2009 Annual Report

DALLAS POLICE & FIRE PENSION SYSTEM

Serving Those Who Protect the Dallas Community

2009 at a Glance
Statistical Highlights

The Dallas Police and Fire Pension System provides retirement, disability, and survivor benefits to the Police Officers and Firefighters of the City of Dallas. The System has had a steady growth in both its membership and its assets since it was founded in 1916.

Participants

Active Members= 5,476

Benefit Recipients = 3,450

Terminated Vested = 144

Total Participants = 9,070

Service Retirements Added

Police = 68

Fire = 54

Total = 122

Disability Retirements Added

Police = 1

Fire = 0

Total = 1

System Assets at Market Value = $2,872,940,067

Benefits Paid = $155,342,896

Member Contributions = $19,584,241

City Contributions = $ 107,699,648


DALLAS FIRE
RESCUE
18
DALLAS POLICE

Comprehensive Annual Financial Report

of the

Dallas Police and Fire Pension System

for the Year Ending December 31, 2009

Richard L. Tettamant, Administrator
Dallas Police and Fire Pension System
4100 Harry Hines Blvd., Suite 100
Dallas, Texas 75219
214.638.3863 or 1.800.638.3861

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Introduction

Richard L. Tettamant,
Administrator

Brian F. Blake,
Chief Investment Strategist

Donald C. Rohan,
Assistant Administrator

Mike Taylor,
Chief Financial Officer

DALLAS POLICE & FIRE PENSION SYSTEM

July 8, 2010

Members of the Dallas Police and Fire Pension System:

The Board of Trustees and staff of the Dallas Police and Fire Pension System (the System) are pleased to present the Comprehensive Annual Financial Report of the System (the Annual Report), including the Financial Statements of the Supplemental Police and Fire Pension Plan of the City of Dallas (the Supplemental Plan), for the fiscal year ended December 31, 2009. Though the assets of System and Supplemental Plan are co-invested through a Group Trust, the two plans are two separate legal entities.

This annual report is intended to provide complete and reliable information regarding the financial performance of the System and a means to measure the responsible stewardship of the System's assets. To the best of our knowledge, the information is accurate in all material respects and presents fairly the financial position and operations of the System.

The System achieved an investment return of 15.7% during 2009, almost double the actuarially assumed rate of return. The investment return reflects a broad-based market recovery from 2008 when the global financial system faced its greatest challenge since the 1930s.

This annual report is divided into six sections:

- The **Introduction** includes this transmittal letter and an overview of the System highlighting the System's history, administrative structure, operations and programs, and provides a list of professional service providers.
- The **Financials** section presents the independent auditor's report on the System's financial statements. The audit includes Management's Discussion and Analysis (MD&A) and the System's financial statements and notes to the financial statements, with required supplemental information.
- The **Investments** section includes a report on investment activity and performance, a summary of investment policies, and other investment related schedules covering the combined assets of the System and Supplemental Plan.
- The **Actuarial Report** section contains the consulting actuary's Certification Letter and the full actuarial valuation report.

4100 Harry Hines Blvd. - Suite 100 - Dallas, Texas 75219
Phone 214.638.3863 - Fax 214.638.6403

- The **Statistics** section presents membership, benefit payment and additional financial information in graphic form. Both current and historical data are presented. in graphic form. Both current and historical data are presented.
- The **Supplemental Pension Plan** section contains the *2009 Actuarial Valuation* and the *2009 Financial Statements with Independent Auditor's Report* for the Supplemental Police and Fire Pension Plan of the City of Dallas.

MFR, PC, the System's independent auditor, issued an unqualified opinion on the System's financial statements. This report indicates that the financial statements are in accordance with Governmental Accounting Standards Board rulings and that the System's financial condition and operations are fairly presented. It is the best type of report an independent auditor may issue.

The actuarial valuation was performed by Buck Consultants. The Actuarial Valuation Report states that the overall funding of the System remains sound. The System achieved a funding ratio of 81.8% funded and a funding period of 26 years to fully fund. The Actuarial Valuation for the Supplemental Plan is included in the last section of this annual report.

Except where noted, NEPC and The Townsend Group provided the investment performance data included in this report.

The System's management staff is responsible for maintaining internal controls. These controls are designed to provide reasonable assurance that the assets are protected and that financial transactions are executed in accordance with Board policy and federal, state, and local laws and regulations. Additionally, the controls provide assurance regarding Management's responsibility to the System and facilitate the timely preparation of financial statements in accordance with generally accepted accounting principles.

At a time when the defined benefit form of public pension plan remains under attack in many jurisdictions around the country, the System's outstanding investment return over time and the diligence of the Board in monitoring the System's funding status help assure its continued financial health.

As always, the Board of Trustees and staff welcome your comments. We appreciate your support and the opportunity to serve you.

The Board of Trustees and the staff are dedicated to maintaining the System's excellent financial condition through diversification and sound management of the Pension System. We believe that a strong Pension System benefits the City and its taxpayers, as well as the Members of the System. We will continue to do our best:

"Serving Those Who Protect the Dallas Community."

Respectfully submitted,

Gerald Brown	***Richard L. Tettamant***
Chairman of the Board of Trustees	Administrator


DALLAS P
"Caring, Serving,
and Protecting"

Overview

HISTORY OF THE SYSTEM

The System is a defined benefit plan qualified under section 401 (a) of the Internal Revenue Code. A pension plan was first established for Dallas Police Officers and Firefighters under City Ordinance in 1916. The employees and the City each contributed 1% of pay. The “Old Plan,” as we now know it, was created in response to funding pressures in 1935 under Section 6243a, Vernons’ Texas Revised Civil Statutes.

Plan A became effective September 15, 1969. Plan A and the Old Plan are now viewed together as Group A. There are no current active contributing Members of the Old Plan or Plan A in the System.

The Legislature approved Plan B, created by a vote of the membership, effective March 1, 1973. Together, the three plans are referred to as the Combined Pension Plan. In 2008, the System celebrated its 93rd anniversary of ensuring the financial future of City of Dallas Police Officers and Firefighters and their families. The System now serves over 9,000 families of Police Officers and Firefighters.

SYSTEM ADMINISTRATION

The System is administered by a 12 member Board of Trustees composed of:

- Three elected from the active membership of the Police Department,
- Three elected from the active membership of the Fire-Rescue Department,
- One elected by retired Police Officers,
- One elected by retired Firefighters, and
- Four appointed by the City Council from among its membership.

The Board has a fiduciary responsibility to the System and its members to exercise prudent oversight and administration of System assets. To meet their responsibility and stay current with technical concepts and approaches to asset management and plan administration, the Board and staff participate in educational conferences and perform due diligence concerning System investments. The Board also maintains active participation in pension-related associations, notably the National Conference on Public Employee Retirement Systems (NCPERS) and the Texas Association of Public Employee Retirement Systems (TEXPERS).

The Board has retained the services of professional consultants and advisors considered essential to the effective operations of the System. These professionals assist the Board in making the decisions that affect the System’s investment performance as well as the administration and maintenance of benefit programs.

The Board meets monthly and as needed in the performance of its fiduciary duties. The Board also meets at least quarterly with its investment consultants to review the performance of each investment manager, asset class and fund investments. Periodically, the Board conducts an asset allocation study to optimize the allocation of System assets.

The administrative staff performs the day-to-day operations of the System. At year end, the staff consisted of 33 positions and included the Administrative, Benefits, Accounting, Investment, and Information

PROFESSIONAL SERVICE PROVIDERS

Investment Advisors

AllianceBernstein Institutional Investment Mgmt.
Ashmore Investment Management Limited
BankCap Partners
Brandywine Global Investment Management
Bridgewater Associates
CDK Realty Advisors
Cintra US
Criswell-Radovan
Eagle Asset Management
Energy Opportunities Capital Management
Forest Investment Associates
Grantham, Mayo, Van Otterloo & Co. (GMO)
HM Capital Partners
Hancock Agricultural Investment Group
Hearthstone Advisors
Highland Capital Management
Hudson Clean Energy Partners
INTECH
Invesco Real Estate
JPMorgan Asset Management
Kennedy Associates Real Estate Counsel
Knudson Luxury Housing
LandBaron Investments
L&B Realty Advisors
Levine Leichtman Capital Partners
Lone Star Advisors
Lone Star Investment Advisors
Loomis, Sayles & Company
Mellon Capital Management
Merit Energy Partners
The Mitchell Group
Mondrian Investment Partners
Northern Trust Investments
OFI Institutional Asset Management
Oaktree Capital Management
Olympus Real Estate Partners
Pharos Capital Group
Prudential Strategic Value Investors
Putnam Fiduciary Trust Company
Pyramis Global Advisors
RCM Capital Management
RMK Timberland Group
Robeco Transtrend Diversified Fund, LLC.
RREEF America
Sustainable Asset Management, USA
T. Rowe Price
Tradewinds Global Investors
TRECAP Partners
Walter Scott & Partners
W.R. Huff Asset Management
Yellowstone Capital Partners

Actuary

Buck Consultants Inc.

Auditor

MFR (formerly Mir • Fox & Rodriguez, P.C.)

Custodian Bank

JP Morgan Chase Bank

Other Banking Relationships

Bank of America, N.A.
Southwest Securities, FSB
Texas Capital Bank, N.A.

Investment Consultants

The Townsend Group
NEPC

Performance Measurement Consultants

Financial Control Systems Inc. (FCS)

Legal Advisors

Strasburger & Price, LLP
Locke, Lord, Bissell, & Liddell, LLP
Hillco Partners
Travis & Calhoun

Systems teams. The staff's main functions are (1) payment of benefits, (2) audit and control, (3) retirement counseling, (4) investment of assets (5) review and monitoring of investments, (6) Member communications, (7) coordination with professional service providers, (8) legal, and (9) staff support to the Board.

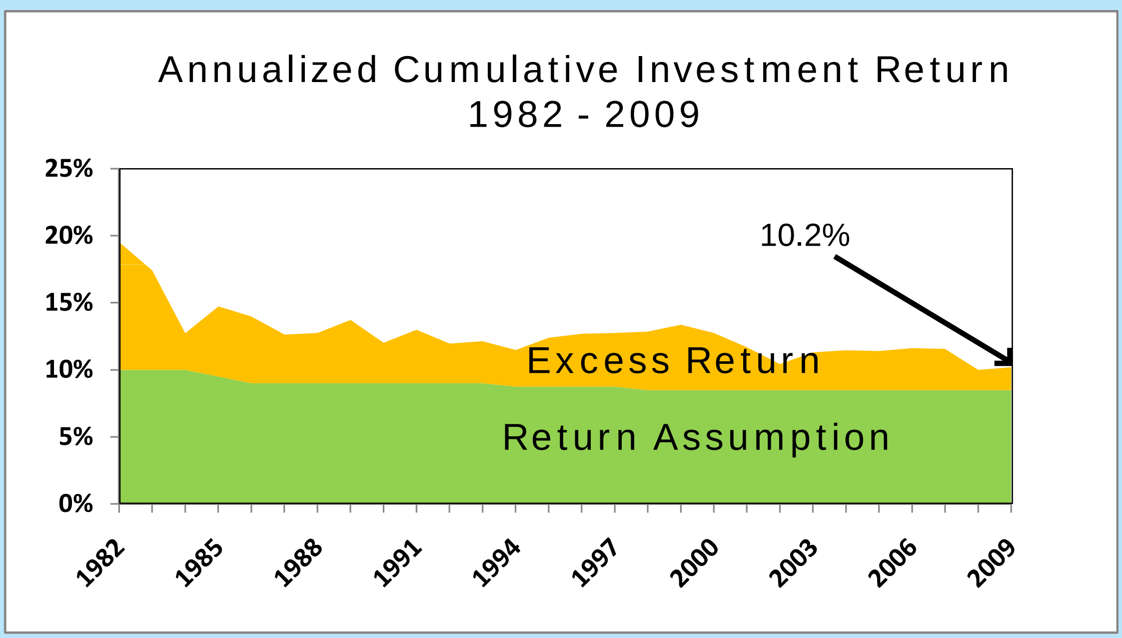
The costs of administering the System, consisting of operating administrative expenses and capitalized items, are paid by the System from investment earnings pursuant to an annual fiscal budget adopted by the Board.

INVESTMENT HIGHLIGHTS

The Pension System maintains a highly diversified investment portfolio that consistently ranks among the top performing public pension plans in the country. The rate of return on System investments during 2009 was 15.7% net of fees. The performance numbers are provided by the System's general investment consultant. The actuarial expected rate of return was 8.5%. As of December 31, 2009, the System's assets are valued at approximately $2.87 billion. The investment return reflects a broad-based market recovery from 2008 when the global financial system faced its greatest challenge since the 1930s.

The global equity portfolio outperformed the MSCI-World Index, returning 30.5%.

The System's real estate portfolio, amid a depressed commercial real estate market, returned (5.7)%. Although disappointing on an absolute basis, this return exceeded the stylized index by 5.2% for the year and outperforms the index over all time periods since inception.



The above chart demonstrates that the System's long-term investment performance of 10.2% since 1982 has exceeded the expected rate of return of 8.5%.

As of end of 2009, the System's agricultural holdings returned 6.3% net of fees for the year outperforming its index by 1.6%. Longer term, the System's agricultural portfolio has generated double-digit returns over the three, five and ten year periods.

With the assistance of NEPC, the System's general investment consultant, a new asset allocation policy was adopted in January 2009. The new policy includes a newly created asset allocation called Global Natural Resources with an initial allocation target of 10%. As of January 2009, the asset allocation includes Global Equity (Public Equity and Private Equity), Global Natural Resources, Global Fixed Income (Public Fixed Income and Private Fixed Income), Global Asset Allocation (GAA), and Global Real Estate. The Global Natural Resources allocation encompasses the System's investments in energy, timber, farmland, as well as green technology, including RCM EcoTrend, Hudson Clean Energy Partners, and Robeco SAM.

The System, within the Global Equity allocation, completed searches for new Global Equity Managers. The Board approved investments with Pyramis Global Advisors, AllianceBernstein Institutional Investment Mgmt., Tradewinds Global Investors, and Walter Scott & Partners.

Within the Global Private Equity allocation, the System made new commitments to the JPMorgan Global Maritime Investment Fund and the Lone Star Fund VII.

The System also further refined the GAA allocation by hiring new investment managers through two new funds—Putnam Total Return Trust and Robeco Transtrend Diversified fund—as well as funding an additional investment with GMO.

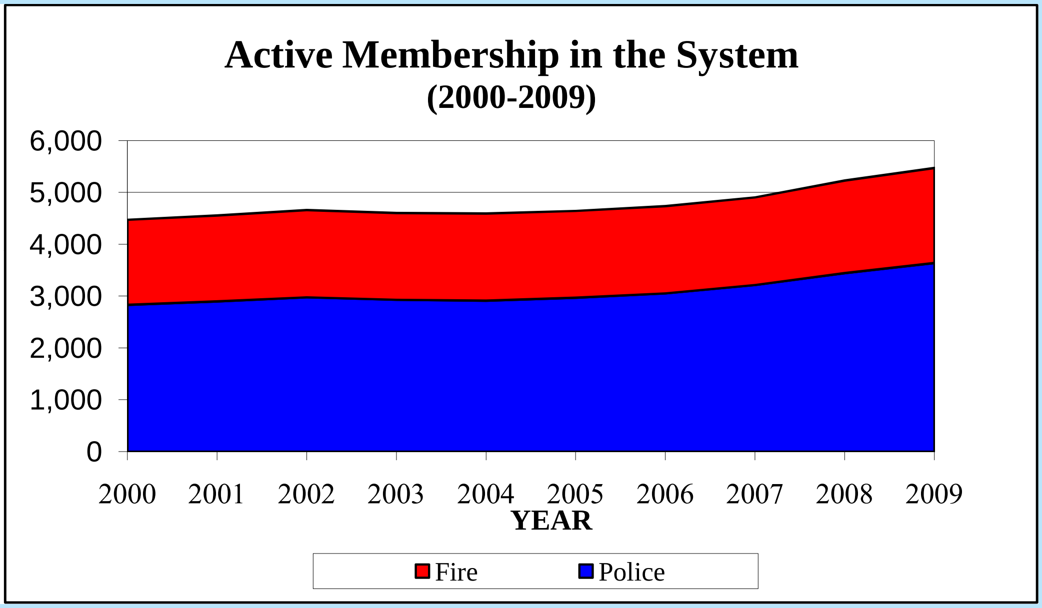
On February 28, 2010, ***Money Management Letter*** (MML) named the Dallas Police and Fire Pension System "Public Pension Plan of the Year" in the Mid-sized Public Pension Plan category for performance in 2009. Mid-Sized fund candidates are plans with between $1 billion and $10 billion under management.

The System also received the "2009 Transport Deal of the Year" award from ***Infrastructure Journal*** for participation as an equity partner in an infrastructure investment in North Texas to rebuild with managed lanes sections of State Highways 121 and 183 and Interstate Highway 820 in Tarrant County.

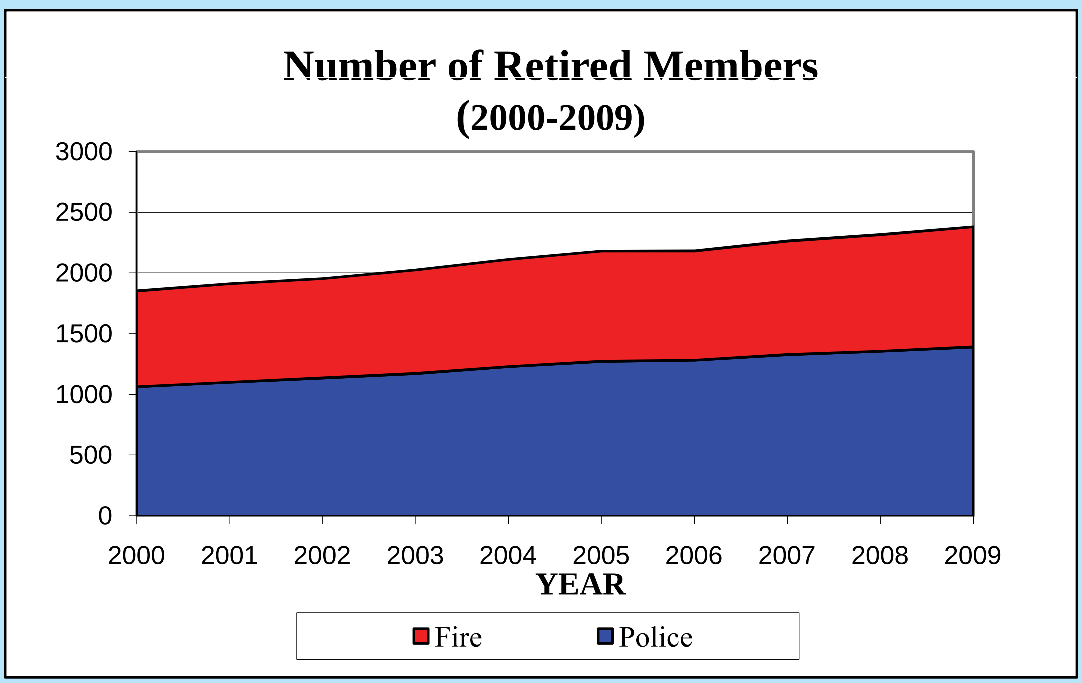
PLAN MEMBERSHIP

The System provides comprehensive retirement, disability and survivor benefits for the City's 9,070 Police Officers, Firefighters, Pensioners, and their beneficiaries. As of December 31, 2009, the active membership of the Pension System included 3,643 Police Officers and 1,833 Firefighters. The total of 5,476 Active Members reflects an increase of 241 from last year's total of 5,325 (3,447 Police Officers and 1,788 Firefighters). The average Police Officer is 40.01 years of age with 13.32 years of pension service. The average Firefighter is 42.54 years of age and has 16.21 years of pension service with the City of Dallas.

The System paid $155.3 million in pension benefit payments to recipients in 2009. At the end of the year benefit payments were being made to 2,381 service Pensioners, 184 disability Pensioners, and 885 beneficiaries.



Total Active Membership increased by 1,028 Members over the last ten years from 4,448 Members in 1999 to 5,476 Members as of December 31, 2009, 3,643 Police Officers and 1,833 Firefighters.



The total number of Members on Service Retirement increased steadily over the last ten years from 1,797 in 1999 to 2,381 as of December 31, 2009, including 1,392 retired Police Officers and 989 retired Firefighters.

For a review of System benefit provisions, see the ***Actuarial Valuation*** (page 79) and the ***Notes to Financial Statements*** (page 43). You may obtain more information in the Statistics Section and on the Pension System's Web site at www.dpfp.org.

FINANCIAL HIGHLIGHTS

The System relies on contributions from the City and the members, as well as income from investments, to provide the funds necessary to finance payment of retirement and survivor benefits. The Member and City contributions are established by statute. Members are required to pay 8.5% of computation pay (base pay plus education pay and state longevity pay). The City is required to pay 27.5% on total gross payroll for Members. The System pays benefits under defined benefit plans calculated on the basis of a Member's age, average computation pay, eligible service credit and a service multiplier percentage.

In 2009, benefit payments exceeded contributions received by approximately $28 million. Benefit payments and other expenses not met by contributions received are paid from investment income.

Additions to Plan Net Assets

During 2009, the System received more than $127 million in employee and employer contributions. The System also earned investment return, net of fees, of $62.3 million, other income of $269 thousand, and net appreciation on plan assets of $316.2 million. Net additions to Plan Net Assets totaled $506.1 million.

Deductions from Plan Net Assets

The System paid out over $155 million in 2009 in service and disability retirement benefits and survivor benefits. The System also refunded about $771 thousand to terminated Members. System administrative expenses totaled $6.4 million. Total deductions from plan net assets was $162.6. The total change in plan net assets was $343.5 million.

PLAN AMENDMENTS

There were no changes to the Combined Pension Plan in 2009.

LEGISLATION

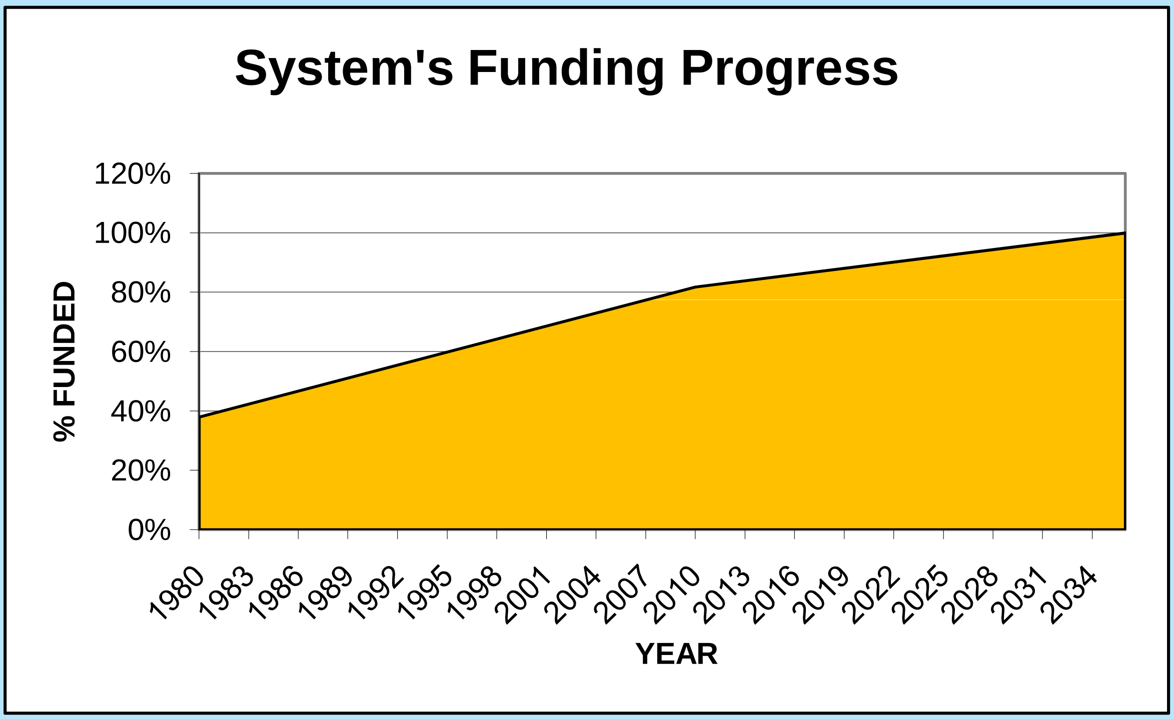
The System continuously monitors both State and federal legislative bodies to identify legislation that might have impact, positive or negative, on the System and our membership and take the appropriate action to support or oppose the legislation.

The System continued to oppose federal legislation that would require mandatory or universal Social Security coverage and state and federal legislation that we feel would be harmful to the public defined benefit form of retirement plan such as the System.

SUMMARY

Pension System assets, membership, and programs remained strong. The System's communications efforts continued to improve to better meet the needs of the membership.

The long-term investment performance of the System is rated among the top of all public pension plans. The use of multiple managers employing different investment styles has kept the System's long-term performance on track, significantly outperforming the actuarial rate of 8.5%.



The System is on track to be fully funded in 26 years.

ACKNOWLEDGEMENTS

This annual report reflects the effort of the System staff under the guidance of the Board of Trustees. The report is intended to provide complete and reliable information regarding the financial performance of the System and a means to measure the responsible stewardship of the System's assets.

2009 BOARD OF TRUSTEES

(As of 12/31/2009)

Gerald Brown
Fire-Rescue Department
Chairman

Steve Shaw
Police Department
Vice Chairman

George Tomasovic
Fire-Rescue Department
Deputy Vice Chairman

Jerry Allen
City Council

Dwaine Caraway
City Council

John Mays
Police Pensioner

Rector McCollum
Police Department

Pauline Medrano
City Council

David Neumann
City Council

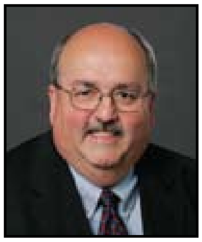
Rick Salinas
Fire-Rescue Department

Steve Umlor
Police Department

Richard Wachsman
Fire Pensioner

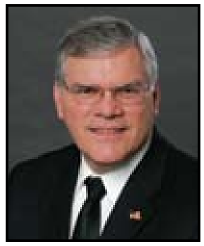
2009 Administrative Staff

(As of 12/31/2009)



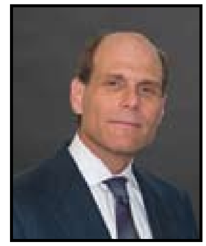
Richard Tettamant
Administrator

Brian Blake
Asst. Administrator
Investments

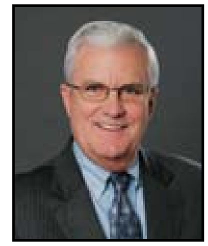


Don Rohan
Asst. Administrator
Operations

Mike Taylor
Chief Financial
Officer

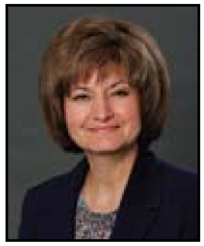


Josh Mond
General Counsel

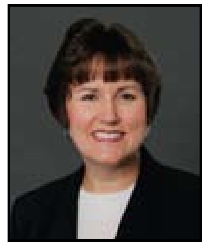


Everard Davenport
Investments Counsel

John Holt
Information Technology
Manager



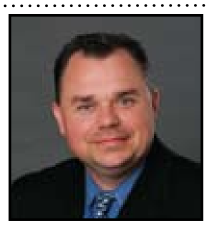
Pat McGennis
Benefits
Manager



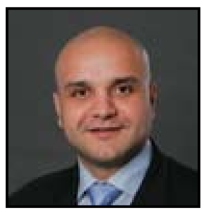
Linda Rickley
Board Coordination
Manager

Carol Huffman
Executive Secretary

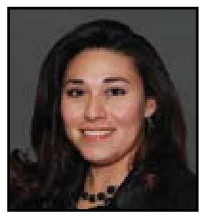
Laura Banda
Admin. Assistant



Jerry Chandler
Systems Analyst



Talal Elass
Director of Global
Investments



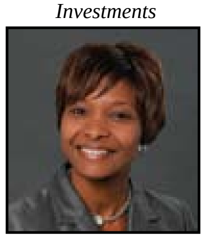
Crystal Flores
Admin. Assistant

Larissa Guiste
Accountant

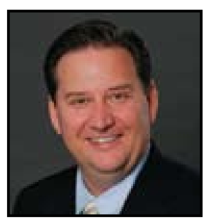
Kristen Holcomb
Admin. Assistant

Greg Irlbeck
Investment Analyst

Aimee Jasper
Benefits Counselor

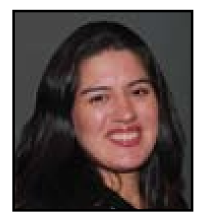


Vickie Johnson
Accounting
Specialist

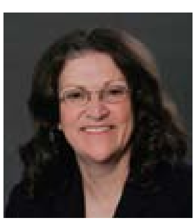


Kevin Killingsworth
Communications
Specialist

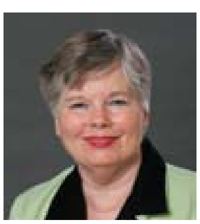
Larry Landfried
Investment Analyst



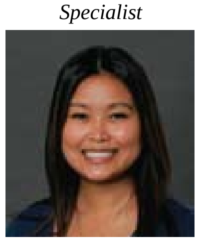
Genieva Lopez
Admin. Assistant



Ann Matthews
Benefits Counselor

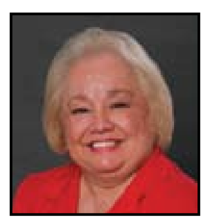


Barbara McCann
Pensioner Liaison

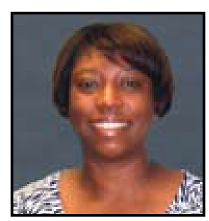


Chang Men
Admin. Assistant

Alberta Patterson
Receptionist

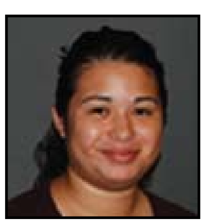


Rosa Perez
Receptionist

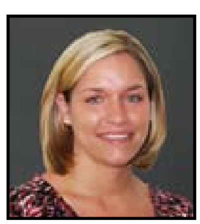


Erica Ramsey
Benefits Counselor

Cynthia Reyes
Admin. Assistant



Corina Rocha
Data Control Clerk



Milissa Schmidt
Benefits Counselor

Bill Scoggins, Jr.
Senior Accountant

Christina Wu
Investment Analyst

SIGNIFICANT EVENTS IN THE SYSTEM'S MODERN HISTORY

1977

- Separation of pension administration from the City Secretary's Office
- Appointment of first Administrator of the Dallas Police and Fire Pension System—Ray Ward
- Retention of A.S. Hansen Inc. as the System's actuary

1978

- Development of a plan to resolve unfunded past service cost
- System's assets topped $74 million (12-31-78)

1979

- Implementation of new city and employee contribution plan
- Retention of Compensation & Capital Inc. to monitor investments
- System's assets topped $85.8 million (12-31-79)

1980

- Retention of Eppler, Guerin & Turner Inc. as the System's first investment consultant
- Retention of Peat, Marwick, Mitchell & Co. as actuary
- Retention of First City Bank as custodian
- System's assets top $103.3 million (9-30-80)

1981

- Distinction of becoming the first retirement system to be officially registered with the Texas State Pension Review Board
- System's assets topped $110.4 million (9-30-81)

1982

- Retention of two real estate investment advisors
- Jerry Hast named as the Fund's second Administrator
- Renewal of Master Custodian service by First City Bank—Dallas
- System's assets topped $136.7 million (9-30-82)

1983

- Largest growth in the history of the System (to date)
- Benefit improvements to Plan B and Plan A, increasing cost of living to 4% simple
- System's assets topped $196.9 million (9-30-83)

1984

- Retention of Pension Real Estate Services Inc. as real estate investment consultant
- Hired three additional real estate managers and designated 10% of fund for real estate
- Citizens voted approval of change in city and employee contribution rates
- System's assets topped $218.8 million (9-30-84)

1985

- Increased Plan A and Plan B benefits, including survivor and retiree minimum benefit amounts
- Equity assets invested 100% with mutual funds
- System's assets topped $262.1 million (9-30-85)

1986

- Creation of Pension System benefit counseling program
- Members vote to begin paying administrative fees from System's assets
- System's assets topped $329.5 million (9-30-86)

1987

- Retention of Wilshire Associates as general investment consultant (10-1-86)
- Reallocation of Assets: 52% domestic equity, 10% international equity, 18% fixed income, and 20% real estate
- System's assets topped $425 million (9-30-87)

1988

- Approval of Plan amendments increased pension service credits from 2.5% to 2.75% per year
- System's assets topped $434 million (9-30-88)

1989

- The Old Pension Plan and Plan A were combined to form the Combined Pension Plan
- Buck Consultants Inc. retained as System's actuary
- Creation of the Finance and Administrative Board Committees
- Participation in securities lending and commission recapture programs
- System's assets topped $547 million (9-30-89)

1990

- Benefit changes made during the year included:
    - The benefit supplement increased and
    - The yearly pension service credit was increased from 2.75% to 3%
- Changes in asset allocation included global fixed income (9%) and international small capitalization (5%)
- System's assets decreased to $529.7 million (9-30-90)

1991

- Plan amendment election held July 1991
- Change of System year-end to December 31
- System's assets topped $683 million (12-31-91)

1992

- Plan Amendment election held October 1992:
  - Created Deferred Retirement Option Plan (DROP),
  - Increased the minimum benefit to $1,500 per month,
  - Allowed active Members to buy back service time they lost or to repay contributions withdrawn by a Qualified Domestic Relations Order (QDRO), and
  - Integrated Plan B of the System into the Combined Pension Plan
- Appointment of new administrator, Richard Tettamant
- System's assets topped $719 million (12-31-92)

1993

- Plan amendment election held September 1993
- Implementation of multifamily residential (apartment) investment program in the investment portfolio
- Implementation of exit strategy for real estate commingled funds
- Implementation of Deferred Retirement Option Plan (DROP) January 1st
  - 220 Members joined
  - Annual benefit statements distributed
- System's assets topped $825.8 million (12-31-93)

1994

- Relocation of Pension System office to 2777 Stemmons Freeway
- Reinstatement of benefits for 68 surviving widows whose benefits had been previously terminated upon remarriage
- Reaffirmation by Texas State Pension Review Board of the System's actuarial soundness
- Initiation of Pre-Retirement Education Program (PREP) for active employees
- System's assets exceeded $863.8 million (12-31-94)

1995

- Initiation of Periodic Retirement Education and Planning seminars (PREP, Jr.) for active employees with 5–15 years of service
- Retention of LRS' Pension Plus for new automated pension administration
- System's assets topped $1 billion in July
- System's assets exceeded $1.077 billion (12-31-95)

1996

- Amendment of Plan to correct, clarify, and delete inoperative provisions, initiate excess benefit plan, and authorize pretax contributions
- System's assets exceeded $1.268 billion (12-31-96)

1997

- Initiation of Member contributions being paid on pre-tax basis
- Completion of DROP five-year actuarial review
- System's assets exceeded $1.452 billion (12-31-97)

1998

- Initiation of "20 and Out" and/or "20 and DROP"
- Increase in Minimum benefit to $1,800 per month
- Change in DROP interest rate calculation to be based on 10-year Treasury bond with a range of 8% to 10%
- Assignment of place numbers to Trustee positions
- Initiation of Pension System's Internet Website
- System's assets exceeded $1.659 billion (12-31-98)

1999

- Extension of DROP to Pensioners
- Implementation of Ten-year certain benefit provision
- Initiation of tax-deferred rollover from other qualified plans for Pension service purchase
- Assignment of place numbers to City Council Trustee Board positions
- DROP had 959 total participants with more than $109 million in deposits
- System's assets exceeded $2.069 billion (12-31-99)

2000

- Implementation of 36 month average for computing Group B Member's average computation pay
- Implementation of SWAR (Spouse Wed After Retirement) option
- Decrease in age and service credits requirement for the special survivor benefit
- Increase in Minimum benefit to $2,000 per month
- Implementation of provisions to allow transfer of DROP funds to the Member's City of Dallas 401(k) account
- Creation of Police pensioner and a Firefighter pensioner positions on the Board of Trustees
- System's assets exceeded $2.039 billion (12-31-00)

2001

- Relocation of Pension System office to 2301 North Akard Street
- Election of first Police Pensioner and Firefighter Pensioner Trustees to the Board
- Plan amendment election held December 2001
  - Permitted purchase of Pension Service on a pretax basis through payroll deductions or rollover
  - Permitted Members to purchase Pension Service in whole year increments
  - Permitted Member disabled while on military leave of absence to receive a non-service disability pension
  - Added 100% joint and survivor annuity option
  - Increased minimum benefit increased to $2,200 per month
  - Changed calculation of DROP interest rate to average of System's 10-year investment return as calculated by the System's actuary
  - Provided for special election to fill vacant Trustee positions
- System's assets totaled $1.9 billion (12-31-01)

2002

- Selection of JP Morgan Chase Bank as custodian bank
- Creation of Pensioner advocate position
- System assets totaled $1.7 billion (12-31-02)

2003

- Initiation of Pensioner Advocate Program
- Initiation of Financial Planning and Pensioner Financial Planning Programs
- System assets totaled $2.2 billion (12-31-03)

2004

- Established loan program to enhance real estate investment return
- Moved Pensioner Financial Planning education program to off site
- Established a Business Continuity cold site
- System assets totaled $2.49 billion (12-31-04)

2005

- Re-election of four Trustees
- Plan amendment election held November 2005
  - Permitted Members to contribute to a health savings account to pay medical expenses after retirement
  - Permitted Pensioners to elect a 100% joint and survivor pension
  - Permitted designation of beneficiary to receive any lump sum payment payable due to death
  - Permitted Pensioner to elect a survivor benefit for a child born or adopted after the Pensioner left Active Service
  - Enabled the Board to adopt a policy to enhance flexibility in deferral to and distributions from DROP
  - Eliminated the annual adjustment for new members hired after December 31, 2006 and authorized the Board to grant ad hoc increases to affected Members
  - Extended to Police Officer Members the same presumptions regarding disabilities caused by job-related heart and lung diseases, as mandated by state law for firefighters
- System assets totaled $2.74 billion (12-31-05)

2006

- Initiated unitization of investment of Pension System assets co-investing the assets of the System and the Supplemental Plan
- System assets totaled $3.13 billion (12-31-06)

2007

- Implemented provisions of the federal Pension Protection Act of 2006
- System Assets totaled $3.35 billion (12-31-07)

2008

- Adopted new asset allocation policy with emphasis on global investments
- Moved office location to new site at 4100 Harry Hines Blvd.
- System Assets totaled $2.53 billion (12-31-08)

2009

- Restructured Real Estate portfolio
- Implemented eCorrespondence – an electronic communications system with Members through the System's Website and e-mail
- Completed set-up of System "hotsite" remote location for business continuity
- System Assets totaled $2.85 billion (12-31-09)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Financials


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DALLAS POLICE AND FIRE PENSION SYSTEM

Financial Statements
and
Required Supplemental Information

December 31, 2009 and 2008
(With Independent Auditors' Report Thereon)

DALLAS POLICE AND FIRE PENSION SYSTEM

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Accountants & Consultants
One Riverway, Suite 1900
Houston, TX 77056 USA

t: (713) 622-1120
f: (713) 961-0625
mfrpc.com

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Dallas Police and Fire Pension System:

We have audited the accompanying statements of plan net assets of the Dallas Police and Fire Pension System (the System) as of December 31, 2009 and 2008, and the related statements of changes in plan net assets for the years then ended. These basic financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial status of the System as of December 31, 2009 and 2008, and the changes in its financial status for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis (MD&A) and the required supplemental information (schedules 1 and 2), are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the MD&A and required supplemental information. However, we did not audit such information and do not express an opinion it.

MFR, P.C.

June 30, 2010

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

OVERVIEW

The Management's Discussion and Analysis (MD&A) of the Dallas Police and Fire Pension System's (the System) financial position and performance provides an overview of the System's financial activities for the fiscal years ended December 31, 2009 and 2008. The System is a defined benefit pension plan under Section 401(a) of the Internal Revenue Code. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. The analysis should be read in conjunction with the basic financial statements, notes to the financial statements and required supplementary information.

FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the System's financial statements which consist of (1) Basic Financial Statements and (2) Notes to Basic Financial Statements and the System's required supplementary information.

The Statement of Plan Net Assets reflects the System's assets and liabilities and plan net assets held in trust as of the end of the year for the payment of pension benefits. The Statement of Changes in Plan Net Assets summarizes additions to and deductions from System assets, providing plan net assets held in trust at the end of the year for pension benefits. The difference between assets and liabilities is one measure of the System's financial position and the change in this measure over time is an indication of whether the System's financial health is improving or deteriorating.

The Notes to Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the Basic Financial Statements.

The Required Supplemental Information consists of schedules of funding progress and employer contributions and note to required supplemental information.

The System presents its financial statements solely on the accounts of the System. The accrual basis of accounting is used by the System, whereby revenues are recognized when they are earned and collection is reasonably assured, and expenses are recognized when the liability has been incurred. Investments are reported at fair value.

CONDENSED FINANCIAL INFORMATION
(in thousands)

	2009	2008	2007
Assets	$2,873,211	2,530,668	3,354,793
Liabilities	271	1,203	1,453
Net Assets Available for Benefits	2,872,940	2,529,465	3,353,340
Contributions	127,284	123,011	115,677
Investment and Other Income (Loss)	378,796	(796,511)	245,028
Benefit Payments	155,343	142,076	131,626
Withdrawals and Refunds of Contributions	771	358	914
Administrative Expenses and Professional Fees	6,490	7,942	6,091

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED

FINANCIAL HIGHLIGHTS

- The System's plan net assets increased $343 million in 2009 and decreased $824 million in 2008. Plan net assets totaled $2.85 billion in 2009 and $2.53 billion in 2008. The increase in plan net assets reflects recovery in the financial market in 2009.

- The rate of return on System investments during 2009 was 15.7% net of fees, compared to a rate of return of (24%) for 2008. The investment return reflects a broad-based market recovery from 2008 when the global financial system stood on the brink of collapse. Along with the broad markets, the System's financial composite, including Global Equity, Global Fixed Income, Global Asset Allocation, and the public portion of Global Nature Resources returned 33.2% net fees for the year, outperforming the allocation index by 2%. The System's real estate portfolio, amid a depressed commercial real estate market, returned (5.7%). This return, although disappointing on an absolute basis, exceeded the stylized index by 5.2% for the year and outperforms the index over all time periods since inception. The System's Global Private Equity portfolio returned (9.39%) indicating a private market that's lagging the public market on the way up. The performance numbers are provided by the System's general investment consultant.

- Liabilities totaled $0.27 million as of December 31, 2009. Liabilities at December 31, 2008 totaled $1.20 million. Investment liabilities are incorporated into the Group Trust and reflected in total investments.

- The System received employee contributions of $19.6 million in 2009 and $18.6 million in 2008 and received employer contributions from the City of Dallas in the amounts of $107.7 million and $104.4 million in 2009 and 2008, respectively. The employee contributions are 8.5% of computation pay (base pay rate plus education and longevity pays). The employer contributions represent 27.5% of total salary and wages of covered employees. Total employee contributions increased by $1.0 million, or about 5%, in 2009 compared to 2008. Total employer contributions increased by $3.3 million, or 3% over the same period. Total employee contributions increased by $700,000, or about 4%, in 2008 compared to 2007. Total employer contributions increased by $6.6 million, or 6.75% over the same period.

- The System paid $155.3 million in service retirement, disability retirement, survivor benefits and DROP disbursements during 2009, compared to payments of $142.1 million benefits in 2008. The System refunded approximately $771.4 thousand and $357.6 thousand in contributions to former members in 2009 and 2008, respectively. No changes to benefit provisions were implemented in 2009. The increase of $13.2 million, or 9.3%, in benefit payments in 2009 compared to 2008 resulted both from an increase in the number of benefit recipients and annual adjustment increases to base benefits. The increase of $10.5 million, or 8%, in benefit payments in 2008 compared to 2007 resulted both from an increase in the number of benefit recipients and annual adjustment increases to base benefits.

- The cost of administering the benefit programs of the System, including administrative costs and professional fees, was $6.5 million in 2009 compared to $7.94 million in 2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED

FUNDING PROGRESS

The System contracted with Buck Consultants to conduct an actuarial valuation to determine the actuarial position of the System as of January 1, 2010. The Actuarial Valuation Report indicated that the overall funding of the System remains sound and the current contribution rates are sufficient to keep the System actuarially sound. In preparing the valuation, the actuary uses a smoothing process over a rolling five-year period of investment data to remove year-to-year volatility in asset returns.

- The Actuarial Valuation Report shows that the market value of assets increased $343 million during 2009 to $2.85 billion as of January 1, 2010. The market value of assets decreased $824 million during 2008 to $2.53 billion as of January 1, 2009.

- As of January 1, 2010, the actuarial value of assets (AVA) increased $343 million during 2009 to $3.38 billion. As of January 1, 2009, the actuarial value of assets (AVA) decreased $219 million during 2008 to $3.04 billion.

- As of January 1, 2010, the actuarial accrued liability (AAL), or actuarial value of liabilities, increased during 2009 by $250 million to $4.13 billion. As of January 1, 2009, the actuarial accrued liability (AAL), or actuarial value of liabilities, increased during 2008 by $234 million to $3.88 billion.

- The ratio of a plan's AVA to AAL, expressed as a percentage, is an indicator of the plan's funding status. Generally, the larger the percentage, the stronger the financial health of the plan. The System's AAL ratio increased to 81.8% during 2009 compared to 78.4 % in 2008.

- When a plan's total liabilities exceed the assets available to pay benefits on an actuarial basis, the plan is said to have an unfunded actuarial accrued liability (UAAL). As of January 1, 2010, the System's UAAL was $750 million, a decrease of $88 million from a UAAL of $838 million as of January 1, 2009.

- Another measure of funding status is funding period. This is the length of time in years needed to amortize the current unfunded actuarial accrued liability (UAAL) based on the current contribution rate. As of January 1, 2010, the employer contribution rate of 27.5% covers the normal cost and the amortization of the UAAL over 26 years, compared to 33 years to fund as of the January 1, 2009 valuation. This decrease of 7 years in the number of years to fully fund the System demonstrates the impact on the System's funding status of the recovery in the economic markets in 2009.

CONTACTING THE SYSTEM'S FINANCIAL MANAGEMENT

This Financial Section is designed to provide our members and other users with a general overview of the System's financial activities. If you have questions about this report or need additional financial information, contact the Administrator of the Dallas Police and Fire Pension System at 4100 Harry Hines Blvd., Suite 100, Dallas, TX 75219.

DALLAS POLICE AND FIRE PENSION SYSTEM

Statements of Plan Net Assets
December 31, 2009 and 2008

Assets	2009	2008
Plan interest in Group Master Trust, at fair value (notes 2, 3, 4, 6, 7 and 8)	$ 2,870,025,498	2,527,902,765
Receivables:		
Employer contributions (note 5)	2,691,600	2,344,000
Member contributions (note 5)	493,931	418,773
Other receivables		2,554
Total receivables	3,185,531	2,765,327
Total assets	2,873,211,029	2,530,668,092
Liabilities and Net Assets		
Administrative expense payable	270,962	1,203,175
Total liabilities	270,962	1,203,175
Net assets held in trust for pension benefits (a schedule of funding progress is included on page 26)	$ 2,872,940,067	2,529,464,917

See accompanying notes to basic financial statements.

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DALLAS POLICE AND FIRE PENSION SYSTEM

Statements of Changes in Plan Net Assets
Years Ended December 31, 2009 and 2008

	2009	2008
Additions to plan net assets:		
Investment income -		
net investment gain (loss) from the Group Master Trust	$ 378,795,917	(796,511,439)
Contributions:		
Employer	107,699,648	104,372,723
Member	19,584,241	18,638,767
Total contributions	127,283,889	123,011,490
Total net additions (reduction) to plan net assets	506,079,806	(673,499,949)
Deductions from plan net assets:		
Benefit payments	155,342,896	142,075,673
Refunds of contributions	771,352	357,628
Administrative expenses and professional fees	6,490,408	7,941,602
Total deductions from plan net assets	162,604,656	150,374,903
Net increase (decrease) in plan net assets	343,475,150	(823,874,852)
Plan net assets held in trust for pension benefits:		
Beginning of year	2,529,464,917	3,353,339,769
End of year	$ 2,872,940,067	2,529,464,917

See accompanying notes to basic financial statements.

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DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements
December 31, 2009 and 2008

1. **Description of Plan and Summary of Significant Accounting Policies**

General

The Dallas Police and Fire Pension System (the System) is a single-employer pension and retirement fund for police officers and firefighters employed by the City of Dallas, Texas (the City or Employer). The general terms "police officers" and "firefighters" also include fire and rescue operators, fire alarm operators, fire inspectors, apprentice police officers, and apprentice firefighters. The System is comprised of a single defined benefit pension plan, called the "Combined Pension Plan," designed to provide retirement, death, and disability benefits for firefighters and police officers (members). The System was originally established under former Article 6243a of the Revised Civil Statutes of Texas, and since 1989, derives its authority to continue in operation under the provisions of Article 6243a-1 of the Revised Civil Statutes of Texas. All active police officers and firefighters (as defined above) employed by the City are required to participate. As of December 31, 2009 and 2008, the System's membership consisted of:

	2009	2008
Non-active member:		
Pensioners and qualified survivors currently receiving benefits and terminated employees entitled to benefits but not yet receiving them:		
Firefighters	1,481	1,458
Police officers	1,969	1,917
Terminated vested members not yet receiving benefits	144	151
Total non-active members	3,594	3,526
Current employees:		
Vested:		
Firefighters	1,409	1,400
Police officers	2,466	2,445
Total vested current employees	3,875	3,845
Nonvested:		
Firefighters	424	388
Police officers	1,177	1,002
Total non-vested current employees	1,601	1,390
Total current employees	5,476	5,235

Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements, Continued

Pension benefits

Members hired by the City before March 1, 1973 were eligible to be Group A members, all other members hired on or after March 1, 1973 became Group B members.

Group A members of the Combined Pension Plan may elect to receive one of two benefit structures:

- Members with 20 years or more of pension service are entitled to normal monthly pension benefits beginning at age 50 equal to 50% of the base pay as defined as the maximum monthly civil service pay established by the City for a police officer or firefighter at the time of retirement plus 50% of the Longevity Pay the member was receiving at the time he or she left active service with the City or the effective date the member joined the Deferred Retirement Option Plan (DROP). Benefit payments are adjusted according to changes in base pay. Additionally, a member is eligible to receive 50% of the difference between any annualized City Service Incentive Pay granted to the member less annual Longevity Pay. Members who meet the service prerequisite may elect to take early retirement at age 45 with reduced pension benefits.

- Members with 20 years or more of pension service are entitled to normal monthly pension benefits beginning at age 55 equal to 3% of the base pay computed as noted in the prior paragraph for each year with a maximum of 32 years. In addition, a member receives 50% of the Longevity Pay and 1/24 of any City Service Incentive Pay the member was receiving at the time he or she left active service with the City or the effective date the member joined DROP. Pension benefit payments are increased in the same manner as under Group B (described below). Members who meet the service prerequisite may elect to take early retirement at age 50 with reduced pension benefits.

Group B members with five or more years of pension service are entitled to monthly pension benefits beginning at age 50 equal to 3% of the member's average Computation Pay determined over the highest 36 consecutive months of Computation Pay, multiplied by the number of years of pension service, up to a maximum of 32 years. Computation Pay, for purposes of this calculation, includes Civil Service Pay for the highest rank attained by competitive exam and any educational incentive, Longevity or City Service Incentive Pay. Certain members who meet the service prerequisite may elect to take early retirement with reduced benefits starting at age 45. A Group B member who has accrued 20 or more years of Pension Service and who has been on Active Service at any time on or after January 1, 1999 may take a pension benefit regardless of age. The pension benefit calculation would be the same except the percent multiplier would be based on the member's age at the time of applying for the pension. In addition, Group B benefits are increased by 4% of the initial benefit amount each October 1.

Additional benefits available under the System:

- Members with over 20 years of pension service, upon attaining age 55, shall receive a monthly supplement equal to the greater of $75 or 3% of their total monthly benefits (excluding the benefit supplement amount).

- Disability benefits are available for members who become disabled during the performance of their duties from the first day of employment. Reduced disability benefits are also available for non duty-related disabilities as are survivor benefits for qualified survivors.

Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements, Continued

- Members who are eligible to retire are allowed to enter the DROP program. DROP members have their contribution discontinued but the City's portion of the total contribution continues. The member's monthly benefit remains in the System in a DROP Account and accumulates interest. Upon retirement from the City, the Member is able to withdraw from their DROP account along with the normal benefits. DROP members' balances are $811,270,225 and $700,217,165 at December 31, 2009 and 2008, respectively.

- A minimum benefit is paid to vested retired members of an amount not less than $2,200 per month subject to any restrictions contained in the System's plan document. The minimum benefit is prorated for members who retire with less than 20 years of service credit and $1,200 monthly for Qualified Surviving Spouse, if there are no Qualified Surviving Children receiving benefits. The minimum benefit is $1,100 monthly for Qualified Surviving Children and Qualified Surviving Spouse, if qualified surviving children are receiving benefits.

Contributions

As a condition of participation, Group A members contribute to the System 6.5% of their base pay, as defined in the System's plan document. However, during 2009 and 2008, no member elected contribution under Group A. Group B members are required to contribute to the System 8.5% of their Computation Pay, as defined in the System's plan document. Article 6243a-1 of the Revised Civil Statutes of Texas requires the City to make contributions of 27.5% of total wages and salaries as defined in the System's plan document, in accordance with schedules contained in the plan document.

The contribution schedules contained in the System's plan document can be changed by the Texas State Legislature or majority votes of the voters of the City.

Members of Group B are immediately vested in their member contributions and, with five years of pension service may, at termination of employment, leave their contribution on deposit with the System and receive a monthly benefit at normal retirement age. If a member's employment is terminated and is not eligible for a future benefit or the member elects not to receive present or future pension benefits, the member's contributions to the System are returned, without interest, upon written application. If application for refund is not made within three years, the member who is not eligible for a future benefit forfeits the right to a refund of his or her contribution; however, a procedure does exist whereby the member's right to the contributions can be reinstated. Under current law, Group A members must have 20 years of service to be eligible for a benefit. Group A member contributions are not refunded upon termination from employment.

Termination

Although the System has not expressed any intent to do so, in the event the System is terminated or upon complete discontinuance of contributions, the members and their beneficiaries shall be entitled to the benefits accrued to the date of such termination or discontinuance, to the extent then funded.

Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements, Continued

System administration

The System is administered by a twelve-member Board of Trustees (the Board) consisting of four City Council members appointed by the City Council, three police officers and three firefighters, all elected by employees of their respective departments, who are members of the System, and one pensioner who has retired from the Police Department and one pensioner who has retired from the Fire Department and each are elected by pensioners from their respective departments.

Effective January 1, 2006, the System's Board elected to establish a Group Master Trust (Group Trust) for investment unitization of the System's investment and those of the Supplemental Police and Fire Pension Plan of the City of Dallas (Supplemental Plan). The System's Board has investment oversight for the investment activities of the Group Trust.

Basis of presentation

The accompanying basic financial statements are presented in accordance with generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), which designates accounting principles and financial reporting standards applicable to State and local governmental units. The accompanying basic financial statements include solely the accounts of the System, which include all programs, activities and functions relating to the accumulation and investment of the net assets and related income necessary to provide the service, disability and death benefits required under the terms of the governing statutes and amendments thereto.

Basis of accounting

The basis of accounting is the method by which revenues and expenses are recognized in the accounts and reported in the basic financial statements. The accrual basis of accounting is used by the System. Under the accrual basis of accounting, revenues, which include contributions and investment income, are recognized when they are earned and collection is reasonably assured, and expenses are recognized when the liability is incurred. Member and Employer contributions are recognized as revenue in the period in which the compensation is earned. In addition, the System records contributions according to System requirements and State statute. Benefits paid to members and contribution refunds are recognized when due and payable in accordance with the terms of the System. Accrued income, when deemed uncollectible, is charged to operations.

Accordingly, interest earned but not received and dividends declared but not received as of the System's fiscal year-end are recorded as accrued interest and dividends receivable, respectively. In addition, unsettled investment purchases and sales are accrued.

Reporting entity

The System is a component unit of the City and its basic financial statements and required supplemental information are included in the City's Comprehensive Annual Financial Report.

Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements, Continued

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The System considers only demand deposits as cash. Cash equivalent securities, which are composed of all highly liquid investments with a maturity of three months or less when purchased, are considered to be cash equivalents.

Plan interest in Group Master Trust

Beginning January 1, 2006, the System's investments are held in the Group Master Trust (Group Trust). JP Morgan Chase served as custodian for the years ended December 31, 2009 and 2008. The fair value of the System's interest in the Group Trust is based on the unitized interest that it has in the Group Trust. The System's interest in the Group Trust was approximately 99.285% and 99.289% at December 31, 2009 and 2008, respectively. The allocation of investment income and administrative expenses between the System and the Supplemental Plan is based on the number of units owned of the Group Trust. Benefits and contributions are allocated to each plan directly.

Investment valuation and income recognition

Statutes of the State of Texas authorize the System to invest surplus funds in the manner provided by the Government Code, Title 8, Subtitle A, Subchapter C. This subchapter provides for the investment of surplus assets in any investment or investments that are deemed "prudent" by the Board. The investment policy of the Board does not restrict the types of investments authorized to be made on behalf of the System. The investment policy is based upon an asset allocation study that considers the current and expected condition of the System, the expected long-term capital market outlook and the System's risk tolerance.

Investments are reported at fair value. The System's interest in the Group Master Trust is based on the fair value of the unitized interest held by the System. The underlying investments included in the Group Master Trust are reported at fair value based on quoted market prices. When quoted market prices are not available, investments are based on independent appraisals and recent financial results, or if no established market then they are reported at their estimated fair values.

Purchases and sales of investments and forward foreign exchange contracts are recorded on the trade date. Gains or losses on forward foreign exchange contracts are recognized when the contract is complete.

Benefits

Benefits and refunds of contributions are recorded in these basic financial statements when they are paid to participants.

Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements, Continued

Foreign currency transactions

The Group Trust and the System are party to certain financial arrangements, utilizing forward contracts, options and futures only as a hedge against foreign currency fluctuations. Entering into these arrangements involves not only the risk of dealing with counterparties and their ability to meet the terms of the contract but also the risk associated with market fluctuations. Gains and losses on option and future arrangements are recorded as they are incurred. Gains and losses on forward contracts are recorded on the settlement date.

Gains and losses resulting from foreign exchange contracts (transactions denominated in a currency other than the Group Trust's and the System's functional currency - United States dollars) are recorded by the Group Trust and the System based on changes in market values and are combined with similar transactions in the accompanying statements of changes in plan net assets and are included in net investment income. The Group Trust and the System structure foreign exchange contracts and enter into certain transactions to substantially mitigate the Group Trust's and the System's exposure to fluctuations in foreign exchange rates.

Investments and broker accounts denominated in foreign currencies outstanding at December 31, 2009 and 2008 were converted to the Group Trust's and the System's functional currency (United States dollars) at the foreign exchange rates quoted at December 31, 2009 and 2008, respectively. These foreign exchange gains and losses are included in the Group Trust net appreciation (depreciation) in fair value of investments in the accompanying disclosures of the Group Trust.

Administrative expenses

The cost of administering the System is paid by the System from current earnings pursuant to an annual fiscal budget approved by the Board.

2. **Cash and Cash Equivalents**

For cash deposits and cash equivalents, custodial credit risk is the risk that in the event of a bank failure, the Group Trust's and the System's deposits may not be returned to it. The Group Trust's and the System's deposits are held by the Custodian, JP Morgan Chase. As of December 31, 2009 and 2008, the Group Trust and the System had bank balances of $4,362,318 and $2,318,275, respectively, that are in demand deposit accounts subject to coverage by the Federal Deposit Insurance Corporation, but not collateralized. The Group Trust and the System do not have a deposit policy for custodial credit risk; however, management believes that the Group Trust's and the System's credit risk exposure is mitigated by the financial strength of the banking institution in which the deposits are held.

Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements, Continued

3. **Investments and Plan Interest in Group Master Trust**

The following disclosures on investments and the System's interest in the Group Master Trust are made for the Group Master Trust as of and for the years ended December 31, 2009 and 2008. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Short-term investments are government and corporate bonds with a maturity of less than one year and are valued based on current market rates. The fair value of limited partnerships, real estate trusts, and real estate loans is based on independent appraisals and recent financial results. Investments that do not have an established market are reported at their estimated fair values. Unrealized gains and losses are presented as net appreciation (depreciation) in fair value of investments on the statement of changes in plan net assets along with gains and losses realized on sales of investments. Dividend income is recorded on the ex-dividend date. Interest and income from other investments are recorded as earned.

The following summarizes the fair value of investments for the Group Trust as of December 31:

	2009	2008
Investments, at fair value (notes 2, 3 and 4):		
Cash and cash equivalents	$ 357,487,781	189,628,091
United States government securities	9,007,801	1,754,304
United States government sponsored enterprises	4,144,690	19,479,059
Foreign government securities	95,161,233	99,780,380
Commingled funds	21,173,407	20,999,013
Domestic equities	431,665,296	367,155,694
International equities	1,264,841,924	1,012,510,245
Corporate securities	342,763,532	243,474,306
Investments, at appraised value - real estate equity funds	1,123,902,487	1,138,167,164
Total investments	3,650,148,151	3,092,948,256
Receivables:		
Accrued interest and dividends	8,363,375	8,945,704
Forward currency contracts (note 6)	159,950,987	57,271,091
Securities sold	1,922,746	26,852,309
Total receivables	170,237,108	93,069,104
Total assets	$ 3,820,385,259	3,186,017,360
Liabilities and Net Assets		
Repurchase loan agreement (note 7)	31,147,000	33,316,200
Payable for securities purchased	77,255,071	28,701,252
Professional fees payable	3,389,132	5,982,653
Forward currency contracts (note 6)	159,016,722	56,691,520
Securities lending collateral (note 4)	220,696,254	148,844,078
Line of credit and other bank loans (note 8)	438,176,000	366,476,000
Total liabilities	929,680,179	640,011,703
Net assets in the Group Trust	$ 2,890,705,080	2,546,005,657

Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements, Continued

The following summarizes the net change in the Group Trust for the years ended December 31:

		2009	2008
Investment income:			
Interest	$	25,691,877	33,379,607
Dividends		46,486,971	40,171,711
Real estate income		13,316,273	9,123,317
Net appreciation (depreciation) in fair value of investments		318,474,104	(865,198,727)
Securities lending income		1,124,410	1,253,546
Less investment expenses:			
Custody fees		(335,135)	(645,670)
Investment services		(23,530,722)	(20,077,353)
Total investment income (loss) in Group Trust		381,227,778	(801,993,569)
Plan net assets held in trust for pension benefits:			
Beginning of year		2,546,005,657	3,376,595,843
Benefit payments in excess of contributions received for System and Supplemental Plan		(36,528,355)	(28,596,617)
End of year	$	2,890,705,080	2,546,005,657
The following is a break out of interest held in the Group Trust:			
Group Trust interest held by the System	$	2,870,025,498	2,527,902,765
Group Trust interest held by the Supplemental Plan		20,679,582	18,102,892
Total nets assets of Group Trust	$	2,890,705,080	2,546,005,657

Portions of the Group Trust's investments are classified as security investments. A security is a transferable financial instrument that evidences ownership or creditorship. Investments in commingled funds, limited partnerships, real estate trusts, and loans and mortgages are investments that are evidenced by contracts rather than securities.

Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements, Continued

The fair values of the Group Trust's investments at December 31, 2009 and 2008 are presented by type, as follows:

		2009	2008
Cash and cash equivalents	$	357,487,781	189,628,091
United States government securities		9,007,801	1,754,304
U.S. government sponsored enterprises		4,144,690	19,479,059
Foreign government securities		95,161,233	99,780,380
Commingled funds		21,173,407	20,999,013
Domestic equities		431,665,297	367,155,694
International equities		1,264,841,923	1,012,510,245
Corporate securities		342,763,532	243,474,306
Investments, at appraised value - real estate equity funds		1,123,902,487	1,138,167,164
Total investments	$	3,650,148,151	3,092,948,256

The Board has contracted with investment managers to manage the investment portfolio of the Group Trust, subject to the policies and guidelines established by the Board. The Board has custody agreements with JP Morgan Chase and under such agreements JP Morgan Chase assumes responsibility for the safekeeping of certain investments, handling of transactions based on the instructions of investment managers, and accounting for the investment transactions.

Group Trust investments that individually represent 5% or more of the net assets available for benefits and the total of investments that individually represent less than 5% of the net assets available for benefits of the Group Trust at December 31 are as follows:

	2009 Fair value	2008 Fair value
Investments greater than 5% of net assets, at quoted market value:		
Securities lending -		
Global Securities Lending		
JP Morgan	$ 220,696,255	148,884,079
Total investments greater than 5% of net assets	220,696,255	148,884,079
Investments less than 5% of net assets:		
At quoted market value	2,305,549,409	1,805,897,013
At appraised value	1,123,902,487	1,138,167,164
Total investments	$ 3,650,148,151	3,092,948,256

Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements, Continued

Custodial credit risk

For an investment, custodial credit is the risk that, in the event of the failure of the counterparty, the Group Trust and the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Group Trust or the System, and are held by either the counterparty or the counterparty's trust department or agent but not in the Group Trust's or the System's name. At December 31, 2009 and 2008, the Group Trust's and the System's security investments that were not subject to custodial credit risk were the investments in fixed income and equity investments.

Concentration of credit risk

The allocations of assets among various asset classes are set by the Board with the objective of optimizing the investment return of the Group Trust within a framework of acceptable risk and diversification. For major asset classes (e.g., domestic equities, international equities, fixed income, alternative investments, and real estate), the Group Trust will further diversify by employing investment managers who implement the strategies selected by the Board.

Significant guidelines are as follows:

Public market investments

1. Specific guidelines are developed cooperatively by the System investment staff, legal counsel, and investment manager and shall be incorporated into the Investment Management Services Contract executed by the Chair of the Board, System Administrator, General Counsel, and the investment manager.
2. In case of conflict between the specific manager guidelines and the general guidelines, the specific guidelines, as approved by the Board, shall supersede. The general guidelines are as follows:

   a. Manager investment philosophy, style, and strategy shall remain consistent and shall not change without the Board's approval. The manager shall have discretion to manage the portfolio consistent with the style presented to the Board at the time of selection and further subject to the restrictions established by the policy herein.
   b. The following transactions are prohibited: short sales, selling on margin, put and call options and the use of derivatives for speculation unless authorized by the Board.
   c. Transactions that involve a broker acting as a principal, where such broker is also affiliated with the manager who is making the transaction are prohibited, unless specifically approved by the Board.
   d. Transactions shall be executed at competitive costs, or within the parameters established for directed brokerage transactions by the Board.
   e. Managers shall maintain cash levels consistent with their style as presented to the Board at the time of selection. Any deviation shall be allowed only after notifying the System Administrator and Assistant Administrator of Investments and should be related to unusual market conditions. The cash level held by each manager will be addressed in the Investment Management Services Contract.

Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements, Continued

3. The Board with the assistance from the System staff shall monitor each investment manager's performance and adherence to style, strategy, and manager specific guidelines. It is the Board's discretion to take corrective action by replacing an investment manager if they deem it appropriate at any time.

Alternative and real estate investments

1. The investment specific guidelines for each manager will be incorporated in a Limited Partnership Agreement, Limited Liability Company Agreement, or other binding agreement as is appropriate for the investment. The Board, System Administrator, General Counsel, and the investment manager execute this document.

2. In case of conflict between the specific manager guidelines and the general guidelines, the specific guidelines, as approved by the Board, shall supersede. The general guidelines are as follows:

   a. Manager investment philosophy, style, and strategy shall remain consistent and shall not change without the Board's approval. The manager shall have discretion to manage the portfolio consistent with the style presented to the Board at the time of selection and further subject to the restrictions established by the policy herein.
   b. The Chair of the Board may execute amendments and consents if the resulting changes or allowances are provided for in the governing documents as previously accepted by the Board. Otherwise, such changes are to be approved by the Board. The Board will be notified on a quarterly basis of all executed amendments.

3. The Board with assistance from the System staff shall monitor each Alternative and Real Estate manager's performance and adherence to strategy and manager specific guidelines. It is the Board's discretion to take corrective action by replacing an investment manager if they deem it feasible and appropriate at any time. Alternative and Real Estate investment manager retention is governed in most cases by Limited Partnership Agreements, Limited Liability Company Agreements, or other binding agreements. In these cases, the Board with assistance from the System staff shall identify available options as allowed by the governing documents and determine the impact and consequences of these options.

Interest rate risk and foreign currency risk

The Group Trust and the System invests in fixed income securities including, but not limited to, investments representing instruments with an obligated fixed rate of interest including public and private debentures, mortgages, investments in life insurance general accounts and guaranteed investment contracts, with maturities greater than one year, and options/futures. Instruments may have an investment grade or non-investment grade rating. Purchases and sales, investment selection and implementation of investment strategies are delegated to the discretion of the investment manager, subject to compliance with its management agreement and the System's Investment Policy.

Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements, Continued

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. Interest rate risk is the greatest risk faced by an investor in the fixed income market. The price of a fixed income security typically moves in the opposite direction of the change in interest rates. The weighted average maturity expresses investment time horizons (when the investment comes due and payable) in years, weighted to reflect the dollar size of individual investments within the investment type. The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates, but rather mandates such limits within the Investment Management Services Contract.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. International securities investment managers are expected to maintain diversified portfolios by sector and by issuer using the System Investment Policy.

At December 31, 2009, the following tables show the Group Trust's investments by type, time-to-maturity, fair value, and foreign currency fluctuation:

Type of Investment	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years	Total Fair Value
Fixed maturity domestic:					
U.S. Treasury securities	$	273,130	5,138,962	3,595,709	9,007,801
U.S. Gov't agency securities		393,985	655,840	3,094,865	4,144,690
Municipal bonds				670,000	670,000
Corporate securities:					
Collateralized mortgage obligation				10,516,679	10,516,679
Corporate bonds	11,811,361	106,168,505	55,964,318	154,285,163	328,229,347
Commingled funds				21,173,407	21,173,407
Convertible bonds		3,347,506			3,347,506
Total fixed maturity domestic	11,811,361	110,183,126	61,759,120	193,335,823	377,089,430
International government bonds:					
Australian Dollar		3,791,977	10,519,097		14,311,074
Brazil Real	737,867			3,961,106	4,698,973
British Pound Sterling	6,663,727	188,720	1,492,262	2,080,362	10,425,071
Canadian Dollar	2,721,447				2,721,447
EURO Currency		1,351,088	7,451,688	6,421,669	15,224,445
Iceland Krona	344,142				344,142
Indonesian Rupiah	2,506,342				2,506,342
Japanese Yen	4,217,338	6,398,490	2,192,742	1,257,894	14,066,464
Korean Won			1,291,562		1,291,562
Malaysian Ringgit	275,432	3,713,033			3,988,465
Mexican New Peso		3,534,353	2,530,548	1,962,756	8,027,657
New Zealand Dollar	1,220,269	3,072,090			4,292,359
Norway Krone	16,964				16,964
Poland New Zloty		1,522,175	5,063,521		6,585,696
South African Rand				1,072,159	1,072,159
Swedish Krona		3,665,532		1,922,881	5,588,413
Total international government bonds	18,703,528	27,237,458	30,541,420	18,678,827	95,161,233
Total fixed maturity	$ 30,514,889	137,420,584	92,300,540	212,014,650	472,250,663

Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements, Continued

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Group Trust does not have a formal policy limiting investment credit risk, but rather mandates such limits within the Investment Management Services Contract. The Group Trust's exposure to investment credit risk in fixed income securities as of December 31, 2009 is as follows:

Type	S & P Rating	Amount	Percentage of holding
Coporate Securities:			
Convertible bond:			
	B		0.00%
	NR	$ 3,347,506	0.71%
Total convertible bond		3,347,506	0.71%
Corporate bond:			
	AAA	6,775,101	1.43%
	AA+	454,484	0.10%
	AA	3,023,847	0.64%
	AA-	2,830,841	0.60%
	A+	4,560,500	0.97%
	A	6,318,660	1.34%
	A-	2,833,969	0.60%
	BBB+	6,741,271	1.43%
	BBB	9,842,353	2.08%
	BBB-	15,061,605	3.19%
	BB+	6,068,731	1.29%
	BB	21,985,330	4.66%
	BB-	34,002,527	7.20%
	B+	24,432,157	5.17%
	B	22,624,530	4.79%
	B-	13,934,006	2.95%
	CCC+	17,459,551	3.70%
	CCC	11,040,424	2.34%
	CCC-	3,146,750	0.67%
	D	7,168,319	1.52%
	NR	107,918,172	22.85%
Total corporate bond		328,229,347	69.50%
Mortgage bond:			
	AAA	$ 1,186,463	0.25%
	AA	690,663	0.15%
	A+	504,282	0.11%
	BB-	484,653	0.10%
	B	701,021	0.15%
	B-	1,243,468	0.26%
	CCC	939,541	0.20%
	NR	4,766,588	1.01%
Total mortgage bond		10,516,679	2.23%
Total corporate securities		342,093,532	72.44%
Foreign securities:			
Government bond			
	AAA	23,900,856	5.06%
	AA+	2,498,570	0.53%
	AA	14,526,496	3.08%
	AA-	576,521	0.12%
	A+	2,363,722	0.50%
	A	18,554,906	3.93%
	A-	5,343,532	1.13%
	BBB+	733,658	0.16%
	BBB	991,356	0.21%
	BBB-	1,220,209	0.26%
	BB-	4,893,113	1.04%
	B	1,180,608	0.25%
	D	1,328,635	0.28%
	NR	17,052,891	3.61%
Total government bond		95,161,233	20.15%
United States Government securities:			
U.S. Government agency securities		4,144,690	0.88%
Treasury Notes	AAA	9,007,801	1.91%
Total U.S. Government securities		13,152,491	2.79%
Municipal bonds	Aaa	670,000	0.14%
		670,000	
Commingled	NR	21,173,407	4.48%
Total credit risk debt securities		$ 472,250,863	100.00%

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DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements, Continued

4. **Securities Lending**

The Board has authorized the Group Trust to enter into an agreement with JP Morgan Chase (JP Morgan) for the lending of certain of the Group Trust's securities (the Securities Lending Program or program) including, but not limited to, stocks and bonds to counterparty brokers and banks (borrowers), for a predetermined period of time and fee. Such transactions are allowed by State statute.

During 2009 and 2008, JP Morgan lent, on behalf of the Group Trust, securities held by JP Morgan as the Group Trust's custodian, and received United States dollar cash and United States Government securities as collateral. JP Morgan did not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to put up collateral for each loan equal to: (i) in the case of loaned securities denominated in United States dollars or whose primary trading market was in the United States or sovereign debt issued by foreign governments, 102% of the fair market value of the loaned securities; and (ii) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not in the United States, 105% of the fair market value of the loaned securities.

The Board did not impose any restrictions during 2009 and 2008 on the amount of the loans that JP Morgan made on its behalf. There were no failures by any borrowers to return the loaned securities or pay distributions thereon during the fiscal years 2009 and 2008. Moreover, there were no losses during the 2009 and 2008 fiscal years resulting from a default of the borrower. JP Morgan indemnifies the Group Trust in respect of any loan related to any non-cash distribution and return of securities.

During 2009 and 2008, the Board and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral was invested, together with the collateral of other qualified tax-exempt plan lenders, in a collective investment pool maintained by JP Morgan. The relationship between the average maturities of the investment pool and the Group Trust's loans was affected by the maturities of the loans made by other plan entities that invested cash collateral in the collective investment pool, which the Board could not determine. On December 31, 2009 and 2008, the Group Trust and the System had no credit risk exposure to borrowers. The market value of securities on loan for the Group Trust were $212,745,824 and $144,765,038 at December 31, 2009 and 2008, respectively. The collateral held for the Group Trust were $220,696,255 and $148,844,079 at December 31, 2009 and 2008, respectively.

Disclosure of securities lending revenue is shown gross with the associated reductions for investment expenses on the face of the Group Trust's statements of changes in plan net assets, and the cash collateral and associated securities lending payable is shown on the face of the statements of plan net assets for the Group Trust as of December 31, 2009 and 2008.

Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements, Continued

5. **Contributions Required and Contributions Made**

Funding policy

Contribution rates are established to remain level over time as a percentage of members' salaries. The contribution rate has been determined to provide for normal cost plus the level percentage of members' salaries required to amortize the unfunded actuarial accrued liability (or surplus) over 26 years as of January 1, 2010 compared to 33 years as of January 1, 2009.

The required contribution rate of the City, pursuant to an actuarial study effective January 1, 2010, consists of 17.39% of covered members' salaries to pay normal costs, 10.84% of covered members' salaries to amortize its funding deficit over 26 years, and by (0.73)% of covered members' salaries for an additional amortization requirement resulting in a net contribution rate of 27.5%. The City is required to contribute at a rate that has been actuarially determined and adopted by the Board.

In 2009 and 2008, combined police officers, firefighters and City contributions represent approximately 8.5% and 27.5%, respectively, of each year's covered payroll. State law requires that the System fund the plan benefits based on an approved actuarial study. The actuary must certify that the contribution commitment by police officers, firefighters and the City provides an adequate financing arrangement. During 2009 and 2008, contributions were made in accordance with the adopted plans of benefits approved by the System's actuary.

Historical trend information

Historical trend information is provided as supplemental information on pages 26 through 28. This information is intended to demonstrate progress the System has made in accumulating sufficient assets to pay benefits when due and the related actuarial assumptions used in determining the actuarially determined amounts.

The System's contribution rates and the actuarial information included in schedules 1 and 2 is based on certain assumptions pertaining to interest rates, inflation rates and participant 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 could be material to the financial statements.

6. **Forward Contracts**

During fiscal years 2009 and 2008, the Group Trust entered into forward foreign exchange contracts. A currency forward is a contractual agreement between two parties to pay or receive specific amounts of foreign currency at a future date in exchange for another currency at an agreed upon exchange rate. Forward commitments are not standardized and carry credit risk due to the possible nonperformance by one of the counterparties. The maximum potential loss is the aggregate face value in U.S. dollars at the time the contract was opened; however, the likelihood of such loss is remote. Forwards are usually traded over-the-counter. These transactions are entered into in order to hedge risks from exposure to foreign currency rate fluctuation and to facilitate trade settlement of foreign security transactions. Forwards carry market risk resulting from adverse fluctuations in foreign exchange rates. Recognition of realized gain or loss depends on whether the currency exchange rate has moved favorable or unfavorable to the contract holder upon termination of the contract. Prior to termination of the contract, the Group Trust records the unrealized currency translation gain or loss based on the applicable forward exchange rates. Such matching existed at December 31, 2009 and 2008.

Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements, Continued

During 2009 and 2008, the Group Trust recognized net realized gains and losses on foreign currency forward contracts of $72,927 and $7,081, respectively. At December 31, 2009 and 2008, the Group Trust had net unrealized gains and losses on forward currency contracts reflected in the accompanying Group Trust summary information of $547,703 and $556,702, respectively, included in net appreciation (depreciation) in fair value of investments.

7. **Obligation Under Reverse Repurchase Agreements**

State statutes permit the System to enter into reverse repurchase agreements. The credit exposure at December 31, 2009 and 2008 related to these agreements was $31,147,000 and $33,316,200 in the Group Trust. All sales of investments under reverse repurchase agreements are for fixed terms. In investing the proceeds of reverse repurchase agreements, the System policy is for the term to maturity of the investment to be the same as the term of the reverse repurchase agreements. Such matching existed at December 31, 2009 and 2008.

8. **Line of Credit and Other Bank Loans**

The Group Trust has a credit agreement with a commercial bank which provides for a revolving line of credit bearing interest at the 30 day floating LIBOR plus 75 basis points and 45 basis points at December 31, 2009 and 2008, respectively, payable quarterly. At December 31, 2009 and 2008, the Group Trust had borrowed approximately $340,916,000 and $329,216,000, respectively, related to the revolving credit line, which provides for a maximum borrowing of $350,000,000. The revolving credit line was opened on November 1, 2006, and expires on September 30, 2010. The Group Trust and the System also pay a quarterly fee on the unused portion of the line of credit equaling 14 basis points. The line of credit agreement contains various covenants under the terms of the agreement in which the bank may call the line of credit, if the Group Trust is in violation of any restrictive covenants.

In June of 2009, the Group Trust established a credit agreement with a commercial bank which provides for a revolving line of credit bearing interest at the PRIME rate and a floor rate of 5% as of December 31, 2009, payable monthly. At December 31, 2009, the Group Trust had borrowed $40,000,000 related to the revolving credit line, which provides for a maximum borrowing of $40,000,000. The revolving credit line expires on June 29, 2012. The Group Trust and the System also pay a monthly fee on the unused portion of the line of credit equaling 50 basis points.

In July of 2009, the Group Trust established a credit agreement with a commercial bank which provides for a revolving line of credit bearing interest at the PRIME rate and a floor rate of 5% as of December 31, 2009, payable quarterly. At December 31, 2009, the Group Trust had borrowed $20,000,000 related to the revolving credit line, which provides for a maximum borrowing of $20,000,000. The revolving credit line expires in July, 2010.

In addition to the line of credit, the Group Trust has an additional loan agreement with the commercial bank bearing interest per annum at the 30 day floating LIBOR rate plus 75 basis points and 45 basis points at December 31, 2009 and 2008, respectively, payable quarterly. At December 31, 2009 and 2008, the loan balance outstanding was $37,260,000. The loan is secured by real property and matures on September 30, 2010. The bank loan agreement contains various covenants under the terms of the agreement in which the bank may call the loan if the Group Trust is in violation of any restrictive covenants.

Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements, Continued

Maturities of long-term debt at December 31, are as follows:

Year Ending December 31,	
2010	$ 398,176,000
2011	-
2012	40,000,000
Total	$ 438,176,000

9. **Federal Income Tax Status**

A favorable determination that the System is qualified and exempt from Federal income taxes was received on January 24, 2001, from the Internal Revenue Service (IRS). The Board believes that the System is designed and continues to operate in compliance with the applicable requirements of the Internal Revenue Code.

10. **Administrative Expenses**

The System's plan document authorizes the Board to pay administrative costs from the System, provided that the System's actuary has determined that the System has sufficient income to pay such costs. The System reimbursed the City for $0 and $118,312 related to the System's overall administrative costs during the years ended December 31, 2009 and 2008, respectively.

Group Trust investment related expenses for the years ended December 31, 2009 and 2008 also include $23,530,722 and $20,077,353, respectively, in asset management fees for the Group Trust.

11. **Commitments and Contingencies**

As described in note 1, certain members of the System are entitled to refunds of their accumulated contributions on termination of employment with the City, prior to being eligible for pension benefits. As of December 31, 2009 and 2008, aggregate contributions from active members of the System with less than five years of service were $11,130,286 and $9,075,284, respectively.

The Group Trust had outstanding investment commitments to various limited partnerships and international investment advisors of $544,554,834 and $415,523,031 at December 31, 2009 and 2008, respectively.

12. **Deferred Compensation Plans**

The System offers its employees a deferred compensation plan (the DCP) created in accordance with Internal Revenue Code Section 457. The DCP, available to all employees of the System, permits employees to defer a portion of their salary until future years. Distributions from the DCP are not available to employees until termination, retirement, death or unforeseeable emergency. The DCP has a third party administrator, ING Retirement Services (ING) and the cost of administration and funding are borne by the DCP participants. Amounts deferred are held in trust by ING and since the System had no fiduciary responsibility for the DCP, these amounts are not reflected in the accompanying basic financial statements in accordance with GASB Statement No. 32.

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DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements, Continued

The System also offers its employees a money purchase pension plan (MPP) created in accordance with Internal Revenue Code Section 401. The plan is available to employees of the System that are not considered an employee of the City. Participation in the plan is with the performance of one hour of service and termination from the plan is upon employment termination. Employees are allowed to make after tax contributions equal to 6.5% of the employee's compensation. System contributions equal 12% percent of the employee's compensation. During 2009 and 2008, the System contributed $270,731 and $297,309, respectively. The MPP has a third party administrator, ING, Inc., and the cost of administration and funding are borne by the employer. Amounts deferred are held in trust by ING and since the System had no fiduciary responsibility for the MPP, these amounts are not reflected in the accompanying financial statements in accordance with GASB Statement No. 32.

13. **Risks and Uncertainties**

The Group Trust invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. 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 statements of plan net assets.

The System contribution rates and the actuarial information included in the schedule of contributions, page 27, and schedule of funding progress, page 26, are based on certain assumptions pertaining to interest rates, inflation rates and participant 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 could be material to the basic financial statements.

Several lawsuits are pending against the City by third party police officers and firefighters, which claim the right to significant back pay on behalf of most current and many former Dallas police officers and firefighters. If these lawsuits are successful, they will likely result in large over-due pension claims on behalf of many retired pensioners and large increases in the actuarial accrued liabilities of current members of the System, because pensions are generally a percentage of the pay of the police officers and firefighters.

The System has intervened in the above lawsuits to protect the System's right to members and City contributions which the System management believes will be due if the police officers' and firefighters' claims are successful. The ultimate outcome of these lawsuits cannot be determined at this time and, accordingly, no amounts related to these claims have been accrued in the System's basic financial statements as of December 31, 2009 and 2008.

14. **Subsequent Events**

Management has evaluated subsequent events through June 30, 2010, which is the date the financial statements were issued.

REQUIRED SUPPLEMENTAL INFORMATION

Schedule 1

DALLAS POLICE AND FIRE PENSION SYSTEM

Schedule of Funding Progress (Unaudited)
(dollars in millions)

GASB required supplementary information (unaudited) related to the System's funding progress is as follows (amounts in millions):

Schedule of Funding Progress

Actuarial valuation date	Actuarial value of assets (AVA) (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
1/1/2001	$ 2,005	2,328	323	86.1 %	$ 224	144.2 %
1/1/2002	2,158	2,554	396	84.5 %	251	157.8 %
1/1/2003	1,992	2,738	746	72.8 %	270	276.3 %
1/1/2004	2,286	2,889	603	79.1 %	265	227.5 %
1/1/2005	2,485	3,074	589	80.8 %	282	208.9 %
1/1/2006	2,700	3,282	582	82.3 %	295	197.3 %
1/1/2007	2,962	3,371	409	87.9 %	306	133.7 %
1/1/2008	3,259	3,644	385	89.4 %	321	119.9 %
1/1/2009	3,040	3,878	838	78.4 %	348	240.8 %
1/1/2010	3,383	4,133	750	81.8%	367	204.4 %

Certain factors, such as changes in benefit provisions, the size or composition of the population covered by the System or the actuarial assumptions used, may significantly affect the identification of trends in the amounts reported in this schedule.

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the plan's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the plan is becoming financially stronger or weaker, generally, the greater this percentage, the stronger the plan. Trends in unfunded actuarial accrued liability and covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

See accompanying note to required supplemental schedules.
See accompanying independent auditors' report.

Schedule 2

DALLAS POLICE AND FIRE PENSION SYSTEM

Schedule of Employer Contributions (Unaudited)
(dollars in thousands)

The following table lists required supplementary information (unaudited) related to Employer contributions (amounts in thousands):

Schedule of Contributions

Year Ended December 31,	Annual required contribution	Percentage contributed
2000	$ 66,691	100%
2001	75,592	100%
2002	77,085	100%
2003	78,323	100%
2004	83,291	100%
2005	87,373	100%
2006	91,653	100%
2007	97,762	100%
2008	104,373	100%
2009	107,700	100%

The percent contributed may vary from the legally required rate as the term "Annual Required Contribution" is based upon covered payroll as of the actuarial valuation date, January 1, whereas contributions are calculated and paid based upon actual payrolls throughout the year.

Certain factors, such as changes in benefit provisions, the size or composition of the population covered by the System or the actuarial assumptions used, may significantly affect the identification of trends in the amounts reported in this schedule.

Contributions were made in accordance with actuarially determined contribution requirements as adopted by the Board.

See accompanying note to required supplemental schedules.
See accompanying independent auditors' report.

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DALLAS POLICE AND FIRE PENSION SYSTEM

Note to Required Supplemental Schedules (Unaudited)

The information presented in the required supplemental schedules was determined as part of the actuarial valuations at the dates indicated. The significant assumptions underlying the actuarial calculations at January 1, 2010 and 2009 are as follows:

Actuarially assumed investment rate of return *	8.5% per annum, compounded annually
Mortality, retirement, disability and separation rates	Graduated rates detailed in actuary's report
Projected salary increases **	Range of 4% to 9.64%
Actuarial cost method	Entry age normal cost method
Post retirement benefit increases:	
Group A (former Plan A) and Group B members	4% of original pension annually
Group A (former Old Plan) members	4% annually
Asset valuation	5-year smoothing
Amortization method	Open level percent of payroll
Remaining amortization period	26 years in 2010 actuary report and 33 years in 2009 actuary report
DROP account returns	9% per annum 2010 and 9% per annum 2009
Post retirement mortality	1994 Group Annuity Mortality Table

The actuarial information presented was determined by the actuarial firm Buck Consultants, Inc. for 2009 and 2008 and results from applying various assumptions with regard to termination, disability, retirement, mortality and the time value of money to the accumulated plan benefits.

The actuarial assumptions are based on the presumption that the System will continue. Were the System to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

Actuarial calculations were made by the consulting actuary Buck Consultants, Inc. as of January 1, 2010 and 2009, and are not materially different from what they would have been had they been calculated on December 31, 2009 and 2008, respectively. The above assumptions are used by the System's actuaries to determine the System's obligations only, and are not used to calculate the actual System benefits. Plan benefits are fully described in the System's document.

* Includes inflation rate of 4% and net of all expenses

** Includes inflation rate of 4%.


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Investments

STRATEGIC INVESTMENT POLICY

The Strategic Investment Policy of the Dallas Police and Fire Pension System ("the System") provides the framework for management of the System's assets. It has been designed to allow sufficient flexibility in the management process to capture investment opportunities as they may occur, yet provide reasonable parameters to ensure prudence and care in the execution of the investment program.

It is essential that the value added by the System's investment management be appropriate not only to meet inflationary effects, but also to provide additional returns above inflation to meet the investment goals of the System. Meeting the System's investment goals finances an optimal package of retirement benefits for Dallas police officers and firefighters and maximizes the utilization of the members' contributions and the tax dollars of the citizens of Dallas. The System's Strategic Investment Policy is published on the System's website at www.dpfp.org.

STATEMENT OF INVESTMENT GOALS

The general investment goals of the System are broad in nature to encompass the purpose of the System and its investments. They articulate the philosophy by which the Board will manage the System's assets within the applicable regulatory constraints.

1. The overall goal of the System is to provide benefits, as anticipated under the pension plan, to its participants and their beneficiaries through a carefully planned and executed investment program.

2. The System seeks to produce the highest return on investment that is consistent with levels of liquidity and investment risk that are prudent and reasonable, given prevailing capital market conditions. While the importance of the preservation of capital is recognized, the theory of capital market pricing which maintains that varying degrees of investment risk should be rewarded with compensating returns is also recognized.

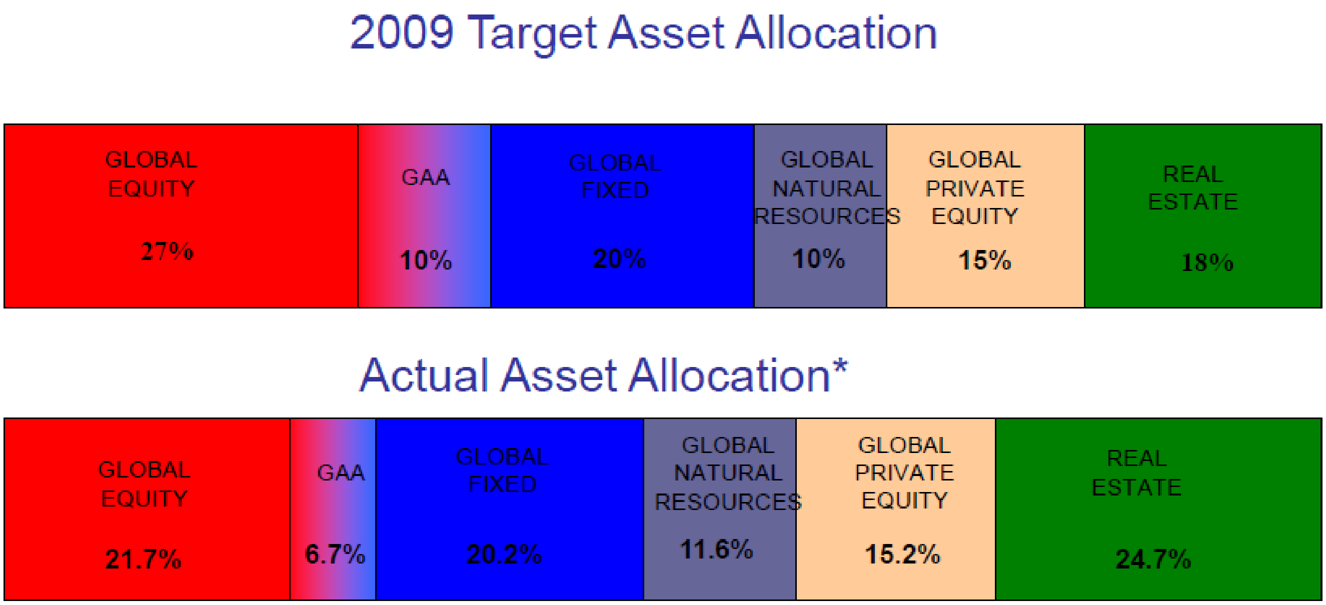
3. The pension investment program shall at all times comply with existing and future applicable state and federal regulations.

STRATEGIC ASSET ALLOCATION POLICY

In order to achieve maximum returns, the policy of the Board of Trustees ("the Board") is to diversify between various investment types as deemed suitable.

The Board has adopted an asset allocation policy with the following primary asset groups, Global Equity (Public equity and Private equity), Global Natural Resources, Global Fixed Income (Public Fixed Income and Private Fixed Income), Global Asset Allocation, and Real Estate, as shown in the chart below:

An asset allocation review is conducted monthly by the Board and staff. This comparison is developed from the month end asset valuation obtained from the System's custodian. If the comparison reveals that an account is outside the designated range, as specified in the Investment Implementation Policy, the Board may direct the Administrator to effect a reallocation of assets by month end to achieve the target allocation.



(* Percentage does not add to 100% due to rounding)

GENERAL INVESTMENT MANAGER GUIDELINES

Investment management for the System is provided by external investment managers and operators. Each investment manager operates under a set of guidelines specific to the strategic role its portfolio is to fulfill in the overall investment structure. Individual managers are evaluated according to benchmarks that reflect the objectives and characteristics of the strategic role their managed portfolio is to fulfill.

INVESTMENT HIGHLIGHTS

Calendar year 2009 was a good year for global investors. The broad US stock market as measured by the S&P 500 index returned about 26.4%. International markets increased about 35% as the credit crisis and economic distress eased worldwide. The energy sector, which was one of the hardest hit sectors in 2008, recovered by returning almost 42% in 2009. Every sector or asset class was positive for the year 2009 except for real estate as evidenced by the NCRIEF Property Index that returned (16.9)%. The System benefited from the rebound in the public markets as the portfolio returned 15.7% in 2009 and year end assets were valued at $2.87 billion.

The System maintained its long-term perspective in 2009. The System continues to rank among the best performing public pension plans in the nation, and was ranked in the top 20% over five-years among public funds as determined by NEPC, the System's investment consultant. The System's use of multiple investment strategies, asset diversification, and asset rebalancing, has served us well over many market cycles and will continue to help the System to continue to achieve its financial goals in the future. For a more detailed comparison, see "Rates of Return by Asset Class" below.

Rates of Return by Asset Class

Asset Class	2009 Return	Benchmark Return	Benchmark
Global Equity	30.5%	34.6%	MSCI ACWI
Global Natural Resources	44.3%	Not Applicable	
Global Fixed Income	37.9%	6.9%	BC Global Aggregate
Global Asset Allocation (GAA)	15.5%	6.2%	T-Bill +600BPS
Global Real Estate	-5.7%	-10.9%	Townsend Group Stylized Index
Cash Equivalent	0.5%	0.3%	T-Bill

Global Equity Portfolio

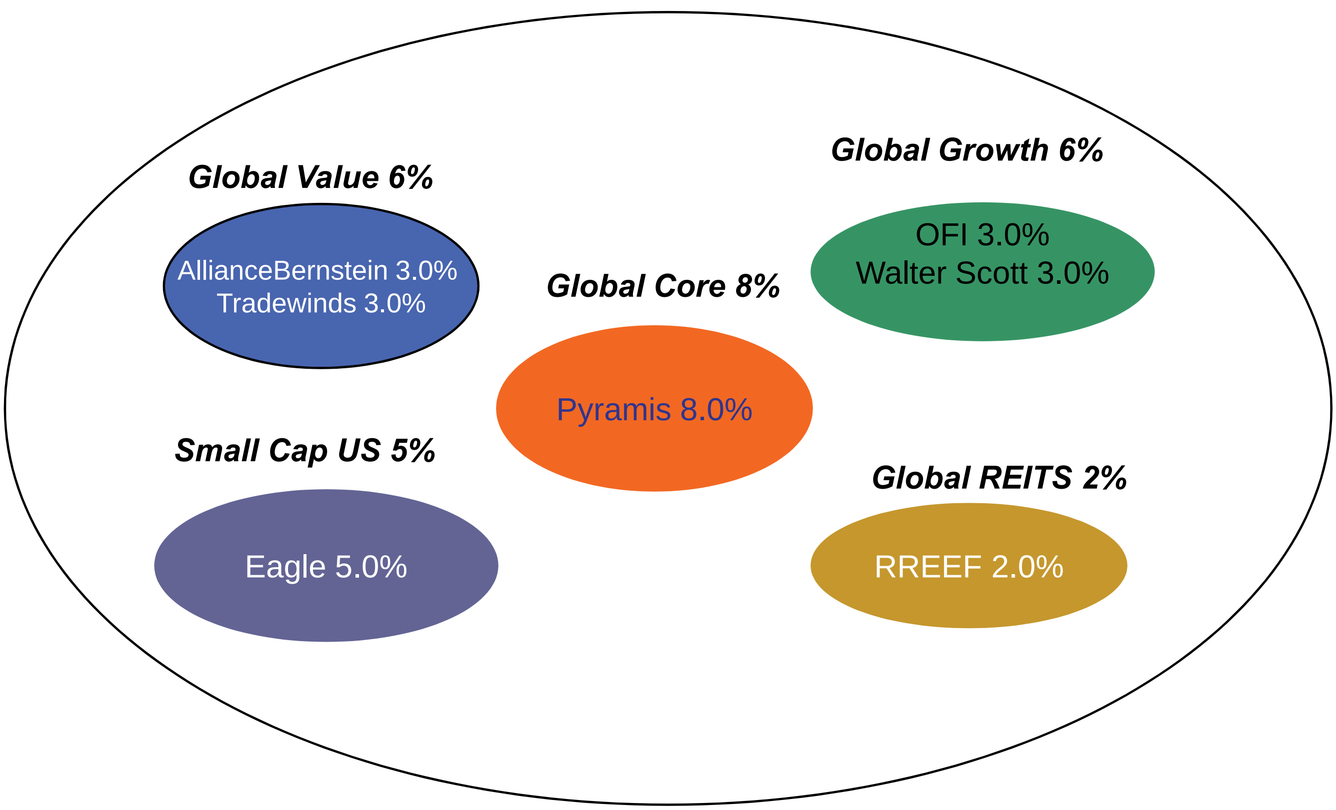
The System's Global Equity portfolio represents 36.9% of System's total market value, of which 21.7% represents public equity. During 2009, the System hired Walter Scott & Partners and Tradewinds Global Investors to manage new global equity mandates.

The S&P 500 Index, a measure of domestic equities, returned 26.4%, while the System's Global Public Equity portfolio appreciated by 30.5%, with a year-end market value of approximately $606 million.

The System's Global Private Equity portfolio represents approximately 15.2% of the System's total investment portfolio. The annualized rate of return of the private equity portfolio was 10.4 % at year-end. Among the investments which performed well for 2009, Lone Star Growth Capital returned 46.7% and Lone Star CRA Fund returned 58.7%, while Levine Leichtman Deep Value Fund returned 96.6%. Private equity investments made during 2009 include commitments to NTE Mobility Partners, LBJ Infrastructure Group, and JP Morgan Global Maritime Investment Fund. The System's investment objective is to seek a combination of income and capital appreciation.

The System's public real estate portfolio consisting of investments in Real Estate Investment Trusts (REITs) recovered the most in 2009 returning 37.5% net of fees. As of the end of 2009, the System's public real estate portfolio has an ending market value of approximately $44 million.

Global Equity - Target Allocation 27%



Top Ten Global Equity Holdings

Security Description	Market Value
HSBC HLDGS	$6,014,902.87
NESTLE SA	$5,463,119.71
ROYAL DUTCH SHELL	$4,416,863.51
TRANSOCEAN LTD	$4,320,504.00
TOTAL S.A	$4,076,814.41
ROCHE HLDG AG GENUSSCHEINE	$4,072,607.89
SIEMENS AG	$4,061,674.26
SCHLUMBERGER	$4,034,278.20
MICROSOFT CORP	$3,994,952.25
TESCO ORD	$3,990,636.84

The table above reflects the global nature of on the portfolio. Nine of the ten holdings are non-U.S. based companies.

Dallas Police and Fire Pension System named Top Mid-sized Public Pension Plan by *Money Management Letter (MML)*

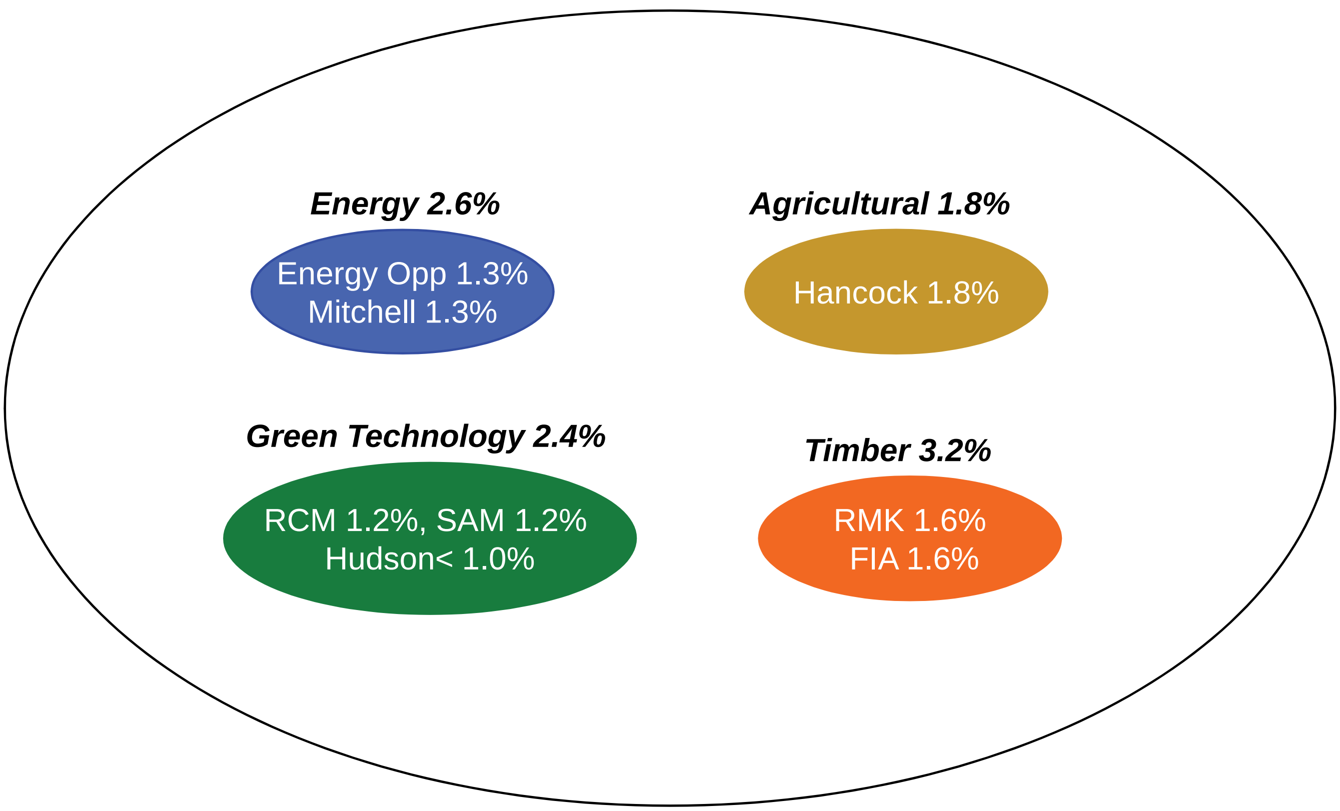
Board and Staff Members, left to right: Richard Wachsman, Rector McCollum, Don Rohan, George Tomasovic, David Neumann, Richard Tettamant, Steve Shaw, Sheffie Kadane, Gerald Brown, Steve Umlor, Ann Margolin, John Mays, Jerry Allen, Mike Taylor, Rick Salinas and Brian Blake.

Global Natural Resources

Global Natural Resources allocation represent the System's continuing commitment to natural resources and includes energy, farmland, timberland, and alternative energy investments.

The System's timber and farmland holdings continued to outperform their respective benchmarks. The timber portfolio is managed by Forest Investment Associates and RMK Timberland Group. As of the year ending 2009, timber investments had a market value of approximately $84.6 million with a one year return of (10.6)%. Longer term performance for the timber portfolio has provided 8.7% and 11.0% for the three year, and five year periods ending December 31, 2009. The System's farmland holdings managed by the Hancock Agricultural Investment Group has a market value of approximately $78.0 million and has an impressive annualized return of 21.6% over a five year period. The crops include apples, cranberries, almonds, pistachios, walnuts, macadamia nuts and wine grapes. The 2009 return for Sustainable Asset Management (SAM) was 40.5%.

Global Natural Resources - Target Allocation 10%



Global Fixed Income Portfolio

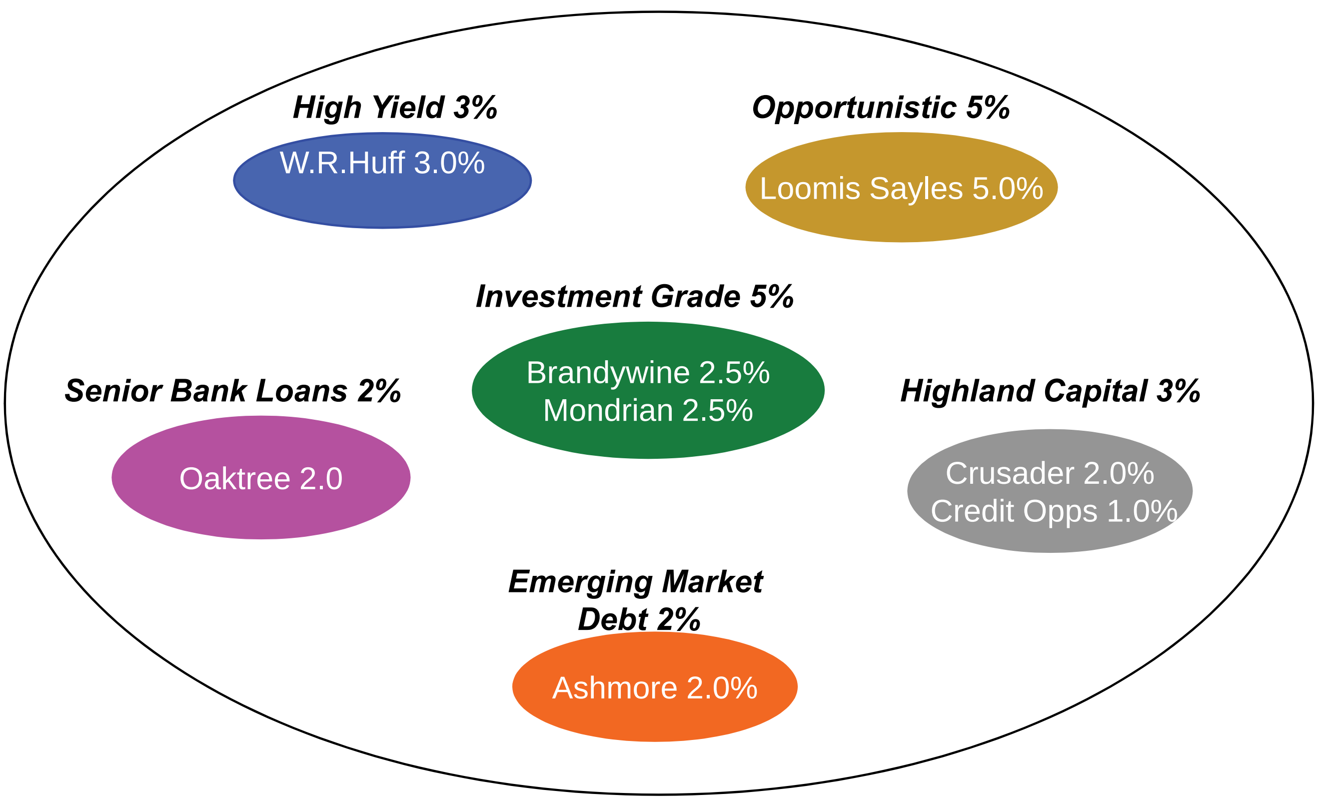
The System's Global Fixed Income investments represent approximately 20.2 % of the total portfolio and returned 37.9% for the year. While the global high quality fixed income market had a moderate return of 6.9% for the year, the global high yield and opportunistic fixed income market outperformed the market, including the high yield account managed by W. R. Huff Asset Management that returned 48.8% and the Ashmore Emerging Market Debt Fund that returned 24.2% for the year. Among the global fixed income managers, Loomis Sayles returned an impressive 70.5% for the Fund and outperformed their benchmark—the 70% Merrill Lynch High Yield / 30% JP Morgan EMD—by 23.3%.

Top Ten Fixed Income Holdings

Security Description	Market Value
FREEPORT-MCMORAN COPPER & GOLD INC 8.375% BDS	$9,764,453.13
NEW SOUTH WALES TREASURY CORP 5.5% GTD GBL EXCH	$5,666,367.22
LUCENT TECHNOLOGIE 6.45% DEB 15/MAR/2029 USD1000	$5,229,773.98
POLAND(REPUBLIC OF) 5.25% BDS 25/OCT/2017 PLN1000	$5,126,973.86
BORDEN INC 7.875% DEBS 15/FEB/2023 USD1000	$4,593,847.50
AES CORP 8.375% SNR SUB NTS 01/MAR/2011 GBP1000	$4,536,072.99
BRAZIL(FED REP OF) 10.25% SNR BDS 10/JAN/2028 BRL	$4,170,301.93
TOYS R US 7.375% 15/OCT/2018 USD1000	$3,950,267.29
DENBURY RESOURCES INC 7.50 15/DEC/2015	$3,940,280.83
PLAINS EXPLORATION & PRODUCTION CO 7% SNR NTS	$3,669,380.44

The table above reports our top ten investment holdings in the fixed income asset class.

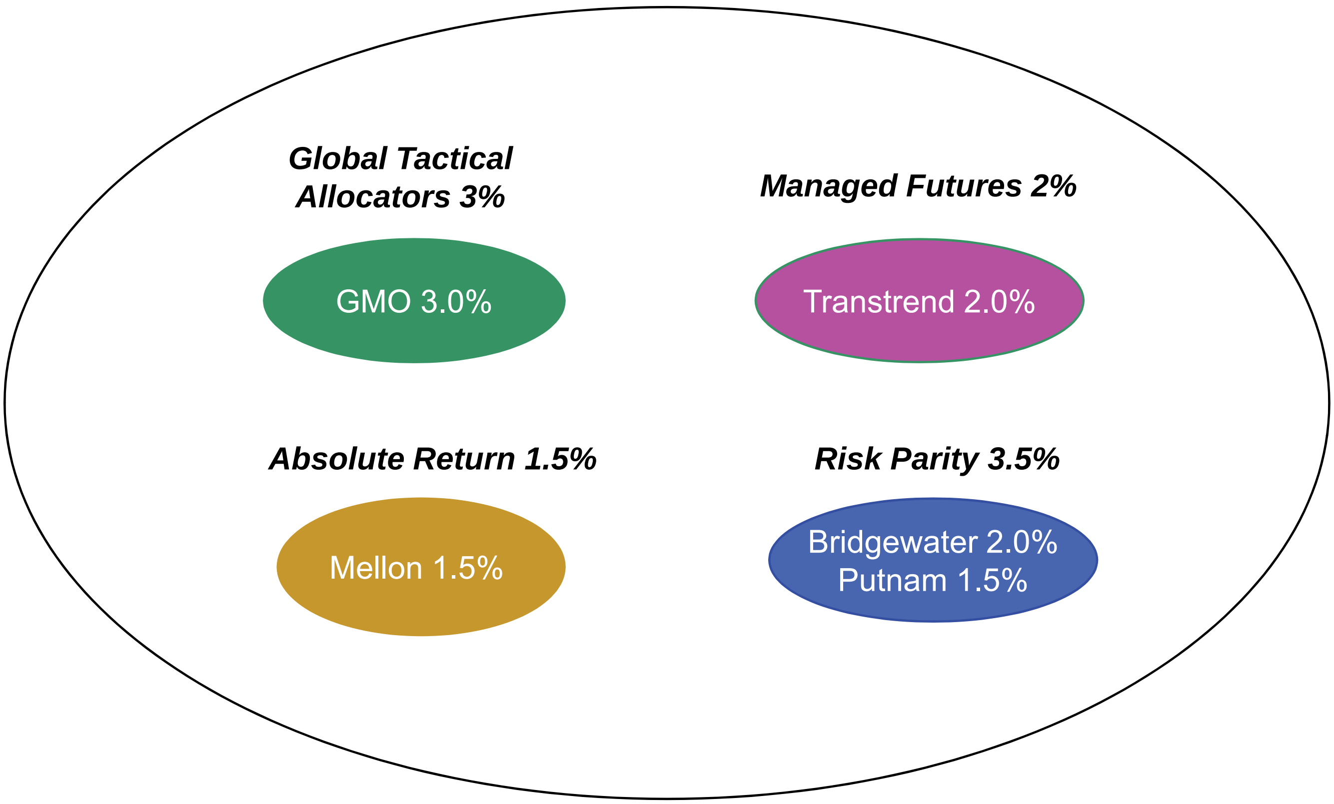
Global Fixed Income - Target Allocation 20%



Global Asset Allocation Portfolio

The System's Global Asset Allocation (GAA) portfolio represents approximately 6.7% of the System's market value with a return of 15.5% for the year. Prior to year-end December 31, 2009, the System funded Putnam Total Return Trust and Robeco Transtrend Diversified Fund, LLC in the GAA category, each with a 1.5% allocation. Among the three Global Asset Allocation Managers, Mellon Capital Management returned 19.0%, while Bridgewater All-Weather and GMO returned 11.3% and 14.1% for the year, respectively.

Global Asset Allocation - Target Allocation 10%



Real Estate Portfolio

The System's private real estate portfolio is diversified by the type and location of the real estate assets owned. The portfolio consists of retail, industrial, multi-family, office, and undeveloped land. The location of the private assets covers the United States. International locations of the System's private real estate investments include Paris, France and the Bahamas.

The performance history for the System's private real estate is impressive albeit with a difficult 2009, having returned net annualized numbers of 9.7 %, and 8.4%, respectively, for five years and since inception (1982) through 2009. The System's real estate portfolio has consistently outperformed the weighted benchmark, and was ranked number one over five years among all Townsend clients. (The Townsend Group is the System's Real Estate Consultant.)

INFLATION

Inflation as measured by the Consumer Price Index for all Urban Consumers (CPI-U) decline 0.4% for the year 2009 according to the U.S. Department of Labor.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ACTUARIAL REPORT

DALLAS POLICE AND FIRE PENSION SYSTEM

ACTUARIAL VALUATION

AS OF JANUARY 1, 2010

buckconsultants

buckconsultants

A Xerox Company

June 25, 2010

Mr. Richard L. Tettamant
Administrator
Dallas Police & Fire Pension System
4100 Harry Hines Blvd., Suite 100
Dallas, TX 75219

Re: Dallas Police and Fire Pension System Actuarial Valuation as of January 1, 2010

Dear Mr. Tettamant:

We certify that the information contained in this report is accurate and fairly presents the actuarial position of the Dallas Police and Fire Pension System (the System) as of January 1, 2010.

Actuarial Valuation

The primary purpose of the valuation report is to determine the adequacy of the current City's contribution rate, to describe the current financial condition of the System, and to analyze changes in the System's condition. In addition, the report provides information required by the City of Dallas in connection with Governmental Accounting Standards Board Statements Number 25 and Number 27.

Basis for Funding

The member and City contribution rates are established by statute. The City's and the members' contributions are intended to be sufficient to pay the normal cost and to amortize the System's unfunded actuarial accrued liability.

Funding Progress

As of January 1, 2010, the employer contribution rate for GASB 27 purposes to pay the normal cost and fund the Unfunded Actuarial Accrued Liability over 30 years is 28.23%. This amount is less than the 30.61% employer contribution rate calculated as of January 1, 2009. After reflecting the elimination of the Automatic Adjustment for Members hired after December 31, 2006, the current contribution rate covers the normal cost and the amortization of the Unfunded Actuarial Accrued Liability (UAAL) over 26 years.

14911 Quorum Drive, Suite 200 • Dallas, TX 75254-7534
972.628.6800 • 972.628.6801 (fax)

Mr. Richard Tettamant
June 25, 2010
Page 2

Benefit Provisions

The actuarial valuation reflects the benefit and contribution provisions set forth in the System's statutes. There are no significant benefits which were not taken into account in this valuation. The valuation is based on the same benefit provisions as the previous valuation.

Assumptions and Methods

The actuarial assumptions and methods used in the valuation are presented in Schedule C. The valuation is based on the same assumptions and methods as the previous valuation.

The assumptions used are individually reasonable and reasonable in the aggregate.

Data

Asset information and member data for retired, active, and inactive members was supplied as of January 1, 2010 by the Administrator. We have not subjected this data to any auditing procedures, but have examined the data for reasonableness and consistency with the prior year's data.

I am an Enrolled Actuary, a Fellow of the Society of Actuaries, and a Member of the American Academy of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Very truly yours,

(Signed) RICHARD A. MACKESEY

Richard A. Mackesey, FSA, EA, MAAA
Principal, Consulting Actuary

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Enclosures

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Dallas Police and Fire Pension System
Actuarial Valuation - January 1, 2010

Table of Contents

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Table of Contents (continued)

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Summary of Principal Results

	January 1, 2010	January 1, 2009
Membership		
Active	5,476	5,235
Terminated with refunds due	57	45
Terminated with deferred benefits	144	151
Retired members and beneficiaries	3,450	3,375
Compensation		
Total	$ 366,720,115	$ 348,106,883
Average	$ 66,969	$ 66,496
Assets		
Market value	$ 2,851,645,944	$ 2,533,055,971
Actuarial value	$ 3,382,907,776	$ 3,039,667,165
Valuation Results		
Unfunded actuarial accrued liability	$ 750,381,064	$ 838,429,477
Funding period	26	33
GASB No. 25		
Actuarial accrued liability (AAL)	$ 4,133,288,840	$ 3,878,096,642
Assets (actuarial)	$ 3,382,907,776	$ 3,039,667,165
GASB ratio	81.8%	78.4%
Unfunded AAL	$ 750,381,064	$ 838,429,477

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Comments on the Valuation

Overview

The current contribution rates are sufficient to keep the System actuarially sound, based on the current membership data, the current financial data, the current benefit provisions and the actuarial assumptions and methods used to determine liabilities and costs.

The overall funding of the Plan remains sound. The funding period decreased to 26 years from 33 years. This decrease was primarily due to a gain on the actuarial value of assets.

Section 3 shows in more detail the changes to the 30-year funding cost and the funding period based on the current contribution rates.

Funding status

There are two significant measures of the funding status of the System. The first is the 30-year funding cost. This is the City contribution rate required by GASB 27 to pay the normal cost and to amortize the UAAL over a 30-year period. This rate is currently 28.23% compared with the City's actual contribution rate of 27.50% and the 30-year funding cost in 2009 of 30.61%. Section 3 shows a reconciliation of the changes between the 2009 and 2010 figures.

The other measure is the funding period. This is the length of time in years that will be required to amortize the current UAAL based on the current contribution rate. After reflecting the elimination of the Automatic Adjustment for Members hired after December 31, 2006, the current contribution rate is sufficient to pay the normal cost and amortize the UAAL over 26 years.

The UAAL is the excess of the liability assigned to prior years (the actuarial accrued liability) over the value of assets. Section 3 shows a reconciliation of this amount between 2009 and 2010.

GASB Statements

Section 4 provides the information required for reporting under GASB No. 25.

Benefit Provisions

Schedule B summarizes all the benefit provisions of the System. There are no significant benefits which were not taken into account in this valuation. The valuation is based on the same benefit provisions as the previous valuation.

Actuarial Assumptions and Methods

The actuarial assumptions and methods used in the valuation are presented in Schedule C. The valuation is based on the same assumptions and methods as the previous valuation.

The assumptions used are individually reasonable and reasonable in the aggregate.

Schedule D compares the assumptions to the recent experience of the System and describes the adequacy of the assumptions.

GASB Statement No. 27

Initially, under GASB Statement No. 27, employers were required to determine a pension expense based on a 40-year amortization of the UAAL for fiscal years beginning after June 15, 1996. After the 10-year transition period, the required amortization period is now 30 years. The amortization can assume payroll growth due to inflation, but no membership growth. If the actual contribution rate is less than the rate required by GASB No. 27, the excess must be expensed. This will result in the employer showing an accrued but unpaid liability for pension benefits on its financial statements.

A City Contribution rate of 28.23% will be required for the City to avoid showing an additional pension liability on its financial statements for the fiscal year beginning in 2010. At the current rate of contribution, and assuming no other changes, the City will be required to show an accrued but unpaid pension liability for the System on its financial statements in the future.

Financial Data

The financial data used in this report was supplied by the System.

Section 5 reconciles the System's assets between 2009 and 2010 and shows the development of the actuarial value of assets (AVA). Rather than using the market value for cost calculations, an adjusted market value, which phases in gains and losses (compared to the assumed investment return rate) over five years, is used. The estimated rate of return for 2009 is 13.78% for the market value of assets, and 12.29% for the actuarial value of assets.

Membership Statistics

Data on active members and on retired members was supplied by the Administrator. Active membership and total payroll for active members both grew during the last year. The active membership increased from 5,235 members as of January 1, 2009 to 5,476 members as of January 1, 2010, a 4.6% increase. The total active payroll increased from $348,106,883 to $366,720,115 over the same period, a 5.3% increase. Schedule A shows a summary of the membership data.

Experience

Schedule D compares the actual experience of the system with the actuarial expectations.

Actuarial Cost, Margin and Funding Period

	January 1, 2010	January 1, 2009
1. Covered Payroll		
a. Active members excluding DROP	241,857,063	230,430,232
b. DROP members	124,863,052	117,676,651
c. Total	366,720,115	348,106,883
2. Actuarial value of future pay		
a. Active members excluding DROP	2,160,021,400	2,011,095,100
b. DROP members	1,486,642,400	1,416,929,400
c. Total	3,646,663,800	3,428,024,500
3. Current contribution rates		
a. City	27.50%	27.50%
b. Member	8.50%	8.50%
c. Total	36.00%	36.00%
4. Actuarial present value of future benefits	5,041,696,694	4,750,685,548
5. Actuarial present value of future normal costs		
a. Total	908,407,854	872,588,906
b. Member (3b x 2a)	183,601,819	170,943,084
c. City (5a - 5b)	724,806,035	701,645,822
6. Actuarial accrued liability (4 - 5a)	4,133,288,840	3,878,096,642
7. Actuarial value of assets	3,382,907,776	3,039,667,165
8. Unfunded actuarial accrued liability (UAAL) (6 - 7)	750,381,064	838,429,477
9. Normal cost		
a. Normal cost percentage (5a ÷ 2c)	24.91%	25.45%
b. Total normal cost (1c x 9a)	91,349,981	88,593,202
c. Member normal cost (1a x 3b)	20,557,850	19,586,570
d. City normal cost (9b - 9c)	70,792,131	69,006,632
e. City normal rate (9d ÷ [1c x 1.11])	17.39%	17.86%

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Actuarial Cost, Margin and Funding Period

	January 1, 2010	January 1, 2009
10. 30-year funding cost*		
a. City normal cost rate**	17.39%	17.86%
b. Amortization rate	10.84%	12.75%
c. Total	28.23%	30.61%
11. Margin over/(under) 30-year cost* (3a - 10c)	(0.73)%	(3.11)%
12. Funding period to amortize UAAL	26	33

* 30-year funding cost is necessary for accounting purposes only. The actual funding period is calculated each year based on level contributions and reflects the elimination of the Automatic Adjustment for Members hired after December 31, 2006. On this basis, the period is 26 years.

** The city normal cost rate shown is for current active employees only. This rate will decrease over time as more active members become subject to the plan amendment that eliminates the Automatic Adjustment.

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Analysis of Change in UAAL

1. UAAL as of January 1, 2009	$ 838,429,477
2. Changes due to:	
a. Expected increase (negative amortization)	$ 34,975,612
b. Actual contributions greater than expected	1,099,372
c. Liability experience	(9,580,673)
d. Asset experience	(114,542,724)
e. Total changes	$ (88,048,413)
3. UAAL as of January 1, 2010	$ 750,381,064

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Analysis of Change in Funding Cost

1.	30-year funding cost* as of January 1, 2009	30.61%
2.	Changes due to:	
	a. Resetting of amortization from prior year	(0.02)
	b. Actual contributions less than expected	0.01
	c. Liability experience	(0.77)
	d. Asset experience	(1.60)
	e. Total	(2.38)
3.	30-year funding cost* as of January 1, 2010	28.23%

* 30-year funding cost is necessary for accounting purposes only. The actual funding period is calculated each year based on level contributions and reflects the elimination of the Automatic Adjustment for Members hired after December 31, 2006. On this basis, the period is 26 years.

Analysis of Change in Funding Cost

1.	30-year funding cost* as of January 1, 2009	30.61%
2.	Changes due to:	
	a. Resetting of amortization from prior year	(0.02)
	b. Actual contributions less than expected	0.01
	c. Liability experience	(0.77)
	d. Asset experience	(1.60)
	e. Total	(2.38)
3.	30-year funding cost* as of January 1, 2010	28.23%

* 30-year funding cost is necessary for accounting purposes only. The actual funding period is calculated each year based on level contributions and reflects the elimination of the Automatic Adjustment for Members hired after December 31, 2006. On this basis, the period is 26 years.

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Analysis of Change in Funding Period

1.	Funding period as of January 1, 2009	33
2.	Changes due to:	
	a. Passage of time	(1)
	b. Actual contributions greater than expected	0
	c. Liability experience	0
	d. Assumption Change	0
	e. Asset experience	(6)
	f. Total	(7)
3.	Funding period as of January 1, 2010	26

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Historical Trend Information

(As required by GASB #25 - Amounts are in millions of dollars)

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2005	2,485	3,074	589	80.8%	282	208.9%
January 1, 2006	2,700	3,282	582	82.3%	295	197.3%
January 1, 2007	2,962	3,371	409	87.9%	306	133.7%
January 1, 2008	3,259	3,644	385	89.4%	321	119.9%
January 1, 2009	3,040	3,878	838	78.4%	348	240.8%
January 1, 2010	3,383	4,133	750	81.8%	367	204.4%

GASB #25 Schedule of Employer Contributions for Year Ending December 31, 2009

Annual Required Contribution	Percentage Contributed
30.61% of Pay	89.8%

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Summary of Accumulated Benefits
(FASB #35)

Accumulated Benefits at January 1, 2010

Vested benefits of participants and beneficiaries currently receiving payments	$ 1,969,796,350
Other vested benefits	1,951,974,013
Nonvested benefits	144,639,359
Total benefits	$ 4,066,409,722

FASB #35 Reconciliation

Accumulated benefits at January 1, 2009		$ 3,809,536,165
Benefits accumulated	$ 95,295,278	
Interest	317,326,266	
Benefits paid	(155,747,987)	
Assumption change	0	
Plan amendments	0	
Total Change		256,873,557
Accumulated benefits at January 1, 2010		$ 4,066,409,722

Reconciliation of Fund Assets

	Year Ending December 31, 2009
1. Value of fund at beginning of year	$ 2,533,055,971
2. Contributions	
a. City	107,699,648
b. Member	19,584,241
c. Total	$ 127,283,889
3. Benefit payments (including DROP payments)	(154,976,635)
4. Refunds	(771,352)
5. Earnings	353,799,366
6. Expenses	(6,745,295)
7. Value of assets at end of year	$ 2,851,645,944
8. Estimated rate of return	13.78%

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Determination of Excess Earnings To Be Deferred

	Year Ending December 31, 2009
1. Market value at beginning of year	$ 2,533,055,971
2. Net new investments	
a. Contributions	$ 127,283,889
b. Benefit payments (including DROP payments)	(154,976,635)
c. Refunds	(771,352)
d. Total	$ (28,464,098)
3. Market value at end of year	$ 2,851,645,944
4. Yield (3 - 1 - 2d)	$ 347,054,071
5. Average balance [1 + ½ x (2d)]	2,518,823,922
6. Assumed investment return rate	8.50%
7. Expected net return (5 x 6)	$ 214,100,033
8. Gains/(losses) subject to deferral (4 - 7)	$ 132,954,038

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Dallas Police and Fire Pension System
Actuarial Valuation - January 1, 2010

Section 5
(continued)

Calculation of Actuarial Value of Assets

1. Market value of assets as of January 1, 2010 — $2,851,645,944

2. Deferral amounts

	Year	Total Gain/(Loss)	Percent Deferred	Deferral Amount
a.	2009	$ 132,954,038	80%	$ 106,363,230
b.	2008	(1,125,904,567)	60%	(675,542,740)
c.	2007	10,785,809	40%	4,314,324
d.	2006	168,016,769	20%	33,603,354
e.	Total			$ (531,261,832)

3. Preliminary actuarial value of assets (1 - 2e) — 3,382,907,776

4. 80% of Market value — 2,281,316,755

5. 120% of Market value — 3,421,975,133

6. Actuarial value of assets (3, not less than 4 or more than 5) — 3,382,907,776

7. Rate of return on actuarial value of assets — 12.29%

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Dallas Police and Fire Pension System
Actuarial Valuation - January 1, 2010

Schedule A

Membership Data

	January 1, 2010	January 1, 2009
1. Active members (excluding DROP)		
a. Police and Fire		
1. Number	4,170	3,983
2. Covered payroll	$241,857,063	$230,430,232
3. Average annual pay	$ 57,999	$ 57,853
4. Average age	36.64	37.02
5. Average service (years)	9.82	10.33
b. Police		
1. Number	2,919	2,774
2. Covered payroll	$168,101,831	$159,857,887
3. Average annual pay	$ 57,589	$ 57,627
4. Average age	36.55	36.94
5. Average service (years)	9.68	10.21
c. Fire		
1. Number	1,251	1,209
2. Covered payroll	$ 73,755,232	$ 70,572,345
3. Average annual pay	$ 58,957	$ 58,372
4. Average age	36.86	37.21
5. Average service (years)	10.13	10.60

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Dallas Police and Fire Pension System
Actuarial Valuation - January 1, 2010

Schedule A
(continued)

Membership Data
(continued)

	January 1, 2010	January 1, 2009
2. Active members (DROP only)		
a. Police and Fire		
1. Number	1,306	1,252
2. Covered payroll	$124,863,052	$117,676,651
3. Average annual pay	$ 95,607	$ 93,991
4. Average age	54.31	54.27
5. Average total service (years)	28.56	28.58
6. Average time in DROP (years)	4.65	4.51
7. DROP account balance	$378,800,973	$340,065,656
b. Police		
1. Number	724	673
2. Covered payroll	$ 68,755,764	$ 63,636,248
3. Average annual pay	$ 94,967	$ 94,556
4. Average age	53.96	54.04
5. Average total service (years)	27.99	28.09
6. Average time in DROP (years)	4.24	4.20
7. DROP account balance	$186,337,436	$165,510,776
c. Fire		
1. Number	582	579
2. Covered payroll	$ 56,107,288	$ 54,040,403
3. Average annual pay	$ 96,404	$ 93,334
4. Average age	54.74	54.54
5. Average service (years)	29.28	29.15
6. Average time in DROP (years)	5.16	4.87
7. DROP account balance	$192,463,537	$174,554,880

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Dallas Police and Fire Pension System
Actuarial Valuation - January 1, 2010

Schedule A
(continued)

Membership Data
(continued)

	January 1, 2010	January 1, 2009
3. Active members (including DROP)		
a. Police and Fire		
1. Number	5,476	5,235
2. Covered payroll	$366,720,115	$348,106,883
3. Average annual pay	66,969	$ 66,496
4. Average age	40.86	41.15
5. Average service (years)	14.29	14.69
6. DROP account balance	$378,800,973	$340,065,656
b. Police		
1. Number	3,643	3,447
2. Covered payroll	$236,857,595	$223,494,135
3. Average annual pay	$ 65,017	$ 64,837
4. Average age	40.01	40.28
5. Average service (years)	13.32	13.70
6. DROP account balance	$186,337,436	$165,510,776
c. Fire		
1. Number	1,833	1,788
2. Covered payroll	$129,862,520	$124,612,748
3. Average annual pay	$ 70,847	$ 69,694
4. Average age	42.54	42.82
5. Average service (years)	16.21	16.61
6. DROP account balance	$192,463,537	$174,554,880

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Dallas Police and Fire Pension System
Actuarial Valuation - January 1, 2010

Schedule A
(continued)

Membership Data
(continued)

	January 1, 2010	January 1, 2009
4. Inactive members eligible for annuity		
a. Retired members	2,565	2,508
b. Beneficiaries	885	867
c. Number entitled to deferred benefits	144	151
d. Total number of inactive members	3,594	3,526
e. Total annual benefit	$135,299,594	$127,349,411
f. Average annual benefit	$ 37,646	$ 36,117
5. Inactive members with refunds due		
a. Number	57	45
b. Accumulated contribution balance	$ 139,166	$ 102,314

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Summary of Benefit Provisions
As of January 1, 2010
For Actuarial Calculations

Group A

Definitions

Base Pay: The annualized maximum monthly civil service pay established by the City for a police officer or fire fighter exclusive of any and all other forms of compensation.

City Service Incentive Pay: Additional annualized salary granted to Member under the authority of the City Charter.

Longevity Pay (Service Pay): Additional annualized salary granted to Member under provisions of Section 141.032, Local Government Code, for each year of service completed by such Member.

Pension Service: Time in years (prorated for fractional years) that Member made contributions under the terms of the Combined Pension Plan or under any Pension Plan within the Pension System.

Pension System: The Dallas Police and Fire Pension System

Qualified Surviving Spouse: The Member's legal spouse at time of death providing the marriage occurred prior to the Member's termination of employment (entering DROP is not considered termination of employment) and continued until the member's death.

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Qualified Surviving Children: All surviving unmarried children under 19 years of age (23 for a disabled child) provided they were born or adopted before Member terminated his employment.

Contribution Rates

The Member contribution rate is 6.5%. Members contribute for a maximum of 32 years.

The City's contribution rate is a function of the highest Member contribution rate of any pension plan within the Pension System (currently Group B) as follows:

City	Member
28.5%	9.0%
27.5	8.5
26.0	8.0
24.5	7.5
23.0	7.0
21.5	6.5

Service Retirement Benefits

Annual Normal Retirement Pension

Greater of I or II:

I. Condition for Retirement: Age 50 with 20 years of Pension Service.

Amount of Pension Benefit: 50% of Base Pay, plus 50% of Longevity Pay, plus 50% City Service Incentive Pay. Pension is increased annually to reflect changes in the rate of

Longevity Pay and City Service Incentive Pay based on Member's Pension Service and status at date of retirement.

Member may retire as early as age 45 with 20 years of Pension Service. Pension benefit will be reduced by 2/3 of 1% per month of retirement prior to age 50.

II. Condition for Retirement: Age 55 with 20 years of Pension Service.

Amount of Pension Benefit: 3% of Base Pay for each year of Pension Service (maximum of 32 years), plus 50% of Longevity Pay, plus 50% of City Service Incentive Pay. Pension is increased annually by 4% of the original pension benefit.

Member may retire as early as age 50 with 20 years of Pension Service. Pension benefit will be reduced by 2/3 of 1% for each month of retirement prior to age 55.

Disability Retirement Benefits

Condition for Retirement: Disability preventing Member from performing his or her duties with his or her department and lasting for a period of not less than 90 days.

Annual Amount of Pension

Greater of I or II:

I. Same as Normal Retirement Pension (I).

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II. Depending on Source of Disability

a. Service Related Disability: 3% of Base Pay for each year of Pension Service (minimum of 20 years, maximum of 32 years), plus 50% of Longevity Pay, plus 50% of City Service Incentive Pay. Benefit is increased annually by 4% of the original amount, or

b. Non-Service Related Disability: 3% of Base Pay for each year of Pension Service (maximum 32 years), plus 50% of Longevity Pay, plus 50% of City Service Incentive Pay. Benefit is increased annually by 4% of the original amount.

Survivor Benefits

Survivor Benefits for Qualified Surviving Spouse: Death in Active Service: 50% of Service Retirement Pension calculated with a minimum of 20 years of Pension Service.

Survivor Benefits when no Qualified Surviving Spouse: Death in Active Service: 50% of Service Retirement Pension calculated with a minimum of 20 years of Pension Service. The benefit will be paid as a lump sum equal to the value of the lesser of a 10-year benefit or the remainder of the 10-year period if Qualified Surviving Children receive benefit.

Survivor Benefits After Retirement: The Qualifying Surviving Spouse shall receive 50% of any benefits paid to the Member. The percentage is increased if the Qualified Surviving Spouse has attained age 55, there are no Qualified Surviving Children who are eligible for death benefits, the member retired after age 55 with 20 years of Pension Service or the Member's age plus Pension Service at retirement was at least 78 and the Member was receiving a benefit based on the former Plan A formulas.

Survivor Benefits After Retirement or Termination for a Non-Qualifying Surviving Spouse: The Surviving Spouse shall receive 50% of any benefits paid to the Member. However, the Member's benefit will be reduced for this coverage.

Survivor Benefits for Qualified Surviving Children: An amount equal to the amount paid to the Qualified Surviving Spouse divided among the Qualified Surviving Children. Amount paid as long as one or more children continue to qualify.

Survivor Benefits After December 17, 2001: For Members leaving active service after December 17, 2001, a Member may elect to receive an actuarially reduced benefit in order to provide a greater survivor percentage to the qualified spouse. Minimum benefits do not apply.

Minimum Benefits

The minimum benefit is $2,200 monthly for 20 years of Pension Service at retirement, and $1,200 monthly for Qualified Surviving Spouses, if there are no Qualified Surviving Children receiving benefits. The minimum benefit is $1,100 monthly for Qualified Surviving Children and Qualified Surviving Spouses if Qualified Surviving Children are receiving benefits. This minimum does not affect the base benefit. The benefit will not increase until the base retirement benefit with annual increases exceeds the minimum.

Benefit Supplement

If a Member retires with 20 years of Pension Service or if a Member is receiving a service related disability the Member or the Member's Qualified Surviving Spouse is entitled to receive the greater of $75 or 3% of the monthly benefit payable to the member when the Member or the Qualified Surviving Spouse attains age 55. This supplement is also available for both the

Member or the Member's Non-Qualifying Surviving Spouse for a member who has elected a reduced benefit to obtain coverage for a Non-Qualifying Surviving Spouse.

Group B

Definitions

Computation Pay: The annualized monthly rate of pay for the highest civil service rank held by a Member plus Educational Incentive Pay plus Longevity Pay plus City Service Incentive Pay.

Average Computation Pay: Computation Pay averaged over 36 months.

City Service Incentive Pay: Additional annualized salary granted to Member under the authority of the City Charter.

Longevity Pay: Additional annualized salary granted to Members under a provision of Section 141.032, Local Government Code, for each year of service completed by such Member.

Pension Service: The period, in years, months, and days, during which the Member made contributions under the terms of the Combined Plan or any Pension Plan within the Pension System.

Qualified Surviving Spouse: The Member's legal spouse at the time of death providing the marriage occurred prior to the Member's termination of employment (entering DROP is not considered termination of employment).

Pension System: The Dallas Police and Fire Pension System.

Qualified Surviving Children: All surviving unmarried children under 19 years of age (23 for a disabled child) provided they were born or adopted before the Member terminated his employment.

Educational Incentive Pay: Additional annualized salary granted to reward completion of college credits.

Contribution Rates

The City's contribution percentage is a function of the Member's contribution percentage as shown below:

City	Member
28.5%	9.0%
27.5	8.5
26.0	8.0
24.5	7.5
23.0	7.0
21.5	6.5

The Member contribution rate is currently 8.50%. Members contribute for a maximum of 32 years.

Service Retirement Benefits

Annual Normal Retirement Pension

Condition for Retirement: Attainment of age 50 and five years of Pension Service.

Amount for Allowance: 3% of Average Computation Pay for each year of Pension Service to a maximum of 32 such years.

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Early Retirement Pension

Condition for Retirement:

a. Attainment of age 45 and five years of Pension Service.

Amount of Pension: 3% of Average Computation Pay for each year of Pension Service reduced 2/3 of 1% for each month by which retirement precedes age 50.

b. 20 years of Pension Service

Amount of Pension: 20 & Out multiplier of Average Compensation Pay for each year of Pension Service.

Age	20 & Out Multiplier
50 & above	3.00%
49	3.00% reduced by 2/3 of 1% for each month prior to age 50
48	2.75%
47	2.50
46	2.25
45 & below	2.00

Special Rule for Members of former Old Plan or Plan A

Group B Members who formerly were Members of either the former Old Plan or Plan A may elect to receive Group A benefits and receive a reimbursement of the additional contributions paid under Group B provisions in excess of the contributions that would have been made under Group A.

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Disability Retirement Benefits

Service-Related Disability

Condition for Retirement: Disability preventing the Member from performing his or her duties with his or her department and lasting for a period of not less than 90 days.

Amount of Pension: 60% plus 3% for each year of Pension Service (maximum of 32 years) over 20, of Average Computation Pay.

Non-Service Related Disability

Condition for Retirement: Disability preventing the Member from performing his or her duties with his or her department and lasting for a period of not less than 90 days.

Amount of Pension: 3% of Average Computation Pay for each year of Pension Service (maximum 32 years).

Survivor Benefits

Survivor Benefits for Qualified Surviving Spouse: Death in Active Service: 1.50% of the Member's Average Computation Pay for each year of Pension Service with a minimum of 20 such years and a maximum of 32 such years.

Survivor Benefits when no Qualified Surviving Spouse: Death in Active Service: 50% of Service Retirement Pension calculated with a minimum of 20 years of Pension Service. The benefit will be paid as a lump sum equal to the value of the lesser of a 10-year benefit or the remainder of the 10-year period if Qualifying Surviving Children receive benefit.

Survivor Benefits After Retirement: The Qualified Surviving Spouse shall receive 50% of any benefits paid to the Member. The percentage is increased if the Qualified Surviving Spouse has attained age 55, there are no Qualified Surviving Children who are eligible for death benefits and the Member retired after age 55 with 20 years of Pension Service or if the Member's age plus Pension Service at retirement was at least 78.

Survivor Benefits After Retirement or Termination for a Non-Qualifying Surviving Spouse: The Surviving Spouse shall receive 50% of any benefits paid to the Member. However, the Member's benefit will be reduced for this coverage.

Survivor Benefits for Qualified Surviving Children: An amount equal to the amount paid to a Qualified Surviving Spouse is divided among the Qualified Surviving Children and continues to be paid as long as one or more of the children continue to qualify.

Survivor Benefits After December 17, 2001: For Members leaving active service after December 17, 2001, a Member may elect to receive an actuarially reduced benefit in order to provide a greater survivor percentage to the qualified spouse. Minimum benefits do not apply.

Post-Retirement Adjustments

Annually, on the first day of October, benefits in pay status will be increased by an amount equal to 4% of the original pension amount. New Members hired after December 31, 2006 will not be eligible for an automatic increase.

Minimum Benefits

The minimum benefit for normal retirement is $2,200 monthly (prorated if less than 20 years at retirement) and $1,200 monthly for Qualified Surviving Spouses, if there are no Qualified Surviving Children receiving benefits. The minimum benefit is $1,100 monthly for Qualified

Surviving Children and Qualified Surviving Spouses if Qualified Surviving Children are receiving benefits. This benefit does not affect the base benefit. The benefit will not increase until the base retirement benefit with annual increases exceeds the minimum.

Benefit Supplement

If a Member retires with 20 years of Pension Service or if a Member is receiving a service related disability the Member or the Member's Qualified Surviving Spouse is entitled to receive the greater of $75 or 3% of the monthly benefit payable to the Member when the Member or the Qualified Surviving Spouse attains age 55. This supplement is also available for both the Member or the Member's Non-Qualifying Surviving Spouse for a member who has elected a reduced benefit to obtain coverage for a Non-Qualifying Surviving Spouse.

Deferred Retirement Option Plan

As of January 1, 1993, at normal retirement age, a member may elect to enter the Deferred Retirement Option Plan (DROP). As of January 1, 1999, a member may also elect to enter DROP after 20 years of Pension Service. Retirement benefits will be calculated as if the Member retired on that date. Employee contributions made under the Combined Pension Plan will cease as will accruals under the Combined Pension Plan. Each month, the retirement benefit will be accumulated in an account earning interest based on a ten-year weighted average of the System's actual market return. Upon termination of employment, the Member will have the balance in account in addition to the monthly benefit payable as though the Member retired at the date the Member entered DROP.

Dallas Police and Fire Pension System
Actuarial Valuation - January 1, 2010

Schedule C

Summary of Actuarial Methods and Assumptions
(Effective as of January 1, 2010)

Investment Return: 8.50% per annum, compounded annually, net all expenses including administrative expenses. This rate reflects an underlying inflation rate of 4.00% and a real rate of return of 4.50%.

DROP balances are assumed to earn 9.00% per annum.

Separations Before Normal Retirement: Representative values of the assumed annual rates of withdrawal, death, and disability are as follows:

Annual Rate per 1,000 Members

	Withdrawal		Mortality - Disableds		Mortality - Other		Disability	
Age	Police	Fire	Male	Female	Male	Female	Police	Fire
20	47.0	23.0	48.30	26.30	.48	.28	.35	.70
25	47.0	23.0	48.30	26.30	.62	.29	.37	.75
30	35.0	18.0	36.20	23.70	.78	.33	.42	.84
35	25.0	18.0	27.80	21.40	.85	.45	.48	.96
40	25.0	18.0	28.20	20.90	1.00	.65	.57	1.15
45	25.0	18.0	32.20	22.40	1.46	.92	.79	1.58
50	NA	NA	38.30	25.70	2.33	1.31	NA	NA
60	NA	NA	60.30	33.10	7.09	3.86	NA	NA
70	NA	NA	73.90	41.10	21.73	12.71	NA	NA
75	NA	NA	84.20	49.20	34.05	20.38	NA	NA

Salary Increases: Representative values of the assumed annual rates of future salary increase attributable to seniority and promotion are as follows:

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Dallas Police and Fire Pension System
Actuarial Valuation - January 1, 2010

Schedule C (continued)

Years of Service	Annual Rate of Salary Increase
0	9.64%
5	9.19
10	7.72
15	5.82
20	4.56
25	4.08
30	4.00

Total payroll is assumed to increase 4.00% per year. New hires are assumed to replace terminations.

Overtime and other non-computation pay are assumed to be 11% of base pay. The city contributes on total pay including non-computation pay. This assumption is based on the revised compensation package adopted by the city council in 2007.

Retirement Rates: The percentage of population assumed to retire at various ages is as follows:

Age	Rate	Age	Rate	Age	Rate
38	2%	48	2%	58	20%
39	2	49	2	59	20
40	2	50	4	60	20
41	2	51	3	61	20
42	2	52	3	62	20
43	2	53	3	63	20
44	2	54	3	64	20
45	2	55	25	65	100
46	2	56	20		
47	2	57	20		

Rates are applied when a member is eligible to retire. That is, age 50 with five years or 20 years for Plan B, age 55 with 20 years for Plan A, and age 50 with 20 years for Old Plan.

Postretirement Mortality: According to the 1994 Group Annuity Mortality Table for males and females, set back one year for males and females.

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DROP Election: Members are assumed to elect DROP at age 50 with five years for Plan B, age 55 with 20 years for Plan A, and age 50 with 20 years for Old Plan. Any active members who satisfy this criteria and have not entered DROP are assumed to never join DROP.

Spouses: 80% of active members are assumed to be married with the male three years older than the female. The age of the youngest child is assumed to be one year.

Assumption as to Choice of Plan Provisions: Those Members eligible to elect between Plan B and the Old Plan are assumed to elect in a manner which maximizes the benefit they receive.

Assumed Postretirement Cost of Living:

Plan A and Plan B:	4% of original pension annually for eligible Members
Old Plan:	4% compounded annually

Future Expenses: All expenses, investment and administration, are paid from the Fund. The 8.50% assumed rate of return is net of these expenses.

Valuation Method: The method used to determine Normal Cost and Accrued Actuarial Liability is the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, an annual Normal Cost is determined for each covered active Member which is the contribution required to provide all the projected pension benefits assuming this contribution is payable over a period ending on the date of retirement (separation from active service) and expressed as a level percentage of compensation. The Actuarial Accrued Liability is determined as the excess of the total present value of all pension benefits over the total present value of future Normal Costs. The Unfunded Actuarial Accrued Liability as of the valuation date is determined as the excess of the Actuarial Accrued Liability over the assets of the Fund.

The Normal Cost and Accrued Actuarial Liability are derived by making certain assumptions as to the rates of interest, mortality, turnover, etc., which are assumed to reflect experience for many years into the future. Since actual experience will differ from the assumptions, the costs determined must be regarded as estimates of the true costs of the Plan. The effects of any actuarial gains or losses are immediately reflected in the Unfunded Actuarial Accrued Liability and the Normal Cost.

Actuarial Value of Assets: The actuarial value of assets is calculated based on the following formula.

The actuarial value of assets is calculated based on the following formula:

$$MV - (4/5) \times G/(L)_1 - (3/5) \times G/(L)_2$$
$$- (2/5) \times G/(L)_3 - (1/5) \times G/(L)_4$$

where:

MV = the market value of assets as of the valuation date

$G/(L)_i$ = the asset gain or (loss) (i.e., actual return on assets less expected return on assets) for the i-th year preceding the valuation date.

In no event is the actuarial value of assets less than 80% nor more than 120% of the market value of assets.

Comparison of Actual Experience and Actuarial Expectations

Demographic Assumptions

The demographic assumptions used to value the liabilities of the System are used to estimate the timing and duration of the member contributions and benefit payments of the System. The main demographic assumptions used to value the liabilities of the System consist of termination prior to retirement, disability, retirement, death and DROP age. A comparison of the actual experience of the System to each of these assumptions follows.

Terminations Prior to Retirement

This assumption was last changed as of January 1, 2005 to better reflect the actual experience of the System and to better anticipate future expectations. The ratio of actual terminations prior to retirement to the expected terminations prior to retirement for the period January 1, 2005 through December 31, 2009 shows that during this period there have been about 5% more terminations than expected.

January 1, 2005 through December 31, 2009			
	Actual	Expected	Actual/Expected
Termination Prior to Retirement	422	401	105%

Disability

This assumption was last changed as of January 1, 1999 to better reflect the actual experience of the System and to better anticipate future expectations. The ratio of actual disability retirements to the expected disability retirements for the period January 1, 2005 through December 31, 2009 shows that during this period there have been about 40% more of disability retirements as expected. Since the actual number of disablements is so small, we do not feel that any change in this assumption is necessary at this time.

January 1, 2005 through December 31, 2009			
	Actual	Expected	Actual/Expected
Disability Retirements	14	10	140%

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Dallas Police and Fire Pension System
Actuarial Valuation - January 1, 2010

Schedule D
(continued)

Retirement (Leaving Active Service)			
This assumption was changed as of January 1, 2005 to better reflect the actual experience of the System and to better anticipate future expectations. The ratio of actual retirements to the expected retirements using the new retirement rates for the period January 1, 2005 through December 31, 2009 shows that during this period there have been about 25% less retirements than expected.			
January 1, 2005 through December 31, 2009			
	Actual	Expected	Actual/Expected
Retirement	564	752	75%

Death			
This assumption was changed as of January 1, 2007 to better reflect the actual experience of the System and to better anticipate future expectations. The ratio of actual deaths to the expected deaths for the period January 1, 2007 through December 31, 2009 shows that during this period there have been 1% more deaths than expected. It is generally desirable to have some margin in this assumption for mortality improvement.			
January 1, 2007 through December 31, 2009			
	Actual	Expected	Actual/Expected
Death	288	284	101%

Age at DROP			
This assumption has not changed since the implementation of DROP in 1993. The actual age at DROP is virtually the same as the assumed age of 50. We do not feel any change in assumption is necessary at this time since there is no difference in the assumed age at DROP and the actual age at DROP.			
Through December 31, 2009			
	Actual	Expected	Actual/Expected
Age at DROP (from January 1, 1996)	49.9	50.0	100%
Age at DROP (from January 1, 2005)	49.4	50.0	99%

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Economic Assumptions

The economic assumptions used to value the liabilities of the System are used to estimate the amount and cost of the benefit payments of the System. Economic assumptions are generally based on a building block approach with the inflation rate used as the initial basis. For example, in setting the long-term rate of return, the expected inflation rate is added to the expected real-rate of return to determine the nominal rate of return. This nominal rate of return is then used to determine the present value of future benefit payment amounts. The main economic assumptions used to value the liabilities of the System consist of inflation, long-term rate of return and salary increase rate. A discussion of these assumptions follows.

Inflation

The inflation assumption used to value the liabilities of the System is 4%. This assumption was last changed as of January 1, 1999 to better anticipate future expectations. The average annual inflation rate (as measured by CPI-U) over the 60 years ending December 31, 2009 has been 3.77%. We feel that given the history of inflation rates and reasonable expectations of the future that the 4% inflation rate assumption is reasonable.

January 1, 1950 through December 31, 2009

	Actual	Expected	Actual/Expected
Inflation	3.77%	4.00%	94%

Salary Increases

The salary increase assumption used to value the liabilities of the System varies by the service of the Member. This assumption was last changed as of January 1, 2007 to reflect the expected change in future pay increases. Based on our expectations of future promotional and merit salary increases and the assumed rate of inflation, we feel that the current salary increase rates are reasonable. A summary of the actual valuation earnings to the expected valuation earnings over the period January 1, 2006 through December 31, 2009 follows.

January 1, 2006 through December 31, 2009

	Actual	Expected	Actual/Expected
Valuation Compensation	$1,271,005,248	$1,279,314,553	99%

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Dallas Police and Fire Pension System
Actuarial Valuation - January 1, 2010

Schedule D
(continued)

Long-Term Rate of Return on Plan Assets

The long-term rate of return on plan assets used to value the liabilities of the System is 8.5%. This assumption was last changed as of January 1, 1999 to better anticipate future expectations and to reflect the change in the inflation rate. Based on the asset allocation policy, expectations of future real rates of return and the expected administrative expenses of the System, we feel that an 8.5% long-term rate of return is reasonable. A summary of the nominal rates of return over the period October 1, 1988 through December 31, 2009 follows.

Period			Annualized Rate of Return
10/1/1988	through	9/30/1989	25.40%
10/1/1989	through	9/30/1990	(6.53)
10/1/1990	through	12/31/1991	20.73
1/1/1992	through	12/31/1992	2.94
1/1/1993	through	12/31/1993	14.06
1/1/1994	through	12/31/1994	2.78
1/1/1995	through	12/31/1995	24.33
1/1/1996	through	12/31/1996	16.69
1/1/1997	through	12/31/1997	13.84
1/1/1998	through	12/31/1998	13.68
1/1/1999	through	12/31/1999	24.39
1/1/2000	through	12/31/2000	(1.52)
1/1/2001	through	12/31/2001	(7.76)
1/1/2002	through	12/31/2002	(12.26)
1/1/2003	through	12/31/2003	31.65
1/1/2004	through	12/31/2004	13.96
1/1/2005	through	12/31/2005	10.81
1/1/2006	through	12/31/2006	14.64
1/1/2007	through	12/31/2007	8.85
1/1/2008	through	12/31/2008	(24.80)
1/1/2009	through	12/31/2009	13.78
10/1/1988	through	12/31/2009	9.14%

Effective for years beginning on October 1, 2002 and each October 1 thereafter, the DROP interest rate will be determined at a daily rate based on the arithmetic average of the annual market return on the System's investments for the preceding ten calendar years. However, the rate shall not be more than 25 basis points different from the prior year and shall not be less than 8% nor more than 10%. The ten-year arithmetic average of the annual market return on the System's investments for the preceding ten calendar years is 4.74%. Last year's DROP interest rate was 9.50%. Therefore, the annual DROP interest rate for October 1, 2010 is 9.25%.

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Dallas Police and Fire Pension System
Actuarial Valuation - January 1, 2010

Schedule E

Asset Projection

Year	Market Value of Assets at Beginning of Year	Expected Contributions During Year	Expected Benefit Payments During Year	Expected Investment Income During Year*	Market Value of Assets at End of Year
2010	$2,851,645,944	$135,100,000	$188,300,000	$240,100,000	$3,038,500,000
2011	3,038,500,000	140,500,000	211,800,000	255,200,000	3,222,400,000
2012	3,222,400,000	146,100,000	237,100,000	270,000,000	3,401,400,000
2013	3,401,400,000	152,000,000	265,400,000	284,300,000	3,572,300,000
2014	3,572,300,000	158,100,000	295,400,000	297,800,000	3,732,800,000
2015	3,732,800,000	164,400,000	328,400,000	310,300,000	3,879,100,000
2016	3,879,100,000	171,000,000	363,900,000	321,500,000	4,007,700,000
2017	4,007,700,000	177,800,000	402,000,000	331,100,000	4,114,600,000
2018	4,114,600,000	184,900,000	442,300,000	338,800,000	4,196,000,000
2019	4,196,000,000	192,300,000	484,500,000	344,200,000	4,248,000,000
2020	4,248,000,000	200,000,000	470,600,000	349,600,000	4,327,000,000
2021	4,327,000,000	208,000,000	440,200,000	357,900,000	4,452,700,000
2022	4,452,700,000	216,300,000	460,900,000	368,100,000	4,576,200,000
2023	4,576,200,000	225,000,000	480,500,000	378,100,000	4,698,800,000
2024	4,698,800,000	234,000,000	500,400,000	388,100,000	4,820,500,000

* Assuming an 8.5% return on the market value of assets, net of expenses.

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TABLE 1

THE NUMBER AND ANNUAL AVERAGE COMPENSATION OF ACTIVE
(excluding DROP) MEMBERS DISTRIBUTED BY FIFTH AGE AND SERVICE
AS OF JANUARY 1, 2010

POLICE

	YEARS OF SERVICE																			
	Under 1		1 to 4		5 to 9		10 to 14		15 to 19		20 to 24		25 to 29		30 to 34		35 to 39		40 & up	
ATTAINED AGE	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp
Under 25	101	42,430	109	44,956	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25 to 29	113	42,519	389	45,868	66	52,879	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30 to 34	63	42,509	200	46,006	172	55,539	60	59,259	1	51,117	0	0	0	0	0	0	0	0	0	0
35 to 39	31	42,519	101	45,894	162	55,978	195	63,161	44	71,183	0	0	0	0	0	0	0	0	0	0
40 to 44	16	42,153	33	46,306	72	56,718	91	63,598	272	71,655	86	75,406	0	0	0	0	0	0	0	0
45 to 49	1	41,690	13	46,132	27	54,477	37	66,228	138	72,158	196	77,807	62	77,996	0	0	0	0	0	0
50 to 54	0	0	3	45,416	7	56,948	5	65,425	14	71,761	9	73,997	11	76,680	3	70,884	0	0	0	0
55 to 59	0	0	3	50,149	0	0	1	57,771	2	69,107	1	42,375	4	70,736	1	76,573	0	0	0	0
60 to 64	0	0	1	83,534	1	54,767	0	0	1	71,642	1	68,128	0	0	0	0	0	0	0	0
65 to 69	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
70 & up	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

TABLE 1

THE NUMBER AND ANNUAL AVERAGE COMPENSATION OF ACTIVE
(excluding DROP) MEMBERS DISTRIBUTED BY FIFTH AGE AND SERVICE
AS OF JANUARY 1, 2010

FIRE

	YEARS OF SERVICE																			
	Under 1		1 to 4		5 to 9		10 to 14		15 to 19		20 to 24		25 to 29		30 to 34		35 to 39		40 & up	
ATTAINED AGE	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp
Under 25	33	41,920	40	43,711	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25 to 29	40	42,027	134	45,110	15	53,368	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30 to 34	22	42,273	92	45,996	125	56,074	40	61,158	0	0	0	0	0	0	0	0	0	0	0	0
35 to 39	9	42,016	40	46,336	81	56,449	116	64,610	23	71,312	0	0	0	0	0	0	0	0	0	0
40 to 44	0	0	6	49,345	31	57,188	47	64,705	60	72,429	40	77,482	0	0	0	0	0	0	0	0
45 to 49	0	0	6	47,117	17	56,705	13	65,428	54	72,959	119	78,046	36	79,637	0	0	0	0	0	0
50 to 54	0	0	0	0	1	53,186	1	64,783	3	71,832	1	75,241	2	79,669	0	0	0	0	0	0
55 to 59	0	0	2	47,772	0	0	0	0	1	75,118	0	0	0	0	0	0	0	0	0	0
60 to 64	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	55,833	0	0	0	0
65 to 69	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
70 & up	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

TABLE 1

THE NUMBER AND ANNUAL AVERAGE COMPENSATION OF ACTIVE
(excluding DROP) MEMBERS DISTRIBUTED BY FIFTH AGE AND SERVICE
AS OF JANUARY 1, 2010

POLICE AND FIRE

	YEARS OF SERVICE																			
	Under 1		1 to 4		5 to 9		10 to 14		15 to 19		20 to 24		25 to 29		30 to 34		35 to 39		40 & up	
ATTAINED AGE	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp
Under 25	134	42,305	149	44,622	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25 to 29	153	42,391	523	45,674	81	52,969	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30 to 34	85	42,448	292	46,003	297	55,764	100	60,019	1	51,117	0	0	0	0	0	0	0	0	0	0
35 to 39	40	42,406	141	46,019	243	56,135	311	63,701	67	71,227	0	0	0	0	0	0	0	0	0	0
40 to 44	16	42,153	39	46,773	103	56,859	138	63,975	332	71,795	126	76,065	0	0	0	0	0	0	0	0
45 to 49	1	41,690	19	46,443	44	55,338	50	66,020	192	72,383	315	77,897	98	78,599	0	0	0	0	0	0
50 to 54	0	0	3	45,416	8	56,477	6	65,318	17	71,774	10	74,122	13	77,140	3	70,884	0	0	0	0
55 to 59	0	0	5	49,198	0	0	1	57,771	3	71,111	1	42,375	4	70,736	1	76,573	0	0	0	0
60 to 64	0	0	1	83,534	1	54,767	0	0	1	71,642	1	68,128	0	0	1	55,833	0	0	0	0
65 to 69	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
70 & up	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

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TABLE 2

THE NUMBER AND ANNUAL AVERAGE COMPENSATION OF ACTIVE
(including DROP) MEMBERS DISTRIBUTED BY FIFTH AGE AND SERVICE
AS OF JANUARY 1, 2010

POLICE

	YEARS OF SERVICE																			
	Under 1		1 to 4		5 to 9		10 to 14		15 to 19		20 to 24		25 to 29		30 to 34		35 to 39		40 & up	
ATTAINED AGE	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp
Under 25	101	42,430	109	44,956	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25 to 29	113	42,519	389	45,868	66	52,879	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30 to 34	63	42,509	200	46,006	172	55,539	60	59,259	1	51,117	0	0	0	0	0	0	0	0	0	0
35 to 39	31	42,519	101	45,894	162	55,978	195	63,161	44	71,183	0	0	0	0	0	0	0	0	0	0
40 to 44	16	42,153	33	46,306	72	56,718	91	63,598	272	71,655	93	76,728	0	0	0	0	0	0	0	0
45 to 49	1	41,690	13	46,132	27	54,477	37	66,228	141	72,322	241	80,209	103	87,047	2	96,118	0	0	0	0
50 to 54	0	0	3	45,416	8	57,341	9	71,840	30	76,616	99	90,424	179	95,594	76	100,030	4	89,181	0	0
55 to 59	0	0	3	50,149	2	93,331	1	57,771	11	80,618	36	94,253	37	88,065	74	95,602	50	98,568	0	0
60 to 64	0	0	1	83,534	1	54,767	0	0	2	80,130	9	86,697	10	93,758	11	93,857	26	90,861	8	106,343
65 to 69	0	0	0	0	0	0	0	0	0	0	2	61,169	0	0	0	0	2	97,601	0	0
70 & up	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

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TABLE 2

THE NUMBER AND ANNUAL AVERAGE COMPENSATION OF ACTIVE
(including DROP) MEMBERS DISTRIBUTED BY FIFTH AGE AND SERVICE
AS OF JANUARY 1, 2010

FIRE

	YEARS OF SERVICE																			
	Under 1		1 to 4		5 to 9		10 to 14		15 to 19		20 to 24		25 to 29		30 to 34		35 to 39		40 & up	
ATTAINED AGE	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp
Under 25	33	41,920	40	43,711	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25 to 29	40	42,027	134	45,110	15	53,368	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30 to 34	22	42,273	92	45,996	125	56,074	40	61,158	0	0	0	0	0	0	0	0	0	0	0	0
35 to 39	9	42,016	40	46,336	81	56,449	116	64,610	23	71,312	0	0	0	0	0	0	0	0	0	0
40 to 44	0	0	6	49,345	31	57,188	47	64,705	60	72,429	42	78,081	0	0	0	0	0	0	0	0
45 to 49	0	0	6	47,117	17	56,705	14	67,695	55	73,490	152	81,443	61	92,653	0	0	0	0	0	0
50 to 54	0	0	0	0	1	53,186	1	64,783	18	82,542	71	92,028	115	97,092	69	98,546	0	0	0	0
55 to 59	0	0	2	47,772	0	0	1	82,227	9	87,065	12	92,224	36	98,159	75	94,608	53	93,805	1	81,912
60 to 64	0	0	0	0	0	0	0	0	0	0	1	81,373	1	119,244	27	95,880	25	95,527	6	121,846
65 to 69	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	99,708	4	118,939
70 & up	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	108,075

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TABLE 2

THE NUMBER AND ANNUAL AVERAGE COMPENSATION OF ACTIVE
(including DROP) MEMBERS DISTRIBUTED BY FIFTH AGE AND SERVICE
AS OF JANUARY 1, 2010

POLICE AND FIRE

	YEARS OF SERVICE																			
	Under 1		1 to 4		5 to 9		10 to 14		15 to 19		20 to 24		25 to 29		30 to 34		35 to 39		40 & up	
ATTAINED AGE	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp
Under 25	134	42,305	149	44,622	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25 to 29	153	42,391	523	45,674	81	52,969	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30 to 34	85	42,448	292	46,003	297	55,764	100	60,019	1	51,117	0	0	0	0	0	0	0	0	0	0
35 to 39	40	42,406	141	46,019	243	56,135	311	63,701	67	71,227	0	0	0	0	0	0	0	0	0	0
40 to 44	16	42,153	39	46,773	103	56,859	138	63,975	332	71,795	135	77,149	0	0	0	0	0	0	0	0
45 to 49	1	41,690	19	46,443	44	55,338	51	66,631	196	72,650	393	80,686	164	89,132	2	96,118	0	0	0	0
50 to 54	0	0	3	45,416	9	56,879	10	71,135	48	78,838	170	91,094	294	96,180	145	99,324	4	89,181	0	0
55 to 59	0	0	5	49,198	2	93,331	2	69,999	20	83,519	48	93,746	73	93,043	149	95,102	103	96,117	1	81,912
60 to 64	0	0	1	83,534	1	54,767	0	0	2	80,130	10	86,165	11	96,075	38	95,294	51	93,149	14	112,987
65 to 69	0	0	0	0	0	0	0	0	0	0	2	61,169	0	0	0	0	5	98,865	4	118,939
70 & up	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	108,075

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TABLE 3

THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCE OF RETIRED MEMBERS
BY AGE AS OF JANUARY 1, 2010

POLICE AND FIRE

AGE	NUMBER	BENEFIT	AVERAGE BENEFIT
45	2	$ 66,395	$ 33,198
46	5	105,919	21,184
47	10	220,475	22,048
48	5	128,856	25,771
49	8	247,500	30,938
50	21	615,217	29,296
51	22	937,476	42,613
52	16	596,993	37,312
53	20	617,692	30,885
54	26	1,125,368	43,283
55	27	1,316,109	48,745
56	50	2,431,533	48,631
57	61	3,554,961	58,278
58	98	5,484,063	55,960
59	81	4,000,815	49,393
60	116	6,216,591	53,591
61	118	5,600,632	47,463
62	149	7,013,101	47,068
63	140	6,755,884	48,256
64	94	4,395,292	46,758
65	86	3,829,411	44,528
66	93	4,492,296	48,304
67	111	5,113,296	46,066
68	68	3,331,349	48,990
69	96	4,424,865	46,092
70	76	3,699,845	48,682
71	85	4,116,444	48,429
72	68	3,308,046	48,648
73	57	2,508,757	44,013
74	55	2,441,058	44,383
75	57	2,389,221	41,916
76	54	2,144,216	39,708
77	57	2,529,542	44,378
78	57	2,126,114	37,300

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TABLE 3

THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCE OF RETIRED MEMBERS
BY AGE AS OF JANUARY 1, 2010
CONTINUED

POLICE AND FIRE

AGE	NUMBER	BENEFIT	AVERAGE BENEFIT
79	52	$ 1,939,086	$ 37,290
80	47	1,731,951	36,850
81	41	1,550,180	37,809
82	31	1,228,581	39,632
83	20	749,853	37,493
84	20	706,812	35,341
85	21	789,076	37,575
86	19	741,121	39,006
87	9	338,695	37,633
88	4	142,312	35,578
89	11	425,201	38,655
90	10	352,943	35,294
91	1	35,578	35,578
92	4	133,911	33,478
93	1	35,455	35,455
94	1	35,504	35,504
TOTAL	2,381	$ 108,821,591	$ 45,704
POLICE	1,392	$ 61,095,531	$ 43,890
FIRE	989	$ 47,726,060	$ 48,257

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TABLE 4

THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCE OF DISABLED MEMBERS
BY AGE AS OF JANUARY 1, 2010

POLICE AND FIRE

AGE	NUMBER	BENEFIT	AVERAGE BENEFIT
33	1	$ 29,640	$ 29,640
34	1	21,392	21,392
37	2	66,686	33,343
38	1	36,638	36,638
39	1	25,668	25,668
41	2	65,889	32,945
42	5	179,473	35,895
43	1	31,709	31,709
44	1	37,796	37,796
45	2	59,915	29,958
46	4	130,086	32,522
47	3	96,032	32,011
48	2	53,223	26,612
49	3	86,760	28,920
50	2	65,400	32,700
52	2	65,419	32,710
53	4	122,252	30,563
54	3	92,368	30,789
55	5	162,629	32,526
56	2	64,643	32,322
57	1	35,093	35,093
58	6	239,092	39,849
59	6	221,999	37,000
60	6	286,280	47,713
61	6	206,738	34,456
62	7	277,648	39,664
63	4	112,164	28,041
64	2	46,041	23,021
65	6	212,566	35,428
66	2	79,998	39,999
67	4	169,464	42,366
68	2	65,829	32,915
69	7	298,223	42,603
70	12	560,842	46,737

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TABLE 4

THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCE OF DISABLED MEMBERS
BY AGE AS OF JANUARY 1, 2010
CONTINUED

POLICE AND FIRE

AGE	NUMBER	BENEFIT	AVERAGE BENEFIT
71	6	$ 258,367	$ 43,061
72	5	195,097	39,019
73	5	161,979	32,396
74	3	143,334	47,778
75	5	208,505	41,701
76	4	140,293	35,073
77	3	120,854	40,285
78	3	101,656	33,885
79	5	232,226	46,445
80	5	180,045	36,009
81	3	115,155	38,385
82	2	70,885	35,443
83	2	71,008	35,504
84	3	106,513	35,504
85	4	151,781	37,945
86	2	62,878	31,439
87	2	63,531	31,766
88	2	62,829	31,415
89	1	35,455	35,455
92	1	35,035	35,035
TOTAL	184	$ 6,823,021	$ 37,082
POLICE	69	$ 2,239,536	$ 32,457
FIRE	115	$ 4,583,485	$ 39,856

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TABLE 5

THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCE OF BENEFICIARIES
BY AGE AS OF JANUARY 1, 2010

POLICE AND FIRE

AGE	NUMBER	BENEFIT	AVERAGE BENEFIT
6	1	$ 5,294	$ 5,294
7	2	26,525	13,263
9	3	22,983	7,661
10	4	36,524	9,131
11	6	40,412	6,735
12	5	67,260	13,452
13	3	53,714	17,905
15	4	40,764	10,191
16	9	136,208	15,134
17	1	4,752	4,752
18	7	44,504	6,358
26	1	13,200	13,200
35	2	27,968	13,984
36	2	32,132	16,066
38	3	52,629	17,543
39	2	35,936	17,968
40	3	37,302	12,434
41	1	16,481	16,481
42	3	51,125	17,042
43	3	53,076	17,692
44	1	14,400	14,400
45	3	49,316	16,439
47	3	85,658	28,553
48	4	71,403	17,851
49	10	222,512	22,251
50	7	145,104	20,729
51	10	198,850	19,885
52	5	136,882	27,376
53	5	66,843	13,369
54	9	196,905	21,878
55	14	319,995	22,857
56	9	194,003	21,556
57	8	173,756	21,720

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TABLE 5

THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCE OF BENEFICIARIES
BY AGE AS OF JANUARY 1, 2010
CONTINUED

POLICE AND FIRE

AGE	NUMBER	BENEFIT	AVERAGE BENEFIT
58	15	$ 281,128	$ 18,742
59	18	469,109	26,062
60	16	294,507	18,407
61	21	435,945	20,759
62	16	412,455	25,778
63	28	569,126	20,326
64	17	328,484	19,323
65	14	273,349	19,525
66	23	561,061	24,394
67	18	425,815	23,656
68	21	486,260	23,155
69	24	446,073	18,586
70	31	735,539	23,727
71	22	529,046	24,048
72	23	651,976	28,347
73	20	469,206	23,460
74	23	497,842	21,645
75	31	618,658	19,957
76	20	357,999	17,900
77	27	503,461	18,647
78	23	501,983	21,825
79	25	469,071	18,763
80	22	393,654	17,893
81	32	639,889	19,997
82	27	493,531	18,279
83	32	675,545	21,111
84	14	254,444	18,175
85	26	463,715	17,835
86	21	436,007	20,762
87	14	282,707	20,193
88	14	271,954	19,425
89	10	171,087	17,109
90	10	174,600	17,460
91	10	172,133	17,213

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TABLE 5

THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCE OF BENEFICIARIES
BY AGE AS OF JANUARY 1, 2010
CONTINUED

POLICE AND FIRE

AGE	NUMBER	BENEFIT	AVERAGE BENEFIT
92	8	$ 138,678	$ 17,335
93	5	87,984	17,597
94	5	134,071	26,814
95	4	69,257	17,314
97	1	18,111	18,111
100	1	18,171	18,171
TOTAL	885	$ 17,888,047	$ 20,212
POLICE	508	$ 10,120,678	$ 19,923
FIRE	377	$ 7,767,369	$ 20,603

TABLE 6

THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCE OF RETIRED MEMBERS,
DISABLED MEMBERS AND BENEFICIARIES
BY AGE AS OF JANUARY 1, 2010

POLICE AND FIRE

AGE	NUMBER	BENEFIT	AVERAGE BENEFIT
6	1	$ 5,294	$ 5,294
7	2	26,525	13,263
9	3	22,983	7,661
10	4	36,524	9,131
11	6	40,412	6,735
12	5	67,260	13,452
13	3	53,714	17,905
15	4	40,764	10,191
16	9	136,208	15,134
17	1	4,752	4,752
18	7	44,504	6,358
26	1	13,200	13,200
33	1	29,640	29,640
34	1	21,392	21,392
35	2	27,968	13,984
36	2	32,132	16,066
37	2	66,686	33,343
38	4	89,267	22,317
39	3	61,604	20,535
40	3	37,302	12,434
41	3	82,370	27,457
42	8	230,598	28,825
43	4	84,785	21,196
44	2	52,196	26,098
45	7	175,626	25,089
46	9	236,005	26,223
47	16	402,165	25,135
48	11	253,482	23,044
49	21	556,772	26,513
50	30	825,721	27,524
51	32	1,136,326	35,510
52	23	799,294	34,752
53	29	806,787	27,820

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TABLE 6

THE NUMBER AND ANNUAL RETIREMENT ALLOWANCE OF RETIRED MEMBERS, DISABLED MEMBERS AND BENEFICIARIES BY AGE AS OF JANUARY 1, 2010 CONTINUED

POLICE AND FIRE

AGE	NUMBER	BENEFIT	AVERAGE BENEFIT
54	38	$ 1,414,641	$ 37,227
55	46	1,798,733	39,103
56	61	2,690,179	44,101
57	70	3,763,810	53,769
58	119	6,004,283	50,456
59	105	4,691,923	44,685
60	138	6,797,378	49,256
61	145	6,243,315	43,057
62	172	7,703,204	44,786
63	172	7,437,174	43,239
64	113	4,769,817	42,211
65	106	4,315,326	40,711
66	118	5,133,355	43,503
67	133	5,708,575	42,922
68	91	3,883,438	42,675
69	127	5,169,161	40,702
70	119	4,996,226	41,985
71	113	4,903,857	43,397
72	96	4,155,119	43,282
73	82	3,139,942	38,292
74	81	3,082,234	38,052
75	93	3,216,384	34,585
76	78	2,642,508	33,878
77	87	3,153,857	36,251
78	83	2,729,753	32,889
79	82	2,640,383	32,200
80	74	2,305,650	31,157
81	76	2,305,224	30,332
82	60	1,792,997	29,883
83	54	1,496,406	27,711
84	37	1,067,769	28,859
85	51	1,404,572	27,541
86	42	1,240,006	29,524
87	25	684,933	27,397

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TABLE 6

THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCE OF RETIRED MEMBERS,
DISABLED MEMBERS AND BENEFICIARIES
BY AGE AS OF JANUARY 1, 2010
CONTINUED

POLICE AND FIRE

AGE	NUMBER	BENEFIT	AVERAGE BENEFIT
88	20	$ 477,095	$ 23,855
89	22	631,743	28,716
90	20	527,543	26,377
91	11	207,711	18,883
92	13	307,624	23,663
93	6	123,439	20,573
94	6	169,575	28,263
95	4	69,257	17,314
97	1	18,111	18,111
100	1	18,171	18,171
TOTAL	3,450	$ 133,532,659	$ 38,705
POLICE	1,969	$ 73,455,745	$ 37,306
FIRE	1,481	$ 60,076,914	$ 40,565

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TABLE 7

THE NUMBER AND FUTURE ANNUAL
ALLOWANCE OF TERMINATED MEMBERS
ENTITLED TO A FUTURE BENEFIT
BY AGE AS OF JANUARY 1, 2010

POLICE AND FIRE

AGE	NUMBER	BENEFIT	AVERAGE BENEFIT
30	1	$ 4,694	$ 4,694
31	1	7,845	7,845
32	5	35,139	7,028
33	3	19,741	6,580
34	3	20,785	6,928
35	3	27,466	9,155
36	4	43,820	10,955
37	6	51,991	8,665
38	5	40,918	8,184
39	9	95,092	10,566
40	13	123,054	9,466
41	7	96,153	13,736
42	8	134,016	16,752
43	6	56,232	9,372
44	13	156,746	12,057
45	9	184,199	20,467
46	7	82,945	11,849
47	12	210,764	17,564
48	9	99,765	11,085
49	8	126,144	15,768
50	3	38,736	12,912
51	2	32,747	16,374
52	3	21,766	7,255
54	1	11,095	11,095
55	1	18,825	18,825
56	1	21,260	21,260
60	1	4,997	4,997
TOTAL	144	$ 1,766,935	$ 12,270
POLICE	117	$ 1,469,295	$ 12,558
FIRE	27	$ 297,640	$ 11,024

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TABLE 8

THE NUMBER, ANNUAL RETIREMENT
ALLOWANCE AND ACCOUNT BALANCE
OF DROP MEMBERS
BY AGE AS OF JANUARY 1, 2010

POLICE AND FIRE
DROP

AGE	NUMBER	BENEFIT	AVERAGE BENEFIT	ACCOUNT BALANCE	AVERAGE ACCOUNT BALANCE
42	2	$ 61,726	$ 30,863	$ 59,463	$ 29,732
43	3	85,003	28,334	123,691	41,230
44	2	60,630	30,315	149,351	74,676
45	4	138,548	34,637	389,160	97,290
46	4	117,062	29,266	355,507	88,877
47	7	254,063	36,295	444,327	63,475
48	37	1,696,368	45,848	975,307	26,360
49	73	3,513,389	48,129	3,672,042	50,302
50	91	4,358,847	47,899	6,353,372	69,817
51	157	8,518,525	54,258	14,397,998	91,707
52	126	6,900,843	54,769	16,991,304	134,852
53	131	7,081,381	54,056	25,045,388	191,186
54	91	5,023,180	55,200	22,430,556	246,490
55	114	6,255,040	54,869	37,327,168	327,431
56	81	4,369,084	53,939	30,411,204	375,447
57	79	4,344,312	54,991	35,429,055	448,469
58	77	4,073,018	52,896	37,534,407	487,460
59	68	3,462,070	50,913	36,335,842	534,351
60	48	2,302,737	47,974	28,439,769	592,495
61	34	1,542,886	45,379	19,531,675	574,461
62	31	1,429,021	46,097	23,005,930	742,127
63	21	812,483	38,690	14,094,364	671,160
64	12	583,656	48,638	10,347,413	862,284
65	6	316,999	52,833	6,095,602	1,015,934
66	4	190,927	47,732	4,602,400	1,150,600
67	2	128,733	64,367	3,059,491	1,529,746
74	1	95,487	95,487	1,199,187	1,199,187
TOTAL	1,306	$ 67,716,018	$ 51,850	$ 378,800,973	$ 290,047
POLICE	724	$ 37,314,990	$ 51,540	$ 186,337,436	$ 257,372
FIRE	582	$ 30,401,028	$ 52,235	$ 192,463,537	$ 330,693

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DALLAS FIRE RESCUE


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DALLAS
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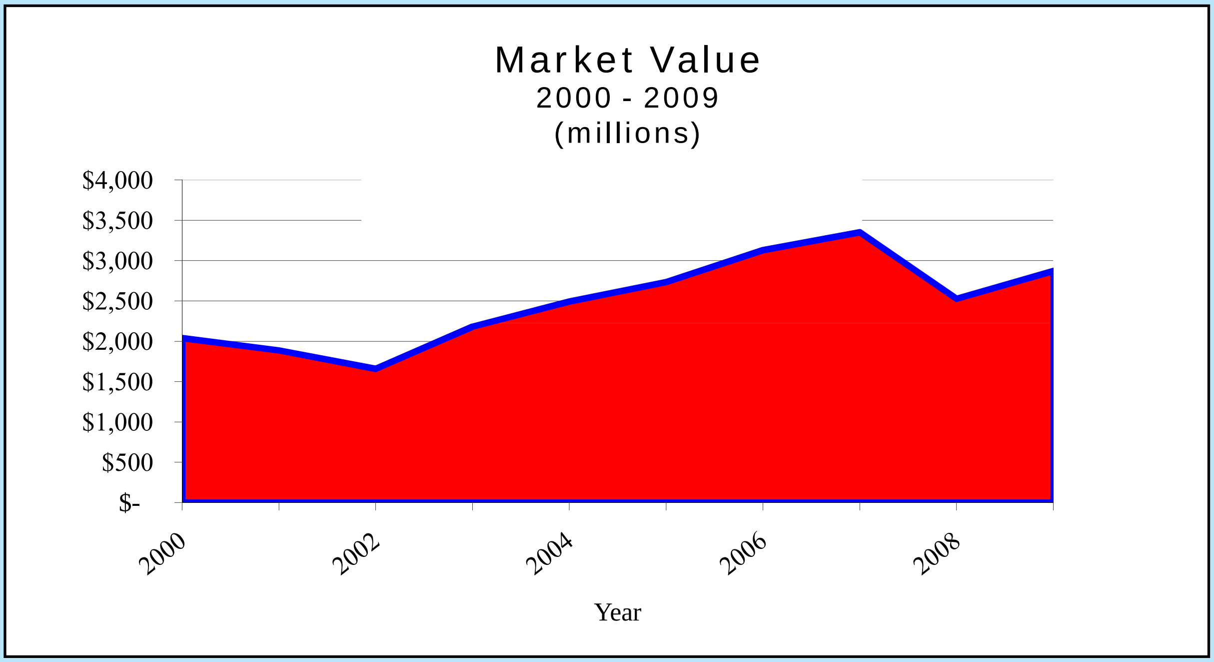
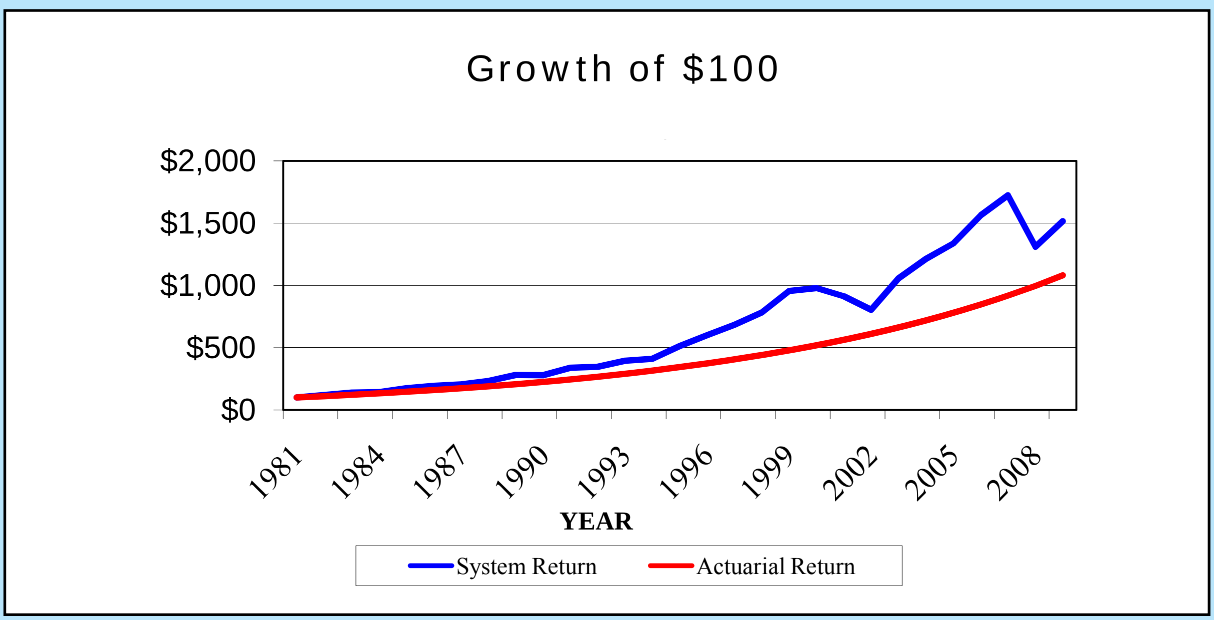
SERVING SINCE 1881
TEXAS
105-8296

Statistics


DALLAS
18
Quality
798-228



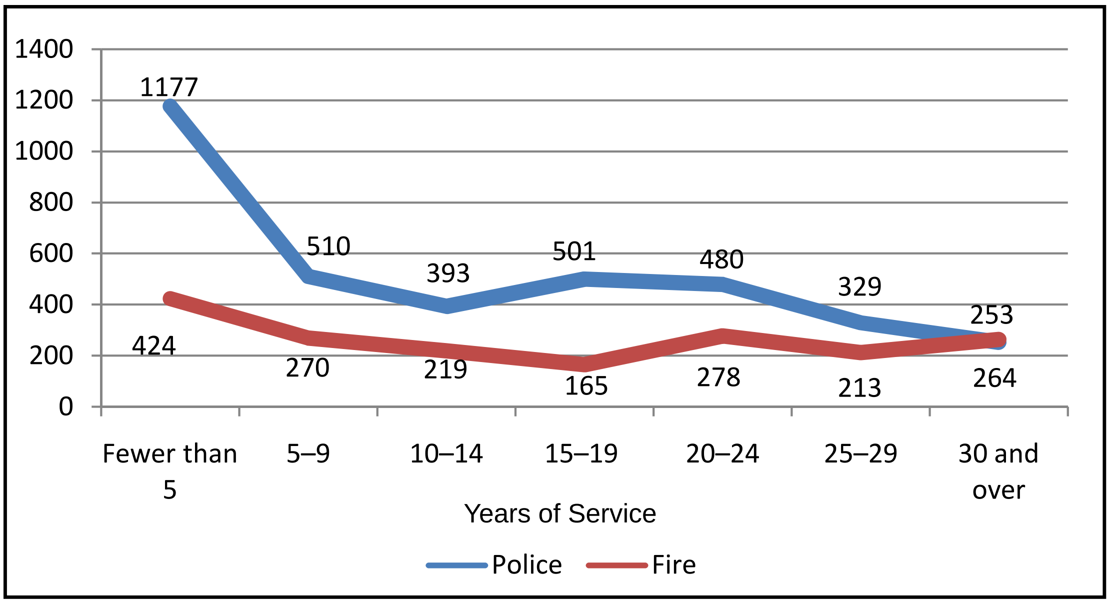
The graph above indicates the growth in market value of the System's assets over the last ten years. The market value of System assets has grown from $2.07 billion in 1999 to over $2.87 billion in 2009.



One hundred dollars invested in the Pension System's portfolio in 1982 would be worth $1,514.49 as of December 31, 2009. If the $100 had earned the actuarial interest rate, it would be worth $1,081.13.

Active Membership of the System by Service
(As of Jan. 1 2010)

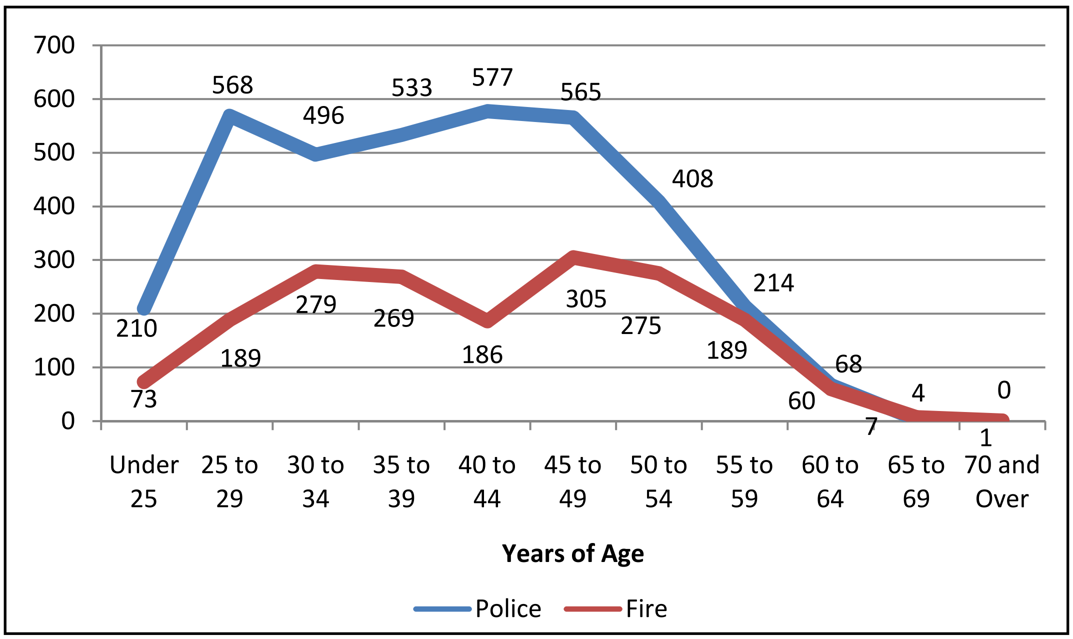
Years of Service	Police	Fire	Total
Fewer than 5	1177	424	1601
5–9	510	270	780
10–14	393	219	612
15–19	501	165	666
20–24	480	278	758
25–29	329	213	542
30 and over	253	264	517
TOTAL	3,643	1,833	5,476



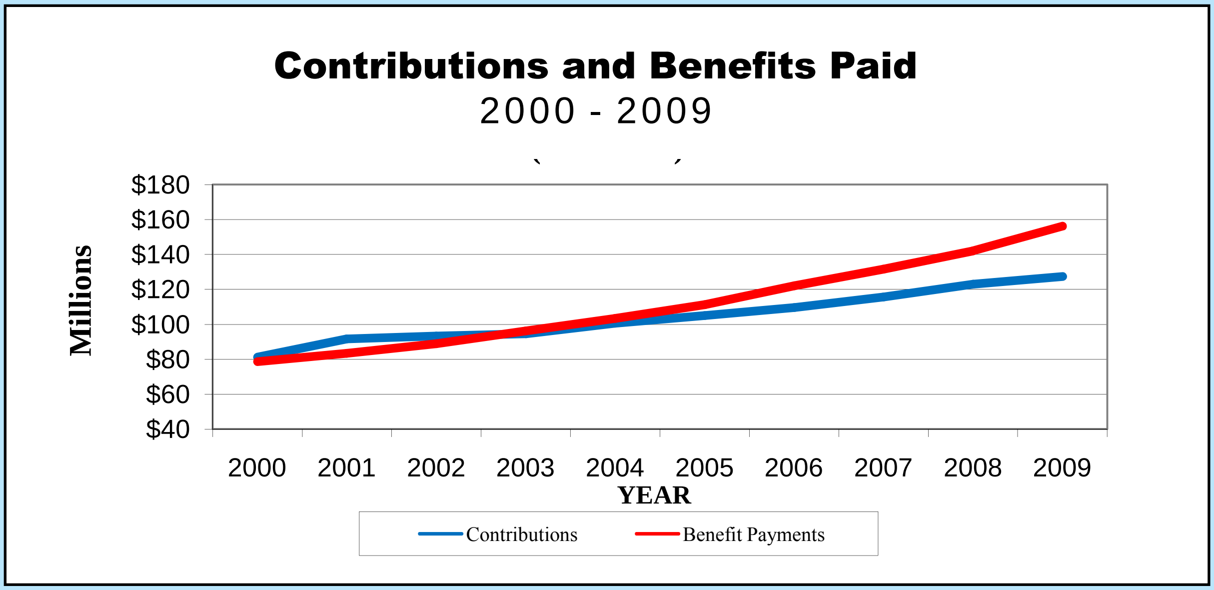
The table and graph above report the number of Active Members by Department according to years of service. The average service for all Active Members is 14.29 years — 13.32 years of service for Police Officers, and 16.21 for Firefighters. There were 5,476 Active Members as of January 1, 2010.

Active Membership of the System by Age
(As of Jan. 1 2010)

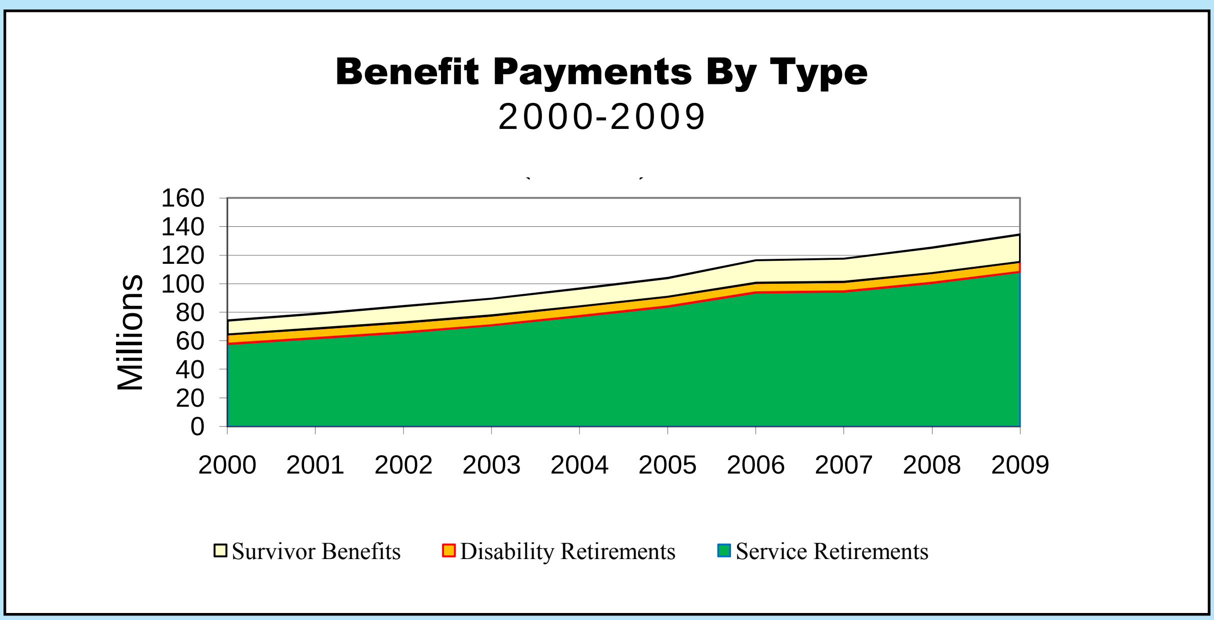
Years of Service	Police	Fire	Total
Under 25	210	73	283
25 to 29	568	189	757
30 to 34	496	279	775
35 to 39	533	269	802
40 to 44	577	186	763
45 to 49	565	305	870
50 to 54	408	275	683
55 to 59	214	189	403
60 to 64	68	60	128
65 to 69	4	7	11
70 and Over	0	1	1
TOTAL	3,643	1,833	5476



The table and graph above report the number of Active Members by Department according to years of age. The average age for all Active Members is 40.86 — 40.01 for Police Officers and 42.54 for Firefighters. There were 5,476 Active Members as of January 1, 2010.

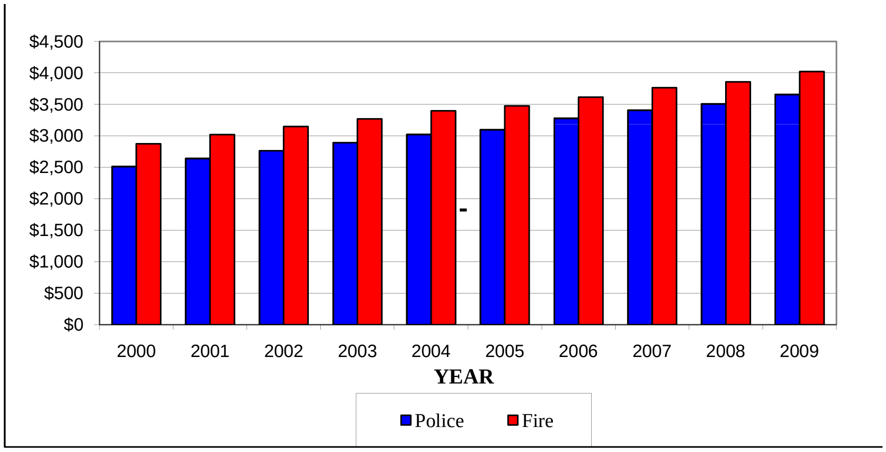


As the System matures, total benefit payments have grown faster over the last ten years than contributions received. Investment income pays benefits not covered by contributions received.



As the System matures, total benefit payments have grown faster over the last ten years than contributions received. Investment income pays benefits not covered by contributions received.

Average Monthly Retirement Benefit Payments
2000 - 2009



Benefit payments for both Police and Fire Retired Members has increased steadily over the last ten years. The average monthly benefit of retired Police Officers was $3,658 and of Firefighters was $4,021.

Examples of Monthly Benefit Payments Based of Years of Service and Final Computation Pay

Average Monthly Comp Pay	Years of Pension Service 5	10	15	20	25	30
$3,000	$450	$900	$1,350	$1,800	$2,250	$2,700
$3,500	$525	$1,050	$1,575	$2,100	$2,625	$3,150
$4,000	$600	$1,200	$1,800	$2,400	$3,000	$3,600
$4,500	$675	$1,350	$2,025	$2,700	$3,375	$4,050
$5,000	$750	$1,500	$2,250	$3,000	$3,750	$4,500
$5,500	$825	$1,650	$2,475	$3,300	$4,125	$4,950
$6,000	$900	$1,800	$2,700	$3,600	$4,500	$5,400
$6,500	$975	$1,950	$2,925	$3,900	$4,875	$5,850
$7,000	$1,050	$2,100	$3,150	$4,200	$5,250	$6,300

Go down first column to a sample average computation pay amount and then read across the row to the column for years of pension service. The number in the selected block is the approximate monthly pension benefit at age 50.

Actuarial Summary Information

Actuarial Valuation Results	January 1, 2008 Valuation	January 1, 2009 Valuation	January 1, 2010 Valuation
UAAL[1]	$ 385,091,924	$ 838,429,477	$ 744,774,235
Actuarial Value[2]	$ 3,258,627,218	$ 3,039,667,165	$ 3,382,907,776
Market Value[3]	$ 3,390,974,909	$ 2,533,055,971	$ 2,851,645,944
AAL Ratio[4]	89.4%	78.4%	81.8%
Years To Fund[5]	$ 14	$ 33	$ 26

[1] Unfunded Actuarial Accrued Liability

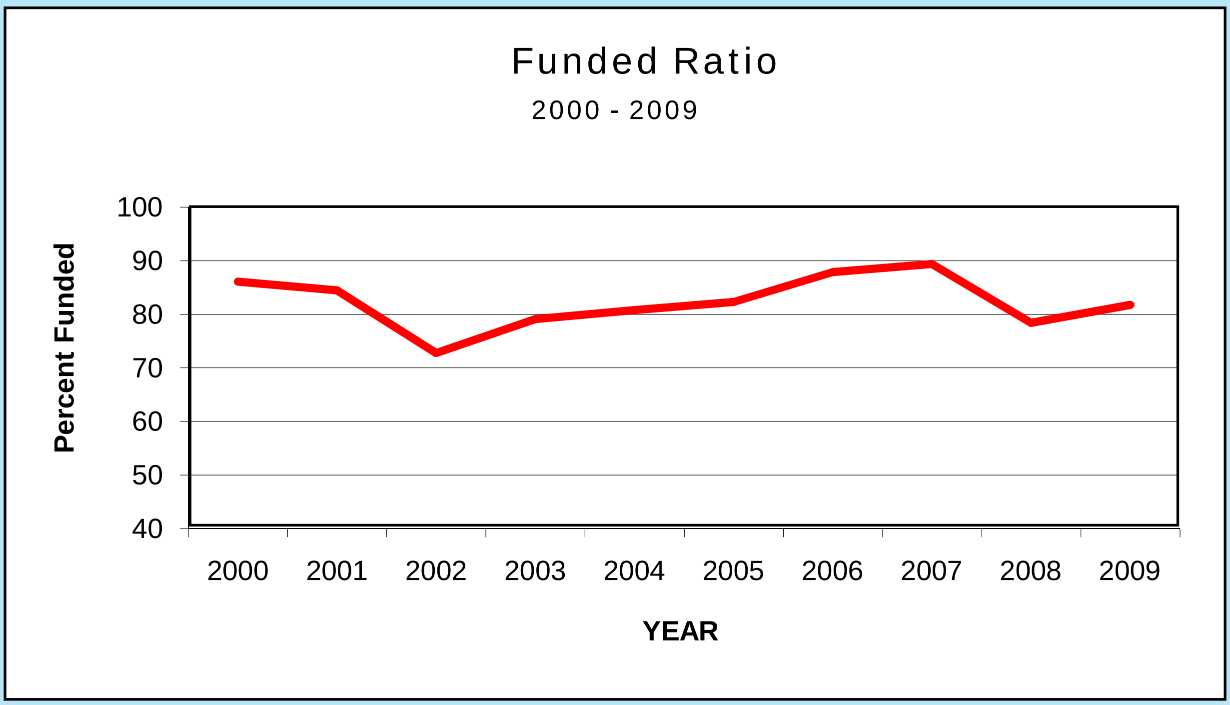
[2] Actuarial Value of Assets

[3] Market Value of Assets

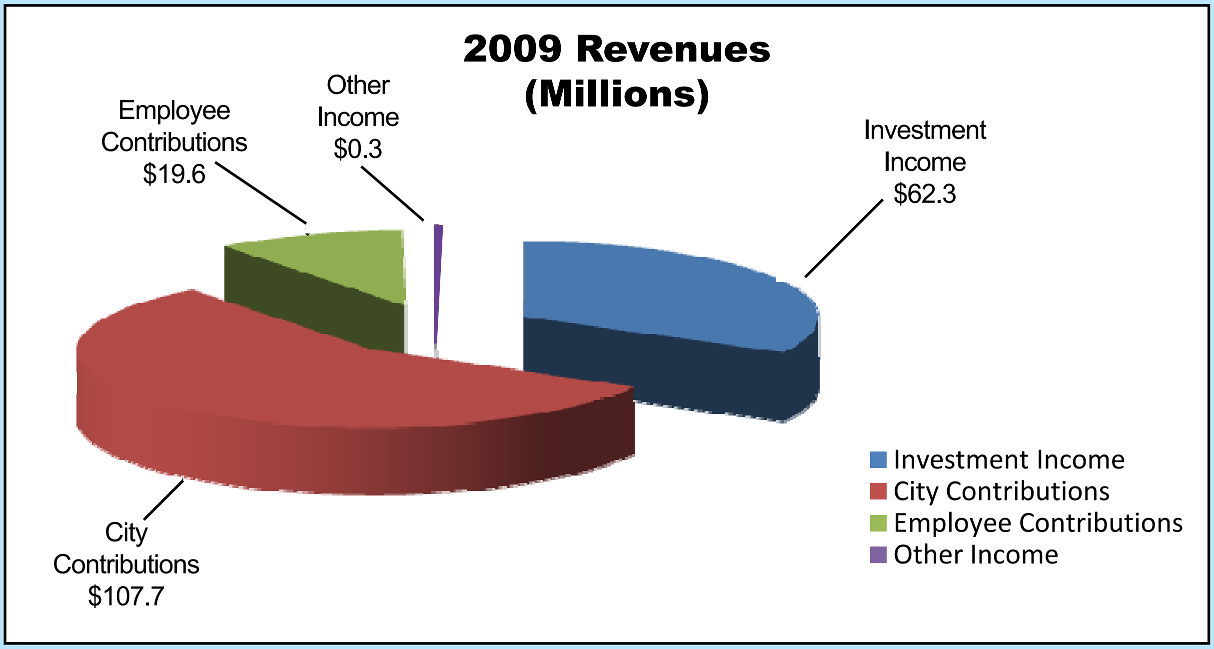
[4] Actuarial Accrued Liability (GASB 25)

[5] Projected Years to Fund Level Funding

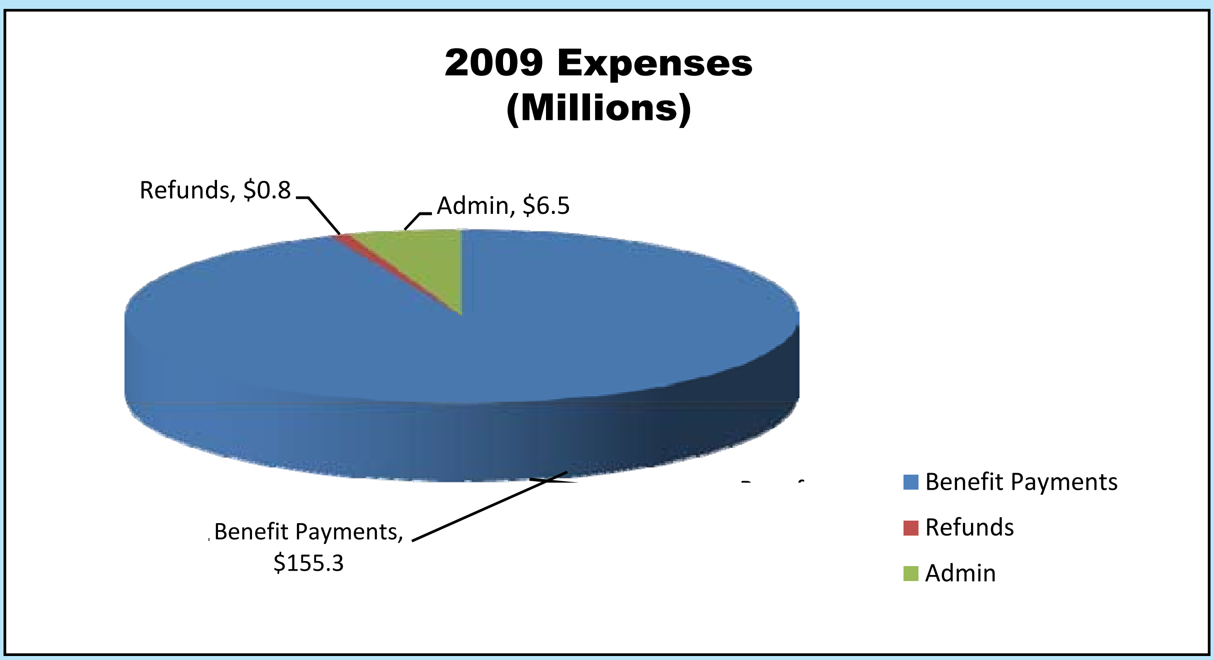
The above chart provides a summary of the principle results of actuarial valuations of the System over the last three years, demonstrating the funding made by the System over this period.



The System's Funded Ratio has remained relatively constant over the last ten years.



Revenues totaled $189.9 million in 2009. There was additional gain of $316.2 million in net appreciation.



Expenses totaled $162.6 million in 2009.


DALLAS FIRE-RESCUE
"Caring, Serving,
and Protecting"
14
DALLAS
POLICE

Supplemental Pension Plan

DALLAS POLICE AND FIRE PENSION SYSTEM
SUPPLEMENTAL PLAN

ACTUARIAL VALUATION

AS OF JANUARY 1, 2010

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June 25, 2010

Mr. Richard L. Tettamant
Administrator
Dallas Police & Fire Pension System
4100 Harry Hines Blvd., Suite 100
Dallas, TX 75219

Re: Dallas Police and Fire Pension System Supplemental Plan Actuarial Valuation as of January 1, 2010

Dear Mr. Tettamant:

We certify that the information contained in this report is accurate and fairly presents the actuarial position of the Dallas Police and Fire Pension System Supplemental Plan (the Plan) as of January 1, 2010.

Actuarial Valuation

The primary purpose of the valuation report is to determine the City's contribution rate, to describe the current financial condition of the Plan, and to analyze changes in the Plan's condition. In addition, the report provides information required by the City of Dallas in connection with Governmental Accounting Standards Board Statements Number 25 and Number 27.

Basis for Funding

The member contribution rates are established by statute. The City's contribution rate is intended to be sufficient to amortize the unfunded actuarial accrued liability over five years, including the normal cost. The contribution is also limited to be within $100,000 of the previous year's contribution. However, in no event will the City's contribution be less than the amount necessary to satisfy GASB 27. For 2010, the contribution is $1,443,717.

Funding Progress

As of January 1, 2010, the City's contribution rate needed in order to meet the funding goal is 138.24% of covered payroll. This amount is greater than the 128.79% employer rate calculated as of January 1, 2009. The current contribution rate of 138.24% of covered payroll covers the normal cost and the amortization of the Unfunded Actuarial Accrued Liability (UAAL).

14911 Quorum Drive, Suite 200 • Dallas, TX 75254-7534
972.628.6800 • 972.628.6801 (fax)

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Benefit Provisions

The actuarial valuation reflects the benefit and contribution provisions set forth in the System's statutes. The valuation is based on the same benefit provisions as the previous valuation.

Assumptions and Methods

The actuarial assumptions and methods used in the valuation are presented in Schedule C. The valuation is based on the same assumptions and methods as the previous valuation.

The assumptions used are individually reasonable and reasonable in the aggregate.

Data

Asset information and member data for retired, active, and inactive members was supplied as of January 1, 2010, by the Administrator. We have not subjected this data to any auditing procedures, but have examined the data for reasonableness and consistency with the prior year's data.

I am an Enrolled Actuary, a Fellow of the Society of Actuaries, and a Member of the American Academy of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Very truly yours,

(Signed) RICHARD A. MACKESEY

Richard A. Mackesey, FSA, EA, MAAA
Principal, Consulting Actuary

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Enclosures

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Dallas Police and Fire Pension System Supplemental Plan
Actuarial Valuation - January 1, 2010

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Summary of Principal Results

	January 1, 2010	January 1, 2009
Membership		
Active	40	41
Retired and terminated members and beneficiaries	112	112
Compensation		
Total	$ 1,044,326	$ 1,043,356
Average	$ 26,108	$ 25,448
Assets		
Market value	$ 20,680,752	$ 18,139,795
Valuation Results		
Unfunded actuarial accrued liability (UAAL)	$ 12,768,518	$ 13,913,501
City's normal cost contribution	$ 178,325	$ 176,155
Funding Policy contribution	$ 1,443,717	$ 1,343,717
GASB No. 25		
Actuarial accrued liability (AAL)	$ 33,449,270	$ 32,053,296
Assets	$ 20,680,752	$ 18,139,795
GASB ratio	61.8%	56.6%
Unfunded AAL	$ 12,768,518	$ 13,913,501

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Comments on the Valuation

Overview

The current valuation indicates that a total contribution of $1,443,717 should be contributed during 2010.

The contribution requirements are calculated to be sufficient to pay the City's portion of each year's normal cost and an amount calculated to amortize the UAAL.

GASB Statements

Section 4 provides the information required for reporting under GASB No. 25.

Benefit Provisions

Schedule B summarizes all the benefit provisions of the Plan. There are no significant benefits which were not taken into account in this valuation. The actuarial valuation reflects the benefit and contribution provisions set forth in the System's statutes. The valuation is based on the same benefit provisions as the previous valuation.

Actuarial Assumptions and Methods

The actuarial assumptions and methods used in the valuation are presented in Schedule C. The valuation is based on the same assumptions and methods as the previous valuation.

The assumptions used are individually reasonable and reasonable in the aggregate.

GASB Statement No. 27

Initially, under GASB Statement No. 27, employers were required to determine a pension expense based on a 40-year amortization of the UAAL for fiscal years beginning after June 15, 1996. After the 10-year transition period, the required amortization period is now 30 years. The amortization can assume payroll growth due to inflation, but no membership growth. If the actual contribution rate is less than the rate required by GASB No. 27, the excess must be expensed. This will result in the employer showing an accrued but unpaid liability for pension benefits on its financial statements.

A City Contribution rate of 87.57% will be required for the City to avoid showing an accrued pension liability on its financial statements for the fiscal year beginning in 2010, assuming no other changes are made. Under the current funding arrangement, the City would not be required to show an accrued but unpaid pension liability for the Supplemental Plan.

Financial Data

The financial data used in this report was supplied by the Administrator.

Section 5 reconciles the Plan's assets between 2009 and 2010. The estimated rate of return for 2009 was 16.66%.

Membership Statistics

Data on active members and on retired members was supplied by the Administrator. The number of active members increased over the last year. The active membership decreased from 41 members as of January 1, 2009, to 40 members as of January 1, 2010. The payroll increased from January 1, 2009 to January 1, 2010 ($1,043,356 for 2009 and $1,044,326 for 2010). Schedule A shows a summary of the membership data.

Actuarial Cost

		January 1, 2010	January 1, 2009
1.	Covered Payroll	$ 1,044,326	$ 1,043,356
2.	Actuarial present value of future benefits	$ 34,767,421	$ 33,391,974
3.	Actuarial present value of future normal costs	$ 1,318,151	$ 1,338,678
4.	Actuarial accrued liability (2 - 3)	$ 33,449,270	$ 32,053,296
5.	Actuarial value of assets	$ 20,680,752	$ 18,139,795
6.	Unfunded actuarial accrued liability (UAAL) (4 - 5)	$ 12,768,518	$ 13,913,501
7.	City's normal cost contribution	$ 178,325	$ 176,155
8.	Funding Policy contribution	$ 1,443,717	$ 1,343,717
9.	Total contribution as a percentage of covered payroll (8 ÷ 1)	138.24%	128.79%

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Analysis of Change in UAAL

1. UAAL as of January 1, 2009	$13,913,501
2. Changes due to:	
a. Expected decrease	$ (33,524)
b. Actual contributions greater than expected	0
c. Liability experience	351,452
d. Asset experience	(1,462,911)
e. Assumption changes	0
f. Total Changes	$(1,144,983)
3. UAAL as of January 1, 2010	$12,768,518

Historical Trend Information

(As required by GASB #25 - Amounts are in millions of dollars)

Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2005	18.720	24.496	5.776	76.4%	0.818	706.1%
January 1, 2006	19.961	26.370	6.409	75.7%	0.928	690.6%
January 1, 2007	23.314	28.663	5.349	81.3%	0.866	617.7%
January 1, 2008	25.254	30.098	4.844	83.9%	0.938	516.4%
January 1, 2009	18.140	32.053	13.913	56.6%	1.043	1,333.9%
January 1, 2010	20.681	33.449	12.768	61.8%	1.044	1,223.0%

GASB #25 Schedule of Employer Contributions for Year Ending December 31, 2009

Annual Required Contribution	Percentage Contributed
$1,343,717	100%

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Summary of Accumulated Benefits
(FASB #35)

Accumulated Benefits at January 1, 2010

Vested benefits of participants and beneficiaries currently receiving payments	$ 25,735,902
Other vested benefits	7,782,336
Nonvested benefits	312,841
Total benefits	$ 33,831,079

FASB #35 Reconciliation

Accumulated benefits at January 1, 2009		$ 32,246,456
Benefits accumulated and actuarial gains/losses	$ 765,389	
Interest	2,664,139	
Benefits paid	(1,844,905)	
Assumption changes	0	
Total change	1,584,623	
Accumulated benefits at January 1, 2010		$ 33,831,079

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Reconciliation of Fund Assets

	Year Ending December 31, 2009
1. Value of fund at beginning of year	$ 18,139,795
2. Contributions	
a. City	1,343,717
b. Member	56,261
c. Total	$ 1,399,978
3. Benefit payments	(1,844,905)
4. Refunds	0
5. Earnings	3,034,802
6. Expenses	(48,918)
7. Value of assets at end of year	20,680,752
8. Estimated rate of return	16.66%

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Dallas Police and Fire Pension System Supplemental Plan
Actuarial Valuation - January 1, 2010

Schedule A

Membership Data

	January 1, 2010	January 1, 2009
1. Active members (excluding DROP)		
a. Number	13	15
b. Compensation	$ 433,017	$ 483,199
c. Average compensation	$ 33,309	$ 32,213
d. Average age	46.46	46.93
e. Average service (years)	19.31	18.60
2. Active members (DROP only)		
a. Number	27	26
b. Compensation	$ 611,309	$ 560,157
c. Average Compensation	$ 22,641	$ 21,545
d. Average age	54.26	54.08
e. Average total service	30.07	30.12
f. DROP account balance	$ 1,785,839	$ 1,602,199
3. Inactive members		
a. Number	112	112
b. Total annual benefit	$ 1,699,279	$ 1,650,190
c. Average annual benefit	$ 15,172	$ 14,734

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Summary of Benefit Provisions
As of January 1, 2010
For Actuarial Calculations

The Supplemental Plan was adopted and effective on March 1, 1973. Contributing Group B members who hold a permanent rank higher than the highest Civil Service rank held as a result of competitive examination are allowed to join the Supplemental Plan within 60 days of attaining such higher rank, or within 60 days of the effective date, if later.

Definitions

Computation Pay: The difference between the monthly base pay for the rank currently held and the monthly rate of pay due for the highest Civil Service rank held as a result of competitive examination.

Average Computation Pay: Computation Pay averaged over 36 months.

Pension Service: The period, in years, months, and days, during which the Member made contributions under the terms of the Combined Plan or any Pension Plan within the Pension Plan.

Qualified Surviving Spouse: The Member's legal spouse at the time of death providing the marriage occurred prior to the Member's termination of employment (entering DROP is not considered termination of employment).

Pension Plan: The Dallas Police and Fire Pension System Supplemental Plan.

Qualified Surviving Children: All surviving unmarried children under 19 years of age (23 for a disabled child) provided they were born or adopted before the Member terminated his employment.

Contribution Rates

The City's contributions are made in accordance with actuarial requirements.

The Member contribution rate is currently 8.50%. Members contribute for a maximum of 32 years.

Service Retirement Benefits

Annual Normal Retirement Pension

Condition for Retirement: Attainment of age 50 and five years of Pension Service.

Amount for Pension: 3% of Average Computation Pay for each year of Pension Service to a maximum of 32 such years.

Early Retirement Pension

Condition for Retirement:

a. Attainment of age 45 and five years of Pension Service.

Amount of Pension: 3% of Average Computation Pay for each year of Pension Service reduced 2/3 of 1% for each month by which retirement precedes age 50.

b. 20 years of Pension Service

Amount of Pension: 20 & out multiplier of Average Compensation Pay for each year of Pension Service.

Age	20 & Out Multiplier
50 & above	3.00%
49	3.00% reduced by 2/3 of 1% for each month prior to age 50
48	2.75%
47	2.50
46	2.25
45 & below	2.00

Special Rule for Members of former Old Plan or Plan A

Group B Members who formerly were Members of either the former Old Plan or Plan A may elect to receive Group A benefits and receive a reimbursement of the additional contributions paid under Group B provisions in excess of the contributions that would have been made under Group A.

Disability Retirement Benefits

Service-Related Disability

Condition for Retirement: Disability preventing the Member from performing his or her duties with his or her department and lasting for a period of not less than 90 days.

Amount of Pension: 60% plus 3% for each year of Pension Service (maximum 32 years) over 20, of Average Computation Pay.

Non-Service Related Disability

Condition for Retirement: Disability preventing the Member from performing his or her duties with his or her department and lasting for a period of not less than 90 days.

Amount of Pension: 3% of Average Computation Pay for each year of Pension Service (maximum 32 years).

Survivor Benefits

Survivor Benefits for Qualified Surviving Spouse: 1.50% of the Member's Average Computation Pay for each year of Pension Service with a minimum of 20 such years and a maximum of 32 such years.

Survivor Benefits when no Qualified Surviving Spouse: Death in Active Service: 50% of Service Retirement Pension calculated with a minimum of 20 years of Pension Service. The benefit will be paid as a lump sum equal to the value of the lesser of a 10-year benefit or the remainder of the 10-year period if Qualified Surviving Children receive benefit.

Survivor Benefits After Retirement: The Qualified Surviving Spouse shall receive 50% of any benefits paid to the Member. The percentage is increased if the Qualified Surviving Spouse has attained age 55, there are no Qualified Surviving Children who are eligible for death benefits and the Member retired after age 55 with 20 years of Pension Service or if the Member's age plus Pension Service at retirement was at least 78.

Survivor Benefits After Retirement or Termination for a Non-Qualifying Surviving Spouse: The Surviving Spouse shall receive 50% of any benefits paid to the Member. However, the Member's benefit will be reduced for this coverage.

Survivor Benefits for Qualified Surviving Children: An amount equal to the amount paid to a Qualified Surviving Spouse is divided among the Qualified Surviving Children and continues to be paid as long as one or more of the children continue to qualify.

Post-Retirement Adjustments

Annually, on the first day of October, benefits in pay status will be increased by an amount equal to 4% of the original pension amount. New Members hired after December 31, 2006 will not be eligible for an automatic increase.

Benefit Supplement

If a Member retires with 20 years of Pension Service or if a Member is receiving a service related disability the Member or the Member's Qualified Surviving Spouse is entitled to receive 3% of the monthly benefit payable to the Member when the Member or the Qualified Surviving Spouse attains age 55. This supplement is also available for both the Member or the Member's Non-Qualifying Surviving Spouse for a member who has elected a reduced benefit to obtain coverage for a Non-Qualifying Surviving Spouse.

Deferred Retirement Option Plan

As of January 1, 1993, at normal retirement age, a Member may elect to enter the Deferred Retirement Option Plan (DROP). As of January 1, 1999, a member may also elect to enter DROP after 20 years of Pension Service. Retirement benefits will be calculated as if the Member retired on that date. Employee contributions made under the Combined Pension Plan will cease, as will accruals under the Combined Pension Plan. Each month, the retirement benefit will be accumulated in an account earning interest based on a ten-year average of the System's actual market return. Upon termination of employment, the Member will have the balance in account in addition to the monthly benefit payable as though the Member retired at the date the Member entered DROP.

Dallas Police and Fire Pension System Supplemental Plan
Actuarial Valuation - January 1, 2010

Schedule C

Summary of Actuarial Methods and Assumptions
(Effective as of January 1, 2010)

Investment Return: 8.50% per annum, compounded annually, net all expenses including administrative expenses. This rate reflects an underlying inflation rate of 4.00% and a real rate of return of 4.50%.

DROP balances are assumed to earn 9.00% per annum.

Separations Before Normal Retirement: Representative values of the assumed annual rates of withdrawal, death, and disability are as follows:

Annual Rate per 1,000 Members

	Withdrawal		Mortality - Disableds		Mortality - Other		Disability	
Age	Police	Fire	Male	Female	Male	Female	Police	Fire
20	47.0	23.0	48.30	26.30	.48	.28	.35	.70
25	47.0	23.0	48.30	26.30	.62	.29	.37	.75
30	35.0	18.0	36.20	23.70	.78	.33	.42	.84
35	25.0	18.0	27.80	21.40	.85	.45	.48	.96
40	25.0	18.0	28.20	20.90	1.00	.65	.57	1.15
45	25.0	18.0	32.20	22.40	1.46	.92	.79	1.58
50	NA	NA	38.30	25.70	2.33	1.31	NA	NA
60	NA	NA	60.30	33.10	7.09	3.86	NA	NA
70	NA	NA	73.90	41.10	21.73	12.71	NA	NA
75	NA	NA	84.20	49.20	34.05	20.38	NA	NA

Salary Increases: Representative values of the assumed annual rates of future salary increase attributable to seniority and promotion are as follows:

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Years of Service	Annual Rate of Salary Increase
0	9.64%
5	9.19
10	7.72
15	5.82
20	4.56
25	4.08
30	4.00

Total payroll is assumed to increase 4.00% per year. New hires are assumed to replace terminations.

Overtime and other non-computation pay are assumed to be 11% of base pay. The City contribution rate is determined as a percentage of total pay. This assumption is based on the revised compensation package adopted by the city council in 2007.

Retirement Rates: To determine the value of future normal cost, the percentage of population assumed to retire at various ages is as follows:

Age	Rate	Age	Rate	Age	Rate
38	2%	48	2%	58	20%
39	2	49	2	59	20
40	2	50	4	60	20
41	2	51	3	61	20
42	2	52	3	62	20
43	2	53	3	63	20
44	2	54	3	64	20
45	2	55	25	65	100
46	2	56	20		
47	2	57	20		

Rates are applied when a member is eligible to retire. That is, age 50 with five years or 20 years.

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Postretirement Mortality: According to the 1994 Group Annuity Mortality Table for males and females, set back one year for males and females.

DROP Election: Members are assumed to elect DROP at age 50 with five years. Any active members who satisfy this criteria and have not entered DROP are assumed to never join DROP.

Spouses: 80% of active members are assumed to be married with the male three years older than the female. The age of the youngest child is assumed to be one year.

Assumed Post Retirement Cost of Living: Annually, on the first day of October, benefits in pay status will be increased by an amount equal to 4% of the original pension amount for eligible Members.

Future Expenses: All expenses, investment and administration, are paid from the Fund. The 8.50% assumed rate of return is net of these expenses.

Valuation Method: The method used to determine Normal Cost and Accrued Actuarial Liability is the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, an annual Normal Cost is determined for each covered active Member which is the contribution required to provide all the projected pension benefits assuming this contribution is payable over a period ending on the date of retirement (separation from active service) and expressed as a level percentage of compensation. The Actuarial Accrued Liability is determined as the excess of the total present value of all pension benefits over the total present value of future Normal Costs. The Unfunded Actuarial Accrued Liability as of the valuation date is determined as the excess of the Actuarial Accrued Liability over the assets of the Fund.

The Normal Cost and Accrued Actuarial Liability are derived by making certain assumptions as to the rates of interest, mortality, turnover, etc., which are assumed to reflect experience for many years into the future. Since actual experience will differ from the assumptions, the costs determined must be regarded as estimates of the true costs of the Plan. The effects of any actuarial gains or losses are immediately reflected in the Unfunded Actuarial Accrued Liability and the Normal Cost.

Actuarial Value of Assets: The actuarial value of assets is the market value of assets.

SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS

Financial Statements
and
Required Supplemental Information

December 31, 2009 and 2008
(With Independent Auditors' Report Thereon)

SUPPLEMENTAL POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS

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Accountants & Consultants
One Riverway, Suite 1900
Houston, TX 77056 USA

t: (713) 622-1120
f: (713) 961-0625
mfrpc.com

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Supplemental Police and Fire Pension
Plan of the City of Dallas:

We have audited the accompanying statements of plan net assets of the Supplemental Police and Fire Pension Plan of the City of Dallas (the Supplemental Plan) as of December 31, 2009 and 2008, and the related statements of changes in plan net assets for the years then ended. These basic financial statements are the responsibility of the Supplemental Plan's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Supplemental Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial status of the Supplemental Plan as of December 31, 2009 and 2008, and the changes in its financial status for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (MD&A), the schedule of funding progress and the schedule of employer contributions, are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This information is the responsibility of the Supplemental Plan's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the MD&A and supplementary information. However, we did not audit such information and do not express an opinion on it.

MFR, P.C.

June 30, 2010

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

OVERVIEW

The Management's Discussion and Analysis (MD&A) of the Supplemental Police and Fire Pension Plan of the City of Dallas (the Supplemental Plan) financial position and performance provides an overview of the Supplemental Plan's financial activities for the fiscal years ended December 31, 2009 and 2008. The Supplemental Plan is a defined benefit pension plan under Section 401(a) of the Internal Revenue Code.

Certain comparative information between the current year and the prior year is required to be presented in the MD&A. The analysis should be read in conjunction with the basic financial statements, notes to the basic financial statements and required supplemental information.

FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Supplemental Plan's financial statements which consist of (1) Basic Financial Statements and (2) Notes to Basic Financial Statements, and the Supplemental Plan's Required Supplemental Information.

The Statement of Plan Net Assets presents the Supplemental Plan's assets and liabilities and plan net assets held in trust for the payment of pension benefits. The Statement of Changes in Plan Net Assets summarizes additions to and deductions from Supplemental Plan assets, providing plan net assets held in trust at the end of the year for pension benefits. The difference between assets and liabilities is one measure of the Supplemental Plan's financial position and the change in this measure over time is an indication of whether the Supplemental Plan's financial health is improving or deteriorating.

The Notes to Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the Basic Financial Statements.

The Required Supplemental Information consists of schedules of funding progress and required employer contributions and note to required supplemental information.

The Supplemental Plan presents its financial statements solely on the accounts of the Supplemental Plan. The accrual basis of accounting is used by the Supplemental Plan, whereby revenues are recognized when they are earned and collection is reasonably assured, and expenses are recognized when the liability has been incurred. Investments are reported at fair value.

CONDENSED FINANCIAL INFORMATION

		2009	2008	2007
Assets	$	20,680,579	18,103,822	23,752,976
Liabilities		1,953	8,598	44,023
Net Assets Available for Benefits		20,678,626	18,095,224	23,708,953
Contributions		1,399,978	1,289,185	1,377,700
Investment and Other Income (Loss)		2,701,834	(5,482,130)	2,519,340
Benefit Payments		1,471,644	1,363,912	1,314,911
Administrative Expenses and Professional Fees		46,766	56,872	43,066

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED

FINANCIAL HIGHLIGHTS

- The Supplemental Plan's net assets increased $2.6 million in 2009 to $20.7 million. Net assets decreased $5.6 million in 2008 to $18.1 million. The increase in plan net assets reflects the recovery in the financial market in 2009.

- The rate of return on Supplemental Plan's investments during 2009 was 15.7% net of fees, compared to a rate of return of (24%) for 2008. The investment return reflects a broad-based market recovery from 2008 when the global financial system stood on the brink of collapse. Along with the broad markets, the Supplemental Plan's financial composite, including Global Equity, Global Fixed Income, Global Asset Allocation, and the public portion of Global Nature Resources returned 33.2% net fees for the year, outperforming the allocation index by 2%. The Supplemental Plan's real estate portfolio, amid a depressed commercial real estate market, returned (5.7%). This return, although disappointing on an absolute basis, exceeded the stylized index by 5.2% for the year and outperforms the index over all time periods since inception. The Supplemental Plan's Global Private Equity portfolio returned (9.39%) indicating a private market that's lagging the public market on the way up. The performance numbers are provided by the Supplemental Plan's general investment consultant.

- The Supplemental Plan had $1,953 in liabilities as of December 31, 2009, and $8,598 in liabilities as of December 31, 2008.

- The Supplemental Plan received employee contributions of $56,261 in 2009 and $45,468 in 2008. The Supplemental Plan received employer contributions from the City of Dallas (the City) in the amount $1.34 million in 2009, an increase of $100,000 over the $1.24 million received in 2008 and a decrease of $100,000 over the $1.34 million received in 2007. The contribution rates are established by statute. The City's contribution rate is intended to be sufficient to amortize the unfunded actuarial accrued liability over five years, including the normal cost. The contribution also is limited to be within $100,000 of the previous year's contribution.

- The Supplemental Plan paid $1,471,644 in service retirement, disability retirement and survivor benefits during 2009, compared to $1,363,912 in 2008. No changes to benefit provisions were implemented in 2009 or 2008.

- The cost of administering the benefit programs of the Supplemental Plan, including administrative costs and professional fees, was $46,766 in 2009 compared to $56,872 for 2008. A pro rata share of the total expenses of the Group Master Trust are allocated to the Supplemental Plan according to the ratio of Supplemental Plan assets to the total assets of the Group Trust, plus any expenses specific to the Supplemental Plan.

- The active membership of the Supplemental Plan decreased by one to 40 members as of December 31, 2009, compared to 41 active members as of December 31, 2008. The number of retired, terminated vested and beneficiaries was 112 and 112 as of December 31, 2009 and December 31, 2008, respectively.

The Supplemental Plan presents its financial statements solely on the accounts of the Supplemental Plan. The accrual basis of accounting is used by the Supplemental Plan, whereby revenues are recognized when they are earned and collection is reasonably assured, and expenses are recognized when the liability has been incurred. Investments are reported at fair value.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED

FUNDING PROGRESS

The Supplemental Plan contracted with Buck Consultants, Inc. to conduct an actuarial valuation to determine the actuarial position of the Supplemental Plan as of January 1, 2010.

The ratio of a plan's actuarial value of assets (AVA) to the actuarial accrued liability (AAL), expressed as a percentage, is an indicator of the plan's funding status. Generally, the larger the percentage, the stronger the financial health of the plan. The Supplemental Plan's AAL ratio improved to 61.8% in 2009 compared to 56.6% in 2008.

When a plan's total liabilities exceed the assets available to pay benefits on an actuarial basis, the plan is said to have an unfunded actuarial accrued liability (UAAL). As of January 1, 2010, the Supplemental Plan's UAAL was $12,768,518, a decrease of $1,144,983 from a UAAL of $13,913,501 as of January 1, 2009.

CONTACTING THE SUPPLEMENTAL PLAN'S FINANCIAL MANAGEMENT

This financial section is designed to provide our members and other users with a general overview of the Supplemental Plan's financial activities. If you have questions about this report or need additional financial information, contact the Administrator of the Supplemental Police and Fire Pension Plan of the City of Dallas at 4100 Harry Hines Blvd., Suite 100, Dallas, TX 75219.

SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS

Statements of Plan Net Assets
December 31, 2009 and 2008

Assets	2009	2008
Plan interest in Group Master Trust, at fair value (notes 2, 3, 4, 6, 7 and 8)	$ 20,679,582	18,102,892
Accrued member contributions receivable (note 5)	997	930
Total assets	20,680,579	18,103,822
Liabilities and Plan Net Assets		
Administrative expenses payable	1,953	8,598
Plan net assets held in trust for pension benefits (a schedule of funding progress is presented on page 25)	$ 20,678,626	18,095,224

See accompanying notes to basic financial statements.

SUPPLEMENTAL POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS

Statements of Changes in Plan Net Assets
Years Ended December 31, 2009 and 2008

	2009	2008
Additions to plan net assets:		
Net investment income -		
net investment gain (loss) from the Group Master Trust	$ 2,701,834	(5,482,130)
Contributions:		
Employer	1,343,717	1,243,717
Member	56,261	45,468
Total contributions	1,399,978	1,289,185
Total net additions (reduction) to plan net assets	4,101,812	(4,192,945)
Deductions to plan net assets:		
Benefit payments	1,471,644	1,363,912
Administrative and professional fees	46,766	56,872
Total deductions from plan net assets	1,518,410	1,420,784
Net increase (decrease) in plan net assets	2,583,402	(5,613,729)
Plan net assets held in trust for pension benefits:		
Beginning of year	18,095,224	23,708,953
End of year	$ 20,678,626	18,095,224

See accompanying notes to basic financial statements.

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SUPPLEMENTAL POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements
December 31, 2009 and 2008

1. **Description of the Plan and Summary of Significant Accounting Policies**

General

The Supplemental Police and Fire Pension Plan of the City of Dallas (the Supplemental Plan) is a single-employer, defined benefit pension plan for police officers and firefighters employed by the City of Dallas, Texas (the City or Employer) and was created in 1973 to supplement the Dallas Police and Fire Pension System's (the System) Plan B Defined Benefit Pension Plan (Plan B). The Plan B benefit structure was consolidated into the System's Combined Pension Plan in 1992. Former Plan B members are now denominated as "Group B" members of the Combined Pension Plan. The intent of the Supplemental Plan is to provide additional retirement benefits (as discussed below) to those members of the Supplemental Plan (Members) holding a rank higher than the highest corresponding Civil Service rank as provided in the Combined Pension Plan. Members receive a supplemental pension based upon the difference between compensation for the Civil Service position held before entrance in the Supplemental Plan and compensation while in the Supplemental Plan. The Supplemental Plan was established and derives its authority from a non-codified City ordinance. As of December 31, 2009 and 2008, the Supplemental Plan membership consisted of:

	2009	2008
Non-active members -		
pensioners and qualified survivors currently receiving benefits:		
Firefighters	51	48
Police officers	61	64
Total non-active members	112	112
Current employees -		
vested:		
Firefighters	16	15
Police officers	24	26
Total members	40	41

In 1992, an amendment to Article 6243a-1 was approved by the members of the Combined Pension Plan allowing for a Deferred Retirement Option Plan (DROP). The amendment automatically modified the Supplemental Plan so members that enter the DROP program in the Combined Pension Plan also enter the DROP program in the Supplemental Plan. DROP Members have their contribution discontinued but the City's portion of the total contribution continues. The Member's monthly benefit remains in the plan and accumulates interest. Upon retirement from the City, the Member is able to withdraw from their DROP Account along with the Member's normal benefits. Amounts included in these basic financial statements related to DROP members are $7,300,563 and $6,528,220 for December 31, 2009 and 2008, respectively.

Continued

SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements, Continued

Pension benefits

The Supplemental Plan's benefits are designed to supplement Group B benefits for those Members holding a rank higher than the highest corresponding Civil Service rank because their Combined Pension Plan benefits are capped by the Combined Pension Plan's definition of considered compensation. Accordingly, when Group B benefits are amended, the Supplemental Plan's benefit calculation is also affected. The basis for a Member's benefits shall be the difference between the monthly rate of pay a Member is due as the base pay for the rank the Member currently holds and the monthly rate of pay the Member is due for the highest Civil Service rank the Member has held as a result of competitive examinations. The formula used to determine the Member's Group B benefit shall also be used to determine the Member's benefit under the Supplemental Plan so that the same length of time shall be used to determine "average computation pay" for both plans. Application for benefits under the provisions of the Combined Pension Plan shall be deemed to be application for benefits under the Supplemental Plan and no additional application need be filed.

Contributions

The City is required by ordinance to contribute amounts, as determined by an actuary, necessary to maintain the Supplemental Plan.

Members electing to participate in the Supplemental Plan must contribute 8.5% of the excess of their compensation for the rank held over the compensation of the Civil Service rank held as a result of competitive examinations.

Members are immediately vested in their contributions and with five years of service in the Supplemental Plan or the Combined Pension Plan may, at termination of employment, leave their contributions or deposit with the Supplemental Plan and receive a monthly benefit at normal retirement age. If a Member's employment is terminated and the Member elects not to retire or not to have vested rights, the Member's contributions are returned, without interest, upon written application. If application for refund is not made within three years, the Member forfeits the right to a refund of his or her contributions; however, a procedure does exist whereby the Member's right to the contributions can be reinstated.

Termination

Although the Supplemental Plan has not expressed any intent to do so, in the event the Supplemental Plan is terminated or upon complete discontinuance of contributions, the Members and their beneficiaries shall be entitled to the benefits accrued to the date of such termination or discontinuance, to the extent then funded.

Supplemental Plan administration

The Supplemental Plan is administered by a twelve-member Board of Trustees (the Board) consisting of four City Council members appointed by the City Council, three police officers and three firefighters, all elected by employees of their respective departments, who are members of the Supplemental Plan, and one pensioner who has retired from the Police Department and one pensioner who has retired from the Fire Department and each are elected by pensioners from their respective departments.

Continued

SUPPLEMENTAL POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements, Continued

Effective January 1, 2006, the Supplemental Plan's Board elected to establish a Group Master Trust (Group Trust) for investment unitization of the Supplemental Plan's investment and those of the Dallas Police and Fire Pension System (the System). The System's Board has investment oversight for the investment activities of the Group Trust.

Basis of presentation

The accompanying basic financial statements are presented in accordance with generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), which designates accounting principles and financial reporting standards applicable to State and local governmental units. The accompanying basic financial statements include solely the accounts of the Supplemental Plan, which include all programs, activities and functions relating to the accumulation and investment of the net assets and related income necessary to provide the service, disability and death benefits required under the terms of the governing statutes and amendments thereto.

Basis of accounting

The basis of accounting is the method by which revenues and expenses are recognized in the accounts and reported in the basic financial statements. The accrual basis of accounting is used by the Supplemental Plan. Under the accrual basis of accounting, revenues, which include contributions and investment income, are recognized when they are earned and collection is reasonably assured, and expenses are recognized when the liability is incurred. Member and Employer contributions are recognized as revenue in the period in which the compensation is earned. In addition, the Supplemental Plan records contributions according to Supplemental Plan requirements and State statute. Benefits paid to Members and contribution refunds are recognized when due and payable in accordance with the terms of the Supplemental Plan. Accrued income, when deemed uncollectible, is charged to operations.

Accordingly, interest earned but not received and dividends declared but not received as of the Supplemental Plan's fiscal year-end are recorded as accrued interest and dividends receivable, respectively. In addition, unsettled investment purchases and sales are accrued.

Reporting entity

The Supplemental Plan is a component unit of the City and its basic financial statements and required supplemental information are included in the City's Comprehensive Annual Financial Report.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Continued

SUPPLEMENTAL POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements, Continued

Cash and cash equivalents

The Supplemental Plan considers only demand deposits as cash. Cash equivalent securities, which are composed of all highly liquid investments with a maturity of three months or less when purchased, are considered to be cash equivalents.

Plan interest in Group Trust

Beginning January 1, 2006, the Supplemental Plan's investments are held in the Group Master Trust (Group Trust). JP Morgan Chase served as custodian for the years ended December 31, 2009 and 2008. The fair value of the Supplemental Plan's interests in the Group Trust is based on the unitized interests that the Supplemental Plan has in the Group Trust. The Supplemental Plan's interest in the Group Trust was approximately 0.715% and 0.711% at December 31, 2009 and 2008, respectively. The allocation of investment income and administrative expenses between the System and the Supplemental Plan is based on the number of units owned of the Group Trust. Benefits and contributions are allocated to each plan directly.

Investments valuation and income recognition

Statutes of the State of Texas authorize the Supplemental Plan to invest surplus funds in the manner provided by the Government Code, Title 8, Subtitle A, Subchapter C. This subchapter provides for the investment of surplus assets in any investment or investments that are deemed "prudent" by the Board. The investment policy of the Board does not restrict the types of investments authorized to be made on behalf of the Supplemental Plan. The investment policy is based upon an asset allocation study that considers the current and expected condition of the Supplemental Plan, the expected long-term capital market outlook and the Supplemental Plan's risk tolerance.

Investments are reported at fair value. The Supplemental Plan's interest in the Group Master Trust is based on the fair value of the unitized interest held by the Supplemental Plan. The underlying investments included in the Group Master Trust are reported at fair value based on quoted market prices. When quoted market prices are not available, investment are based on independent appraisals and recent financial results, or if not established market then they are reported at their estimated fair values.

Purchases and sales of investments and forward foreign exchange contracts are recorded on the trade date. Gains or losses on forward foreign exchange contracts are recognized when the contract is complete.

Benefits

Benefits and refunds of contributions are recorded in these basic financial statements when they are paid to participants.

Continued

SUPPLEMENTAL POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements, Continued

Foreign currency transactions

The Group Trust and the Supplemental Plan are party to certain financial arrangements, utilizing forward contracts, options and futures only as a hedge against foreign currency fluctuations. Entering into these arrangements involves not only the risk of dealing with counterparties and their ability to meet the terms of the contracts, but also the risk associated with market fluctuations. Gains and losses on option and future arrangements are recorded as they are incurred. Gains and losses on forward contracts are recorded on the settlement date.

Gains and losses resulting from foreign exchange contracts (transactions denominated in a currency other than the Group Trust's and the Supplemental Plan's functional currency - United States dollars) are recorded by the Group Trust and the Supplemental Plan based on changes in market values and are combined with similar transactions in the accompanying statements of changes in plan net assets and are included in net investment income. The Group Trust and the Supplemental Plan structure foreign exchange contracts and enter into certain transactions to substantially mitigate the Group Trust's and the Supplemental Plan's exposure to fluctuations in foreign exchange rates.

Investments and broker accounts denominated in foreign currencies outstanding at December 31, 2009 and 2008 were converted to the Group Trust's and the Supplemental Plan's functional currency (United States dollars) at the foreign exchange rates quoted at December 31, 2009 and 2008, respectively. These foreign exchange gains and losses are included the in Group Trust net appreciation (depreciation) in fair value of investments in the accompanying disclosures of the Group Trust.

Administrative expenses

The cost of administering the Supplemental Plan is paid by the Supplemental Plan from current earnings pursuant to an annual fiscal budget approved by the Board.

2. **Cash and Cash Equivalents**

For cash deposits and cash equivalents, custodial credit risk is the risk that in the event of a bank failure, the Group Trust's and the Supplemental Plan's deposits may not be returned to it. The Group Trust's and the Supplemental Plan's deposits are held by the Custodian, JP Morgan Chase. As of December 31, 2009 and 2008, the Group Trust had bank balances of $4,362,318 and $2,318,275, respectively, that are in demand deposit accounts subject to coverage by Federal Deposit Insurance Corporation, but not collateralized. The Group Trust and the Supplemental Plan do not have a deposit policy for custodial credit risk; however, management believes that the Group Trust's and the Supplemental Plan's credit risk exposure is mitigated by the financial strength of the banking institution in which the deposits are held.

Continued

SUPPLEMENTAL POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements, Continued

3. **Investments and Plan Interest in Group Trust**

The following disclosures on investments and the Supplemental Plan's interest in Group Master Trust are made for the Group Master Trust as of and for the years ended December 31, 2009 and 2008. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Short-term investments are government and corporate bonds with a maturity of less than one year and are valued based on current market rates. The fair value of limited partnerships, real estate trusts, and real estate loans is based on independent appraisals and recent financial results. Investments that do not have an established market are reported at their estimated fair values. Unrealized gains and losses are presented as net appreciation (depreciation) in fair value of investments on the statement of changes in plan net assets along with gains and losses realized on sales of investments. Dividend income is recorded on the ex-dividend date. Interest and income from other investments are recorded as earned.

The following summarizes the fair value of investments for the Group Trust as of December 31:

	2009	2008
Investments, at fair value (notes 2, 3 and 4):		
Cash and cash equivalents	$ 357,487,781	189,628,091
United States government securities	9,007,801	1,754,304
United States government sponsored enterprises	4,144,690	19,479,059
Foreign government securities	95,161,233	99,780,380
Commingled funds	21,173,407	20,999,013
Domestic equities	431,665,296	367,155,694
International equities	1,264,841,924	1,012,510,245
Corporate securities	342,763,532	243,474,306
Investments, at appraised value - real estate equity funds	1,123,902,487	1,138,167,164
Total investments	3,650,148,151	3,092,948,256
Receivables:		
Accrued interest and dividends	8,363,375	8,945,704
Forward currency contracts (note 6)	159,950,987	57,271,091
Securities sold	1,922,746	26,852,309
Total receivables	170,237,108	93,069,104
Total assets	3,820,385,259	3,186,017,360
Liabilities and Net Assets		
Repurchase loan agreement (note 7)	31,147,000	33,316,200
Payable for securities purchased	77,255,071	28,701,252
Professional fees payable	3,389,132	5,982,653
Forward currency contracts (note 6)	159,016,722	56,691,520
Securities lending collateral (note 4)	220,696,254	148,844,078
Line of credit and other bank loans (note 8)	438,176,000	366,476,000
Total liabilities	929,680,179	640,011,703
Net assets in the Group Trust	$ 2,890,705,080	2,546,005,657

Continued

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SUPPLEMENTAL POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements, Continued

The following summarizes the net change in the Group Trust for the years ended December 31:

		2009	2008
Investment income:			
Interest	$	25,691,877	33,379,607
Dividends		46,486,971	40,171,711
Real estate income		13,316,273	9,123,317
Net appreciation (depreciation) in fair value of investments		318,474,104	(865,198,727)
Securities lending income		1,124,410	1,253,546
Less investment expenses:			
Custody fees		(335,135)	(645,670)
Investment services		(23,530,722)	(20,077,353)
Total investment income (loss) in Group Trust		381,227,778	(801,993,569)
Plan net assets held in trust for pension benefits:			
Beginning of year		2,546,005,657	3,376,595,843
Benefits payments in excess of contributions received for System and Supplemental Plan		(36,528,355)	(28,596,617)
End of year	$	2,890,705,080	2,546,005,657
The following is a break out of interest held in the Group Trust:			
Group Trust interest held by the System	$	2,870,025,498	2,527,902,765
Group Trust interest held by the Supplemental Plan		20,679,582	18,102,892
Total nets assets of Group Trust	$	2,890,705,080	2,546,005,657

Portions of the Group Trust's are classified as security investments. A security is a transferable financial instrument that evidences ownership or creditorship. Investments in commingled funds, limited partnerships, real estate trusts, and loans and mortgages are investments that are evidenced by contracts rather than securities.

Continued

SUPPLEMENTAL POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements, Continued

The fair values of the Group Trust's investments at December 31, 2009 and 2008 are presented by type, as follows:

		2009	2008
Cash and cash equivalents	$	357,487,781	189,628,091
United States government securities		9,007,801	1,754,304
U.S. government sponsored enterprises		4,144,690	19,479,059
Foreign government securities		95,161,233	99,780,380
Commingled funds		21,173,407	20,999,013
Domestic equities		431,665,297	367,155,694
International equities		1,264,841,923	1,012,510,245
Corporate securities		342,763,532	243,474,306
Investments, at appraised value - real estate equity funds		1,123,902,487	1,138,167,164
Total investments	$	3,650,148,151	3,092,948,256

The System's Board has contracted with investment managers to manage the investment portfolio of the Group Trust, subject to the policies and guidelines established by the Board. The System's Board has custody agreements with JP Morgan Chase and under such agreements JP Morgan Chase assumes responsibility for the safekeeping of certain investments, handling of transactions based on the instructions of investment managers, and accounting for the investment transactions.

Group Trust investments that individually represent 5% or more of the net assets available for benefits and the total of investments that individually represent less than 5% of the net assets available for benefits at December 31 are as follows:

		2009 Fair value	2008 Fair value
Investments greater than 5% of net assets, at quoted market value:			
Securities lending -			
Global Securities Lending			
JP Morgan	$	220,696,255	148,884,079
Total investments greater than 5% of net assets		220,696,255	148,884,079
Investments less than 5% of net assets:			
At quoted market value		2,305,549,409	1,805,897,013
At appraised value		1,123,902,487	1,138,167,164
Total investments	$	3,650,148,151	3,092,948,256

Continued

SUPPLEMENTAL POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements, Continued

Custodial credit risk

For an investment, custodial credit is the risk that, in the event of the failure of the counterparty, the Group Trust and the Supplemental Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Group Trust or the Supplemental Plan, and are held by either the counterparty or the counterparty's trust department or agent but not in the Group Trust's or the Supplemental Plan's name. At December 31, 2009 and 2008, the Group Trust's and the Supplemental Plan's security investments that were not subject to custodial credit risk were the investments in fixed income and equity investments.

Concentration of credit risk

The allocations of assets among various asset classes are set by the System Board with the objective of optimizing the investment return of the Group Trust within a framework of acceptable risk and diversification. For major asset classes (e.g., domestic equities, international equities, fixed income, alternative investments, and real estate), the Group Trust will further diversify by employing investment managers who implement the strategies selected by the System's Board.

Significant guidelines are as follows:

Public market investments

1. Specific guidelines are developed cooperatively by the System investment staff, legal counsel, and investment manager and shall be incorporated into the Investment Management Services Contract executed by the Chair of the Board, System Administrator, General Counsel, and the investment manager.

2. In case of conflict between the specific manager guidelines and the general guidelines, the specific guidelines, as approved by the Board, shall supersede. The general guidelines are as follows:

    a. Manager investment philosophy, style, and strategy shall remain consistent and shall not change without the Board's approval. The manager shall have discretion to manage the portfolio consistent with the style presented to the Board at the time of selection and further subject to the restrictions established by the policy herein.
    b. The following transactions are prohibited: short sales, selling on margin, put and call options, and the use of derivatives for speculation unless authorized by the Board.
    c. Transactions that involve a broker acting as a principal, where such broker is also affiliated with the manager who is making the transaction are prohibited, unless specifically approved by the Board.
    d. Transactions shall be executed at competitive costs, or within the parameters established for directed brokerage transactions by the Board.
    e. Managers shall maintain cash levels consistent with their style as presented to the Board at the time of selection. Any deviation shall be allowed only after notifying the System Administrator and Assistant Administrator of Investments and should be related to unusual market conditions. The cash level held by each manager will be addressed in the Investment Management Services Contract.

Continued

SUPPLEMENTAL POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements, Continued

3. The System's Board with the assistance from the System staff shall monitor each investment manager's performance and adherence to style, strategy, and manager specific guidelines. It is the Board's discretion to take corrective action by replacing an investment manager if they deem it appropriate at any time.

Alternative and real estate investments

1. The investment specific guidelines for each manager will be incorporated in a Limited Partnership Agreement, Limited Liability Company Agreement, or other binding agreement as is appropriate for the investment. The System Board, System Administrator, General Counsel, and the investment manager execute this document.

2. In case of conflict between the specific manager guidelines and the general guidelines, the specific guidelines, as approved by the System's Board, shall supersede. The general guidelines are as follows:

   a. Manager investment philosophy, style, and strategy shall remain consistent and shall not change without the System Board's approval. The manager shall have discretion to manage the portfolio consistent with the style presented to the System Board at the time of selection and further subject to the restrictions established by the policy herein.
   b. The Chair of the System Board may execute amendments and consents if the resulting changes or allowances are provided for in the governing documents as previously accepted by the System Board. Otherwise, such changes are to be approved by the System Board. The System Board will be notified on a quarterly basis of all executed amendments.

3. The System Board with assistance from the System staff shall monitor each Alternative and Real Estate manager's performance and adherence to strategy and manager specific guidelines. It is the System Board's discretion to take corrective action by replacing an investment manager if they deem it feasible and appropriate at any time. Alternative and Real Estate investment manager retention is governed in most cases by Limited Partnership Agreements, Limited Liability Company Agreements, or other binding agreements. In these cases, the System Board with assistance from the System staff shall identify available options as allowed by the governing documents and determine the impact and consequences of these options.

Interest rate risk and foreign currency risk

The Group Trust and the Supplemental Plan invests in fixed income securities including, but not limited to, investments representing instruments with an obligated fixed rate of interest including public and private debentures, mortgages, investments in life insurance general accounts and guaranteed investment contracts, with maturities greater than one year, and options/futures. Instruments may have an investment grade or non-investment grade rating. Purchases and sales, investment selection and implementation of investment strategies are delegated to the discretion of the investment manager, subject to compliance with its management agreement and the System's Investment Policy.

Continued

SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements, Continued

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. Interest rate risk is the greatest risk faced by an investor in the fixed income market. The price of a fixed income security typically moves in the opposite direction of the change in interest rates. The weighted average maturity expresses investment time horizons (when the investment comes due and payable) in years, weighted to reflect the dollar size of individual investments within the investment type. The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates, but rather mandates such limits within the Investment Management Services Contract.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. International securities investment managers are expected to maintain diversified portfolios by sector and by issuer using the System Investment Policy.

At December 31, 2009, the following tables show the Group Trust's investments by type, time-to-maturity, fair value, and foreign currency fluctuation:

Type of Investment		Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years	Total Fair Value
Fixed maturity domestic:						
U.S. Treasury securities	$		273,130	5,138,962	3,595,709	9,007,801
U.S. Gov't agency securities			393,985	655,840	3,094,865	4,144,690
Municipal bonds					670,000	670,000
Corporate securities:						
Collateralized mortgage obligation					10,516,679	10,516,679
Corporate bonds		11,811,361	106,168,505	55,964,318	154,285,163	328,229,347
Commingled funds					21,173,407	21,173,407
Convertible bonds			3,347,506			3,347,506
Total fixed maturity domestic		11,811,361	110,183,126	61,759,120	193,335,823	377,089,430
International government bonds:						
Australian Dollar			3,791,977	10,519,097		14,311,074
Brazil Real		737,867			3,961,106	4,698,973
British Pound Sterling		6,683,727	188,720	1,492,262	2,060,362	10,425,071
Canadian Dollar		2,721,447				2,721,447
EURO Currency			1,351,088	7,451,688	6,421,669	15,224,445
Iceland Krona		344,142				344,142
Indonesian Rupiah		2,506,342				2,506,342
Japanese Yen		4,217,338	6,398,490	2,192,742	1,257,894	14,066,464
Korean Won				1,291,562		1,291,562
Malaysian Ringgit		275,432	3,713,033			3,988,465
Mexican New Peso			3,534,353	2,530,548	1,962,756	8,027,657
New Zealand Dollar		1,220,269	3,072,090			4,292,359
Norway Krone		16,964				16,964
Poland New Zloty			1,522,175	5,063,521		6,585,696
South African Rand					1,072,159	1,072,159
Swedish Krona			3,665,532		1,922,881	5,588,413
Total international government bonds		18,703,528	27,237,458	30,541,420	18,678,827	95,161,233
Total fixed maturity	$	30,514,889	137,420,584	92,300,540	212,014,650	472,250,663

Continued

SUPPLEMENTAL POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements, Continued

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Group Trust does not have a formal policy limiting investment credit risk, but rather mandates such limits within the Investment Management Services Contract. The Group Trust's exposure to investment credit risk in fixed income securities as of December 31, 2009 is as follows:

Type	S & P Rating	Amount	Percentage of holding
Corportate Securities:			
Convertible bond:			
	B		0.00%
	NR	$ 3,347,506	0.71%
Total convertible bond		3,347,506	0.71%
Corporate bond:			
	AAA	6,775,101	1.43%
	AA+	454,484	0.10%
	AA	3,023,847	0.64%
	AA-	2,836,841	0.60%
	A+	4,580,500	0.97%
	A	6,318,660	1.34%
	A-	2,833,999	0.60%
	BBB+	6,741,271	1.43%
	BBB	9,842,353	2.08%
	BBB-	15,061,695	3.19%
	BB+	6,068,731	1.29%
	BB	21,985,330	4.66%
	BB-	34,002,527	7.20%
	B+	24,432,157	5.17%
	B	22,624,639	4.79%
	B-	13,934,096	2.95%
	CCC+	17,459,551	3.70%
	CCC	11,040,424	2.34%
	CCC-	3,146,750	0.67%
	D	7,168,319	1.52%
	NR	107,918,172	22.85%
Total corporate bond		328,229,347	69.50%
Mortgage bond:			
	AAA	$ 1,186,463	0.25%
	AA	690,663	0.15%
	A+	504,262	0.11%
	BB-	484,653	0.10%
	B	701,021	0.15%
	B-	1,243,468	0.26%
	CCC	939,541	0.20%
	NR	4,766,500	1.01%
Total mortgage bond		10,516,670	2.23%
Total corporate securities		342,093,532	72.44%
Foreign securities:			
Government bond:			
	AAA	23,900,856	5.06%
	AA+	2,496,570	0.53%
	AA	14,525,496	3.08%
	AA-	575,521	0.12%
	A+	2,363,722	0.50%
	A	18,554,906	3.93%
	A-	5,343,532	1.13%
	BBB+	733,658	0.16%
	BBB	991,366	0.21%
	BBB-	1,220,269	0.26%
	BB-	4,893,113	1.04%
	B	1,180,098	0.25%
	D	1,328,035	0.28%
	NR	17,052,891	3.61%
Total government bond		95,161,233	20.15%
United States Government securities:			
U.S. Government agency securities		4,144,690	0.88%
Treasury Notes	AAA	9,007,801	1.91%
Total U.S. Government securities		13,152,491	2.79%
Municipal bonds	Aaa	670,000	0.14%
		670,000	
Commingled	NR	21,173,407	4.48%
Total credit risk debt securities		472,250,663	100.00%

Continued

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SUPPLEMENTAL POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements, Continued

4. **Securities Lending**

The System Board has authorized the Group Trust to enter into an agreement with JP Morgan Chase (JP Morgan) for the lending of certain of the Group Trust's securities (the Securities Lending Program or program) including, but not limited to, stocks and bonds to counterparty brokers and banks (borrowers), for a predetermined period of time and fee. Such transactions are allowed by State statute.

During 2009 and 2008, JP Morgan lent, on behalf of the Group Trust, securities held by JP Morgan as the Group Trust's custodian, and received United States dollar cash and United States government securities as collateral. JP Morgan did not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to put up collateral for each loan equal to: (i) in the case of loaned securities denominated in United States dollars or whose primary trading market was in the United States or sovereign debt issued by foreign governments, 102% of the fair market value of the loaned securities; and (ii) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not in the United States, 105% of the fair market value of the loaned securities.

The System Board did not impose any restrictions during 2009 and 2008 on the amount of the loans that JP Morgan made on its behalf. There were no failures by any borrowers to return the loaned securities or pay distributions thereon during the fiscal years 2009 and 2008. Moreover, there were no losses during the 2009 and 2008 fiscal years resulting from a default of the borrower. JP Morgan indemnifies the Group Trust in respect of any loan related to any non-cash distribution and return of securities.

During 2009 and 2008, the System Board and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral was invested, together with the collateral of other qualified tax-exempt plan lenders, in a collective investment pool maintained by JP Morgan. The relationship between the average maturities of the investment pool and the Group Trust's loans was affected by the maturities of the loans made by other plan entities that invested cash collateral in the collective investment pool, which the System Board could not determine. On December 31, 2009 and 2008, the Group Trust and the Supplemental Plan had no credit risk exposure to borrowers. The market value of securities on loan for the Group Trust were $212,745,824 and $144,765,038 at December 31, 2009 and 2008, respectively. The collateral held for the Group Trust were $220,696,255 and $148,844,079 at December 31, 2009 and 2008, respectively.

Disclosure of securities lending revenue is shown gross with the associated reductions for investment expenses on the face of the Group Trust's statements of changes in plan net assets, and the cash collateral and associated securities lending payable is shown on the face of the statements of plan net assets for the Group Trust as of December 31, 2009 and 2008.

Continued

SUPPLEMENTAL POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements, Continued

5. **Contributions Required and Contributions Made**

Funding policy

The City is required by ordinance to contribute amounts, as determined by an actuary, necessary to maintain the Supplemental Plan. The City's contribution rate is intended to be sufficient to amortize the unfunded actuarial liability over five years as of January 1, 2010 and 2009. The contribution is also limited to be within $100,000 the previous year's contribution.

Members electing to participate in the Supplemental Plan must contribute 8.5% of the excess of their compensation for the rank held over the compensation of the Civil Service rank held as a result of competitive examinations.

The required contribution rate of the City, pursuant to an actuarial study effective January 1, 2010, consists of 138.24% of covered members' salaries, increased by 9.45% of covered members salaries of 128.79%, as of January 1, 2009.

The required contribution rate of the City, pursuant to an actuarial study effective January 1, 2009, consists of 128.79% of covered members' salaries, decreased by 3.78% of covered members salaries of 132.57%, as of January 1, 2008.

Historical trend information

Historical trend information is provided as supplemental information on pages 25 through 27. This information is intended to demonstrate progress the Supplemental Plan has made in accumulating sufficient assets to pay benefits when due and the related actuarial assumptions used in determining the actuarially determined amounts.

The Supplemental Plan's contribution rates and the actuarial information included in schedules 1 and 2 is based on certain assumptions pertaining to interest rates, inflation rates and participant 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 could be material to the financial statements.

6. **Forward Contracts**

During fiscal years 2009 and 2008, the Group Trust entered into forward foreign exchange contracts. A currency forward is a contractual agreement between two parties to pay or receive specific amounts of foreign currency at a future date in exchange for another currency at an agreed upon exchange rate. Forward commitments are not standardized and carry credit risk due to the possible nonperformance by one of the counterparties. The maximum potential loss is the aggregate face value in U.S. dollars at the time the contract was opened; however, the likelihood of such loss is remote. Forwards are usually traded over-the-counter. These transactions are entered into in order to hedge risks from exposure to foreign currency rate fluctuation and to facilitate trade settlement of foreign security transactions. Forwards carry market risk resulting from adverse fluctuations in foreign exchange rates. Recognition of realized gain or loss depends on whether the currency exchange rate has moved favorable or unfavorable to the contract holder upon termination of the contract. Prior to termination of the contract, the Group Trust records the unrealized currency translation gain or loss based on the applicable forward exchange rates. Such matching existed at December 31, 2009 and 2008.

Continued

SUPPLEMENTAL POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements, Continued

During 2009 and 2008, the Group Trust recognized net realized gains and losses on foreign currency forward contracts of $72,927 and $7,081, respectively. At December 31, 2009 and 2008, the Group Trust had net unrealized gains and net unrealized loss on forward currency contracts reflected in the accompanying Group Trust summary information of $547,703 and $556,702, respectively.

7. **Obligation Under Reverse Repurchase Agreements**

State statutes permit the Supplemental Plan to enter into reverse repurchase agreements. The credit exposure at December 31, 2009 and 2008 related to these agreements was $31,147,000 and $33,316,200, respectively, in the Group Trust. All sales of investments under reverse repurchase agreements are for fixed terms. In investing the proceeds of reverse repurchase agreements, the Supplemental Plan policy is for the term to maturity of the investment to be the same as the term of the reverse repurchase agreements. Such matching existed at December 31, 2009 and 2008.

8. **Line of Credit and Other Bank Loans**

The Group Trust has a credit agreement with a commercial bank, which provides for a revolving line of credit bearing interest at the 30 day floating LIBOR plus 75 basis points and 45 basis points at December 31, 2009 and 2008, respectively, payable quarterly. At December 31, 2009 and 2008, the Group Trust had borrowed approximately $340,916,000 and $329,216,000, respectively, related to the revolving credit line, which provides for a maximum borrowing of $350,000,000. The revolving credit line was opened on November 1, 2006, and expires on September 30, 2010. The Group Trust and the System also pay a quarterly fee on the unused portion of the line of credit equaling 14 basis points. The line of credit agreement contains various covenants under the terms of the agreement in which the bank may call the line of credit, if the Group Trust is in violation of any restrictive covenants.

In June of 2009, the Group Trust established a credit agreement with a commercial bank which provides for a revolving line of credit bearing interest at the PRIME rate and a floor rate of 5% as of December 31, 2009, payable monthly. At December 31, 2009, the Group Trust had borrowed $40,000,000 related to the revolving credit line, which provides for a maximum borrowing of $40,000,000. The revolving credit line expires on June 29, 2012. The Group Trust and the System also pay a monthly fee on the unused portion of the line of credit equaling 50 basis points.

In July of 2009, the Group Trust established a credit agreement with a commercial bank which provides for a revolving line of credit bearing interest at the PRIME rate and a floor rate of 5% as of December 31, 2009, payable quarterly. At December 31, 2009, the Group Trust had borrowed $20,000,000 related to the revolving credit line, which provides for a maximum borrowing of $20,000,000. The revolving credit line expires in July, 2010.

Continued

SUPPLEMENTAL POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements, Continued

In addition to the line of credit, the Group Trust has an additional loan agreement with the commercial bank bearing interest per annum at the 30 day floating LIBOR rate plus 75 basis points and 45 basis points at December 31, 2009 and 2008, respectively, payable quarterly. At December 31, 2009 and 2008, the loan balance outstanding was $37,260,000. The loan is secured by real property and matures on September 30, 2010. The bank loan agreement contains various covenants under the terms of the agreement in which the bank may call the loan if the Group Trust is in violation of any restrictive covenants.

Maturities of long-term debt at December 31, are as follows:

Year Ending December 31,	
2010	$ 398,176,000
2011	-
2012	40,000,000
Total	$ 438,176,000

9. **Federal Income Tax Status**

A favorable determination that the Supplemental Plan is qualified and exempt from Federal income taxes was received on January 24, 2001, from the Internal Revenue Service (IRS). The Board believes that the Supplemental Plan is designed and continues to operate in compliance with the applicable requirements of the Internal Revenue Code.

10. **Administrative Expenses**

The Supplemental Plan's plan document authorizes the Board to pay administrative costs from the Supplemental Plan, provided that the Supplemental Plan's actuary has determined that the Supplemental Plan has sufficient income to pay such costs. The Supplemental Plan reimbursed the City for $0 and $847 related to the Supplemental Plan's overall administrative costs during the years ended December 31, 2009 and 2008, respectively.

The Group Trust investment related expenses for the years ended December 31, 2009 and 2008 also include $23,530,722 and $20,077,353, respectively, in asset management fees for the Group Trust.

11. **Commitments and Contingencies**

As described in note 1, certain members of the Supplemental Plan are entitled to refunds of their accumulated contributions on termination of employment with the City, prior to being eligible for pension benefits. As of December 31, 2009 and 2008, aggregate contributions from active members of the Supplemental Plan with less than five years of service were $67,389 and $47,990, respectively.

The Group Trust had outstanding investment commitments to various limited partnerships and international investment advisors of $544,554,834 and $415,523,031 at December 31, 2009 and 2008, respectively.

Continued

SUPPLEMENTAL POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements, Continued

12. **Risks and Uncertainties**

The Group Trust invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. 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 statements of plan net assets.

The Supplemental Plan contribution rates and the actuarial information included in the schedule of contributions, page 26, and schedule of funding progress, page 25, are based on certain assumptions pertaining to interest rates, inflation rates and participant 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 could be material to the basic financial statements.

Several lawsuits are pending against the City by third party police officers and firefighters, which claim the right to significant back pay on behalf of most current and many former Dallas police officers and firefighters. If these lawsuits are successful, they will likely result in large over-due pension claims on behalf of many retired pensioners and large increases in the actuarial accrued liabilities of current members of the Supplemental Plan, because pensions are generally a percentage of the pay of the police officers and firefighters.

The Supplemental Plan has intervened in the above lawsuits to protect the Supplemental Plan's right to members and City contributions which the Supplemental Plan believes will be due if the police officers' and firefighters' claims are successful. The ultimate outcome of these lawsuits cannot be determined at this time and, accordingly, no amounts related to these claims have been accrued in the Supplemental Plan's basic financial statements as of December 31, 2009 and 2008.

13. **Subsequent Events**

Management has evaluated subsequent events through June 30, 2010, which is the date the financial statements were issued.

REQUIRED SUPPLEMENTAL INFORMATION

Schedule 1

SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS

Schedule of Funding Progress (Unaudited)
(000's)

GASB required supplementary information (unaudited) related to the Supplemental Plan's funding progress is as follows (amounts in thousands):

Schedule of Funding Progress

Actuarial valuation date	Actuarial value of assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
1/1/2001	$ 16,626	19,566	2,940	85 %	$ 655	449 %
1/1/2002	15,496	21,214	5,718	73 %	737	776 %
1/1/2003	14,081	22,398	8,317	63 %	858	970 %
1/1/2004	16,950	23,325	6,375	73 %	730	873 %
1/1/2005	18,720	24,496	5,776	76 %	818	706 %
1/1/2006	19,961	26,320	6,409	76 %	928	691 %
1/1/2007	23,314	28,663	5,349	81 %	866	618 %
1/1/2008	25,254	30,098	4,844	84 %	938	516 %
1/1/2009	18,140	32,053	13,913	57 %	1,043	1,334 %
1/1/2010	20,681	33,449	12,768	62%	1,044	1,223 %

Certain factors, such as changes in benefit provisions, the size or composition of the population covered by the Supplemental Plan or the actuarial assumptions used, may significantly affect the identification of trends in the amounts reported in this schedule.

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the plan's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the plan is becoming financially stronger or weaker, generally, the greater this percentage, the stronger the plan. Trends in unfunded actuarial accrued liability and covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

See accompanying note to required supplemental schedules.
See accompanying independent auditors' report.

Schedule 2

SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS

Schedule of Employer Contributions (Unaudited)

The following table lists required supplementary information (unaudited) related to Employer contributions:

Schedule of Contributions

Year Ended December 31,	Annual required contribution	Percentage contributed
2000	700,000	100 %
2001	800,000	100 %
2002	900,000	100 %
2003	1,000,000	100 %
2004	1,100,000	100 %
2005	1,200,000	100 %
2006	1,300,000	100 %
2007	1,340,414	100 %
2008	1,243,717	100 %
2009	1,343,717	100 %

The percent contributed may vary from the legally required rate as the term "Annual Required Contribution" is based upon covered payroll as of the actuarial valuation date, January 1, whereas actual contributions are calculated and paid based upon actual payrolls throughout the year.

Certain factors, such as changes in benefit provisions, the size or composition of the population covered by the Supplemental Plan or the actuarial assumptions used, may significantly affect the identification of trends in the amounts reported in this schedule.

Contributions were made in accordance with actuarially determined contribution requirements as adopted by the Board. The contribution is limited to be within $100,000 of the previous year's contributions. However, in no event will the City's contribution be less than the amount necessary to satisfy GASB 27.

See accompanying independent auditors' report.
See accompanying note to required supplemental schedules.

SUPPLEMENTAL POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS

Note to Required Supplemental Schedules
(Unaudited)

The information in the accompanying schedules of required supplemental information were determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation date of January 1, 2010 and 2009 is as follows:

Actuarially assumed investment rate of return *	8.5% per annum, compounded annually
Mortality, retirement, disability and separation rates	Graduated rates detailed in actuary's report
Actuarial cost method	Entry age normal
Post retirement benefit increases	4% per annum of original pension amount
Asset valuation	Fair market value
Amortization method	Open level fixed %
Remaining amortization period	5 years in 2009 and 2008
DROP account returns	9% per annum
Post retirement marketing	1994 Group Annuity Mortality Table

* Includes inflation rate of 4% and a real rate of return of 4.5%. DROP balances are assumed to earn 9% per annum. Total payroll is assumed to increase 4% per year. Overtime is assumed to be 11% of base pay per the 2009 actuary report and 11% of base pay per the 2008 actuary report.

The actuarial information presented was determined by the actuarial firm Buck Consultants, Inc. for 2009 and 2008 and results from applying various assumptions with regard to termination, disability, retirement, mortality and the time value of money to the accumulated plan benefits.

The actuarial assumptions are based on the presumption that the Supplemental Plan will continue. Were the Supplemental Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

Actuarial calculations were made by the consulting actuary Buck Consultants, Inc. as of January 1, 2010 and 2009, and are not materially different from what they would have been had they been calculated on December 31, 2009 and 2008, respectively. The above assumptions are used by the Supplemental Plan's actuaries to determine the Supplemental Plan's obligations only, and are not used to calculate the actual Supplemental Plan benefits. Plan benefits are fully described in the Supplemental Plan's document.

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