment firms, maintains certain cash and cash equivalent balances. These balances are not required to be collateralized by statute or policy. The Fund maintains cash and cash equivalents in investments accounts, as detailed below, as of September 30, 2017 and 2016:

	September 30,			
Funds by Investment Firm	**2017**	**Percentage***	**2016**	**Percentage***
Cash account	**$ 21,397,339**	**1.55%**	$ 5,696,474	**0.47%**
Bernstein Strategic Core	**17,910,820**	**1.30%**	5,813,644	**0.48%**
Brandywine Large Cap Value	**17,736,181**	**1.28%**	7,732,792	**0.64%**
Farr, Miller Washington Large Cap Growth	**18,495,711**	**1.34%**	11,250,579	**0.93%**
ClearBridge Mid Cap	**3,995,378**	**0.29%**	1,741,300	**0.14%**
Bernstein Global Plus	**2,522,409**	**0.18%**	4,797,656	**0.40%**
Total Cash and Cash Equivalents	**$ 82,057,838**	**5.94%**	$ 37,032,445	**3.06%**

* Includes cash and investments.

Notes to Financial Statements
September 30, 2017 and 2016

NOTE 6 – INVESTMENTS

The majority of the Fund's assets as of September 30, 2017 and 2016 were investments, which totaled $1,299,091,485 and $1,173,912,217, respectively. The assets are invested with 13 different investment firms. As of September 30, 2017, and 2016, the funds were invested in equities, (59.69% and 57.34%); debt securities, (31.28% and 36.16%); and commodities, (3.09% and 3.44%), respectively. The fair values of each investment firm's assets, as of September 30, 2017 and 2016, are as follows:

	September 30,			
	2017		2016	
Equity Funds by Investment Firm	**Amount**	**Percentage***	**Amount**	**Percentage***
Brandywine Large Cap Value	**$ 186,042,153**	**13.47%**	$ 159,536,709	13.17%
Farr, Miller Washington Large Cap Growth	**172,284,092**	**12.47%**	148,250,622	12.24%
ClearBridge Mid Cap	**130,185,747**	**9.43%**	115,495,089	9.54%
Baillie Gifford Int'l Growth Equity	**86,391,637**	**6.26%**	59,784,175	4.94%
Artisan International Growth Fund	**71,899,930**	**5.21%**	65,093,241	5.38%
SSgA Russell Sm Cap Index Fund	**80,893,703**	**5.86%**	64,117,391	5.29%
SSgA Emerging Markets Equity Index	**96,779,401**	**7.01%**	79,098,948	6.53%
Royce Pennsylvania Mutual Fund	**-**	**0.00%**	2,997,595	0.25%
Total Equity	**$ 824,476,663**	**59.69%**	$ 694,373,770	57.34%
Debt securities Funds by Investment Firm	**Amount**	**Percentage***	**Amount**	**Percentage***
Bernstein Strategic Core	**$ 145,071,371**	**10.50%**	$ 153,187,850	12.65%
Bernstein Global Plus	**149,270,224**	**10.81%**	148,450,350	12.26%
SSgA Bond Index	**81,159,099**	**5.88%**	81,086,049	6.70%
Access Capital ETI	**31,339,373**	**2.27%**	31,270,951	2.58%
Blue Bay Emerging Markets Debt Fund	**25,153,272**	**1.82%**	23,864,644	1.97%
Total Debt Securities	**$ 431,993,339**	**31.28%**	$ 437,859,844	36.16%
Commodities Funds by Investment Firm	**Amount**	**Percentage***	**Amount**	**Percentage***
Gresham Commodities Fund	**$ 42,621,483**	**3.09%**	$ 41,678,603	3.44%

* Includes cash and investments.

GASB 72 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. An asset or a liability categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The summary of inputs used to determine the fair valuation of the Fund's investments as of September 30, 2017 and 2016 is as follows.

Equity securities and mutual funds: These investments are classified as Level 1 of the fair value hierarchy, and are valued using prices quoted in active markets for those securities. The mutual funds held in equities are deemed to be actively traded, and support classification of the fair value measurement as Level 1 in the fair value hierarchy.

Real Estate Investment Trust Securities investments, classified as Level 3, are valued using either a discounted cash flow or market comparable company's technique.

NOTE 6 – INVESTMENTS (*continued*)

Debt securities, classified as Level 2 of the fair value hierarchy, are valued using market pricing and other observable market inputs for similar securities from several data providers, standard in the industry; or a broker quote in a non-active market. Collateralized auto loan securities, which are included in Collateralized Debt Obligations, are classified in Level 3; and are valued using consensus pricing. The mutual funds held in bonds are classified as Level 2.

Commodities Fund: The investment objectives of the fund are to provide a partial price hedge with an attractive risk/return profile, as compared to other products using a commodity index or a pool of commodities. Partial or complete redemption may be made, upon five (5) days' prior written notice, on the last business day of each calendar month or at such times and on such terms as the General Partner of the fund may, in his/her sole discretion, allow. The valuation techniques and inputs categorization within the valuation hierarchy is based upon Level 3; and uses the income approach, where the advisor considers a list of factors to determine whether there has been significant decrease in the relation to normal market activity.

Investment derivative instruments: The Fund's derivative financial instruments are valued by a third-party investment fund's manager, based on prevailing market data derived from proprietary models, and are carried at fair value. The Fund had five types of off-balance sheet derivative financial instrument outstanding. These derivative instruments are financial contracts, whose values depend on the value of one or more underlying assets, or reference rates or financial indices, which dictate the rate of change of output with respect to the financial contracts. The financial instruments categorization within the valuation hierarchy is based upon Level 2, which is the lowest level of input that is significant to the fair value measurement.

NOTE 6 – INVESTMENTS *(continued)*

As of September 30, 2017, and 2016, the Fund had the following recurring fair value measurements:

		Fair Value Measurements Using		
As of September 30, 2017	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Investments by fair value level				
Equity securities				
U.S. equities (by Industry)				
Industrials	$ 81,926,050	$ 81,926,050	$ -	$ -
Consumer Retail	122,975,139	122,975,139	-	-
Information Technology	79,394,102	79,394,102	-	-
Financial Institutions	91,279,921	91,279,921	-	-
HealthCare	72,375,019	72,375,019	-	-
Other	2,020,481	2,020,481	-	-
International equities				
Consumer Retail	5,747,981	5,747,981	-	-
Information Technology	4,189,634	4,189,634	-	-
Industrials	4,003,733	4,003,733	-	-
Real Estate Investment Trust Securities	6,514,752	-	-	6,514,752
Mutual funds	98,978,883	98,978,883	-	-
Total equity securities	569,405,695	562,890,943	-	6,514,752
Debt securities				
U.S. Government Issues	80,576,738	-	80,576,738	-
International Government Issues	105,680,841	-	105,680,841	-
Corporate Bonds	83,334,597	-	82,948,423	386,174
Mortgage-backed Securities	321,713	-	-	321,713
Credit Card/Automotive Receivables	14,410,075	-	14,410,075	-
Mutual funds	112,498,472	-	36,424,838	56,005,827
U.S. State and Local Government Bonds	10,017,631	-	10,017,631	-
Total debt securities	406,840,067	-	330,058,546	56,713,714
Commodity investments				
Gresham commodities fund	42,621,483	-	-	42,621,483
Total Investments by Fair Value Level	1,018,867,245	$ 562,890,943	$ 330,058,546	$ 105,849,949
Investments measured at the Net Asset Value (NAV)				
SSGA Emerging Markets Equity Index	96,779,401			
Ballie Gifford International Growth Fund	86,391,637			
Artisan International Growth Fund	71,899,930			
Blue Bay Emerging Market Debt Fund	25,153,272			
Total investments measured at the NAV	280,224,240			
Total investments measured at fair value	$ 1,299,091,485			
Investment derivative instruments				
Interest Rate Swaps	$ (141,504)	$ -	$ (141,504)	$ -
Credit Defaults Swaps	(725,075)	-	(725,075)	-
Foreign Exchange Forwards	1,395,867	-	1,395,867	-
Total Investment derivative instruments	$ 529,288	$ -	$ 529,288	$ -

Notes to Financial Statements
September 30, 2017 and 2016

NOTE 6 – INVESTMENTS *(continued)*

		Fair Value Measurements Using		
As of September 30, 2016	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Investments by fair value level				
Equity securities				
U.S. equities (by Industry)				
Industrials	$ 113,526,199	$ 113,526,199	$ -	$ -
Consumer Retail	86,868,839	86,868,839	-	-
Information Technology	62,095,087	62,095,087	-	-
Financial Institutions	77,405,341	77,405,341	-	-
HealthCare	53,112,076	53,112,076	-	-
Other	5,852,428	5,852,428	-	-
International equities				
Consumer Retail	2,959,530	2,959,530	-	-
Information Technology	3,131,368	3,131,368		
Industrials	7,965,066	7,965,066	-	-
Real estate investment trust securities	10,537,975	-	-	10,537,975
Mutual funds	67,114,986	67,114,986	-	-
Total equity securities	490,568,895	480,030,920	-	10,537,975
Debt securities				
U.S. Government Issues	24,689,899	-	24,689,899	-
International Government Issues	123,242,469	-	123,242,469	-
Corporate Bonds	82,541,212	-	82,541,212	-
Mortgage-backed Securities	57,195,033	-	54,448,326	2,746,707
Credit Card/Automotive Receivables	13,434,071	-	-	13,434,071
Mutual funds	112,357,000	-	112,357,000	-
U.S. State and Local Government Bonds	364,027	-	364,027	-
Total debt securities	413,823,711	-	397,642,933	16,180,778
Commodity investments				
Gresham commodities fund	41,678,603	-	-	41,678,603
Total Investments by Fair Value Level	946,071,209	$ 480,030,920	$ 397,642,933	$ 68,397,356
Investments measured at the Net Asset Value (NAV)				
Artisan International Growth Fund	65,093,241			
Baillie Gifford International Growth Equity	59,784,175			
SSGA Emerging Markets Equity Index	79,098,948			
Blue Bay Emerging Market Debt Fund	23,864,644			
Total investments measured at the NAV	227,841,008			
Total investments measured at fair value	$ 1,173,912,217			
Investment derivative instruments				
Interest rate swaps	$ (246,824)	$ -	$ (246,824)	$ -
Credit defaults swaps	3,135	-	3,135	-
Foreign exchange forwards	28,307	-	28,307	-
Total Investment derivative instruments	$ (215,382)	$ -	$ (215,382)	$ -

NOTE 6 – INVESTMENTS *(continued)*

Investments measured at the Net Asset Value (NAV): The NAV of an investment company is the company's total assets, minus its total liabilities. This investment category consists of four (4) funds that include funds or products that employ dynamic trading strategies aimed at achieving absolute returns. These investment funds do not redeem shares on a daily basis. The funds have varying restrictions on liquidity and transferability. The fair values of the investments in this type have been determined, using the NAV per share of the investments. Additional information about the nature of investments measured at the Net Asset Value per share is presented in the tables below:

	Fair Value as of September 30,			Redemption Frequency	Redemption
Investment	2017	2016	Unfunded Commitments	(If Currently Eligible)	Notice Period
SSgA Emerging Markets (1)	$ 96,779,401	$ 79,098,948	None	Monthly	5 days
Baillie Gifford Int'l Growth Equity (2)	86,391,637	59,784,175	None	Monthly	5 days
Artisan International Growth Fund (3)	71,899,930	65,093,241	None	Monthly	5 days
Blue Bay Emerging Markets Debt Fund (4)	25,153,272	23,864,644	None	Monthly	30 days
Total Investments Measured at NAV	**$ 280,224,240**	**$ 227,841,008**			

1) SSgA Emerging Markets Equity Fund: This 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. 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 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.

2) 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. 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 are only used under certain conditions.

NOTE 6 – INVESTMENTS *(continued)*

3) Artisan International Growth Fund: This fund's 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. The team also 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.

4) Blue Bay Emerging Markets Debt Fund: The investment objectives of this Fund are to achieve favorable income-oriented returns from a globally diversified portfolio of primarily developing market debt or debt-like securities, and preservation and enhancement of principal. Participating Shares may be redeemed monthly, with five (5) days prior written notice, on the last business day of each calendar month; or at such times, and on such terms as the Board of Directors of the Fund may, in their sole discretion, allow.

During the year ended September 30, 2017, the Fund recognized no transfers to/from Level 1 or 2. The Fund's policy is to recognize transfers to/from Level 1, Level 2, and Level 3 at the end of the reporting period, utilizing fair value at the beginning of the period.

The annual money-weighted rate of return on OPEB plan investments is calculated as the internal rate of return on OPEB plan investments, net of OPEB plan investment expense. OPEB plan investment expense should be measured on the accrual basis of accounting. Inputs to the internal rate of return calculation should be determined at least monthly. However, the use of more frequently determined inputs is encouraged. The valuation of the weighted rate of return for FY 2017 was 12.49%.

Custodial Credit Risk is the risk that, in the event of the failure of the counterparty to a transaction, a government may not be able to recover the value of investments 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 currency risks.

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment in a foreign currency. 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, 2017 and 2016, held in currencies other than U.S. dollars, were as follows:

Notes to Financial Statements
September 30, 2017 and 2016

NOTE 6 – INVESTMENTS *(continued)*

As of September 30, 2017

International Securities	Short Term and Cash	Convertible and Fixed Income	Total
ARGENTINE PESO	$ (126,696)	$ 1,271,255	$ 1,144,559
AUSTRALIAN DOLLAR	172,903	1,740,122	1,913,025
BRAZILIAN REAL	265,360	514,077	779,437
POUND STERLING	(492,448)	14,591,885	14,099,437
CANADIAN DOLLAR	(406,119)	5,357,904	4,951,785
CZECH KORUNA	17,783	3,486,210	3,503,993
DANISH KRONE	(4,721)	828,465	823,744
EGYPTIAN POUND	31,029	355,144	386,173
EURO	3,338,633	63,508,940	66,847,573
JAPANESE YEN	(209,724)	45,705,167	45,495,443
MALAYSIAN RINGGIT	16,840	761,613	778,453
MEXIAN PESO	(119,990)	3,405,224	3,285,234
NEW ISRAELI SHEKEL	5,302	237,365	242,667
NEW TAIWAN DOLLAR	(13,875)	18,149	4,274
NEW ZEALAND DOLLAR	89,355	(1,671,584)	(1,582,229)
NORWEIGAN KRONE	(5,857)	331,386	325,529
POLISH ZLOTY	15,804	563,869	579,673
RUSSIAN RUBLE	53,559	1,822,609	1,876,168
SINGAPORE DOLLAR	28	512,621	512,649
SOUTH AFRICAN RAND	(124,465)	1,082,820	958,355
SOUTH KOREAN WON	(43,128)	1,857,433	1,814,305
SWEDISH KRONA	69,867	1,105,411	1,175,278
SWISS FRANC	(16,018)	1,879,104	1,863,086
THAI BAHT	(2,735)	585,151	582,416
TURKISH LIRA	(44,825)	2,052,751	2,007,926
Totals	$ 2,465,862	$ 151,903,091	$ 154,368,953

Notes to Financial Statements
September 30, 2017 and 2016

NOTE 6 – INVESTMENTS *(continued)*

As of September 30, 2016

International Securities	Short Term and Cash	Convertible and Fixed Income	Total
AUSTRALIAN DOLLAR	$ (12,605)	$ 88,097	$ 75,492
BRAZILIAN REAL	-	4,815,641	4,815,641
CANADIAN DOLLAR	68,486	12,987,366	13,055,852
EURO CURRENCY	(33,166)	50,228,538	50,195,372
JAPANESE YEN	160,189	32,768,560	32,928,749
MEXICAN PESO	-	2,507,187	2,507,187
NEW ZEALAND DOLLAR	20,037	(4,673)	15,364
NORWEGIAN KRONER	23,344	80,717	104,061
POLISH ZLOTY	20,223	802,323	822,546
POUND STERLING	93,127	13,506,239	13,599,366
RUSSIAN RUBLE	-	401,123	401,123
SINGAPORE DOLLAR	-	334,347	334,347
SOUTH AFRICAN RAND	17,840	262,415	280,255
SWEDISH KRONA	-	968,982	968,982
TURKISH LIRA	-	353,615	353,615
Totals	$ 357,475	$ 120,100,477	$ 120,457,952

Credit Risk is the risk that an issuer to an investment will not fulfill its obligations. The average quality of the entire bond holdings in each investment manager's portfolio should be maintained at "A" or better. For portfolios that were not individually managed, the credit quality exceeded 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 and Forward Contracts, in the tables on pages 28 and 29.

NOTE 6 – INVESTMENTS *(continued)*

Although the Fund executes hedging derivative instruments with various counterparties; eight contracts, comprising approximately 90 percent of the net exposure to credit risk, are based with two counterparties. As of September 30, 2017, and 2016, 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 off-sets.

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 examine how sensitive the fixed income portfolios' underlying assets are to moves in interest rates, and to recommend any appropriate investment manager changes.

The average duration was as follows, by investment firm, for the years ended September 30, 2017 and 2016:

	September 30,	
Investment Firm	**2017**	**2016**
Bernstein Strategic Core	**5.44**	5.00
Bernstein Global Plus	**7.14**	7.50
Access Capital ETI	**4.40**	2.93
SSgA Bond Index	**5.97**	5.44
Blue Bay Emerging Markets Debt Fund	**5.33**	6.70

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 fiscal year 2017, the Fund invested directly in forward currency contracts.

At September 30, 2017 and September 30, 2016, the Fund had two types of off-balance-sheet derivative financial instrument outstanding: swaps and currency forwards. The Swaps represents Interest Swaps and Credit Default Swaps which are used to hedge interest rate and credit exposure risks. 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. The market risk in foreign currency contracts is related to adverse movements in currency exchange rates.

NOTE 6 – INVESTMENTS *(continued)*

Below is the list of derivatives aggregated by investment type, as of September 30, 2017 and 2016:

As of September 30, 2017

	Change in Fair Value		Fair Value as of September 30, 2017		
Investment Derivatives	**Classification**	**Amount**	**Classification**	**Amount**	**Notional Amount**
Credit Default Swaps Bought	Investment Revenue	$ (22,533)	Swaps	$ (28,554)	$ 395,000
Credit Default Swaps Written	Investment Revenue	31,960	Swaps	(696,521)	4,355,000
Fixed Income Futures Long	Investment Revenue	(620,701)	Futures	-	33,471,695
Fixed Income Futures Short	Investment Revenue	331,748	Futures	-	(19,762,557)
Fixed Income Options Bought	Investment Revenue	(23,809)	Options	-	-
Fixed Income Options Written	Investment Revenue	17,956	Options	-	-
Foreign exchange forwards	Investment Revenue	(2,210,202)	Forwards	2,041,445	147,500,974
Foreign exchange forwards	Investment Revenue	178,557	Forwards	(645,578)	62,357,710
Pay Fixed Interest Rate Swaps	Investment Revenue	628,423	Swaps	41,044	41,578,278
Receive Fixed Interest Rate Swaps	Investment Revenue	(222,568)	Swaps	(182,548)	16,177,800
Total		**$(1,911,169)**		**$ 529,288**	

As of September 30, 2016

	Change in Fair Value		Fair Value as of September 30, 2016		
Investment Derivatives	**Classification**	**Amount**	**Classification**	**Amount**	**Notional Amount**
Credit Default Swaps Bought	Investment Revenue	$ (79,291)	Swaps	$ (20,631)	$ 506,000
Credit Default Swaps Written	Investment Revenue	(3,451)	Swaps	23,766	2,420,000
Equity Options Written	Investment Revenue	21,449	Options	-	-
Fixed Income Futures Long	Investment Revenue	594,237	Futures	-	30,435,291
Fixed Income Futures Short	Investment Revenue	(502,707)	Futures	-	(14,635,958)
FX Forwards	Investment Revenue	2,656,917	Long Term Instruments	28,307	113,520,188
Pay Fixed Interest Rate Swaps	Investment Revenue	(232,897)	Swaps	(444,866)	62,063,981
Receive Fixed Interest Rate Swaps	Investment Revenue	240,931	Swaps	198,042	4,419,585
Total		$ 2,695,188		$ (215,382)	

Contingencies:

All 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, 2017 and 2016, the aggregate fair value of all hedging derivative instruments with these collaterals posting provisions was $300,374 and $10,493, respectively. If the collateral posting requirements were triggered, the Fund would be required to post the aggregate fair value in collateral to its counterparties. The District has an “Aa” rating; therefore, no collateral has been required to be posted as of September 30, 2017 and 2016.

NOTE 6 – INVESTMENTS *(continued)*

The net unrealized gain (loss) on foreign currency spot and forward contracts for the years ended September 30, 2017 and 2016, were as follows:

	2017		2016	
	Cost	Unrealized Gain/(Loss)	Cost	Unrealized Gain/(Loss)
Foreign Currency Contracts Purchased				
ARGENTINE PESO	$ -	$ -	$ 302,069	$ 25,916
AUSTRALIAN DOLLAR	1,967,297	2,911	3,580,932	21,309
BRAZILIAN REAL	4,037,422	20,816	6,757,508	(7,810)
CANADIAN DOLLAR	1,756,138	(39,108)	-	-
SWISS FRANC	-	-	1,852,833	18,668
CZECH KORUNA	-	-	3,462,057	40,458
DANISH KRONE	-	-	779,322	(1,413)
EURO	22,183,651	503,709	15,220,294	175,424
POUND STERLING	-	-	2,287,625	4,130
INDIAN RUPEE	-	-	1,117,240	4,702
NEW ISRAELI SHEKEL	-	-	228,120	3,575
JAPANESE YEN	23,559,266	(234,626)	28,421,599	(47,326)
SOUTH KOREAN WON	-	-	3,266,265	33,678
MALAYSIAN RINGGIT	-	-	740,862	(432)
MEXICAN PESO	1,366,320	(21,619)	833,139	11,464
NEW ZEALAND DOLLAR	-	-	322,341	11,853
NORWEGIAN KRONE	-	-	303,966	6,402
RUSSIAN RUBLE	-	-	1,327,857	33,231
SWEDISH KRONA	-	-	1,714,379	(22,362)
THAI BAHT	-	-	560,326	5,085
TURKISH LIRA	-	-	449,069	(2,261)
NEW TAIWAN DOLLAR	1,507,661	(14,089)	1,532,034	9,124
SOUTH AFRICAN RAND	-	-	273,522	(952)
Total Contracts Purchased		**217,994**		**322,463**
Foreign Currency Contracts Sold				
AUSTRALIAN DOLLAR	(4,452,447)	106,310	72,767	565
BRAZILIAN REAL	(2,011,601)	(9,213)	10,629,668	(154,471)
CANADIAN DOLLAR	(4,995,166)	(59,795)	11,370,407	268,591
EURO	16,002,139	386,445	5,731,589	(45,045)
JAPANESE YEN	11,831,493	(125,895)	10,940,843	(324,660)
MEXICAN PESO	(3,890,683)	47,484	-	-
NEW ZEALAND DOLLAR	(3,458,366)	(280)	-	-
POLISH ZLOTY	-	-	376,134	(14,338)
RUSSIAN RUBLE	-	-	1,110,979	(29,290)
SINGAPORE DOLLAR	-	-	3,679,172	3,076
NEW TAIWAN DOLLAR	18,149	(13,875)	1,523,272	(16,398)
SOUTH AFRICAN RAND	(777,947)	13,456	-	-
Total Contracts Sold		**344,637**		**(311,970)**
Net Unrealized Gain (Loss) on Foreign Currency Spot and Forward Contracts		**$ 562,631**		**$ 10,493**

NOTE 7 – NET OPEB LIABILITY

The components of the net OPEB liability for the District of Columbia as of September 30, 2017, were as follows:

		FY 2017
Total OPEB Liability	$	1,224,600,000
Fund Fiduciary Net Position		1,366,282,061
Net OPEB (Asset) Liability	$	(141,682,061)
Fund Fiduciary Net Position as a percentage of the Total OPEB (Asset) Liability		111.57%

Actuarial Assumptions

The Schedule of OPEB liabilities above reflects the underlying assumptions that are required to calculate the net OPEB asset for September 30, 2017, outlined as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay, Closed
Remaining Amortization Period	19 years beginning with fiscal year end 2016
Asset Valuation Method	Market Value
Investment Rate of Return	6.50%
Discount Rate	6.50%
Salary Increase Rate	3.50% (plus merit scale)
Medical Inflation Rate	5.9%, grading to 3.9% Assumption utilizes the Society of Actuaries Getzen Medical Trend Model, and reaches the ultimate medical inflation rate in 2040.
Mortality	The RP-2014 Healthy Employee Mortality Table with the MP-2016 Improvement Scale, fully generational, was used for healthy lives both pre- and post-retirement. For disabled lives, the RP-2014 Disabled Life Mortality Table was used.

Long-term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of September 30, 2017.

Notes to Financial Statements
September 30, 2017 and 2016

NOTE 7 – NET OPEB LIABILITY *(continued)*

Asset Class	Expected Real Rate of Return	Target Allocation
U.S. Equity	7.9%	45.0%
International Equity	8.9%	9.0%
Emerging Market Equity	11.0%	4.0%
Core Fixed Income	3.3%	24.0%
Developed Markets Fixed Income	2.3%	10.0%
Emerging Market Debt	6.1%	3.0%
Commodities	5.8%	5.0%
Cash	2.3%	0.0%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that the District's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the District of Columbia, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current discount rate:

	Impact of Change in Discount Rate		
	1% Decrease	Discount Rate	1% Increase
Net OPEB (Asset) Liability	$ 85,517,939	$ (141,682,061)	$ (321,782,061)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the District of Columbia, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.9 percent decreasing to 2.9 percent) or 1-percentage-point higher (6.9 percent decreasing to 4.9 percent) than the current healthcare cost trend rate.

NOTE 7 – NET OPEB LIABILITY *(continued)*

	Impact of Change in Healthcare Cost Trend Rate		
	1% Decrease	**Trend Rates**	**1% Increase**
Net OPEB (Asset) Liability	$ (351,182,061)	$ (141,682,061)	$ 132,417,939

NOTE 8 – DISTRICT CONTRIBUTIONS

The District, historically, makes its contributions to the Fund near the completion of its fiscal year, 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, 2017 and 2016, were due to the receipt of the contribution of $31,000,000 and $29,000,000, respectively. The amounts were distributed as follows for the years ended September 30, 2017 and 2016:

	September 30,	
FUND	**2017**	**2016**
Artisan Int'l Value Equity	**$ -**	$ 12,000,000
Baillie Gifford Int'l Growth Equity	**-**	7,000,000
Northern Trust Cash Fund	**21,000,000**	-
State Street Cash Account	**10,000,000**	10,000,000
Total	**$ 31,000,000**	$ 29,000,000

NOTE 9 – CONTINGENCIES

The Fund is party to various legal proceedings, many of which occur in the normal course of the Fund's operations. These legal proceedings are not, in the opinion of the Office of the Attorney General of the District of Columbia, likely to have a material adverse impact on the Fund's financial position as of September 30, 2017.

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 the amounts reported in the accompanying statements of net position.

Fund contributions are made, and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
September 30, 2017

Schedule of Changes in the Net OPEB (Asset) Liability

	2017
Total OPEB (Asset) Liability	
Total OPEB (asset) liability - beginning of year	$ 1,115,776,087
Service cost	49,609,972
Interest and Dividends	72,123,416
Difference between expected and actual experience	(539,321)
Insurance carrier premiums net of retiree contributions	(12,370,154)
Net change in total OPEB liability	108,823,913
Total OPEB (asset) liability - end of year (a)	$ 1,224,600,000
Fund Fiduciary Net Position	
Fund Fiduciary net position - beginning of year	$ 1,197,441,214
Contributions - employer and annuitants	31,521,466
Net investment income	150,514,898
Insurance carrier premiums (Benefit payments)	(12,891,620)
Administrative expense	(303,897)
Net change in plan fiduciary net position	168,840,847
Fund fiduciary net position - end of year (b)	$ 1,366,282,061
Net OPEB (asset) liability - end of year ((a) - (b))	$ (141,682,061)

*These schedules are presented to illustrate the requirement to present information for 10 years. However, until a full 10-year trend is compiled, OPEB plans should present information for those years for which the information is available.

Required Supplementary Information
September 30, 2017

Schedule of Contributions and Related Ratios

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contributions	$ 31,000,000	$ 29,000,000	$ 91,400,000	$ 86,600,000	$ 85,200,000	$ 95,500,000	$ 94,200,000	$ 92,200,000	$ 130,900,000	$ 103,400,000
Contributions in relation to the actuarially determined contributions	(31,000,000)	(29,000,000)	(91,400,000)	(86,600,000)	(107,778,000)	(109,825,000)	(94,200,000)	(90,724,800)	(81,158,000)	(110,844,800)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ (22,578,000)	$ (14,325,000)	$ -	$ 1,475,200	$ 49,742,000	$ (7,444,800)
Covered employee payroll	$ 1,820,046,000	$ 1,771,334,730	$ 1,608,000,000	$ 1,484,300,000	$ 1,441,100,000	$ 1,399,100,000	$ 1,559,800,000	$ 1,544,500,000	$ 1,579,900,000	$ 1,107,100,000
Contributions as a percentage of covered employee payroll	1.70%	1.64%	5.68%	5.83%	5.91%	6.83%	6.04%	5.97%	8.29%	9.34%

Schedule of Investment Returns

	2017
Annual money-weighted rate of return, net of investment expense	12.49%

*These schedules are presented to illustrate the requirement to present information for 10 years. However, until a full 10-year trend is compiled, OPEB plans should present information for those years for which the information is available.

Notes to Required Supplementary Information
September 30, 2017

The Schedule of Changes in the Net OPEB Liability and Related Ratios presents multiyear trend information about whether the Fund's OPEB liability is increasing or decreasing over time, relative to the Fund's fiduciary net position. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or funding limitation on the pattern of cost sharing between the employer and Fund members in the future.

The Total OPEB Liability as of September 30, 2016, is based on the 2016 valuation results for the Plan. The Total OPEB Liability as of September 30, 2017, is an estimate based on a roll-forward of the 2016 valuation results for the Plan.

Method and Assumptions used in Calculations of Actuarially Determined Contributions

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay, Closed
Remaining Amortization Period	19 years beginning with fiscal year end 2016
Asset Valuation Method	Market Value
Investment Rate of Return	6.50%
Discount Rate	6.50%
Salary Increase Rate	3.50% (plus merit scale)
Medical Inflation Rate	5.9%, grading to 3.9% Assumption utilizes the Society of Actuaries Getzen Medical Trend Model, and reaches the ultimate medical inflation rate in 2040.
Mortality	The RP-2014 Healthy Employee Mortality Table with the MP-2016 Improvement Scale, fully generational, was used for healthy lives both pre- and post-retirement. For disabled lives, the RP-2014 Disabled Life Mortality Table was used.

SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL CONTROLS 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 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 Other Post-Employment Benefits Fund (the Fund) as of and for the year ended September 30, 2017, 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 5, 2018.

Internal Controls over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal controls over financial reporting (internal controls) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 controls.

A *deficiency in internal controls* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal controls, 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 controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal controls over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal controls over financial reporting 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.*

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SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Washington, DC
January 5, 2018

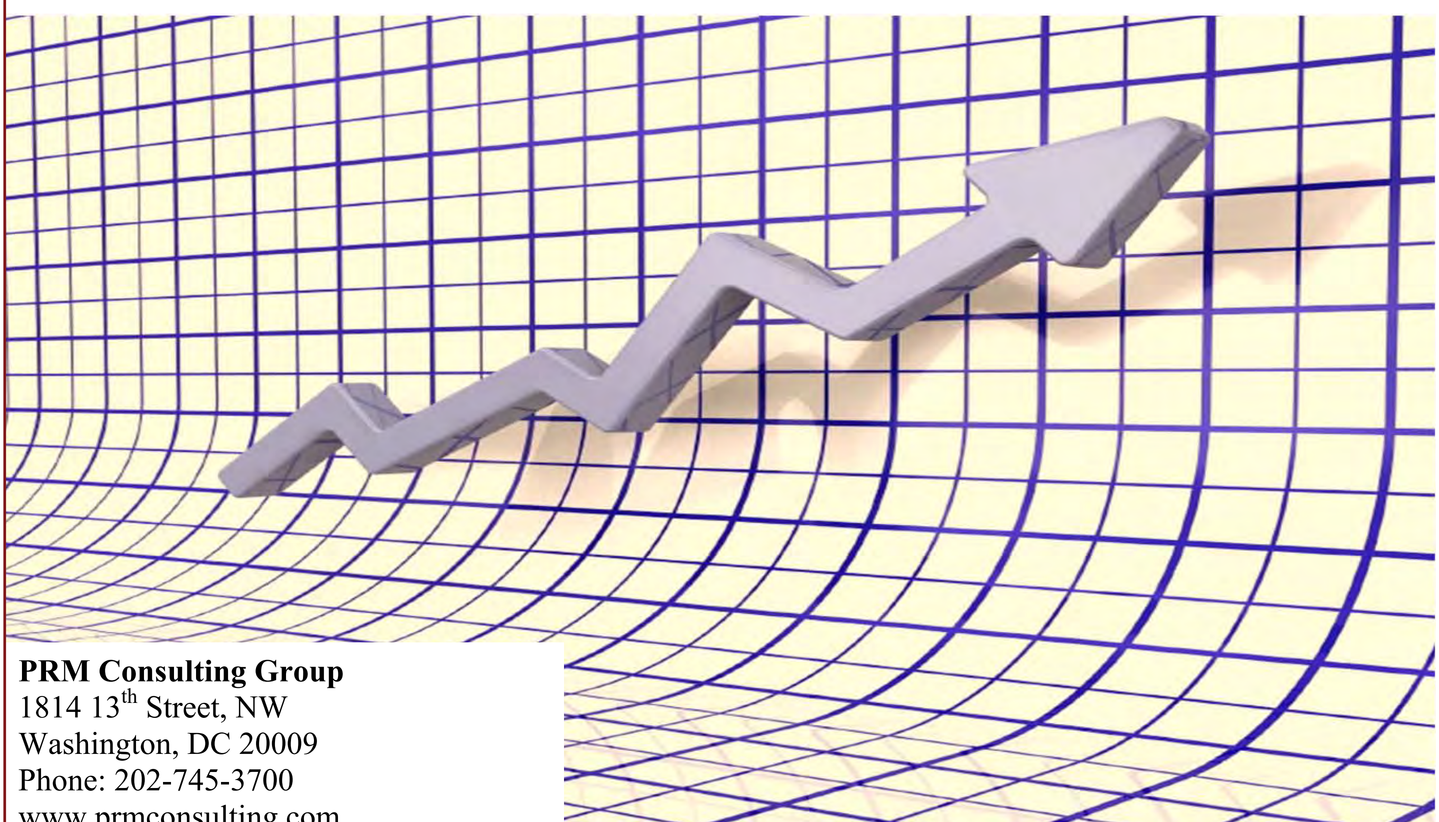
APPENDIX B: ACTUARIAL REPORT

ACTUARIAL VALUATION OF POSTRETIREMENT LIFE & HEALTH PLANS

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

March 2018

prm CONSULTING GROUP



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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, 2017. The purpose of the valuation is to provide an estimate of the actuarial liabilities of the Plan and the recommended employer contributions in accordance with applicable Statements of the Governmental Accounting Standards Board (GASB). Use of the valuation results for other purposes may not be appropriate.

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

Valuation Date	September 30, 2017	September 30, 2016
Total OPEB Liability ($000s)	$1,276,900	$1,115,800
Actuarial Value of Plan Assets (AAV) ($000s)	$1,339,600	$1,248,300
Excess of Total OPEB Liability over AAV ($000s)	($62,700)	($132,500)

The Actuarially Determined Contribution (ADC) for financial statement reporting for the current and prior fiscal years is shown as follows:

Fiscal Year Ending	**September 30, 2018**	**September 30, 2017**
Actuarially Determined Contribution (ADC) ($000s)	$ 44,500	$ 31,000

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 applicable GASB Statements 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 reconciliation of plan asset activity over the fiscal year;

- A presentation of detailed valuation results, 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 evaluated and reviewed this assumption set and received its approval by representatives of the District Office of the Chief Financial Officer (DC OCFO) as part of the valuation project;

- A presentation of Plan CAFR disclosure information, including the development of Annual Required/Actuarially Determined Contributions, 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 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 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.

Timing of Valuation/Measurement versus Dates of Disclosure

In order to accommodate the needs of the District with respect to budgeting, the valuation results obtained from the September 30, 2017 valuation will first be used to compute employer contributions and other GASB disclosure items in the 2018-2019 fiscal year. The employer contribution for the 2016-2017 fiscal year was computed based on a roll-forward valuation of the results obtained from the valuation measurement performed as of the beginning of the 2014-2015 fiscal year. The employer contribution for the 2017-2018 fiscal year was computed based on the valuation undertaken as of September 30, 2016. This time lag is used to better coordinate the District budget timing with the timing for publication of valuation results.

Comparison of Results to Prior Valuation

For the 2017 valuation, plan liabilities are quite comparable to those expected based on a roll-forward of the prior (2016) valuation. The Total OPEB Liability (TOL) based on 2017 valuation results is approximately 4.2% higher than the expected TOL. The primary driver of change from 2016 to 2017 was a larger-than-expected increase in the retiree populations, particularly for the Fire, Police and Teacher groups.

Excise Tax

The Patient Protection and Affordable Care Act (the ACA), which made sweeping reforms to health care coverage access, originally included a 40 percent per year Excise 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 Excise Tax applies to all employer-sponsored group health plans, including governmental plans. Legislation was passed in October 2015 which delayed the application of the Excise Tax until 2020. In January 2018, the Excise Tax effective date was delayed an additional two year until 2022. Final regulatory or other official guidance regarding the calculation and application of the Excise Tax has not yet been issued, and thus future guidance could significantly alter the conclusions discussed herein. The original threshold dollar limits, which were to be effective in 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 non-Medicare retirees as well as high-risk occupations such as fire and police. Based on IRS notice 2015-52, an additional demographic adjustment factor (which compares the age/gender composition of the employer with the national workforce) may further increase the thresholds.

As the District Plan is currently designed, retired employees and their spouse may continue to participate in the plans offered to actively-employed District employees. In order to continue coverage in retirement, retired employees must pay for coverage, based on a cost-sharing arrangement that varies with years of service and type of District employment. Under these cost-sharing arrangements, the District provides a subsidy to the monthly required premium, and the employee is responsible for paying the remainder of the monthly cost. Presumably if the District plan became subject of the Excise Tax, payment of the Excise Tax would be the responsibility of the retiree rather than the District since the District subsidy is a fixed percentage of the monthly premium rate.

Obviously, if the Excise 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 may be affected. Thus, it is likely that the actuarial liability associated with any application of the Excise Tax would result in lower plan liabilities since the Excise Tax would be borne by retirees under the current District plan design and participation rates will decline.

As guidance or developments are forthcoming over the next months and years regarding the specifics of the Excise Tax application, the design of the Plan and future valuations of Plan liabilities will need to be adjusted. In the meantime, we have included this discussion of our current analysis regarding the Excise Tax in an effort to highlight the risk to the Plan and the District of this provision of the ACA.

Executive Summary

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 assumptions 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.
March 2018

Adam J. Reese, FSA, MAAA, EA
PRM Consulting Group, Inc.
March 2018

Mark Knecht, ASA, MAAA, EA
PRM Consulting Group, Inc.
March 2018

Section 2 - Description of GASB Standards

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.

In June of 2015, the GASB issued Statement Nos. 74 and 75. GASB 74 governs financial reporting by the District OPEB Plan and is effective for fiscal years beginning after June 15, 2016. GASB 75 governs financial reporting by the District, and is effective for fiscal years beginning after June 15, 2017.

The purpose of these standards 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.

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. Under GASB 74 and 75, the Entry Age Normal (EAN) Cost method must be used. The District has selected and used the 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.

Total OPEB Liability

The total OPEB 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 total OPEB 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 total OPEB liability and the value of assets (referred to as the "Fiduciary Net Position" under GASB 74 & 75) accumulated as of the valuation date is referred to as the net OPEB liability. Net OPEB 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.

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 100% of the Annual Required Contribution, including the contribution made for FYE 2016. Under the newer GASB 75 Statement, the "Annual Required Contribution" will no longer apply, and the target or recommended contribution is referred to as the "Actuarially Determined Contribution." It is the intent of the District government to fully fund the Actuarially Determined Contribution with annual appropriations.

Discount Rate

The valuation results are dependent on the discount rate. GASB standards specify 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. The District has established a trust, where current annual funding to the trust far exceeds benefit payments made from the trust. With assets of approximately $1.4 billion invested in a diversified portfolio, the District expects the trust assets to be used to pay all benefits in the future. For the liability measurement as of September 30, 2017, which will first be used to establish the Actuarially Determined Contribution for the 2018-2019 fiscal year, the discount rate used is 6.5%, which is unchanged from the discount rate used in the prior (2016) valuation.

SECTION 3 – PLAN ASSETS

Table 3.1 shows the development of the OPEB Fiduciary Net Position, i.e., the market value of plan assets, since the prior (09/30/2017) valuation.

Table 3.1 Reconciliation of Plan Assets (000s)		
		FYE 9/30/2017
1.	Beginning Market Value	$1,197,441
2.	Employer Contributions	$31,000
3.	Participant Contributions	$521
4.	Interest, Dividends and other investment income	$12,683
5.	Net appreciation on plan assets	$141,293
6.	Investment Expense	($3,460)
7.	Benefit Payments	($12,892)
8.	Administrative Expense	($304)
9.	Ending Market Value	$1,366,282
10.	Money-weighted Rate of Return for fiscal year	12.49%

Table 3.2 shows the development of the Actuarial Asset Value (AAV) for the September 30, 2017 valuation.

Table 3.2 Development of Actuarial Asset Value			
	FYE 09/30/2015	FYE 09/30/2016	FYE 09/30/2017
1. AAV, Beginning of Fiscal Year	$1,051,359,059	$1,178,658,752	$1,248,308,382
2. Market Value of Assets, End of Fiscal Year	$1,076,550,114	$1,197,441,214	$1,366,282,061
3. Market Value of Assets, Beginning of Fiscal Year	$1,051,359,059	$1,076,550,114	$1,197,441,214
4. Fiscal Year Cash Flow			
a. Employer Contributions	91,400,000	29,000,000	31,000,000
b. Participant Contributions	410,780	430,587	521,466
c. Benefit Payments	(6,739,591)	(10,043,719)	(12,891,620)
d. Administrative Expense	(365,123)	(292,482)	(303,897)
e. Net Cash Flow	84,706,066	19,094,386	18,325,949
5. Investment Performance			
a. Actual Performance (2.-3.-4e.)	(59,515,011)	101,796,714	150,514,898
b. Assumed Rate of Return	6.50%	6.50%	6.50%
c. Expected Performance	68,120,786	69,653,825	77,421,772
d. Gain/(Loss) (5a. – 5c.)	(127,635,797)	32,142,889	73,093,126
6. Recognition of Investment Performance in AAV over five years			
a. Current Year (1/5 x 5d.)	(25,527,159)	6,428,578	14,618,625
b. First Prior Year	N/A	(25,527,159)	6,428,578
c. Second Prior Year	N/A	N/A	(25,527,159)
d. Third Prior Year	N/A	N/A	N/A
e. Fourth Prior Year	N/A	N/A	N/A
f. Total	(25,527,159)	(19,098,581)	(4,479,956)
7. Preliminary AAV, end of Fiscal Year (1.+4e.+5c.+6f.)	$1,178,658,752	$1,248,308,382	$1,339,576,147
8. AAV with 80%-120% corridor applied	$1,178,658,752	$1,248,308,382	$1,339,576,147

SECTION 4 - Financial Accounting Information

For the fiscal year ending September 30, 2017, the District was required to disclose under GASB 45 for purposes of disclosures contained in the District CAFR. For purposes of Plan disclosures, GASB 74 was the applicable GASB Standard. A summary of certain disclosure items for each of these GASB Standards is provided in this Section.

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

GASB 45 Disclosures

Table 4.1 shows the schedule of funding progress for the District. The District has made substantial progress in funding the obligation with the funded ratio increasing to 118.2% as of September 30, 2016.

Table 4.1
Schedule of Funding Progress for Fiscal Year Ending September 30, 2016
(dollars in millions)

Actuarial Valuation Date	Actuarial Asset Value	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%
2014	$1,036.6	$1,188.3	$151.7	87.2%	$1,484.3*	10.22%
2015	$1,202.4	$1,001.2	($201.2)	120.1%	$1,608.0	-12.51%
2016	$1,298.1	$1,098.5	($199.6)	118.2%	$1,656.2*	-12.05%

*Estimated to be 3% larger than prior valuation year

Table 4.2 shows the calculation of the Annual Required Contribution (ARC) for the FYE 2016 and FYE 2017.

Table 4.2 Development of the ARC ($000s)		
	FYE 2016	**FYE 2017**
Normal Cost	$43,700	$46,200
Amortization of Unfunded Actuarial Accrued Liability	($14,700)	($15,200)
Total	$29,000	$31,000

Table 4.3 shows the Schedule of Employer Contributions, which compares the annual ARC with the actual District contributions to the Plan.

Table 4.3 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	86.60	100.0%
2015	91.40	91.40	100.0%
2016	29.00	29.00	100.0%
2017	31.00	31.00	100.0%

Table 4.4 provides the development of the Net OPEB Obligation that has occurred since the adoption of the GASB standards for FYE 2008.

Table 4.4
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	$49.5	$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	$86.6	$0.1	$10.0
9/30/2014	$91.4	$.7	($.7)	$91.4	$91.4	$0.0	$10.0
9/30/2015	$29.0	$.7	($.7)	$29.0	$29.0	$0.0	$10.0
9/30/2016	$31.0	$.7	($.7)	$31.0	$31.0	$0.0	$10.0

GASB 74 Disclosures

Table 4.5 reports the Money-weighted Rate of Return on OPEB Plan investments for the fiscal years ending September 30, 2016 and 2017.

Table 4.5 Money-Weighted Rate of Return on OPEB Plan Investments		
	FYE 09/30/2016	**FYE 09/30/2017**
Money-weighted return for fiscal year	9.49%	12.49%

The money-weighted rate of return on OPEB Plan investments is computed using the methodology outlined In GASB Implementation Guide 2017-2, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. Computation uses actual contribution dates for District contributions and assumes that participant contributions, benefit payments and administrative expenses are paid uniformly throughout the fiscal year.

Table 4.6 provides the disclosure and development of the Total OPEB Liability, Fiduciary Net Position and Net OPEB Liability for the Plan.

Table 4.6 Total OPEB Liability, Fiduciary OPEB Net Position and Net OPEB Liability		
Measurement Date	**09/30/2016**	**09/30/2017**
1. Total OPEB Liability	$1,115,776,087	$1,224,600,000
2. OPEB Plan Fiduciary Net Position	$1,197,441,214	$1,366,282,061
3. Net OPEB Liability (1. – 2.)	($81,665,127)	($141,682,061)
4. Fiduciary Net Position as a Percentage of Total OPEB Liability (2. / 1.)	107.32%	111.57%
5. Discount Rate used to compute Total OPEB Liability	6.50%	6.50%

The Total OPEB Liability as of 09/30/2016 is based on the 2016 valuation results for the Plan. The Total OPEB Liability as of 09/30/2017 is an estimate based on a roll-forward of the 2016 valuation results for the Plan.

Financial Accounting Information

Tables 4.7 and 4.8 presents a calculation of the Net OPEB Liability based on (1) a health care trend rate that is 1% higher and 1% lower than the valuation trend rates, and (2) a discount rate that is 1% higher and 1% lower than the valuation discount rate.

Table 4.7 Sensitivity Due to 1% Change in Health Care Trend Rate		
Measurement Date	**09/30/2016**	**09/30/2017**
1. OPEB Plan Fiduciary Net Position	$1,197,441,214	$1,366,282,061
2. Total OPEB Liability, Valuation Health Care Trend Rate	$1,115,776,087	$1,224,600,000
3. Total OPEB Liability, Valuation Health Care Trend Rate + 1%	$1,360,323,118	$1,498,700,000
4. Total OPEB Liability, Valuation Health Care Trend Rate – 1%	$928,539,847	$1,015,100,000
5. Net OPEB Liability, Valuation Health Care Trend Rate (2. – 1.)	($81,665,127)	($141,682,061)
6. Net OPEB Liability, Valuation Health Care Trend Rate + 1% (3. – 1.)	$162,881,904	$132,417,939
7. Net OPEB Liability, Valuation Health Care Trend Rate – 1% (4. – 1.)	($268,901,367)	($351,182,061)

Table 4.8 Sensitivity Due to 1% Change in Valuation Discount Rate		
Measurement Date	**09/30/2016**	**09/30/2017**
1. OPEB Plan Fiduciary Net Position	$1,197,441,214	$1,366,282,061
2. Total OPEB Liability, Valuation Discount Rate	$1,115,776,087	$1,224,600,000
3. Total OPEB Liability, Valuation Discount Rate + 1%	$948,133,618	$1,044,500,000
4. Total OPEB Liability, Valuation Discount Rate – 1%	$1,327,785,461	$1,451,800,000
5. Net OPEB Liability, Valuation Discount Rate (2. – 1.)	($81,665,127)	($141,682,061)
6. Net OPEB Liability, Valuation Discount Rate + 1% (3. – 1.)	($249,307,596)	($321,782,061)
7. Net OPEB Liability, Valuation Discount Rate – 1% (4. – 1.)	$130,344,247	$85,517,939

The Total OPEB Liability as of 09/30/2016 is based on the 2016 valuation results for the Plan. The Total OPEB Liability as of 09/30/2017 is an estimate based on a roll-forward of the 2016 valuation results for the Plan.

Financial Accounting Information

Table 4.9 provides the development and roll-forward of the Total OPEB Liability since the actuarial valuation prepared for the plan as of September 30, 2012.

Table 4.9
Schedule of Changes in Total OPEB Liability

	2016-2017	2015-2016	2014-2015	2013-2014	2012-2013
Service Cost	$49,609,972	$43,700,000	$82,100,000	$77,600,000	$71,862,046
Interest on the total OPEB Liability	72,123,416	64,765,573	82,959,492	73,188,288	64,217,455
Changes in Benefit Terms	-	-	-	-	-
Differences between expected and actual experience	(539,321)	75,438,473	(345,830,681)*	(5,582,225)	(3,163,926)
Changes in assumptions	-	(59,714,827)		-	-
Insurance carrier premiums net of retiree contributions	(12,370,154)	(9,613,132)	(6,328,811)	(4,906,063)	(4,615,575)
Net change in total OPEB liability	108,823,913	114,576,087	(187,100,000)	140,300,000	128,300,000
Total OPEB liability-beginning of fiscal year	1,115,776,087	1,001,200,000	1,188,300,000	1,048,000,000	919,700,000
Total OPEB liability-end of fiscal year	$1,224,600,000	$1,115,776,087	$1,001,200,000	$1,188,300,000	$1,048,000,000

*Amount of change in OPEB Liability due to change in actuarial assumptions versus due to differences between actual & expected experience is not separately available for this period. Accordingly, these amounts are aggregated and included in the overall gain/loss for this year.

SECTION 5 - 2017 Valuation Results and Projections for Future Fiscal Years

Table 5.1 shows the Total OPEB Liability (TOL) for actives and retirees, the normal cost, the Actuarial Asset Value and the resulting unfunded actuarial accrued liability (UAAL) as of September 30, 2017 (valuation date) at a 6.5% discount rate. Note that this development of the TOL and UAAL are based on the actual measurement at September 30, 2017, and will first be used in the determination of the Actuarially Determined Contribution for the 2018-2019 fiscal year.

The table shows the liability results for four separate populations:

- Firefighters
- Police
- Teachers, and
- General Employees

Table 5.1
Total OPEB Liability, Normal Cost & Actuarial Asset Value as of September 30, 2017 (in dollars)

	Fire	Police	Teachers	General	Total
Active Employees TOL	$124,884,570	$249,932,186	$103,996,055	$488,357,386	$967,170,197
Retired Employees TOL	25,241,114	228,726,631	36,040,099	19,697,775	309,705,619
Total TOL	150,125,684	478,658,817	140,036,154	508,055,161	1,276,875,816
Actuarial Asset Value					1,339,576,147
UAAL					(62,700,331)
Normal Cost	$7,120,768	$12,805,196	$5,694,693	$19,544,439	$45,165,095

Some changes were made in actuarial assumptions since the prior valuation, as described in Section 6 of this report. Included in these changes were changes to the mortality rates assumed for plan participants, changes in assumed healthcare trend rates, and changes in assumed claims costs.

Effective with the 2016 valuation of the Plan, the use of a 5-year smoothing Actuarial Asset Method has been implemented. The method is described in Section 6 of this report, and was adopted in order to eliminate year-to-year volatility in the value of assets used in the valuation and used to compute District contributions.

2017 Valuation Results

Table 5.2 shows a projection of future years' Total OPEB Liability (TOL), Actuarial Asset Value, Unfunded AAL (UAAL), Funded Ratio and Actuarially Determined Contribution for FYEs 2019 through 2023, based on a projection of the September 30, 2017 valuation results. These projections are based on the adoption of a closed 20-year amortization of the UAAL effective for FYE 2016. The Actuarially Determined Contribution for the FYE 2018 is shown also, which is computed based on the September 30, 2016 valuation results.

Table 5.2
Projections of Actuarial Results ($ in 000s)

	Fiscal Year Ending September 30,					
	2018	**2019**	**2020**	**2021**	**2022**	**2023**
TOL	$1,224,600	$1,386,800	$1,501,800	$1,621,900	$1,747,500	$1,878,100
Actuarial Asset Value	1,324,400	1,446,900	1,558,200	1,700,200	1,839,000	1,966,500
UAAL	(99,800)	(60,100)	(56,400)	(78,300)	(91,500)	(88,400)
Funded Ratio	108.1%	104.3%	103.8%	104.8%	105.2%	104.7%
Actuarially Determined Contribution	$44,500	$46,000	$49,000	$49,800	$51,500	$54,700
Amortization Period for UAAL (Years)	18	17	16	15	14	13

Sensitivity

Table 5.3 illustrates the impact on the TOL of a 1.00% change in investment (discount rate) assumption and a 1.00% change in medical trend:

Table 5.3 Estimated Change in TOL due to Changes in Actuarial Assumptions (000s)					
		Impact of Change in Investment Return Assumption Only		Impact of Change in Medical Trend Only	
	Actual 2017 Valuation Results	1.00% Increase	1.00% Decrease	1.00% Increase	1.00% Decrease
TOL	$1,276,876	($185,695)	$234,536	$265,826	($204,556)

Projected Cash Flow

The following table presents a 30-year payout projection of employer payments for the District OPEB plan:

Table 5.4 Projected Cash Flow	
Fiscal Year Ending September 30,	**Employer Payment**
2018	$20,477,711
2019	25,213,428
2020	30,306,773
2021	35,549,206
2022	41,795,339
2023	48,423,184
2024	55,355,475
2025	62,699,792
2026	70,742,577
2027	79,182,863
2028	87,286,194
2029	94,781,300
2030	101,953,486
2031	109,072,820
2032	115,217,723
2033	122,165,759
2034	130,239,395
2035	138,546,021
2036	145,911,111
2037	154,075,845
2038	162,481,458
2039	171,418,710
2040	180,731,992
2041	190,552,354
2042	200,921,486
2043	210,420,362
2044	219,495,631
2045	227,651,823
2046	234,336,029
2047	$240,052,760

SECTION 6 - Actuarial Assumptions & Methods

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 used to value the post-retirement medical liabilities 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, 2017 valuation is 6.50%

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. The SOA model was released in December 2007, and version 2018_c was used for the 2017 valuation.

Actuarial Assumptions

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

Actuarial Assumptions	
Variable	**Rate**
Rate of Inflation	2.75%
Rate of Growth in Real Income / GDP per capita 2027+	1.1%
Extra Trend due to Taste/Technology 2027+	1.0%
Expected Health Share of GDP 2027	20.0%
Health Share of GDP Resistance Point	25.0%
Year for Limiting Cost Growth to GDP Growth	2040

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 input variables have been developed under the guidance of the SOA Project Oversight Group.

Table 6.1 shows the medical cost trends used in the valuation and are an output of the SOA Long-Run Medical Cost Trend Model, version 2018_c. The set of health care trend rates has an initial health care cost trend rate of 5.5 percent and declines gradually to an ultimate rate of 3.9 percent starting in 2040.

Table 6.1	
FYE	**Annual Trend**
2018	5.5%
2019	5.4%
2020	5.3%
2021	5.2%
2025	5.0%
2030	4.9%
2035	4.3%
2040	3.9%

Salary Increases and Inflation

The base inflation rate used in the valuation was 2.75%, plus a productivity increase of .75%. Merit and seniority increases are additional and are shown in Table 6.2 below.

Table 6.2
% Salary Increase

Service	Teachers	Police	Fire
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

Table 6.3 shows the valuation assumptions used in the September 30, 2017 valuation. The table shows the total monthly health care cost by age, before taking into account any retiree premiums paid by the participants. The rates shown are used for both males and females, and represent a blended cost rate that reflects the distribution of the actual health care plans (i.e. Aetna PPO, Aetna CDHP, Aetna HMO, Kaiser and UHC) where the covered population is enrolled.

The medical costs reduce substantially at age 65 when retirees become eligible for Medicare and Medicare is primary for their covered medical services.

Table 6.3
Age-Specific Healthcare Costs

	Monthly Cost	
Retirees <65	***Male***	***Female***
<30	$480	$483
30-39	$515	$517
40-44	$587	$585
45-49	$683	$680
50-54	$813	$814
55-59	$984	$981
60-64	$1,233	$1,229
Retirees 65+		
65-69	$ 555	$ 560
70-74	$ 613	$ 618
75-79	$ 670	$ 676
80+	$ 689	$ 695

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 spouses, coverage rates, and participation rates. The complete set of demographic assumptions is shown below.

Preretirement Mortality Rates

The RP-2014 Healthy Employee Mortality Table with the MP-2017 Improvement Scale, fully generational.

Postretirement Mortality Rates

The RP-2014 Healthy Annuitant Mortality Table with the MP-2017 Improvement Scale, fully generational. For disabled retirees, the RP-2014 Disabled Life Mortality Table was used.

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 6.4a Teachers/General			
Age	Years of Service		
	<4	4-9	10+
20	25.00%	20.00%	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%
62+	0.00%	0.00%	0.00%

Table 6.4b Police				
Age	Male		Female	
	<3 years of service	3+ years of service	<3 years of service	3+ years of service
20	10.00%	6.00%	10.00%	2.50%
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+	10.00%	0.00%	10.00%	0.00%

Table 6.4c 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 6.5 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%
62+	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 6.6a
General

Age	Rate
62-64	50.0%
65+	100.0%

Table 6.6b
Teachers

Age	<30 years of service	30+ years of service
50-54	2.50%	2.50%
55-59	6.00%	33.00%
60-61	27.00%	25.00%
62-64	25.00%	25.00%
65-69	20.00%	25.00%
70	30.00%	30.00%
71-74	25.00%	40.00%
75+	100.00%	100.00%

Table 6.6c
Police

Service	Rate
20-24	12.5%
25-29	22.0%
30-34	15.0%
35+	20.0%
Minimum Retirement Age = 50	
100% of Police are assumed to retire at Age 65	

Actuarial Assumptions

Table 6.6d Fire Fighters	
Service	**Rate**
20-29	12.5%
30-34	20.0%
35+	40.0%
Minimum Retirement Age = 50	
100% of Fire Fighters are assumed to retire at Age 60	

Participation Rates for the Healthcare Benefit Plan--Participants

70 percent of participants, across all employee groups (i.e. Police, Fire, Teachers and General Employees) are assumed to elect the Healthcare Benefit Plan upon retirement.

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 Cost Method

Entry-Age Normal, Level Percentage of Pay

Actuarial Asset Method

The Actuarial Asset Method provides for a smoothed value of Plan assets. Under the method used, the difference between the actual and expected return is recognized over a five-year period on a straight-line method. Expected return is computed using the assumed long-term rate of return on plan assets. The actuarial value of assets is constrained to an 80%-120% corridor around the market value of assets and is applied prospectively for years after September 30, 2014.

Changes since the prior valuation

Several changes were made in the actuarial assumptions since the prior (2016) valuation, in order to more closely reflect anticipated experience under the plan. The assumptions used in the prior valuation, that were changed effective with the 2017 valuation, are described as follows:

Prior Medical Trend

Table 6.7 shows the medical cost trends used in the 2016 valuation and are an output of the SOA Long-Run Medical Cost Trend Model, version 2016_a.

Table 6.7	
FYE	**Annual Trend**
2017	5.9%
2018	5.8%
2019	5.7%
2020	5.6%
2021	5.5%
2025	5.1%
2030	4.8%
2035	4.2%
2040	3.9%

Prior Mortality Rates

Preretirement Mortality Rates

The RP-2014 Healthy Employee Mortality Table with the MP-2016 Improvement Scale, fully generational.

Postretirement Mortality Rates

The RP-2014 Healthy Annuitant Mortality Table with the MP-2016 Improvement Scale, fully generational. For disabled retirees, the RP-2014 Disabled Life Mortality Table was used.

Prior Monthly Healthcare Cost Rates

Table 6.8 table shows the 2016 total monthly health care cost by age, before taking into account any retiree premiums paid by the participants.

Table 6.8 Age-Specific Healthcare Costs		
	Monthly Cost	
Retirees <65	***Male***	***Female***
<30	$ 459	$ 463
30-39	$ 494	$ 495
40-44	$ 560	$ 561
45-49	$ 651	$ 648
50-54	$ 774	$ 772
55-59	$ 937	$ 933
60-64	$ 1,175	$ 1,175
Retirees 65+		
65-69	$ 527	$ 531
70-74	$ 582	$ 586
75-79	$ 637	$ 641
80+	$ 655	$ 659

SECTION 7 - 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. Are classified as a General Employee, are at least age 60, have at least 10 years of creditable District service, are covered under the District defined contribution program and have obtained a Social Security award letter (including disability); or

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

3. 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:

<table>
<tr><th colspan="5">Eligibility</th></tr>
<tr><th rowspan="2">Plan</th><th colspan="4">Criteria to qualify for retirement</th></tr>
<tr><th colspan="2">Unreduced</th><th colspan="2">Reduced</th></tr>
<tr><th></th><th>Age</th><th>Service</th><th>Age</th><th>Service</th></tr>
<tr><td rowspan="3">Teachers
(note: service must include 5 years of school service)</td><td>55*</td><td>30</td><td>50</td><td>20</td></tr>
<tr><td>60</td><td>20</td><td>Any</td><td>25</td></tr>
<tr><td>62</td><td>5</td><td></td><td></td></tr>
<tr><td colspan="5"></td></tr>
<tr><td rowspan="2">Police & Firefighters – hired before 11/10/1996**</td><td>50</td><td>25</td><td>NA</td><td>NA</td></tr>
<tr><td>60</td><td>5</td><td>NA</td><td>NA</td></tr>
<tr><td colspan="5"></td></tr>
<tr><td rowspan="2">Police & Firefighters – hired on or after 11/10/1996</td><td>Any</td><td>25</td><td>NA</td><td>NA</td></tr>
<tr><td>60</td><td>None</td><td>NA</td><td>NA</td></tr>
</table>

*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

A surviving spouse may continue healthcare coverage upon the retiree's death.

Summary of Plan Provisions

Plan of Benefits: Medical coverage is provided through one of five Plans, offered by either Aetna, Kaiser Permanente or United Healthcare. The plans that are available for active employees are available to retirees. There is no change in the plans available once a retiree reaches Medicare eligibility, although Medicare becomes primary once Medicare eligibility is reached. The principal benefit provisions, for in-network providers unless otherwise stated, 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	15% coinsurance after deductible	$15 Non-specialist; $30 Specialist (deductible waived)	$10 PCP; $20 Specialist	$10 PCP; $20 Specialist	$10 PCP; $20 Specialist
100% Coverage Preventive Care/Screening/Immunization?	Yes	Yes	Yes	Yes	Yes
Deductible	$1,350 individual/$2,700 family in-network	$750 individual/ $1,500 family in-network	None	None	None
Coinsurance	15%	15%	NA	NA	NA
Annual Maximum Out-of-Pocket	$3,425 individual/$6,850 family in-network	$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 & out-of-pocket limits are higher; 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 in network	15% after deductible in-network	$100 Copay	$100 Copay	$100 Copay
Outpatient Surgery Copay/Coinsurance	15% after deductible in network	15% after deductible in-network	$50 Copay	$50 Copay	$50 Copay
Emergency Room	15% after deductible in network	$100 Copay	$100 Copay	$50 Copay	$100 Copay
Outpatient Mental Health and Substance Abuse Copay	15% after deductible in network	$15/visit in-network	$10/visit	$10/visit $5/Group visit	$10/visit
Pharmacy copay (30-day supply)	Generic: $10; Preferred: $30 Non-preferred: $60 (in-network, after deductible) Out-of-network 20% of cost after in-network copay and after deductible	Generic: $20; Preferred: $40 Non-preferred: $55 No out-of-network pharmacy benefit is provided	Generic: $20; Preferred: $40 Non-preferred: $55	Generic: $10-$20; Preferred: $20-$40 Non-preferred: $35-$55	Tier 1: $20; Tier 2: $40; Tier 3: $55; Tier 4: $66

Retiree Contributions:

General Employees

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 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 2018 are set forth as follows:

Total Plan Costs		
Healthcare Plan	**Aggregate Cost Rate**	
	Employee Only	**Employee and Spouse**
Aetna Healthcare CDHP	$ 432.56	$ 850.24
Aetna PPO	776.36	1,526.12
Aetna HMO	758.56	1,491.08
Kaiser Permanente HMO	592.12	1,131.04
United Healthcare Choice Nationwide	707.24	1,350.80

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 $0.065 per $1,000 of insurance are required until age 65, with no participant contributions thereafter. Under the 75% reduction option, coverage reduces 2% per month 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 8 - Participant Data

The following tables show the current retired participants, and the potential participants who are currently active. These data represent the counts for the valuation/measurement undertaken as of September 30, 2017, which will first be used in GASB disclosures for the 2017-2018 fiscal year.

Table 8.1
Participant Data

	Fire	Police	Teachers	General	Total
Active Employees	1,461	2,952	4,133	16,242	24,788
Average Age	40	40	39	46	44
Average Service	15	15	7	11	11
Average Salary	$78,231	$81,252	$86,310	$75,726	$78,296
Retirees	89	742	325	382	1,538
Average Age	51	53	68	70	60

Table 8.2
Age by Service

	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total
<25	75	245	26	0	0	0	0	0	0	0	346
25-29	306	1,685	413	30	0	0	0	0	0	0	2,434
30-34	272	1,755	1,212	527	28	0	0	0	0	0	3,794
35-39	182	1,158	1,012	952	350	14	0	0	0	0	3,668
40-44	119	723	645	770	696	248	49	0	0	0	3,250
45-49	106	540	577	704	774	477	582	35	0	0	3,795
50-54	63	359	453	492	524	353	585	142	11	0	2,982
55-59	33	285	309	384	457	262	368	105	35	3	2,241
60-64	19	129	211	282	264	205	231	62	24	15	1,442
65-69	5	50	87	130	120	99	118	21	5	8	643
70+	1	6	23	33	47	26	45	6	1	5	193
Total	1,181	6,935	4,958	4,304	3,260	1,684	1,978	371	76	31	25,110

APPENDIX C: HEALTH AND LIFE INSURANCE PROVIDER DESCRIPTIONS

Preferred Provider Organization (PPO) Plan: Aetna

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

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

Health Maintenance Organization (HMO) Plans: Aetna and Kaiser

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

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

Consumer-Driven Health Care (CDHC) Plan: Aetna

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

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

Open Access Plan (OAP): UnitedHealthcare Choice

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

Added Features include:

- Fixed dollar co-payments
- Co-insurance options
- Access to UnitedHealthcare Care Coordination^{SM} services

Advantages of the plan include:

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

Group Life Insurance: Standard Life Insurance Company

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

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

Three optional forms of life insurance are available:

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

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